



MEDBOT™
微创机器人

2023

ANNUAL REPORT

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

Stock Code: 2252

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



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Corporate Information

DIRECTORS AND SUPERVISORS

Executive Director

Dr. He Chao (*President*)

Non-Executive Directors

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

Mr. Sun Xin¹

Mr. Chen Xinxing²

Mr. Chen Chen

Independent Non-Executive Directors

Dr. Li Minghua

Mr. Yao Haisong

Mr. Mui Wing Hong

Supervisors

Dr. Zhang Jie

Ms. Zhang Lihong

Mr. Yuan Shuai¹

Mr. Chen Gong²

COMPANY SECRETARY

Ms. Hui Yin Shan

AUTHORISED REPRESENTATIVES

Mr. Sun Hongbin

Ms. Hui Yin Shan

AUDIT COMMITTEE

Mr. Mui Wing Hong (*Chairperson*)

Dr. Li Minghua

Mr. Sun Xin¹

Mr. Chen Xinxing²

REMUNERATION AND APPRAISAL COMMITTEE

Dr. Li Minghua (*Chairperson*)

Mr. Yao Haisong

Mr. Sun Hongbin

NOMINATION COMMITTEE

Mr. Yao Haisong (*Chairperson*)

Mr. Mui Wing Hong

Dr. He Chao

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 Retired on 29 December 2023 upon the expiration of his term of office

² Appointed on 29 December 2023

Corporate Information (Continued)

HEADQUARTER 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

AUDITOR

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 ADVISER AS TO HONG KONG LAWS

Fangda Partners
26th Floor, One Exchange Square
8 Connaught Place
Central
Hong Kong

LEGAL ADVISER AS TO PRC LAWS

Fangda Partners
24th Floor, HKRI Centre Two, HKRI Taikoo Hui
288 Shi Men Yi Road
Shanghai
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 Co., Ltd.
Zhangjiang Innovation Branch
China Merchants Bank Co., Ltd.
Shanghai Hong Kou Stadium Branch
Bank of Shanghai, Pudong Science & Technology Branch

Financial Highlights

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	For the year ended December 31				
	2023 RMB'000 (Audited)	2022 RMB'000 (Audited)	2021 RMB'000 (Audited)	2020 RMB'000 (Audited)	2019 RMB'000 (Audited)
Revenue	104,592	21,603	2,150	—	—
Gross profit	14,694	6,562	919	—	—
Loss before taxation	(1,023,530)	(1,146,284)	(584,507)	(209,290)	(69,801)
Loss for the year	(1,023,530)	(1,146,284)	(584,507)	(209,290)	(69,801)
Loss attributable to equity shareholders of the Company	(1,012,174)	(1,139,806)	(582,921)	(208,874)	(69,801)
Loss per share — Basic and diluted (in RMB)	(1.06)	(1.19)	(0.63)	(0.27)	(0.11)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at December 31				
	2023 RMB'000 (Audited)	2022 RMB'000 (Audited)	2021 RMB'000 (Audited)	2020 RMB'000 (Audited)	2019 RMB'000 (Audited)
Non-current assets	633,859	831,303	697,658	189,304	22,108
Current assets	794,048	1,098,822	2,094,226	1,515,050	56,327
Total assets	1,427,907	1,930,125	2,791,884	1,704,354	78,435
Non-current liabilities	240,876	196,933	167,263	33,994	10,725
Current liabilities	685,276	325,314	234,469	228,908	41,299
Total liabilities	926,152	522,247	401,732	262,902	52,024
Total equity	501,755	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 collectivised 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 commercialisation.

VISION

Build a globalised 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,

Despite the challenges from the global economy and geopolitics, MedBot continued to demonstrate its resilience and strength. During the year 2023, we firmly advanced our focused business and globalisation strategies, and adhered to independent development and innovation as the core with strict control over operational efficiency. During the Reporting Period, we continued to deliver strong revenue growth and consolidated our influence and leadership as a leading Chinese surgical robot company. The year 2023 was the one when the commercialisation of MedBot was fully accelerated. All employees of the Company have always held the belief of "Make surgery easier, safer and less invasive" and actively responded to the increasingly fierce industry competition, so that a milestone breakthrough was achieved in terms of product launching overseas, commercialisation, innovation and research and development.

THE PROCESS OF WINNING BIDS FOR OUR CORE PRODUCT TOUMAI HAS ACCELERATED, SOLIDIFYING THE MARKET LEADING POSITION OF DOMESTIC BRANDS

The multi-disciplinary application of the Core Product, i.e. Toumai was approved by the NMPA in October 2023, unveiling a new chapter in its commercialisation process. Toumai has won the trust of doctors and gained high recognition from hospitals and the market by virtue of its excellent clinical value, forward-looking technological innovation capabilities and perfect training service system. During the Reporting Period, Toumai completed ten commercially installed units and achieved strong growth as compared with the same period of last year. As at the date of this report, Toumai has won bids for nearly 20 units in various provinces nationwide, not only ranking first in market share among domestic brands, but also breaking the long-term market monopoly of imported brands for the first time. Many of Toumai's bid hospitals are top-tier hospitals in China, which further confirms Toumai's absolute leading edge in domestic laparoscopic surgical robots, and lays a sound foundation for Toumai's subsequent large-scale commercial applications. Flagship products SkyWalker and DFVision also contributed steady sales revenue during the Reporting Period. The Mona Lisa, a prostate puncture robot deployed by the Group in the percutaneous surgery domain through international cooperation was approved by the NMPA in May 2023, and one unit was sold and installed during the Reporting Period. The R-ONE vascular interventional robot, which we deployed in the panvascular domain, has even accumulated several intended orders within a short period since it was approved in December 2023, showing a strong commercialisation potential. We are pleased to see that with the successive launch of our multi-field products, the synergistic effects such as technical synergy and sales promotion of products in each field have begun to appear.

Chairman's Statement (Continued)

PRODUCT OVERSEAS LAUNCH HAS ACHIEVED A NEW MILESTONE, CONSTANTLY DEVELOPING AND EXPLORING GLOBAL OPPORTUNITIES

At the end of 2023, our Core Product Toumai has successfully secured its first overseas order, which also represents the first order for overseas sales of domestic laparoscopic surgical robots. To date, this Toumai machine has successfully completed dozens of human clinical surgeries overseas. This is a landmark milestone for Toumai to establish domestic presence, boldly explore the international market, and successfully achieve commercial transformation and enter into clinical application. It is of great significance for the development and globalisation strategy of the Group.

As the first Chinese surgical robot to launch overseas, SkyWalker's overseas business was accelerated during the Reporting Period and achieved breakthroughs in terms of commercialisation in the mainstream countries of global high-end medical equipment manufacturing, including the United States and Germany. So far, SkyWalker has received a total of 15 overseas sales orders, completed more than 100 robot-assisted surgeries, and successfully performed multiple consecutive surgeries.

In terms of globalisation strategy, we expect that more products will join our lineup of products for overseas launch in the future. Therefore, we continue to explore more economical and efficient ways to launch overseas. We focus on overseas target markets in the aspects of brand building, overseas registration, clinical application, market expansion and operation and maintenance guarantee, and gradually promote the development of overseas business. At the same time, we are able to promote our overseas commercial activities of multiple products in a comprehensive and rapid manner by giving full play to the natural advantage of synergistic effect with MicroPort Group and its extensive overseas sales network.

WE CONTINUED WITH THE DEVELOPMENT AND MARKETISATION OF INNOVATIVE PRODUCTS, OBTAINING A TOTAL OF 8 DOMESTIC AND OVERSEAS REGISTRATION APPROVALS/CERTIFICATIONS DURING THE REPORTING PERIOD

2023 is a year in which the Group's innovative products gained market access intensively. Most of our products, which are widely deployed in five major and fast-growing surgical specialties, were in the mid-to-late stage of obtaining approvals, for the purpose of providing comprehensive robot intelligent surgical solutions. Among them:

- In the field of orifice surgery, the application of our Core Product Toumai for laparoscopic surgeries in urology, general surgery, gynecology and thoracic surgery was approved by the NMPA in October 2023, marking the full launch of the commercial application of Toumai in multiple departments. During the Reporting Period, the new generation of DFVision was granted with the marketing registration certificate issued by the Shanghai Medical Products Administration and the CE Mark from EU through approval by the British Standards Institution (BSI).
- In the field of orthopedic surgery, the application of SkyWalker for hip and knee arthroplasty was approved by the NMPA in September 2023. During the Reporting Period and up to the date of this report, SkyWalker (being used for knee replacement surgery) further obtained Brazil ANVISA certification, Australia TGA certification and the United Kingdom UKCA certification, becoming the first and only domestic surgical robot approved for launch in major surgical robot markets, namely China, the United States, EU, Brazil, Australia and the United Kingdom.
- In the field of panvascular surgery, the R-ONE vascular interventional robot obtained the approval for launch by the NMPA in December 2023, becoming the first approved commercial coronary vascular interventional robot to complete multi-centre clinical trials in China.
- In the field of percutaneous surgery, iSR'obot Mona Lisa Robotic Transperineal Prostate Biopsy System obtained the approval for launch by the NMPA in May 2023, becoming the first prostate puncture robot that obtained the approval in the field of urology surgery in China and jointly built a diagnosis and treatment integrated platform with Toumai.

Chairman's Statement (Continued)

THE EXPLORATION AND APPLICATION OF SURGICAL ROBOTS IN REMOTE SURGERY LED THE INDUSTRIAL UPGRADE

Remote surgery is one of the directions that the Group continues to explore. Credited to our comprehensive mastery of the underlying technology, joint application with remote surgery technology has been realised on many surgical robot products of the Group, including Toumai, SkyWalker and R-ONE. To date, Toumai has completed over 120 5G remote human clinical exploratory surgeries in the world, with a 100% success rate. Toumai also completed a series of pioneering achievements when assisting in these operations — the longest operation distance, the most complex surgical procedures, the widest range of indications, the most difficult surgical procedures, the most world-first records (nearly 20 records for the first remote surgery in China and even the world). It is expected to lead the development and industrial upgrading of the surgical robot industry in China and even the world through innovation.

VARIOUS MEASURES OF COST REDUCTION AND EFFICIENCY IMPROVEMENT WERE IMPLEMENTED IN AN ORDERLY MANNER, AND THE COMPANY'S NET FREE CASH OUTFLOW DECREASED SIGNIFICANTLY

- Based on our strategic focus, the Group's resources were further invested in major early-stage commercial products (including Toumai and SkyWalker), including their product iteration/optimisation and commercialisation activities, so as to effectively enhance the Group's competitive advantages.
- We comprehensively implemented various measures to reduce costs and increase efficiency. During the Reporting Period, the Group carefully reviewed and sorted out its overall operations, and effectively implemented plans and measures to enhance research and development efficiency, reduce production costs and optimise operational efficiency, with a view to strengthening its lean operation capability, thereby laying a good foundation for subsequent performance growth and profitability improvement.
- Trough the above strategic focus and cost reduction and efficiency increase measures, during the Reporting Period, the Group's net free cash outflow decreased by 42% from RMB1,158 million for the year ended 31 December 2022 to RMB670 million for the year ended 31 December 2023.

Looking ahead to the future, it can be expected that our development will continue to be affected by the current economic, geopolitical environment, industry policies and other macro environments or major trends. As a leader of domestic brands, we are prepared to play a key role in this constantly changing environment and landscape: acting steadily, responding to various known or unknown risks with caution and calmness, concentrating on doing business well to the best of your ability, increasing revenue, taping the potential for fee reduction, and further narrowing losses, it will be a top task for MicroPort robot management teams in 2024 and even in the coming years. In the future, we will continue to focus on improving market competitiveness and coverage of our products, meeting clinical needs with a diversified product portfolio, and driving continued growth in sales revenue both domestically and internationally. In the meantime, the Company will further enhance its innovation ability and rapid transformation ability of research and development achievements, and deeply explore, optimise, and improve operational efficiency to create greater value for the Company's shareholders and the industry.

The last but not the least, 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 support to MedBot over the years. I hope that everyone who has been concerned about MedBot will continue to walk with us and move forward together in the future.

Sun Hongbin
Chairman

Management Discussion and Analysis

INDUSTRY OVERVIEW

In 2023, against the backdrop of rising complexity, severity and uncertainty in the international environment, China's economy achieved overall recovery and improvement, making solid progress in high-quality development. Therefore, China's economy has demonstrated development resilience and potential, and the fundamentals of a long-term positive trend remain unchanged.

2023 is an important year of transition since the implementation of the "National Health Plan of the 14th Five-Year Plan" (《「十四五」國民健康規劃》) in China, with encouraging cutting-edge technologies and breakthroughs in the medical field being one of the themes of China's economic development in the "14th Five-Year Plan", and even longer period. Following implementation of the "14th Five-Year Plan", policies to support rapid development of medical institutions were introduced successively, driving the development of high-end medical device industry. Meanwhile, as China encourages layouts for the promotion of expansion and flow of quality medical resources to lower-tier cities and balanced distribution to various regions, market demands in lower-tier cities for high-end medical device will bring greater development opportunities. The "14th Five-Year Plan" emphasises technological innovation orientation and enterprise innovation elements, indicating the absolute leading position of innovation entities in the development of the medical device industry. It is expected that high-end medical equipment innovation companies will take the lead in developing the huge market potential brought by the rapid development of China's medical equipment industry.

As one of the most important innovation breakthroughs in the field of high-end medical devices in recent years, 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. As compared with the overseas surgical robot market, China's surgical robot industry is still in an early stage of development, and the penetration rate of robot-assisted surgery is relatively low. At the same time, China's vast population base, increasing public health awareness, the advantages of robot-assisted surgeries over traditional surgeries, and the fact that more and more physicians are becoming familiar with and proficient in operating robot-assisted surgeries will drive the continued expansion and the rapid increase in penetration rate of the overall market for surgical robots in China.

Driven by both policy benefits and market demand, the demand for high-end medical equipment is expected to usher in a major breakthrough in independent innovation and commercialisation. In March 2023, the National Healthcare Commission issued the Large Medical Equipment Configuration License Management Catalog (2023), and in June 2023, it promulgated the "Notice on Allocation and Planning of Large-scale Medical Device of the 14th Five-Year Plan (《「十四五」大型醫用設備配置規劃的通知》)". As compared with the "13th Five-Year Plan", the number of planned allocation certificate for laparoscopic surgical system in the "14th Five-Year Plan" increased significantly. In the current stage, procurement of high-end medical device in China is mainly attributable to large hospitals, as the quality development strategy for the industry continues to implement, combining with the introduction and implementation of the government's subsequent supporting policies, it is expected that additional procurement of high-end medical device as well as demands for relevant update and iteration and market potential will gradually be unleashed, while domestic high-end large-scale medical device, including the laparoscopic surgical robots, is expected to leverage on its cost-effective advantage, as well as with advantage in leading application of innovation including integration of new technologies such as 5G communications and artificial intelligence, promote the healthy and orderly development of China's surgical robot industry, accelerate the expansion and balanced regional layout of quality medical resources, enhancing patients' satisfaction, improving physicians' operating experience and reducing overall surgery costs, in deep response to the substantial demands of doctors and patients in China's healthcare market, satisfying demands of general public of different sections and diversified medical and healthcare demands. With outstanding quality, extensively recognised clinical value and competitive price advantage, the rate of utilisation and penetration of domestic

Management Discussion and Analysis (Continued)

surgical robots will be greatly enhanced, which will expedite the realisation of import substitution and in turns provide more high-end treatments of more comprehensive and higher quality for doctors and patients in China.

Meanwhile, regarding high-end medical equipment, exemplified by surgical robots, national and local governments vigorously implement open strategies such as the “Belt and Road” Initiative, encouraging enterprises to “go global” and participate in global competition. 2023 marks the 10th anniversary of the “Belt and Road” Initiative. Benefiting from policy support, the excellent technical strength of China’s medical device products and competitive cost-effectiveness, countries along the “Belt and Road” have become important market for China’s medical devices to “go global”. To implement the Action Plan for the High-Quality Development of the Medical Equipment Industry (2023–2025) (《醫療裝備產業高品質發展行動計劃(2023–2025年)》) and further promote the high-quality development of Shanghai’s medical robot industry, the Shanghai Municipal Economic and Informatisation Commission, the Science and Technology Commission of Shanghai Municipality, the Shanghai Municipal Health Commission, the Shanghai Municipal Medical Insurance Bureau, and the Shanghai Municipal Drug Administration have jointly developed the Shanghai Action Plan for Promoting the Development of the Medical Robot Industry (2023–2025) (《上海市促進醫療機器人產業發展行動方案(2023–2025年)》), which clarifies that one of the key tasks is to promote the development of overseas markets: supporting the ‘Belt and Road’ initiative, encouraging local medical robot enterprises to utilise multilateral and bilateral cooperation mechanisms to provide higher quality high-end medical equipment and solutions to ‘Belt and Road’ countries. Expanding into developed markets, support will be given to locally developed and produced medical robot products that have passed international registrations with the FDA (U.S. Food and Drug Administration), EMA (European Medicines Agency), CE (European Community), PMDA (Japan Pharmaceuticals and Medical Devices Agency) and have achieved sales.” In recent years, China’s domestic surgical robots have made breakthroughs and developments in many fields of core technology, as well as the integration and application of new technologies such as 5G communication and artificial intelligence. They will enter the list of “going global” medical device products and create implementable and replicable integrated solutions with smart and precise medical services for countries along the “Belt and Road” to further enhance the influence of China’s innovative medical technology and remote surgery technology in neighbouring countries and even the world.

BUSINESS PROGRESS

In 2023, the global economic and geopolitical instability had an impact on the economic environment and the medical device industry in China, coupled with the increasingly stringent industry regulation and intensifying industry competition posing challenges to medical device enterprises. In this context, the Group adhered to a focused business strategy with the primary objective of driving sustainable revenue growth, and continuously and intensively enhanced its operational efficiency. During the Reporting Period, by virtue of its extensive multi-track layout, excellent product performance and industry-leading commercialisation strength, a number of the Group’s marketed products achieved breakthroughs in commercialisation, which further consolidated and strengthened the Group’s competitive edge in the industry in the domestic and overseas markets.

During the Reporting Period, the Group recorded a revenue of RMB104.6 million, representing a significant increase of 384.2% as compared with that of RMB21.6 million for the last year, mainly attributable to the continuous growth in sales revenue from the full commercialisation of the Group’s major products, Toumai, SkyWalker and DFVision. The Group’s continuous leading technology advantages and commercialisation strength were strong engines driving the sustained revenue growth.

Management Discussion and Analysis (Continued)

- **The process of winning bids for our Core Product Toumai has accelerated, solidifying the leading advantages of domestic brands**
 - The multi-disciplinary application of the Core Product, i.e. Toumai was approved by the NMPA in October 2023, marking another important milestone since it was the first to receive marketing approval from NMPA and officially launched commercialisation in January 2022. Toumai has won the trust of doctors and gained high recognition from hospitals and the market by virtue of its excellent clinical value, forward-looking technological innovation capabilities and perfect training service system. During the Reporting Period, Toumai completed ten commercially installed units and achieved strong growth as compared with last year. As at the date of this report, Toumai has won bids for nearly 20 units in various provinces nationwide, many of which are top-tier hospitals in China, which confirms Toumai's absolute leading edge in domestic laparoscopic surgical robots, and lays a sound foundation for Toumai's subsequent large-scale commercial applications.
 - In the face of fierce competition in the domestic market, SkyWalker and DFVision, by virtue of the resilience of their operations and teams, contributed steady sales revenue during the Reporting Period, maintaining their domestic leading position in their respective industries.
 - The Mona Lisa, a prostate puncture robot deployed by the Group in the percutaneous surgery domain through international cooperation was approved by the NMPA in May 2023, and one unit was sold and installed, one commercial operation was successfully performed during the Reporting Period. The R-ONE vascular interventional robot, which we deployed in the panvascular domain, has even accumulated several intended orders within a short period since it was approved in December 2023, showing a strong commercialisation potential.
- **Overseas business officially commenced, steadily advancing globalisation strategy**
 - Toumai's overseas market exploration achieved an inspiring start. During the Reporting Period, Toumai entered into its first overseas sales order, which was also the first order for overseas sales of domestic laparoscopic surgical robots. As at the date of this report, Toumai has successfully assisted in the first ever radical prostatectomy for prostate cancer overseas. This is a landmark milestone for Toumai to establish domestic presence, boldly explore the international market, and successfully achieve commercial transformation and enter into clinical application, which is of great significance to the Group's development and globalisation strategy.
 - As the Group's first flagship product to achieve overseas sales, SkyWalker's overseas business accelerated during the Reporting Period and achieved commercial breakthroughs in mainstream countries manufacturing high-end medical equipment in the world, including the United States and Germany. As at the date of this report, SkyWalker has accumulatively received 15 overseas sales orders, completed more than 100 robot-assisted surgeries, and successfully performed multiple consecutive surgeries.

Management Discussion and Analysis (Continued)

- By successfully appearing and sharing experiences at international industry conferences and exhibitions, the Group has been able to rapidly build and enhance our brand recognition and academic influence in the international market. Through demonstrating our flagship products, remote surgery and innovative concepts, the Group, as a representative of domestic surgical robots, proved to international clinical experts the technical strength of “Intelligent Manufacturing in China”, helping more overseas medical experts, scholars and even patients to recognise and deeply understand the application level and development status of innovative medical technologies in the field of minimally invasive surgery in China. As our academic influence in the international field continues to increase, it will ultimately drive the huge potential for our products to be sold in overseas markets.
 - As the only Chinese surgical robot group at present that has entered the international mainstream market, we focus on overseas target markets in the aspects of brand building, overseas registration, clinical application, market expansion and operation and maintenance guarantee, and gradually promote the development of overseas business. We will promote our overseas commercial activities of multiple products in a comprehensive and rapid manner by giving full play to the synergistic effect with MicroPort Group and its extensive overseas sales network.
- **Intelligent surgical total solutions facilitated the high-quality development of the medical industry, with 5G applications leading industrial upgrade**
 - During the Reporting Period, the Group accelerated the achievement transformation in the five major fields. To date, certain innovative products in four-fifths of such fields have been approved for launch to provide robotic intelligent surgical total solutions. Among them:
 - ✧ In the field of orifice surgery, the application of our Core Product Toumai for laparoscopic surgeries in urology, general surgery, gynecology and thoracic surgery was approved by the NMPA in October 2023, marking the full launch of the commercial application of Toumai in multiple departments. During the Reporting Period, the new generation of DFVision was granted with the marketing registration certificate issued by the Shanghai Medical Products Administration and the CE Mark from EU through approval by the British Standards Institution (BSI).
 - ✧ In the field of orthopedic surgery, the application of SkyWalker for hip and knee arthroplasty was approved by the NMPA in September 2023. During the Reporting Period and up to the date of this report, SkyWalker (being used for knee replacement surgery) further obtained Brazil ANVISA certification, Australia TGA certification and the United Kingdom UKCA certification, becoming the first and only domestic surgical robot approved for launch in major surgical robot markets, namely China, the United States, EU, Brazil, Australia and the United Kingdom.

Management Discussion and Analysis (Continued)

- ◇ In the field of panvascular surgery, the R-ONE vascular interventional robot obtained the approval for launch by the NMPA in December 2023, becoming the first approved commercial coronary vascular interventional robot to complete multi-centre clinical trials in China.
- ◇ In the field of percutaneous surgery, iSR'obot Mona Lisa Robotic Transperineal Prostate Biopsy System obtained the approval for launch by the NMPA in May 2023, becoming the first prostate puncture robot that obtained the approval in the field of urology surgery in China and jointly built a diagnosis and treatment integrated platform with Toumai.
- 5G remote medical care is a direction that the Group continues to explore. Credited to our comprehensive mastery of the underlying technology, joint application with 5G technology has been realised on many surgical robot products of the Group, including Toumai, SkyWalker and R-ONE. To date, Toumai has completed over 120 5G remote human clinical exploratory surgeries in the world, with a 100% success rate. Toumai also completed a series of pioneering achievements when assisting in these operations — the longest operation distance, the most complex surgical procedures, the widest range of indications, the number of consecutive surgeries exceeding ten times, the largest number of surgeries, the most difficult surgical procedures, the most world-first records (nearly 20 records for the first remote surgery in China and even the world). It is expected to lead the development and industrial upgrading of the surgical robot industry in China and even the world through innovation.
- **Cost reduction and efficiency improvement were implemented in an orderly manner, well-prepared for performance growth**
 - Based on our strategic focus, the Group's resources were further invested in major early-stage commercial products (including Toumai and SkyWalker), including their product iteration/optimisation and commercialisation activities, so as to effectively enhance the Group's competitive advantages.
 - We comprehensively implemented various measures to reduce costs and increase efficiency. During the Reporting Period, the Group carefully reviewed and sorted out its overall operations, and effectively implemented plans and measures to enhance research and development efficiency, reduce production costs and optimise operational efficiency, with a view to strengthening its lean operation capability, thereby laying a good foundation for subsequent performance growth and profitability improvement.
 - Through the above strategic focus and cost reduction and efficiency increase measures, during the Reporting Period, the Group's net free cash outflow decreased by 42% from RMB1,158 million for the year ended 31 December 2022 to RMB670 million for the year ended 31 December 2023.

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 five 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 industrialisation projects.

Management Discussion and Analysis (Continued)

Toumai Laparoscopic Surgical Robot — Our Core Product



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

- **Toumai's progress in winning bids accelerated with the approval for application in various departments**

The application of Toumai for laparoscopic surgeries in urology surgery, general surgery, gynecology and thoracic surgery was approved by the NMPA in October 2023, which is of great significance to the Group's commercialisation and business development. As the first domestic laparoscopic surgical robot to achieve commercialised installation, Toumai continued to maintain and leverage its leading position and influence in domestic laparoscopic surgical robots in light of its excellent technological foundation, solid clinical performance and comprehensive physician training and service system. As at the date of this report, Toumai has won domestic bids for nearly 20 units and completed 11 commercial installations, of which we completed ten domestic commercial installations in 2023. In addition to leading domestic brands in number of orders, Toumai won the bidding of hospitals among a number of top-tier hospitals in China. All of these have played a good role in driving and demonstrating the subsequent large-scale commercial application of Toumai, accelerating the import substitution process of domestic laparoscopic surgical robots.

- **Toumai passed the threshold of large-scale surgery, demonstrating its excellent clinical value**

With a clear commercialisation strategy, Toumai continued to proceed with physician training and clinical validation during the Reporting Period. As at the date of this report, the Group has accumulatively established more than 30 clinical application and training centres for Toumai nationwide, and has assisted more than 90 hospitals in 31 provinces (autonomous regions and municipalities directly under the central government) in completing more than 2,000 difficult human clinical surgeries in urology surgery, general surgery (gastrointestinal surgery, hepatobiliary and pancreatic surgery, thyroid and galactophore gland surgery), thoracic surgery, gynecology, paediatrics and other specialties. In particular, Toumai completed more than 1,600 surgical operations with level 4 high complexity, applied nearly 300 surgical operations and completed nearly 50 "first case in China", and was the first to pass the threshold of large-scale application of domestic laparoscopic surgical robots. Benefiting from the positive impact of clinical education and training and marketing and promotion activities, Toumai's excellent product performance and sound stability have been fully verified, and its awareness and recognition among hospitals and surgeons has been rapidly enhanced.

Management Discussion and Analysis (Continued)

Through the simulation of Toumai in real-life scenarios and the regular application of difficult surgery, Toumai's innovation, stability, safety and effectiveness have been verified in large samples and diversified clinical trials, and its excellent clinical value has been fully demonstrated.

- **Overseas business officially commenced, rapidly building international influence**

In December 2023, Toumai concluded its first order for overseas sales through an overseas contract. As at the date of this report, Toumai has completed commercial installation and successfully assisted in the first radical prostatectomy overseas. This operation is also the first international human clinical operation performed by a domestic laparoscopic surgical robot. To date, Toumai is the first and only domestic laparoscopic surgical robot to achieve commercial installation overseas, realising a breakthrough from zero to one. This is a landmark milestone for domestic laparoscopic surgical robots to establish domestic presence, boldly explore the international market, and successfully achieve commercial transformation and enter into clinical application.

Since its international debut in July 2023 at the Society of Robotic Surgery (SRS) 2023 Annual Meeting, a globally renowned academic conference, Toumai has gained more and more opportunities to demonstrate its high-level clinical performance and technical level to top overseas clinical experts, and share the exploration experience of the Group in the field of remote surgery. Toumai's leading product performance, as well as the Group's new concepts, technologies, methods and progress in the field of remote surgery, have received widespread attention and praise from overseas experts, rapidly enhancing the international recognition and influence of Toumai and the Group.

- **Leading the exploration of 5G remote surgery, Toumai achieved a new milestone in remote surgery**

The application of 5G remote technology to realise the standardisation of remote robotic surgery is conducive to the realisation of flow of quality medical resources to lower-tier cities, which in turns benefiting patients in extensive remote areas, and it is also one of the key directions for the Group's continuous research and active progress. As at the date of this report, Toumai has taken the lead in exploring over 120 5G remote human clinical surgeries in the world, with a 100% success rate. At the same time, Toumai has also assisted and completed a series of pioneering achievements — the longest surgical distance (over 5,000 kilometres), the most complex surgical procedures, the widest range of indications, the most world-first records — nearly 20 records for the first remote surgery in China and even the world.

The Group's breakthrough innovation in the field of 5G applications and its forward-looking research and leading exploration in international cutting-edge fields such as remote surgery and smart surgery have enabled Toumai to assist clinical experts at home and abroad in achieving a new milestone in remote surgery. At the 49th session of Arab Health and the first session of SRS Telesurgery Consensus Conference held in early 2024, our 5G remote surgery technology went abroad, as Toumai completed the world's first transnational 5G ultra-remote simulated surgery verification across 7,000 kilometres, and successfully implemented 5G ultra-remote simulated surgery verification across the Atlantic Ocean and ultra-remote animal experiments across the Pacific Ocean. It fully demonstrated to authoritative experts and scholars from Asia, Europe, America and other countries and regions that China's independently developed laparoscopic surgical robots have extraordinary technical strength and extremely stable and reliable performance, and breakthrough clinical applications.

As at the date of this report, Toumai's application for CE Mark from EU has been accepted; and Toumai remote laparoscopic surgery system has commenced the NMPA clinical registration and commenced clinical trial enrollment.

Management Discussion and Analysis (Continued)

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

Toumai Single-arm Laparoscopic Surgical Robot (“Toumai Single-arm”)

Toumai Single-arm Laparoscopic Surgical Robot independently developed by the Group featured by a unique single-arm structure with self-developed intellectual property rights, flexible movement, as well as a convenient set-up. Its device in snake design can achieve seven increments of adjustment levels within a narrow space, which is more sophisticated than multi-arm robots. Toumai Single-arm performs laparoscopic surgery on a single-port basis, which has clinical values such as smaller wound, less pain and improved post-operative aesthetics compared to traditional multi-port surgeries.

As at the date of this report, Toumai Single-arm Laparoscopic Surgical Robot has completed the enrollment of registrational clinical trial and explored its application in surgeries under more departments. As Toumai Single-arm started application of single-port clinical procedures in various departments including gynecologic, urologic and general surgeries in different hospitals in locations such as Beijing, Shanghai and Nanchang, expecting to provide further proof of the technological stability and safety of Toumai Single-arm, and to benefit more physicians and patients with its excellent performance and reliable services.

DFVision 3D Electronic Laparoscope

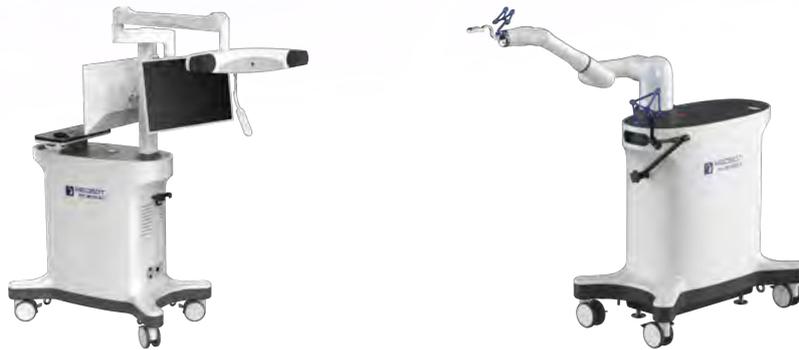
DFVision is a 3D electronic laparoscope independently developed by the Group, which can be used for examination and imaging in laparoscope surgeries, to observe, diagnose, take photos of or treat in organs such as abdominal cavity and thoracic cavity. Through the application of high-resolution imaging objective lens and electronic lens structure, it presents full HD two-way images, provides the operator with the 3D sense of surgical field of vision and natural depth of field, to satisfy the anatomical demand of high precision and high stereoscopic level in clinical application, which is of great significance to the precise freeing, suturing and knotting during surgery. It can reduce the operation time, reduce surgical errors, improve the quality of surgery, and increase the efficiency of surgery. It breaks through the limitations of the traditional two-dimensional laparoscopic surgery, making it applicable to surgeries in different departments including urological surgery, general surgery, thoracic surgery and gynecological surgery.



Management Discussion and Analysis (Continued)

DFVision obtained the NMPA approval in June 2021 and realised sales in second half of 2021. During the Reporting Period, DFDVision contributed solid sales performance and maintained its leading position among similar domestic brands. Meanwhile, as the Group's high-end vision platform that connects the technical equipment with underlying algorithms and surgical robot products, DFDVision's performance and technical level have been further improved. During the Reporting Period, the new generation of DFDVision was granted with the marketing registration certificate issued by the Shanghai Medical Products Administration and the CE Mark from EU through approval by the British Standards Institution (BSI), broadened the market for DFDVision in the field of domestic high-end medical equipment, and laid a solid foundation for the Group to overseas commercialisation in the future.

SkyWalker Orthopedic Surgical Robot



SkyWalker has the platform-based, standardised, precise and personalised features. Its preoperative planning system establishes three-dimensional models of knee joints and hip joints based on the patient's preoperative CT scan data, and generates personalised prosthetic implant surgical solutions based on the patient's physiological and anatomical characteristics. During the operation, a self-developed highly dexterous and lightweight robotic arm is used, and precise osteotomy and grinding are completed through man-machine collaboration. After the operation, the alignment correction of the lower limbs is significantly better than traditional surgery, improving surgical accuracy and efficiency. SkyWalker can precisely position during the operation, precisely perform knee osteotomy and acetabular grinding, and precisely restore the patient's lower limb alignment. It can achieve more precise and efficient osteotomy, bone grinding and prosthetic installation than traditional hip and knee replacement. Its intelligent assistance system can avoid damage caused by intramedullary positioning in traditional surgery, reduce the risk of dislocation or surgical failure caused by implantation position of the acetabular cup, decrease surgical complications, and help patients recover quickly after surgery. As the instruments for hip grinding, acetabular cup installation and knee joint osteotomy are basically the same as those used in traditional surgery, it can greatly shorten the learning curve of doctors and facilitate their rapid proficiency.

SkyWalker (being used for total knee replacement surgery) obtained the registration certificate for launch issued by NMPA in April 2022. In September 2023, SkyWalker obtained the launch approval of NMPA for the compatible application of total knee replacement surgery and total hip replacement surgery, becoming the first and, to date, the only domestic hip and knee integrated orthopaedic surgery robot equipped with self-developed robotic arm and approved for launch. In terms of overseas market expansion, SkyWalker (being used for total knee replacement surgery) has managed to obtain the 510(k) clearance from the FDA, the CE Mark from EU, the certification from Brazil ANVISA, the certification from Australia TGA and UKCA of the United Kingdom successively, making it the first and only domestic surgical robot that has obtained marketing approval in China, United States, EU, Brazil, Australia and the United Kingdom, being major markets of surgical robots.

Management Discussion and Analysis (Continued)

Benefiting from the Group's extensive and targeted marketing promotion and physicians' training for SkyWalker, as well as the effective synergy and full utilisation of good brand reputation and solid market foundation of MicroPort Group in overseas orthopaedic market, SkyWalker rapidly converted its initial achievement upon its commercialisation. During the Reporting Period, SkyWalker contributed to the stable domestic sales income and continued to maintain its leading position among domestic brands. At the same time, the overseas presence of SkyWalker gradually expanded from North America, achieved commercial breakthroughs in Europe, South America, Oceania and other places, and continued to set new overseas clinical records. As at the date of this report, SkyWalker has accumulatively received 15 overseas orders and completed more than 100 robot-assisted surgeries overseas.

In terms of clinical application and promotion, with its advantages of customised planning and precise surgical operation, SkyWalker can minimise wounds of patients and avoid over-reliance on physicians' skills and experience in traditional joint replacement surgery. It can facilitate surgical results and help patients regain their health. As at the date of this report, the Group has deployed nearly 20 SkyWalker clinical application and training centres nationwide, nearly 900 robot-assisted clinical validation surgeries have been accomplished by SkyWalker in the orthopedics, joint surgery and sports medicine departments of over 50 hospitals in 17 provinces and municipalities directly under the central government in China. These surgeries include a number of innovative and challenging robot-assisted procedures, such as the joint replacement surgery of internal fixation by intramedullary nail for fractures of femoral shaft (股骨幹骨折髓內釘內固定術後關節置換手術), the joint replacement surgery for severe rheumatoid arthritis (重度類風濕關節炎關節置換手術) by domestic surgical robot, showing the highly stable assistance performance and high clinical application value of SkyWalker. Meanwhile, SkyWalker has successfully conducted various cases of 5G remote joint replacement surgeries, including the first 5G remote total knee replacement surgery with assistance by domestic robot in Tibet, which holds practical and far-reaching significance in expansion of its application to hospitals in third and fourth tier cities and remote areas, as well as in establishment of medical communities in the future.

In terms of international development, by making full use of the synergistic effect with MicroPort Group, and based on the rich experience of MicroPort Group in the field of orthopaedics and the excellent quality of its joint prosthesis after long-term clinical verification, it is expected that the combined application of joint prosthesis of SkyWalker and MicroPort Group can effectively shorten the learning curve of doctors and help to tap their respective clinical value of joint prosthesis of SkyWalker and MicroPort Group to a greater extent, especially its internal axial knee system with advanced implant design concept and long-proven clinical evidence, so as to achieve the clinical utility of $1 + 1 > 2$, providing more excellent clinical solutions for joint replacement for doctors and patients around the world. On the other hand, the clinical practice of SkyWalker in the mainstream countries of global high-end medical equipment manufacturing and the clinical needs of mature markets will also provide guidance for the performance improvement of SkyWalker and create a forward-looking competitive advantage.

Benefiting from the excellent product performance and the increasing reputation and popularity of the Group worldwide, SkyWalker has won a wide recognition and favor of top hospitals and patients in Europe and the United States. International Orthopaedics, a well-known journal sponsored by the International Orthopedics Society (國際骨科學會), published the results of SkyWalker's first head-to-head large-sample clinical comparative study and related clinical data against top international robotic products. The results of the clinical study verify that SkyWalker has high surgical accuracy in assisted total knee replacement surgery, and can obtain good postoperative efficacy, with shorter surgical planning time, which comprehensively improves the efficiency of the whole process, indicating that there is no significant difference between SkyWalker assisted total knee replacement surgery and the international top orthopaedic surgical robot products in terms of surgical accuracy and clinical efficacy.

Management Discussion and Analysis (Continued)

The Group is also exploring the breakthrough application of SkyWalker for other surgeries. As at the date of this report, SkyWalker has completed the first-in-man surgery for unicompartmental knee arthroplasty (首例膝關節單髁置換人體手術), which marked SkyWalker's official entry into the practical clinical trial and evaluation stage for unicompartmental arthroplasty (單髁置換術).

Trans-bronchial Surgical Robot (“Trans-bronchial Surgical Robot”)

The Robot-assisted Bronchoscopy Navigation System 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 validation of the Trans-bronchial Surgical Robot are progressing smoothly, it has completed a robot assisted trans-bronchial lung nodules biopsy, which is the first-in-man (FIM) clinical trial completed by a Chinese-developed trans-bronchial surgical robot.

R-ONE Vascular Interventional Surgical Robot

R-ONE, introduced by Shanghai Cathbot, a joint venture established in China by the Company and Robocath in France, is an innovative robotics product in the field of pan-vascular. R-ONE is a vascular intervention 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, optimise the delivery of balloons and stent catheters, thereby standardising the surgical process, improving the surgical accuracy, and reducing surgical complications. Furthermore, doctors can sit at the anti-radiation console to complete remote control, effectively reducing the exposure time under the radiation while accurately operating the operation.



Management Discussion and Analysis (Continued)

R-ONE was approved for launch by NMPA in December 2023, becoming the first commercial coronary blood vessel interventional surgical robot to complete multi-centre clinical trials and be approved in China. With the stability and reliability of R-ONE demonstrated in the clinical trial, it can fill the gap in the domestic fields of PCI surgical robots, and has laid an important foundation for more precise, intelligent and less invasive vascular interventional surgery. In terms of market expansion, the highly synergistic advantage with the cardiovascular business of MicroPort Group is an important catalyst driving the commercialisation progress of R-ONE. As at the date of this report, R-ONE has quickly accumulated several domestic intended orders.

Through integrated application of 5G technology, in July 2023, R-ONE successfully completed China's first robot-assisted 5G ultra-remote PCI surgery with remote control crossing a distance of 2,800 kilometres, marking an important milestone for the development of vascular intervention. At the beginning of 2024, R-ONE assisted experts from the National Institute of Cardiovascular Diseases (NICVD) in Bangladesh to successfully perform a number of vascular interventional operations for complex lesions, making headlines on Bangladesh's "News Network": the world's first robotic PCI remote surgery for two consecutive operations, and the world's first robotic remote surgery for the implantation of two stents for complex coronary lesions at one time, and the local surgery to implant three stents at one time for multi-vessel coronary lesions for two consecutive operations. It proves that robotic remote surgery can also complete the interventional treatment of complex coronary lesions.

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. Mona Lisa allows physicians to conduct biopsy sampling more precisely and easily: before the procedure, physicians can conduct surgical planning and interactive adjustment through intelligent software; in the course of procedure, a powerful elastic MRI-ultrasound fusion algorithm can guide physicians immediately, allowing target sites to be easily and accurately sampled regardless of whether they are located in the prostate sharp, base bottom or peripheral belt. The innovative two-point needling approach can minimise the interference of the bones, reduce the incisions of patients, and achieve full prostate coverage; after the procedure, Mona Lisa can generate a complete report containing 3D images and clinical data.

Management Discussion and Analysis (Continued)

During the Reporting Period, Mona Lisa successfully obtained the approval for launch by the NMPA and concluded the sales and installation for one unit and successfully performed one commercial surgery. As the first prostate puncture robot obtained the approval in the field of urology in China, Mona Lisa can improve the positive detection rate of patients, reduce manual error and omission diagnostic rate, assist clinical physicians to complete biopsy puncture surgeries more accurately and efficiently, and at the same time reduce the pain of patients. The product provides more medical options and better conditions for patients requiring prostate biopsy puncture, which will fill the gap in the domestic market for robot assisted puncture products. On the other hand, Mona Lisa will form an integrated solution for diagnosis and treatment of prostate cancer with the Company's Core Product, Toumai, and facilitate the improvement of diagnosis and treatment models for prostate diseases.

CUTTING-EDGE TECHNOLOGY

With the continuous progress of technologies, such as big data, artificial intelligence, 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 in 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 grassroots' difficulties in seeking healthcare services, and represents our pragmatic approach to our belief of "Make surgery easier, safer and less invasive". The Group is committed to assisting doctors to create integrated solutions for intelligent and precise medical care that can be implemented and replicated, promoting robot-assisted surgery towards inclusiveness, and enhancing the influence of China's innovative medical technology and remote surgery technology in neighbouring countries and even in the world. Based on the comprehensive mastery of the underlying technology, the Group's multi-track surgical robot products, such as Toumai, SkyWalker and R-ONE, have achieved the joint application with 5G technology, and have successfully achieved a large number of clinical practices of ultra-remote robot-assisted surgery at home and abroad, which has won wide attention and praise from experts at home and abroad.

Up to now, the Group has achieved multiple important milestones in terms of breakthrough innovation in the field of 5G applications, as well as in pioneering research and leadership exploration in international forefront areas such as remote surgery and smart surgery. Especially since Toumai first cooperated with Jiangsu Provincial People's Hospital in June 2022 to complete three cases of ultra-remote urological surgery spanning 5,000 kilometres, the clinical application of remote surgery has expanded to a wider range of more difficult and complex operations, frequently setting the world-first records. Toumai has been the first globally to achieve over 120 cases of 5G remote human clinical surgeries with a 100% success rate, with the furthest transmission distance being 5,000 kilometres and the longest master-slave control distance of nearly 13,000 kilometres, showcasing Toumai's exceptional stability performance and the leading advantage of 5G remote technology. Based on the 5G remote surgery system architecture, utilising advanced technologies such as "dual-machine backup" (雙機熱備), "multi-network integration" (多網融合) and "smart coding" (智能編碼), Toumai has developed a multi-point collaborative remote surgery system that allows dual console control of a single patient surgery platform. The seamless transfer mechanism of control rights ensures the precise execution of multi-point collaborative surgery, with the advantages of low latency and high reliability, allowing the surgeon to see more clearly, perform surgeries more accurately, and ensure patient safety during operations.

Management Discussion and Analysis (Continued)

Meanwhile, the Group continued to put efforts in promoting the application of remote technology in robot-assisted surgeries, with an aim to assist in the establishment of regional medical partnership. The Group has jointly established the world's first 5G remote precise minimally invasive surgery training centre with 301 hospital, which provides assistance for the standardised 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. During the Reporting Period, the Group continued to promote the demonstration of "Light on the Silk Road" (絲路之光) — 5G robot-assisted remote surgery. As the first mobile surgery and training platform equipped with 5G remote robot in the industry, the mobile training platform of Toumai integrating "5G remote technology" and "precise minimally-invasive robot surgery technology" will operate across Northwestern China, promoting the gradual perfection of Toumai in the field of 5G remote surgery technology.

RESEARCH AND DEVELOPMENT

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

At present, the Group has two China R&D centres respectively in Shanghai and Shenzhen. Meanwhile, as part of the globalisation strategy, the Group also has established overseas R&D centres in Singapore, the United States and other countries, 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 Group's 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-centre clinical trials led by clinicians, promoted industrial upgrading and product iteration, and realised the transformation of underlying research results. Our 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) is the first provincial surgical robot engineering centre. It created an open service platform covering research and development, verification, clinical and industrialisation support, aiming at promoting cooperation throughout the industry chain, including scientific research institution under medical device testing organisations. The platform cooperated with the institutions to establish standards for surgical robots and construct experimental testing capabilities for surgical robots.

CAPABILITY OF COMMERCIALISATION

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, the Group has promoted establishment of a targeted training system, helping the Group to continuously improve its product marketing system, further optimise service capabilities and continuously enhance brand influence. To date, the Group has established accumulated over 30 clinical application and training centres for Toumai and nearly 20 for SkyWalker, across the country. The Group also commenced various surgical robot clinical application and training events to enhance communication with physicians and education to patients, so as to build 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. We have collected ample feedback from doctors through trainings and communication activities, thereby providing critical clinical support for the continuous upgrading of the Group's products and improving product's functions. At the same time, we continued to conduct large-scale clinical validation surgeries based on real clinical application scenarios and needs. The Group has achieved conductive transformation reflected in sales results with the efficient implementation of various and comprehensive marketing, physician training and clinical validation activities.

Management Discussion and Analysis (Continued)

MedBot Mobile Demonstration & Training Centre (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 popularisation of affordable robotic surgeries.

MANUFACTURING AND SUPPLY CHAIN

The Group’s internal manufacturing and supply chain team is responsible for managing our manufacturing, supply and transportation. We currently have two production bases in China, located in Shanghai and Suzhou, respectively. We established a multi-level supply chain system covering precision parts, consumables, core components and system integration and have achieved production capacity at scale for a number of marketed surgical robots and its complementary consumables. 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, Jiaying Weizhuo Technology Co., Ltd. (嘉興微琢科技有限公司). Through strategic and refined procurement management as well as the effective measures, the Group continuously optimises sampling and product iteration efficiency and improves product delivery rate.

HUMAN RESOURCES AND PERSONNEL TRAINING

After years of accumulation, we have a surgical robot industrialisation team that involves in the full cycle of surgical robot development covering R&D, clinical trial and registration, supply chain management and commercialisation and marketing. As at 31 December 2023, the Group had around 650 employees, mainly based in China, Singapore, the United States etc. The Group’s internal talent growth platform stayed closely aligned with our business to address the learning issues and difficulties, and has developed a diversified course system of basic knowledge, management knowledge, professional knowledge and project experience sharing. The system placed importance on case studies and practical courses to prepare for the personal development and growth of employees and the development of the Company.

INTELLECTUAL PROPERTY

As at 31 December 2023, we have filed 1,278 patents application worldwide, of which 395 patents have been granted in China or overseas, including 263 Chinese patents and 132 overseas patents. The remaining 883 patents are still under application, covering cutting-edge areas such as clinical applications, automated surgery and AI technology. In 2023, the Group was granted 123 new patents, including 46 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 277 trademarks in 2023, having established the trademark system of launched products and corporate brands. During the Reporting Period, the Group was awarded the honours of “Shanghai Patent Demonstration Enterprise” (上海市專利示範企業) and “National Intellectual Property Advantage Enterprise” (國家知識產權優勢企業).

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, 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 optimise 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 commercialisation, and enhance the market penetration

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

3. Continue to promote globalisation strategy

We will build a globalised medical robots total solution innovation platform and integrate potential resources to improve the commercialisation and supply chain capacity of the Group overseas, paving the way for launching more of our surgical robot products in overseas markets in the future. We plan to cooperate with the top hospitals and well-known research institutions all over the world to enhance our soft power in the industry to cooperate with the implementation of the globalisation strategy.

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 RMB104.6 million for the year ended 31 December 2023, representing an increase of 384.2% as compared to RMB21.6 million for the year ended 31 December 2022, which was mainly due to the strong market performance of the Company's Core Product Toumai multi-disciplinary application after approval for launching and the successful promotion of orthopedic surgical robots in overseas markets.

Management Discussion and Analysis (Continued)

Gross Profit and Gross Profit Margin

Gross profit increased by 123.9% from RMB6.6 million for the year ended 31 December 2022 to RMB14.7 million for the year ended 31 December 2023, which was due to the increase in sales of various major product categories. Affected by the impairment on inventory of RMB29.0 million, the gross profit margin decreased from 30% for the year ended 31 December 2022 to 14% for the year ended 31 December 2023.

Selling and Marketing Expenses

Selling and marketing expenses increased by 29.6% from RMB184.0 million for the year ended 31 December 2022 to RMB238.4 million for the year ended 31 December 2023. The increase was attributable to the increase in labor costs due to the commercial promotion and marketing team has been substantially set up by the end of 2022, as well as the increase in investment in the marketing and promotion of core/flagship products.

Administrative Expenses

Administrative expenses decreased by 25.9% from RMB170.5 million for the year ended 31 December 2022 to RMB126.4 million for the year ended 31 December 2023. The reduction of administrative expenses was primarily due to the decrease in labor costs as a result of the streamlining of the management functional team upon completion of measures for optimisation of operational efficiency, as well as the decrease in other administrative expenses.

Research and Development Costs

Research and development costs decreased by 24.7% from RMB755.8 million for the year ended 31 December 2022 to RMB569.2 million for the year ended 31 December 2023. The decrease was primarily due to the concentration on the R&D of product pipeline near the stage of commercialisation and the improvement on R&D efficiency.

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

	For the year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Staff costs	350,370	384,361
Cost of materials and consumables	80,284	240,325
Contracting costs	49,733	58,491
Depreciation and amortisation	47,664	44,006
Clinical trial expenses	15,183	8,689
Others	25,941	19,930
Total	569,175	755,802

Management Discussion and Analysis (Continued)

Other Net (Loss)/Income

For the year ended 31 December 2023, the Group recorded other net loss of RMB13.3 million, which primarily due to a loss of RMB40.5 million in relation to the termination of leases over certain premises, as compared to other net income of RMB42.1 million for the year ended 31 December 2022.

Net Loss on Financial Instruments Carried at FVPL

For the year ended 31 December 2023, the Group recorded a net loss of RMB42.5 million on financial instruments carried at FVPL as compared to a net loss of RMB27.0 million for the year ended 31 December 2022, which was primarily due to the further decrease in the fair value of the NDR investment.

Finance Costs

The finance costs of the Group increased from RMB11.4 million for the year ended 31 December 2022 to RMB18.6 million for the year ended 31 December 2023, primarily due to increased interest on bank loans.

Share of Losses of Equity-Accounted Investees

Share of losses of equity-accounted investees decreased by 24.8% from RMB39.7 million for the year ended 31 December 2022 to RMB29.8 million for the year ended 31 December 2023. Our equity-accounted investees are still in research and development or early commercialisation stage and recorded net loss during the Reporting Period.

Non-HKFRS Measures

To supplement our consolidated statement of profit or loss and other comprehensive income which is presented in accordance with HKFRSs, 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.

Management Discussion and Analysis (Continued)

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

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Loss for the year	(1,023,530)	(1,146,284)
Add:		
Share-based payment expenses ⁽¹⁾	111,875	136,919
Changes in the fair value of financial instruments ⁽²⁾	42,525	26,984
Adjusted net loss for the year	869,130	982,381

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) The change in fair value of financial instruments represents the fair value changes of the shares of NDR and the shares of Biobot held by the Group.

Inventories

Inventories of the Group consist of raw materials, work-in-process and low value consumables. The inventories of the Group amounted to RMB229.5 million as at 31 December 2023. 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, and as of 31 December 2023, the Group provided an inventory impairment of RMB29.0 million due to product upgrades and optimisation.

Lease Liabilities

As at 31 December 2023, the Group's lease liabilities was RMB120.4 million, which were primarily related to the Group's leasing of properties for office premises, manufacturing and R&D. The decrease in lease liabilities is due to the fact that we terminated certain leases during the Reporting Period in connection with our optimisation of operational efficiency.

Capital Expenditure

Our capital expenditure amounted to RMB66.5 million during the Reporting Period, including the payments for property, plant and equipment.

Contingent Liabilities

As at 31 December 2023, the Group did not have any contingent liabilities.

Management Discussion and Analysis (Continued)

Employees and remuneration policies

As at 31 December 2023, the Group had around 646 employees. During the Reporting Period, the staff cost recognised as expenses of the Group amounted to RMB561.2 million (2022: RMB612.9 million). The decrease in staff costs was mainly due to the decrease in the number of employees from 2022 to 2023.

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 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 organised 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 RMB748.0 million as at 31 December 2022 to RMB507.7 million as at 31 December 2023, primarily due to ongoing R&D activities and increasing marketing activities.

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.

Management Discussion and Analysis (Continued)

Borrowings and Gearing Ratio

As at 31 December 2023, the total interest-bearing borrowings of the Group amounted to RMB475.1 million, increased by RMB442.0 million as compared to RMB33.1 million as at 31 December 2022. As at 31 December 2023, the Group's debt-to-asset ratio was 65%, as compared to 27% as at 31 December 2022.

Net Current Assets

The Group's net current assets as at 31 December 2023 were RMB108.8 million, as compared to RMB773.5 million as at 31 December 2022. 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 commercialisation activities.

Charge on Assets

As at 31 December 2023, 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

The Group intends to utilise the net proceeds raised from the Listing according to the plans set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus. All the net proceeds from the Listing were remitted to the PRC and completed the foreign exchange settlement procedures in January 2022.

In order to allow the Group to deploy the proceeds from the Listing more efficiently so as to further focus on iterating/upgrade of principal products falling within the early commercial stage, and accounted into the current key operational demands of the Company and the long-term benefits of the Company and the Shareholders, the Group re-allocated the use of part of the unutilised proceeds from the listing and the expected timeline, to better meet the current key operation demand of the Group.

Management Discussion and Analysis (Continued)

The following table sets forth details of the net proceeds as at 31 December 2023:

	Revised allocation of the net proceeds following the Change ⁽¹⁾ (HK\$ million)	Amount of unutilised net proceeds as at 1 January 2023 ⁽²⁾ (HK\$ million)	Actual use of net proceeds for the year ended 31 December 2023 (HK\$ million)	Amount of unutilised net proceeds as at 31 December 2023 (HK\$ million)	Expected timeline of the intended use of the net proceeds following the Change
A. For Toumai	745.13	258.57	192.16	66.41	By the end of 2024
— ongoing R&D activities of Toumai	492.74	189.59	123.18	66.41	By the end of 2024
— the commercialisation of Toumai	252.39	68.98	68.98	—	N/A
B. For orthopedic surgical robots	353.35	218.12	122.62	95.50	By the end of 2025
— ongoing R&D of SkyWalker	218.26	151.35	79.56	71.79	By the end of 2025
• for application expansion to other joint replacement procedures	127.54	84.22	47.12	37.10	By the end of 2025
• for continuous refinements and upgrades	90.72	67.13	32.44	34.69	By the end of 2025
— commercialisation of SkyWalker	107.69	63.49	39.88	23.61	By the end of 2025
— research and development of other orthopedic surgical robots	27.40	3.28	3.18	0.10	By the end of 2024
C. For the Group's other product candidates	245.84	21.81	11.81	10.00	By the end of 2025
— (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	11.81	11.81	—	N/A
— the development and commercialisation of the surgical robots under our collaboration with international partners, including R-ONE with Robocath, ANT with NDR and Mona Lisa with Biobot	10.28	10.00	—	10.00	By the end of 2025
D. Enhance our manufacturing capacities and supply chain management capabilities	84.13	25.83	25.83	—	N/A
E. Expand our product portfolio with innovative robotic technologies and products	85.89	—	—	—	N/A
F. Working capital and general corporate purposes	168.26	65.51	57.05	8.46	By the end of 2024
Total	1,682.60	589.84	409.46	180.38	

Notes:

(1) Details of the change in the use of part of the unutilised net proceeds from the Listing have been disclosed in the announcement of the Company dated 29 June 2023.

(2) The amount of unutilised net proceeds as at 1 January 2023 was restated as if such change in use of proceeds had taken place at 1 January 2023.

Save for the above, the Directors were not aware of any material change to the planned use of proceeds as at 31 December 2023.

Directors, Supervisors and Senior Management

DIRECTORS

Executive Director

Dr. He Chao (何超), aged 39, was appointed as the Director on 18 October 2017 and re-designated as the executive Director on 10 June 2022. He is the president of the Company 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 and the Strategy and Development Committee.

Dr. He Chao has over 16 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) (“**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) (“**Shanghai MicroPort**”), a medical device manufacturer and an indirect wholly owned subsidiary of 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 organisation 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 standardisation unit and the director of Shanghai Engineering Research Centre 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 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 49, 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.

Mr. Sun Hongbin has over 20 years of experience in the medical device industry. Mr. Sun Hongbin joined MicroPort Group in September 2010 and has served in various positions in MicroPort Group. Mr. Sun Hongbin is currently serving as the chief financial officer, a rotating chairperson 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 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 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. Chen Xinxing (陳新星), aged 38, was appointed as the non-executive Director on 29 December 2023, where he is primarily responsible for overseeing the management and operations of the Group. He is also a member of the Audit Committee.

Mr. Chen Xinxing joined Boston Consulting Group (波士頓諮詢公司) as a senior associate from September 2007 to August 2010. He then joined Morgan Stanley as an associate in the China healthcare team of the investment banking department from August 2012 to April 2014. Mr. Chen Xinxing served as a principal of the China healthcare team of Actis Capital, LLP (英聯投資) from April 2014 to May 2018. From September 2018 to March 2020, Mr. Chen Xinxing served as an executive director of Huaxing Healthcare Fund (華興醫療產業基金). Mr. Chen Xinxing joined Hillhouse Capital Management (高瓴投資) in July 2020, in which he currently acts as a managing director. Since May 2021, Mr. Chen Xinxing has been serving as a non-executive director of Jenscare Scientific Co., Ltd. (寧波健世科技股份有限公司), the H shares of which were listed and traded on the Stock Exchange on 10 October 2022 (stock code: 9877).

Mr. Chen Xinxing obtained his bachelor's degree in finance from Peking University in the PRC in July 2007 and received his master's degree in business administration from Columbia University in May 2012. Mr. Chen Xinxing is currently a Chartered Financial Analyst.

Directors, Supervisors and Senior Management (Continued)

Mr. Chen Chen (陳琛), aged 40, 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 12 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 successively served as a principal and executive general manager 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 72, was appointed as an independent non-executive 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 a tenured professor since March 2019.

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

Directors, Supervisors and Senior Management (Continued)

Mr. Yao Haisong (姚海嵩), aged 50, was appointed as the independent Director on 30 December 2020, and was re-designated 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 16 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 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 part-time researcher of Intelligent Medicine Institute of Fudan University (復旦大學智能醫學研究院), 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), and a committee member of National Technical Committee on Bio-specimen of Standardisation 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 52, 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) programme 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 financial controller 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 employees representative Supervisor, and two Shareholders representative Supervisors.

Dr. Zhang Jie (張劼), aged 45, was appointed as the Shareholders representative Supervisor on 30 December 2020 and is serving as the chairman of the Supervisory Committee. He is primarily responsible for supervising and providing independent advice to the Board.

Dr. Zhang Jie joined 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. Dr. Zhang Jie is currently serving as an acting chief technology officer, a member and a chief technology officer of the Greater China Executive Committee of MicroPort, and he also holds various directorships in a number of other members of MicroPort Group.

Dr. Zhang Jie graduated from 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 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 47, was appointed as the Shareholders representative Supervisor on 30 December 2020. She is primarily responsible for supervising and providing independent advice to the Board.

Ms. Zhang Lihong joined MicroPort Group in June 2013 and has since successively served in various positions in MicroPort Group, including as intellectual property manager, intellectual property director, senior intellectual property director, vice president of intellectual property and legal affairs and senior vice president of intellectual property, 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 MicroPort Group.

Prior to joining 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 semiconductor equipment, where she was primarily responsible for intellectual property and standardisation 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 in the field of broadcast and television, 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 research and sales of medical devices, 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 R&D and production of medical devices, from 2011 to 2013, where she was primarily responsible for intellectual property and legal affairs.

Ms. Zhang Lihong has also been serving as a specially-invited expert of the national technology transfer personnel training base (國家技術轉移人才培養基地), a member of the Shanghai Scientific and Technological Achievements Transformation and Standardisation Committee (上海市科技成果轉化標委會), a director of the Shanghai Intellectual Property Research Association (上海市知識產權研究會), the first batch of overseas intellectual property dispute response guidance experts, an expert of the Think-tank of the Shanghai Technology Exchange (上海市技術交易所專家智庫), the vice president of Pudong New Area Intellectual Property Association (浦東新區知識產權協會) and the 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).

Directors, Supervisors and Senior Management (Continued)

Ms. Zhang Lihong graduated from Xi'an 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 Xi'an University of Technology in the PRC in 2004.

Mr. Chen Gong (陳功), aged 32, was appointed as the employees representative Supervisor on 29 December 2023 and is primarily responsible for supervising and providing independent advice to the Board. Mr. Chen Gong has served as the senior R&D manager of the Company since January 2020 and is primarily responsible for the research and management of surgical robots of the Group. He served as the Company's mechanical R&D engineer from February 2016 to January 2020 and is primarily responsible for the structural development of surgical robots.

Mr. Chen Gong graduated from Henan University of Engineering in the PRC with a bachelor's degree in mechanical design manufacture and automation in 2013, and from Jiangsu University in the PRC with a master's degree in mechanical engineering in 2016.

SENIOR MANAGEMENT

Dr. He Chao (何超), executive Director and president of the Company. For details of his biography, please refer to the above.

Mr. Liu Yu (劉雨), aged 54, 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 30 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 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 42, 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 44, joined the Group in April 2020 and was appointed as the financial controller on 1 June 2022.

Ms. Cui Xiaoyu has over 20 years of relevant experience in finance. Prior to joining the Group, from August 2002 to April 2008, Ms. Cui Xiaoyu 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 Xiaoyu received her bachelor's degree in economics from Shanghai University of Finance & Economics in 2002.

Ms. Fang Cong (房聰), aged 35, 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 55, 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 specialising in integrated business corporate and investor services. She has over 19 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 Board

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 2023.

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 31 of this report.

FINANCIAL STATEMENTS

The financial performance of the Group for the financial year ended 31 December 2023 and the state of the Group’s affairs as at that date are set out in the consolidated financial statements on pages 121 to 203 of this annual report.

BUSINESS REVIEW

Overview

A review of the business of the Group during the year ended 31 December 2023, which includes an analysis of the Group’s performance, is set out in the section headed “Management Discussion and Analysis” on pages 9 to 31 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 Board. The reviews form part of this statement.

Environmental Policies and Performance

Realising 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 2023 is provided in the “Environment, Social and Governance Report” from page 81 to page 120 of this report.

Report of the Board (Continued)

Compliance with Laws and Regulations

The Company recognises 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 2023, 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 Commercialisation of Pipeline Products

The Group was a pre-revenue innovative medical device company before its products enter the commercialisation 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 commercialisation 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 commercialising its products. The Group's ability to successfully commercialise 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 commercialisation 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 as the Group is still at the initial stage of commercialisation, it will continue to incur relevant research and development expenses, commercialisation expenses and other expenses related to the Group's ongoing operations

Report of the Board (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 commercialising 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 2023, the Group had 646 employees (31 December 2022: 1,230 employees).

Customers

The Group's principal customers are distributors and hospitals throughout the world. The Group has gradually established 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 programmes and other activities, the Group's brand recognition will be continuously enhanced.

Report of the Board (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 31 of this report.

MAJOR CUSTOMERS AND SUPPLIERS

For the financial year ended 31 December 2023, purchases from the Group’s largest supplier and the five largest suppliers in aggregate accounted for 3.4% and 14.3% 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 13.1% and 47.8% respectively of the Group’s total revenue for the year.

Except subsidiaries of MicroPort, which are included in the five largest customers and suppliers, 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 other five largest customers and suppliers.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 December 2023 are set out in note 27 to the consolidated financial statements.

DISTRIBUTABILITY OF RESERVES

As at 31 December 2023, the Company did not have distributable reserves (2022: nil).

GROUP FINANCIAL SUMMARY

A summary of the Group’s results and assets and liabilities for the past five financial years is set out in the section “Financial Highlights” of this report.

Report of the Board (Continued)

DIRECTORS AND SUPERVISORS

Directors and Supervisors during the year ended 31 December 2023 and up to the date of this Report of the Board were:

Executive Director

Dr. He Chao

Non-Executive Directors

Mr. Sun Hongbin

Mr. Sun Xin (Retired in December 2023 upon the expiration of his term of office)

Mr. Chen Chen

Mr. Chen Xinxing (Appointed in December 2023)

Independent Non-Executive Directors

Dr. Li Minghua

Mr. Yao Haisong

Mr. Mui Wing Hong

As the term of office of the first session of the Board expired in December 2023, at the extraordinary general meeting of the Company held on 29 December 2023, the Shareholders re-elected Dr. He Chao as executive director of the second session of the Board, re-elected Mr. Sun Hongbin and Mr. Chen Chen as non-executive directors of the second session of the Board, and elected Mr. Chen Xinxing as non-executive director of the second session of the Board, and re-elected Dr. Li Minghua, Mr. Yao Haisong and Mr. Mui Wing Hong as independent non-executive directors of the second session of the Board. On 29 December 2023, Mr. Sun Hongbin was reappointed as the chairman of the second session of the Board.

Supervisors

Dr. Zhang Jie

Ms. Zhang Lihong

Mr. Yuan Shuai (Retired in December 2023 upon the expiration of his term of office)

Mr. Chen Gong (Appointed in December 2023)

As the term of office of the first session of the Supervisory Committee expired in December 2023, at the extraordinary general meeting of the Company held on 29 December 2023, the Shareholders re-elected Dr. Zhang Jie and Ms. Zhang Lihong as shareholder representative supervisors of the second session of the Supervisory Committee. Mr. Chen Gong was elected as the employee representative supervisor of the second session of the Supervisory Committee at the Employees' Congress of the Company held on 29 December 2023. On 29 December 2023, Dr. Zhang Jie was reappointed as chairman of the second session of the Supervisory Committee.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Biographical details of the Directors, Supervisors and senior management of the Company are set out on pages 32 to 39 of this report.

Report of the Board (Continued)

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACT

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

COMPETING BUSINESS INTERESTS OF DIRECTORS AND SUPERVISORS

During the year ended 31 December 2023, 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 report for the year ended 31 December 2023 by band is set out below:

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

REMUNERATION OF DIRECTORS, SUPERVISORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

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

Report of the Board (Continued)

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 utilise any forfeited contributions in order to make fewer contributions than the current amounts.

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

At 31 December 2023, 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 C3 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	617,023,912	1, 2, 3	Interest in a controlled corporation	Long position	64.81%

- (1) Dr. He Chao was the general partner of Shanghai Qingmin. Shanghai Qingmin held 96,013,252 Shares as at 31 December 2023. 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. Shanghai Qinghe held 20,279,653 Shares as at 31 December 2023. By virtue of the SFO, Dr. He Chao 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. Shanghai Latent and Shanghai Qingzhen are parties acting-in-concert pursuant to a concert party agreement. As at 31 December 2023, Shanghai Qingzhen held 16,963,831 Shares and Shanghai Latent held 483,767,176 Shares. By virtue of the SFO, Dr. He Chao was deemed to be interested in the Shares held by Shanghai Qingzhen.

Report of the Board (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	0.51%
	MicroPort CardioFlow	1,043,935	3	Beneficial owner	Long position	0.04%
Dr. Zhang Jie	MicroPort	492,395	4	Beneficial owner	Long position	0.03%
	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	695,540	7	Beneficial owner	Long position	0.04%
	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) 450,000 underlying shares of MicroPort CardioFlow.
- (4) Dr. Zhang Jie was interested in (i) 113,738 shares; and (ii) 378,657 underlying shares of MicroPort.
- (5) Dr. Zhang Jie was interested in 200,000 underlying shares of MicroPort CardioFlow.
- (6) Dr. 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, Dr. 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) 132,332 shares; and (ii) 563,208 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 2023, 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 Board (Continued)

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

As at 31 December 2023, 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 interest held jointly with another person	Long position	52.60%	52.24%
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 interest held jointly with another person	Long position	52.60%	52.24%
Shanghai Qingmin	H Shares	96,013,252		Beneficial owner	Long position	10.09%	10.02%
Ms. Ji Shufang	H Shares	617,923,912	3	Interest of spouse	Long position	64.91%	64.46%
Zuhai 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	4	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	4	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	4	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	4, 5	Interest in a controlled corporation	Long position	7.75%	7.70%

Report of the Board (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 2023.
- (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) 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.
- (5) Shenzhen Gao Ling is also the general partner of Zhuhai Gao Ling Jiangheng Equity Investment LLP (珠海高領絳恒股權投資合夥企業(有限合夥)) (“**Gao Ling Jiangheng**”). Gao Ling Jiangheng held 1,799,991 Shares as at 31 December 2023. 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 2023, 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 2023, 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 2023 or at any time during the year ended 31 December 2023.

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 30 to the consolidated financial statement, no contract of significance was entered into between any member of the Group and a controlling shareholder of the Company or any of its subsidiaries or contract of significance for the provision of services to any member of the Group by a controlling shareholder or any of its subsidiaries subsisted during the year ended 31 December 2023.

Report of the Board (Continued)

PERMITTED INDEMNITY PROVISION

The Company has maintained directors' liability insurance which provides appropriate cover for the Directors during the year ended 31 December 2023.

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 2023, the actual transaction amount under the Master Products Procurement Agreement was approximately RMB1.2 million.

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 under the Master Products Procurement 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 Master Products Procurement Agreement exceed 5%, the transactions contemplated under the Master Products Procurement 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 Prospectus.

Report of the Board (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, sterilisation 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 2023, the actual transaction amount under the Master Services Procurement Agreement was approximately RMB13.2 million.

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 under the Master Services Procurement 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 annual caps under the Master Services Procurement Agreement exceed 5%, the transactions contemplated under the Master Services Procurement 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 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 2023, the actual transaction amount under the Catering Services Framework Agreement was approximately RMB4.0 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 under the Catering Services 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 Catering Services Framework Agreement exceed 0.1% but is less than 5%, the transactions contemplated under the Catering Services Framework Agreement are subject to the reporting, annual review, 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 Board (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**”), pursuant to which the MicroPort Sinica Group shall provide property management services 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 2023, the actual transaction amount under the Property Management Services Framework Agreement was approximately RMB1.7 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 under the Property Management Services 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 Property Management Services Framework Agreement exceed 0.1% but is less than 5%, the transactions contemplated under the Property Management Services Framework Agreement are subject to the reporting, annual review, 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 commercialisation 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 Sales Framework Agreement has an original term commencing from 1 January 2023 until 30 December 2025.

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. For the year ended 31 December 2023, the actual transaction amount under Sales Framework Agreement was approximately RMB26.2 million.

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 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 Board (Continued)

(VI) 2024 Sales Framework Agreement

On 6 December 2023, the Company and MicroPort entered into the 2024 Sales Framework Agreement. Upon the 2024 Sales Framework Agreement having become effective or 31 December 2023 (whichever is later), the Sales Framework Agreement shall be terminated. Pursuant to the 2024 Sales Framework Agreement, the Group agreed to sell and the MicroPort Group agreed to (i) purchase the products (the “**Products**”) of the Group for commercialisation and distribution worldwide and application including (a) all the surgical robot and medical equipment (including Toumai, SkyWalker, DFVision and other equipment to be launched by the Group from time to time); (b) all the equipment supporting accessories and consumables; and (c) other products developed and/or produced and processed by the Group; and (ii) procure the maintenance services provided by the Group for the Products. The 2024 Sales Framework Agreement has a term commencing from 1 January 2024 to 31 December 2026.

The maximum transaction amounts for the 2024 Sales Framework Agreement for each of the three years ending 31 December 2026 will not exceed RMB230 million, RMB500 million and RMB900 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 under the 2024 Sales Framework Agreement constitute continuing connected transactions 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 2024 Sales Framework Agreement exceed 5%, the transactions thereunder 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 2023 and the circular of the Company dated 12 December 2023.

(VII) 2024 Master Products Procurement Agreement

On 6 December 2023, the Company entered into a 2024 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 2024 Master Products Procurement Agreement has a term commencing from 1 January 2024 to 31 December 2026.

The maximum transaction amounts for the procurement of the Products for each of the three years ending 31 December 2026 will not exceed RMB9.5 million, RMB16.0 million and RMB18.0 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 under the 2024 Master Products Procurement 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 2024 Master Products Procurement Agreement exceed 5%, the transactions contemplated under the 2024 Master Products Procurement 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 2023 and the circular of the Company dated 12 December 2023.

Report of the Board (Continued)

(VIII) 2024 Master Services Procurement Agreement

On 6 December 2023, the Company entered into the 2024 Master Services Procurement Agreement with MicroPort, pursuant to which MicroPort Group and its joint ventures and associates shall provide the Group certain services, including but not limited to cleaning and packaging services, sterilisation services, product testing services, animal test services, administrative support services and marketing activity support and commercial promotion services. The 2024 Master Services Procurement Agreement has a term commencing from 1 January 2024 to 31 December 2026.

The maximum transaction amounts in relation to the procurement of the Services for each of the three years ending 31 December 2026 will not exceed RMB40.0 million, RMB51.0 million and RMB47.0 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 under the 2024 Master Services Procurement 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 2024 Master Services Procurement Agreement exceed 5%, the transactions contemplated under the 2024 Master Services Procurement 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 2023 and the circular of the Company dated 12 December 2023.

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 2023 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;

Report of the Board (Continued)

- 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 2023.

Save as aforesaid, none of the “Material Related Party Transactions” as disclosed in Note 30 to the consolidated financial statements for the year ended 31 December 2023 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 2023.

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 2023.

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.

Report of the Board (Continued)

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 recognise 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 adviser of any member of the Group who the Board considers, in its sole discretion, to have contributed to the Group.

Duration

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

Scheme Limits

The Board shall not make any further award of H Shares which will result in the number of H Shares awarded by the Board under the Share Award Scheme exceeding 10% of the issued H Shares from time to time, 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 2023. As at 1 January 2023 and 31 December 2023, 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 seven years and 10 months.

Report of the Board (Continued)

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 Scheme**”) 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.

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 advisers, 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 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 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.

Report of the Board (Continued)

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

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

During the period from the date of adoption of the Share Option Scheme to 31 December 2023, no option had been granted or agreed to be granted under the Share Option Scheme. As at 1 January 2023 and 31 December 2023, 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 2023.

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 2023, the Group made no donations.

ANNUAL GENERAL MEETING

The Company will further determine the date, time and place of the 2023 AGM. The details of the 2023 AGM, the period of closure of the register of members during the 2023 AGM and the notice of convening the 2023 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 Board (Continued)

FINAL DIVIDEND

The Directors do not recommend a final dividend for the year ended 31 December 2023 (2022: 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 2023. 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 report.

CHANGES IN INFORMATION OF DIRECTORS AND SUPERVISORS

After having made specific enquiry by the Company and as confirmed by the Directors and Supervisors, saved as disclosed below, during the Reporting Period, there were no changes in the information of the Directors and Supervisors that would be required to be disclosed pursuant to Rule 13.51(B)(1) of the Listing Rules. The change in the information of the Directors and Supervisors required to be disclosed pursuant to Rule 13.51(B)(1) of the Listing Rules is set out below:

Name of the Directors and Supervisors	Details of the change
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Mr. Chen Chen	Resigned as a non-executive director of Acotec Scientific Holdings Limited (6669.HK), with effect from 9 February 2023
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SUBSEQUENT SIGNIFICANT EVENTS

The Group was not aware of any significant events which need to be disclosed after 31 December 2023 and up to the date of this report.

Report of the Board (Continued)

AUDIT COMMITTEE

As at the date of this report, the Audit Committee consists of two independent non-executive Directors, namely Mr. Mui Wing Hong (chairman) and Dr. Li Minghua, and one non-executive Director, namely, Mr. Chen Xinxing. The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of the Company and overseeing the audit process.

The Audit Committee has reviewed together with the management of the Company the accounting principles and policies adopted by the Company and the annual results and the audited consolidated financial statements for the year ended 31 December 2023.

AUDITOR

KPMG has acted as auditor of the Company for the financial year ended 31 December 2023. 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

27 March 2024

Corporate Governance Report

The Board is pleased to report to the Shareholders on the corporate governance of the Company for the year ended 31 December 2023.

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 2023.

Throughout the period ended 31 December 2023, 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 DIRECTORS/THE BOARD

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', Supervisors' and senior management's liabilities in respect of legal actions against its Directors, Supervisors 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 2023, 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 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.

Mr. Chen Xinxing, who was appointed as a non-executive Director on 29 December 2023, has obtained the legal advice referred to in Declaration and Undertaking with regard to Directors of an Issuer incorporated in the PRC (Form H) pursuant to the relevant Listing Rules effective at the material time, which is equivalent to Rule 3.09D of the Listing Rules, and he confirmed that he understood his obligations as a Director of the Company.

The Board comprises the following Directors as of 31 December 2023:

Executive Director

Dr. He Chao (*President*)

Non-executive Directors

Mr. Sun Hongbin (*Chairman*)

Mr. Sun Xin (Retired on 29 December 2023 upon the expiration of his term of office)

Mr. Chen Chen

Mr. Chen Xinxing (Appointed on 29 December 2023)

Independent Non-executive Directors

Dr. Li Minghua

Mr. Yao Haisong

Mr. Mui Wing Hong

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

Corporate Governance Report (Continued)

Throughout the period ended 31 December 2023, 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.

Chairman and Chief Executive Officer

The roles of chairman and chief executive officer have been performed separately by Mr. Sun Hongbin 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 2023, 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.

Corporate Governance Report (Continued)

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 service contract with each of executive Directors and entered a letter of appointment with each of non-executive Directors and independent non-executive Directors for three years for each term of office.

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

Induction and Continuing Development of Directors

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 organised 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.

Corporate Governance Report (Continued)

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

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

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

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

Directors' Attendance Records

During the financial year ended 31 December 2023, 6 Board meetings were held and 4 general meetings were held (including 1 annual general meeting, 1 extraordinary general meeting, 1 domestic shareholders' class meeting and 1 H shareholders' class meeting). 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 2023 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
Executive Director			
Dr. He Chao (<i>President</i>)	6/6	1/1	3/3
Non-executive Directors			
Mr. Sun Hongbin (<i>Chairman</i>)	6/6	1/1	3/3
Mr. Sun Xin (Retired on 29 December 2023 upon the expiration of his term of office)	4/5	1/1	2/3
Mr. Chen Chen	6/6	1/1	3/3
Mr. Chen Xinxing (Appointed on 29 December 2023)	1/1	—*	—*
Independent non-executive Directors			
Mr. Mui Wing Hong	6/6	1/1	3/3
Dr. Li Minghua	6/6	1/1	3/3
Mr. Yao Haisong	6/6	1/1	3/3

* No meetings were held during the term of office of Mr. Chen Xinxing.

Corporate Governance Report (Continued)

Directors reviewed the documents of Board meetings provided by the Company in advance. For the year ended 31 December 2023, the chairman of the Board held one meeting with independent non-executive Directors without the presence of other Directors.

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

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules as its code of conduct regarding Directors' and Supervisors' securities transactions throughout the period ended 31 December 2023.

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 2023.

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 Report (Continued)

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 2023, the Board has considered the corporate governance policies and practice and its relevant disclosures; the compliance of the Model Code and the Employees Written Guidelines; and policies and practices on compliance with legal and regulatory requirements as required under the applicable requirements of the Listing Rules.

Audit Committee

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

As at 31 December 2023, the Audit Committee comprises three members:

Mr. Mui Wing Hong (*Chairperson*)
Dr. Li Minghua
Mr. Chen Xinxing

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 2023, 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.

Corporate Governance Report (Continued)

On 27 March 2024, 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 2023, (ii) the Company's relationship with the external auditor, discussed with the Company's external auditor on the tasks performed by them including the nature and scope of their audit and reporting obligations, and reviewed the terms of engagement and their remuneration; (iii) the appropriateness and effectiveness of the risk management and internal control systems of the Group and make relevant recommendations to the Board; (iv) the effectiveness of the internal audit function of the Group.

The Audit Committee held 5 meetings during the year ended 31 December 2023. The attendance records of each member at the Audit Committee meetings during the year ended 31 December 2023 are set out below:

Name of Members concerned	Number of meeting(s) attended/held
Mr. Mui Wing Hong	5/5
Dr. Li Minghua	5/5
Mr. Sun Xin (Retired on 29 December 2023 upon the expiration of his term of office)	4/5
Mr. Chen Xinxing (Appointed on 29 December 2023)	—*

* No meetings were held during the term of office of Mr. Chen Xinxing.

During the Reporting Period, the Audit Committee and the external auditor held a total of three meetings.

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 2023, 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.

Corporate Governance Report (Continued)

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 Board.

During the year ended 31 December 2023, 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.

On 27 March 2024, the Remuneration and Appraisal Committee held 1 meeting to discuss and make recommendations to the Board on the Company’s policy and others for all senior management’s remuneration.

The Remuneration and Appraisal Committee held 2 meetings during the year ended 31 December 2023. The attendance records of each member at the Remuneration and Appraisal Committee meetings during the year ended 31 December 2023 are set out below:

Name of Members concerned	Number of meeting(s) attended/held
Dr. Li Minghua	2/2
Mr. Yao Haisong	2/2
Mr. Sun Hongbin	2/2

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 2023, 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.

Corporate Governance Report (Continued)

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

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

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

During the year ended 31 December 2023, the Nomination Committee reviewed the current composition of the Board and discussed the Board structure to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company.

On 27 March 2024, the Nomination Committee held 1 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.

Corporate Governance Report (Continued)

During the financial year ended 31 December 2023, Nomination Committee held 2 meetings. The attendance records of each member at the Nomination Committee meetings during the year ended 31 December 2023 are set out below:

Name of Members concerned	Number of meeting(s) attended/held
Mr. Yao Haisong	2/2
Mr. Mui Wing Hong	2/2
Dr. He Chao	2/2

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 as at 31 December 2023:

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

One of the members is a non-executive Director, one of the members is an independent non-executive Director and another one of the members is an 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 2023, Strategic and Development Committee has reviewed the strategic plan of capital market activities of the Company.

During the year ended 31 December 2023, 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 2023 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

Corporate Governance Report (Continued)

BOARD DIVERSITY POLICY

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

Board has a balanced mix of knowledge, skills and experience, including but without limitation to research and development of surgical robots, medical device, medical engineering, investment management, medicine, securities and derivatives, and legal industry. Members of the Board have obtained degrees in various majors including mechanical engineering, economics, mechanical and electronics, science, molecular genetics and microbiology, business administration, accountancy, financial engineering, medicine, diagnostic radiology, jurisprudence and international business law. The Company has three independent non-executive Directors from different industry backgrounds, including accounting, neuro-imaging and legal industry. Furthermore, The Directors are of a wide range of age, from 38 years old to 72 years old.

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

As at 31 December 2023, the full-time employees of the Group (including senior management) comprise about 67.49% male and 32.51% 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.

Corporate Governance Report (Continued)

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 2023.

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 2023, and the disclosure of other financial information and report therein complies with relevant legal requirements.

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 2023 are set out in this Corporate Governance Report on pages 61 to 77 of this 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, and the review results are subsequently reported to the Board by the Audit Committee. The Board considers multiple aspects when conducting the review, including but not limited to: (i) changes in the nature and extent of significant risks since the most recent annual review and the Group's ability to respond to changes in business and external circumstances; (ii) the scope and quality of management's ongoing monitoring of risks and internal control system. 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 2023, the Audit Committee has reviewed the Group's internal control and risk management systems and processes which covered the whole financial year.

Corporate Governance Report (Continued)

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 centralised 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.

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 Board also considers that the relevant resources, employees' qualifications and related employees' experience are sufficient, and necessary training projects and budgets have been provided.

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 unauthorised access and use of inside information are strictly prohibited.

Corporate Governance Report (Continued)

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 organises anti-corruption training and inspections to ensure the effectiveness of anti-corruption and anti-bribery.

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 121 to 126 in this annual report.

For the financial year ended 31 December 2023, 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 2023 RMB'000
Audit and other assurance services:	5,150
Other non-assurance services	231
Total:	5,381

During the year ended 31 December 2023, the other non-assurance services performed by KPMG are primarily tax related service.

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 2023. During the year ended 31 December 2023, 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 32 and 39 of this report.

Corporate Governance Report (Continued)

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 recognises 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 2023.

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).

Corporate Governance Report (Continued)

Putting Forward Proposals at Extraordinary General Meetings

When a general meeting is held by the Company, the Board, the Supervisory Committee 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

Fax: (86)(21) 5080 1305

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

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

DIVIDEND POLICY

No dividend was paid or declared by our Company during the year ended 31 December 2023. 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.

Corporate Governance Report (Continued)

CONSTITUTIONAL DOCUMENTS

The Articles of Association was amended in accordance with the special resolutions passed by the general meetings of the Company and took effect on the Listing Date, being the date of commencement of dealings in the H Shares on the Stock Exchange. 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, PRC

27 March 2024

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**") 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 2023

During the Reporting Period, the Company held 4 meetings of the Supervisory Committee to consider regular reports, connected transactions and other major matters of the Company.

OPINION OF THE SUPERVISORY COMMITTEE ON RELEVANT MATTERS OF THE COMPANY IN 2023

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 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 standardised 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. The Supervisory Committee agreed with the audit opinion issued by KPMG on the Group's financial report for 2023.

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.

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 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

Shanghai MicroPort MedBot (Group) Co., Ltd.

Shanghai, the PRC

27 March 2024

Environmental, Social and Governance Report

ABOUT THIS REPORT

This report is the third Environmental, Social and Governance (“ESG”) Report (the “ESG 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 2023 to 31 December 2023 (the “Reporting Period”). Some information cases may be beyond the Reporting Period.

Reporting Scope and Boundary

The policies and information disclosed in this ESG Report cover the Company and its subsidiaries and the reporting scope is consistent with the Annual Report. The information and cases in this ESG Report are mainly derived from the Group’s statistical reports and relevant documents. Historical information quoted in this ESG Report is the final statistical information. Unless otherwise specified, the financial information in this ESG 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 C2 to the Rules Governing the Listing of Securities of the Stock Exchange of Hong Kong Limited.

This ESG 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 ESG Report.

Quantitative: Key performance indicators at the environmental and social aspects in this ESG 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 ESG Report follows the principle of balance and objectively presents the Group’s ESG management.

Consistency: This ESG Report adopts methodologies for information disclosure and data statistics that are consistent with those used in previous ESG reports 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 2023, all board directors participate in ESG management training in December 2023 to maintain the board’s leadership on ESG matters.

This ESG Report was approved by the Board on 27 March 2024 upon confirmation by the management. The Board undertakes that there are no false records or misleading statements in this ESG Report and is responsible for the truthfulness, accuracy and completeness of its contents.

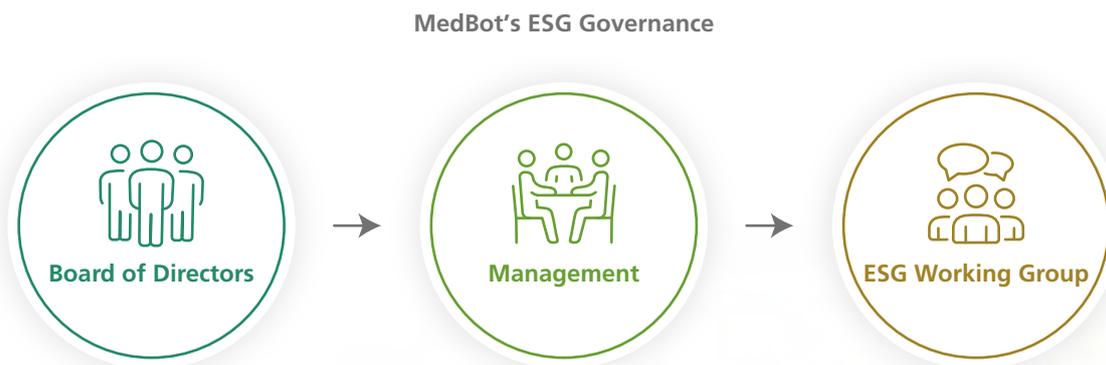
Environmental, Social and Governance Report (Continued)

ESG MANAGEMENT

Upholding the mission of “Reshape and Prolong Life through a Robotic Intelligent Surgical Total Solution”, MedBot continues to improve its ESG management system and integrate the concepts of ESG and sustainability into every aspect up and down the value chain. We continue to focus on compliant corporate governance, innovation-driven development, product quality and safety, joint growth and development with our employees, low-carbon operations, and social responsibilities. While pursuing economic benefits, we strive to create sustainable long-term value for the Company.

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.

Environmental, Social and Governance Report (Continued)

Stakeholder Engagement

Effective stakeholder engagement is critical to the long-term progress of an organisation. We maintain close communication with stakeholders including 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
Governments and Regulatory Authorities	National and local governments, market, taxation, environmental protection, and industry regulators, etc.	Compliant operation	Institutional visits
		Risk management	Official correspondence
		Environmental management system	Policy implementation
		Anti-corruption	Information disclosure
		Product safety and quality	
Shareholders and Investors	Investor of equity investment in the Group	Technology innovation	Investor relations website
		Intellectual property	General meetings of shareholders
		Product safety and quality	Online exchange meetings
			Strategy meetings
			Correspondence
			Conference calls
			Company research
	Roadshow		

Environmental, Social and Governance Report (Continued)

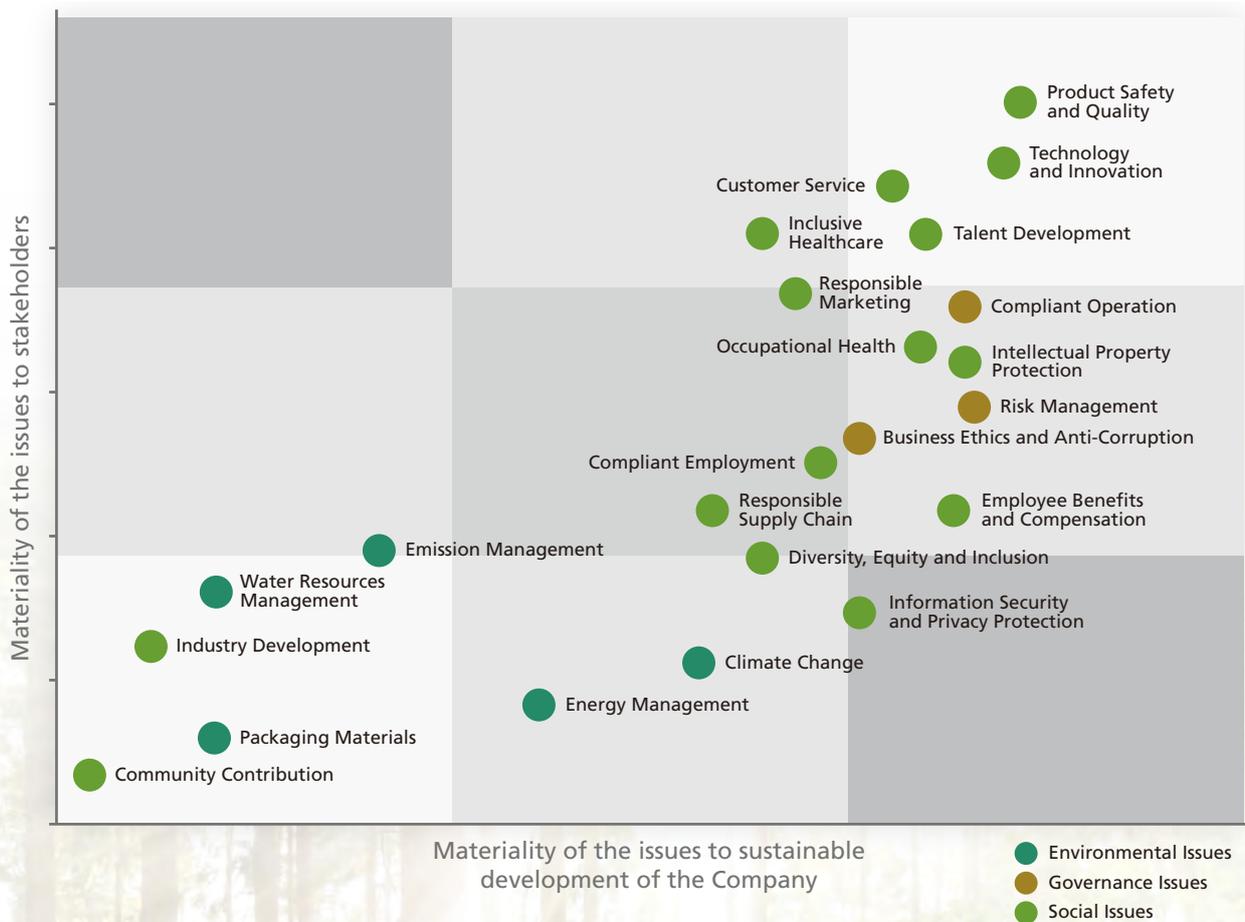
Category of Stakeholders	Stakeholders	Issues of Concern	Communication Channels
Customers	Global distributors, hospitals, physicians and surgeons	Information security	Distributor meetings
		Product safety and quality	Customer surveys and technical discussion meetings
		Customer service	Customer service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

Environmental, Social and Governance Report (Continued)

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 mapped the 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. During the Reporting Period, there were no significant changes in business operating models of the Group. Therefore, after reviewing the analysis results of ESG and material issues, we adjusted the presentation of some issues. The specific materiality matrix is as follows:

Materiality Matrix of MedBot



Environmental, Social and Governance Report (Continued)

Honours and Awards in 2023

Time	Award	
April 2023	First prize of Shanghai Science and Technology Progress Award	
April 2023	SkyWalker Orthopaedic Surgical Robot won the iF Design Award 2023	
April 2023	Private Enterprise Entrepreneurship and Innovation Award	
June 2023	Toumai Laparoscopic Surgical Robot won the only top award of China (Shanghai) International Technology Fair — the Treasure of the Town Hall	
September 2023	Industry Contribution Award of 2023 MedRobot Award	

Environmental, Social and Governance Report (Continued)

Time	Award	
September 2023	Toumai Laparoscopic Surgical Robot was listed in the SHANGHAI DESIGN 100+ for 2022–2023	
October 2023	MedBot won the Automated Tracheal Segmentation Competition of the Airway-Informed Imaging Biomarker (AIIB23) organised by the Medical Image Computing and Computer Assisted Intervention Society	
November 2023	Pilot and Demonstration Enterprise of Patent Work in Shanghai	
November 2023	Mona Lisa prostate puncture robot won the “Golden Jade Award — Outstanding Solution” in the “2023 Digital Healthcare Preferred Solution — Golden Jade Award”	
December 2023	MedBot won the “ESG Pioneer Practitioner” in 2023 Conference on Environmental, Social and Corporate Governance for Listed Companies titled “Reinventing and Building”	

Environmental, Social and Governance Report (Continued)

Time	Award	
December 2023	MedBot was awarded certificates to innovative enterprise headquarters in Shanghai	 A framed certificate with a blue background and a gold border. The text in Chinese reads '上海市创新型企业总部' (Shanghai Innovative Enterprise Headquarters) and '上海市医疗器械产业技术创新中心' (Shanghai Medical Device Industry Technology Innovation Center) dated '2023年12月' (December 2023).
December 2023	MedBot was listed among Top 10 Core Technology Enterprises for 2023	 A gold trophy with a black base. In the background, a sign reads '微创机器人 解决方案提供者' (Microbotics Robot Solution Provider).
December 2023	2023 Top 10 Independent Innovative Medical Device Products Award	 A framed award certificate with a red border. The text in Chinese reads '荣誉证书' (Certificate of Honor) and '2023年10月自主研发的医疗器械产品' (Self-developed medical device products in October 2023).
December 2023	SkyWalker Orthopaedic Surgical Robot won the 2023 Shanghai Industry-University-Research Cooperation Excellent Project Award	

Environmental, Social and Governance Report (Continued)

BOOSTING TRANSFORMATION BY INNOVATION

As a leading surgical robotics company, MedBot has always been committed to leading the smart transformation in the medical field. With adherence to independent R&D and innovation as the core, the Company provides robotic intelligent surgical total solutions capable of reshaping and prolonging lives, guiding the continuous development of the Chinese-developed surgical robot industry and shaping the era of super-smart surgery.

Expanding Business Presence

Since its operation in 2015, the Group, with the vision of “Building a Global Medical Robots Total Solution Innovation Platform”, has been making constant efforts in implementing the “1+7+5” strategy. After years of R&D innovation and industrial accumulation, we have built an all-round surgical robot technology innovation platform and a sound industrialisation operation system. By the end of the Reporting Period, we had developed into the only surgical robot company in the world with business covering the five “Golden Racetracks”: laparoscopic, orthopedic, panvascular, trans-natural orifice and percutaneous surgical solutions.

In 2023, we focused on our core strategy while continuing to enrich our product portfolio. We strived to make our core and flagship products easier to operate and thus more competitive. With a wide range of business industry distribution, strong comprehensive R&D capabilities and excellent product performance, we continued to explore domestic and overseas markets, and rapidly promoted business development and layout.

During the Reporting Period, a number of products were approved by the NMPA:

1 Toumai multi-department application was approved by the NMPA

2 SkyWalker Hip and Knee Replacement Robot was approved by the NMPA

3 Mona Lisa Prostate Puncture Robot Positioning System was approved by the NMPA

4 DFVision 3D Electronic Laparoscope was approved by the NMPA

5 R-ONE Vascular Interventional robot was approved by the NMPA

Environmental, Social and Governance Report (Continued)

In addition, as of the date of this Report, SkyWalker Orthopaedic Surgical Robot had been certified with the 510 (k) by the FDA, the CE in the EU, the ANVISA in Brazil and registered for the TGA in Australia and the UKCA in the United Kingdom. It's the first and the only Chinese-developed surgical robot that has been approved for sale in major surgical robots markets such as China, the United States, the European Union, Brazil, Australia and the United Kingdom at the same time. This indicates that our efforts to actively expand overseas markets have been fully recognised.

In 2023, we continued to accelerate the clinical validation of multi-departmental, large-scale surgical robots to meet the development needs of the forefront of minimally invasive surgery. As of the date of this report, Toumai Laparoscopic Surgical Robot had assisted more than 2,000 surgeries in urology, thoracic, general surgery, gynaecology and other departments in over 90 hospitals in 31 provinces across the country, including difficult and complex surgical methods in thoraxes, abdominal cavities and pelvises. While our SkyWalker Orthopaedic Surgical Robot had assisted more than 800 clinical surgeries in orthopaedics, joint surgery and sports medicine departments of over 50 hospitals in 17 provinces across the country. By combining clinical needs with R&D capabilities, we had witnessed various advances, including rapid product iteration, continued performance optimisation and growing recognition.

While being deeply engaged in the R&D of five core underlying technologies of surgical robots, we continuously tap the potential of big data, artificial intelligence, human-computer interaction technology, 5G communication and other technologies to integrate with surgical robots, and make 5G tele-surgery one of the technologies of R&D focus with continuous tackling efforts. As at the date of this Report, Toumai Laparoscopic Surgical Robot has become the world's first surgical robot to assist in more than 120 5G remote human clinical surgeries, with the furthest transmission distance of 5,000 kilometres. Toumai Laparoscopic Surgical Robot has set nearly 20 national and even world records for the first remote-surgery. In addition, we continue to promote the joint application of remote-technology and robot-assisted surgery. For example, we participated in the establishment of the world's first 5G remote benchmark minimally invasive surgery training centre, promoting the standardised training of surgical techniques of Chinese-developed surgical robots. While realising our original goal of "Making Surgery Easier, Safer, and Less Invasive", we break through the limitation physical space to boost the application of advanced diagnostic and treatment technologies in primary hospitals. To conclude, we have not only enhanced the capacity of primary healthcare services, but also fully responded to the construction of regional medical communities under the "Healthy China" strategy.

Exploring the Industry Frontier

Promoting Innovation Management

As we understand that R&D and innovation are the inexhaustible driving force for high-quality and sustainable development of enterprises, we have laid out a number of R&D centres in China and overseas, aiming to push ahead the core technology of minimally invasive surgical robots and open up the scientific and technological innovation service of surgical robots throughout the chain.

While focusing on resource investment and optimisation, we stick to improving R&D management. To ensure efficiency, we have formulated a series of internal standard operating procedures (SOP), such as the R&D Tooling Procedure and the R&D Testing Process. In 2023, we revised the Detailed Rules for Design Review to refine product design process management and clarify team responsibilities, effectively improving R&D efficiency. In addition, we carried out the whole-process management of product R&D through 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.

Environmental, Social and Governance Report (Continued)

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 principle¹, 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.

Cultivating Innovative Talents

We attach importance to the introduction and training of high-quality talents to effectively support the Group's product development and technology application. By the end of the Reporting Period, the Group had 238 R&D personnel, accounting for 36.8% of the total workforce, among which 53.8% had master's degree or above, which provides strong innovative technical support and competitive advantage for the development of MedBot.

We build 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. We also provide a complete training system for all functional members of the R&D team. Through the training form of case study, we comprehensively improve our management ability and technical ability, to cultivate industry top talents.

Management Training Improve the comprehensive management quality and cross-team communication and cooperation ability of the R&D team through training on topics such as Coaching Leadership and Six Steps to Improve Skills for Rapid Decision Making.

Technical Training Conduct monthly training on application technology, industry-leading technology, and problem-solving technology for mechanical, algorithm and software teams, improving employees' technical skills and quality, and enhancing the team's innovation ability and core competitiveness.

We also recognise and reward outstanding R&D talents in various ways to fully stimulate innovation potential and improve team cohesion. In addition to assessing the performance of all employees, we also implement the instant incentive system, providing immediate praise and incentives to employees with outstanding performance, thus setting examples. In the 2023 "Stella Cloud Talent" selection programme, 17 employees were nominated and awarded the title of "Protostar Talents".

Protecting Intellectual Property

Intellectual property is important for MedBot to succeed and stay competitive. We strictly observe laws and regulations of the countries 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 Rewards. With zero tolerance for infringement, we have established an effective intellectual property management system to protect our intellectual property rights and respect others'.

The Group has obtained the GB/T29490-2013 the Enterprise Intellectual Property Management certification, which includes IP management for the R&D, production and sales of laparoscopic surgical system, endoscopic image processor and medical endoscopic cold light source. In 2023, we were listed as the "Patent Work Demonstration Enterprise in Shanghai" and "National Intellectual Property Advantageous Enterprise" for our outstanding R&D capabilities and innovation capabilities, reflecting external recognition of the Group's leadership and patent achievements in the field of surgical robots, and indicating the significant contribution of MedBot to innovation and intellectual property protection.

1 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

Environmental, Social and Governance Report (Continued)

With the IP management system from WADE, we realise efficient and precise systematic management of the whole process from patent proposal to maintenance. In 2023, we optimised the proposal access and process of the system. On the one hand, we released the product and technology classification system to build a patent classification model for medical robots by combining the clinical application of products, improvement of design defects, and reserve of cutting-edge technologies. On the other hand, we implemented the classified patent disposal strategy to effectively improve the patent management workflow. 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, during the Reporting Period, we added a new mechanism for pre-application assessment of patents, covered the key nodes of the entire process of R&D projects with intellectual property analysis, comprehensively carried out infringement risk management, and strengthened our efforts to protect our 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. By the end of the Reporting Period, we had applied for 279 trademarks and 1,278 patents with 395 patents having been granted, of which 263 have been granted in China and 132 overseas.

Promoting Industry Development

For a long time, the Group has been committed to building a platform for innovation and synergy with partners from industry, academia, research and medicine. We have also participated in external exchange activities to promote the synergistic development of upstream and downstream parties. In doing so, we make every effort to push forward the construction of sustainable innovation ecology in the field of high-end medical devices to improve the health and well-being of patients.

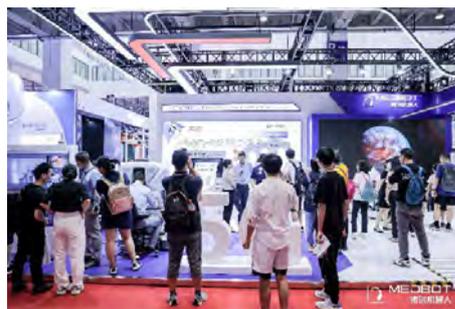
By the end of the Reporting Period, we had deeply cooperated with a number of universities as well as top clinical research organisations in China through various forms including talent training exchanges and technological research, so as to realise synergetic benefits such as complementary advantages, resource sharing and win-win cooperation. We also promoted multidisciplinary innovation, industrial technology transformation, and prospective scientific research innovation. For example, our research on "Creation and Application of New Methods for Prostate Cancer Diagnosis and New Technologies for Precision and Minimally Invasive Treatment", jointly conducted with Renji Hospital of Shanghai Jiao Tong University School of Medicine, Shanghai Institute of Nutrition and Health of the Chinese Academy of Sciences, and Jiading Central Hospital, was awarded the first prize of the Shanghai Science and Technology Award for Technical Progress.

In addition, focusing on exploring the industry's cutting-edge technology and overcoming technical obstacles, we are committed to in-depth exchanges of innovative R&D concepts and achievements with outstanding representatives of the industry to facilitate high-quality development.

Environmental, Social and Governance Report (Continued)

MedBot Attended the World Robot Conference 2023

On 16 August 2023, with four-star products and Toumai mobile platform, MedBot attended the World Robot Conference 2023 themed on “Open and Innovation to Enjoy the Future”. At the conference, we displayed a complete range of Chinese-developed high-end surgical robots and 5G remote-surgery clinical cases and offered live experience activities, which added a bright landscape full of scientific and technological scents to the opening of the conference, and gained wide attention from industry experts, authoritative media and audiences at home and abroad. At the site, a large number of attendees were attracted for operating and testing. After on-site operating and testing, the experts and guests all spoke highly of our products, saying that they had a more all-around and clearer understanding of the process of 5G remote-surgery. In short, we fully demonstrated our exploration and practice of cutting-edge technologies at this conference, as well as our strength in core technical and innovative spirit in leading the development trend of Chinese-developed surgical robots industry.



In addition, at the conference, Mr. Liu Yu, Executive Vice President and Chief Business Officer of the Group, was invited to deliver a speech. Mr. Liu Yu shared successful experience of MedBot to carry out 5G remote-surgery exploration in his speech. Besides, Mr. Liu Yu attended the “Roundtable Dialogue of Collaborative Innovation Forum of Robot Industry Chain” with industry experts, scholars and senior management in attendance, discussing measures on promoting the diversified development of the industry chain and supply chain, and building a collaborative innovation system for the production and use of robots.

MedBot Participated in SRS 2023 Annual Meeting

From 24 to 26 July 2023, the Annual Meeting of the Society of Robotic Surgery 2023 (SRS 2023), a world-renowned academic conference, was held in Melbourne, Australia. As the representative of Chinese-developed surgical robots, MedBot participated in the meeting with its Toumai Four-arm Laparoscopic Surgical Robot and SkyWalker Orthopaedic Surgical Robot. MedBot exchanged with counterparts across the world on cutting-edge new products, technologies, and achievements in surgical robots.

At the meeting, MedBot delivered keynote speeches which deeply analysed and interpreted the latest progress in the minimally invasive surgery diagnosis and treatment field. Represented by Toumai and SkyWalker, these speeches were delivered from the perspective of MedBot’s industrial layout, clinical applications and 5G practical achievements, demonstrating the innovative ideas and technical strength of domestic surgical robots. After the test driving experience, the participants praised China’s surgical robots of “smart manufacturing”, and expressed their wishes to strengthen exchanges with China and come to the country for field visits.

Environmental, Social and Governance Report (Continued)

While continuously improving the quality and performance of our products, the Group has actively participated in the drafting and implementation of a number of industry standards. Except for 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, we participated in the drafting and approval discussions of a number of association and industry standards during the Reporting Period, including the Guidelines for Reducing and Exempting On-site Verification of Quality Management System Verification for Shanghai Medical Device Registration (Trial) and Laparoscopic Surgical System with Robotic Technology, thereby promoting the standardisation and high-quality development of the industry as a whole.

Pursuing Long-term Development by Exercising Prudence

MedBot upholds a firm corporate governance mechanism to promote the management foundation of compliant operation and efficient governance. We comply with the laws and regulations of the places where we operate, and adhere to business ethics and the highest standards of professional conduct. Therefore, we have established a sound compliance management system, implemented risk management and internal control systems to ensure information and privacy security as well as practice responsible marketing. In short, we are committed to improving corporate compliance governance and long-term steady development.

Strengthening Risk Management

We attach great importance to the establishment and improvement of the corporate risk management system and internal control compliance management on an ongoing basis, and thus steady the Company's business. Therefore, we have formulated system documents such as the Risk Assessment Management Process Regulations and Internal Control Manual, under which, we systematically carry out corporate risk management and compliance review, and prevent and respond to various strategic risks, financial risks, market risks, operation risks and legal risks in the course of business of the Company in a reasonable and effective way.

We perform annual risk identification, assessment, screening and management in accordance with the Risk Assessment Management Process Regulations. The Internal Audit Department is responsible for interviewing with the Company's management to summarise the identified risks. The managers then rank and rate these risks and develop corresponding management initiatives and response mechanisms in different areas. During the Reporting Period, we carried out our annual risk assessment and published 2023 Annual Risk Assessment Report. We identified 10 high risks and 13 medium ones, for which management initiatives were developed and optimised.

By formulating and following a series of internal control policies and procedures such as the Internal Control Manual, Internal Audit System, Work Rules for the Internal Audit, Internal Control Review Project Process Regulations, and Special Audit Process Regulations, we have clarified the compliance management responsibilities of various functional departments and systematically carried out intragroup control work. During the Reporting Period, we audited the design and operation of the Group's whole-process internal control in accordance with the annual audit plan. Afterwards, we communicated with the responsible departments about the defects found in property rental, project decoration, project bidding and material procurement for rectification, so as to effectively prevent and control risks.

Environmental, Social and Governance Report (Continued)

MedBot's Annual Internal Audit Plan



Upholding Integrity and Compliance Operation

The Group upholds the values of “Integrity and Trustworthiness, and Compliance Operation”, 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 in the places where it operates, adopt a zero-tolerance attitude towards corruption bribery, extortion, fraud and money laundering.

We established a compliance governance structure comprising the Board of Directors, business management, compliance management and all employees to integrate integrity and ethics into every aspect of our business operations.

We have formulated and followed compliance management systems such as the Compliance Management System, the Employee Integrity Management System, and the Standard on Service Fees for Services Provided by Health Care Professionals (HCPs) setting clear regulations for the Company and employees in terms of corruption, bribery, fraud, improper transactions and other activities. The Compliance Management System applies not only to the Company’s employees and management directors, but also to third parties such as distributors, agents and other marketing partners. In addition to strengthening employees’ business ethics awareness and standardising their professional behaviour, this system also establishes a control procedure for third parties to enhance the risk control ability of business partners. Internally, we require employees of relevant departments, such as procurement, to sign the Compliance Pledge and the Employee Integrity Agreement. Externally, 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 business foundation for our internal and external partners.

Compliance Training

We attach great importance to promoting business ethics awareness among our stakeholders. This is why we regularly conduct compliance training for employees, management members and external partners. In doing so, we urge all stakeholders to clarify our business ethics and compliance requirements to ensure integrity. During the Reporting Period, we carried out multi-theme compliance training such as annual online compliance training, new employee compliance training, annual sales meeting compliance training, dealer compliance training and on-the-job special compliance training, covering business conduct and ethics, anti-bribery and anti-corruption. As a result, we had effectively raised awareness of integrity and compliance among relevant parties. During the reporting period, the compliance training coverage rate of the Group’s employees was 100%, and all Board members had participated in training on laws and regulations relating to anti-commercial bribery.

Environmental, Social and Governance Report (Continued)

Reporting Mechanism

Being zero-tolerant on corruption, bribery and other misconduct, we have continued to improve the reporting mechanism by setting up an integrity mailbox, an integrity e-mailbox and a compliance hotline to strengthen the Company's supervision of possible corruption, and establish and improve an honest, open and transparent supervision mechanism. In accordance with regulations, we initiate the investigation within 24 hours after receiving a report. We set up an independent investigation team comprising the Internal Audit Department and the Legal and Compliance Department to push forward integrity audit and inspection under the authority of management of the Group, and put forward opinions on the results and report to management of the Group for approval before implementation. During the investigation, we exclude all stakeholders who may affect the integrity. We also strictly protect the safety and privacy of whistle-blowers by prohibiting and punishing any form of retaliation against whistle-blowers or employees involved in investigations. During the reporting period, the Group had no litigation cases related to corruption and money laundering.

Whistle-blowing and Complaint Channels



Insisting on Responsible Marketing

The Group complied with 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 and other relevant laws and regulations in the places where its operates, and followed systems such as 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. The Group also formulated the Procedures for the Management of the Media in Various Functional Blocks during the Reporting Period and categorised the management of the Group's externally disseminated information according to the definitions, types, modules and channels of release. We strictly monitor the marketing compliance and accuracy, constantly improve the external publicity and promotion mechanism, and carry out marketing and publicity practices in a lawful and compliant manner.

For the three types of external publicity, namely product information, marketing activities and company information, we have formulated the audit process and defined the responsibilities of the team. After the publicity programme is formulated, each business department shall carry out the information review based on its own professionalism, and management shall finally determine the content of the marketing publicity. At the same time, we set up an overseas publicity matrix and organise relevant employees to study the laws and regulations of the corresponding countries, and update the changes of laws and regulations in each place of operation in a timely manner, so as to ensure the compliance and accuracy of foreign marketing and publicity.

We continue to carry out responsible marketing compliance training to strengthen the compliance awareness of relevant employees. During the Reporting Period, we organised a number of marketing compliance-related training activities, including the Sharing of Recent Compliance Hot Spots and Exchange of Compliance Matters, Response to Unfavourable Circumstances, and Individual Sharing on How to Make Bids, which covered a total of 119 employees, enabling the business departments to understand the compliance content of medical device advertisements in a timely manner and further standardise the management mechanism of external publicity.

Environmental, Social and Governance Report (Continued)

Maintaining Data Security

The Group pays close attention to information security and privacy protection, and 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. We have established a three-tier organisational structure for systematic information security management. This structure consists of the Information Security and Privacy Committee acting as the decision-making level, the Information Security and Privacy Work Team as the management level and all employees as the executive level.

MedBot's Data Security Governance Structure



Executive Level
All Employees

Follow the requirements of information security management, implement various information security work, and cooperate with supervision and inspection



Management Level
Information Security
and Privacy Work Team

Manage the Company's information security work, inspect the development and implementation of information security systems



Decision-Making Level
Information Security
and Privacy Committee

Develop the Company's information security development strategy, approve information security systems and activities, coordinate information security work, and ensure the necessary resources for activities

We have formulated and followed the Information Security Policy, the Data Security Management Processes, Robot Information Security System and other data security management systems to promote the construction of the data security system, strengthen the data security management capability, and safeguard the Company's data security and user privacy. As of the end of the Reporting Period, the official website of MedBot has 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, and has passed the dual system certification of ISO 27001 information security management system and ISO 27701 privacy information management system.

Adhering to the information security management policy of "Focusing on Medical and Pharmaceutical Businesses, Leadership Role, Full Participation, Comprehensive Guarantee, Active Protection, Dynamic Management and Continuous Improvement", we regularly formulate information security objectives and implementation plans. Besides, we ensure the smooth implementation of data security management through the full mobilisation of required resources, continuous training of all staff on information security capabilities and awareness, and the establishment of a regular communication mechanism for information security liaisons. We classify the data involved in our Company into three categories: business, industrial and personal, and into five levels: top secret, confidential, secret, internal and public. Furthermore, we conduct hierarchical management of the Company's data assets by developing different access control management rights and management procedures for different levels of data assets, so as to guard the security of the Company's data assets in an all-round way.

We have carried out data security related training for all employees of the Company, such as Information Security and IT-related Matters for Machine Employees, and Information Security and Privacy Management Awareness, so as to improve employees' awareness of information security and reduce the risk of loss of data assets. During the Reporting Period, the Group had no information security risk related events.

Environmental, Social and Governance Report (Continued)

RAISING PRODUCT QUALITY BY INGENUITY

MedBot integrates the spirit of craftsmanship into daily operation and strives to bring safe and quality products and services to customers. We continue to refine quality management, service capabilities, responsible procurement, and end-to-end synergy across the value chain to safeguard the quality and safety of our products.

Strengthening Quality Management

Refining Quality Management System

Strictly complying with relevant laws and regulations in the places where we operate, such as the Product Quality Law of the People's Republic of China, Regulations on the Supervision and Administration of Medical Devices, Measures for the Supervision and Administration of Medical Device Production, and Code of Practice for Quality Management in the Manufacturing of Medical Devices, as well as EU MDR medical device regulations, we have established and continuously improved the quality management system covering the full lifecycle of product R&D, procurement, production, service, sales and post-market. We also strive for standardised quality management by a series of internal regulations and procedures, including the Quality Manual and the Product Life Cycle Control Procedure. During the Reporting Period, we developed and issued 14 quality management related policies and systems, procedure control documents and SOPs, and updated and optimised 33 internal policies and systems, to safeguard the standardisation and proceduralisation of our internal quality management.

To ensure quality control, we have also set up special quality management team for the promotion of quality system in a continuous, systematic and professional way, as well as quality management at each key stage of the product lifecycle. By the end of the Reporting Period, MedBot has obtained the ISO 13485 Quality Management System for Medical Device, as well as Class II Medical Device Business Filing Certificate, Medical Device Manufacturing Licence and Medical Device Business Licence.

The Dedicated Quality Management Team at MedBot



QA Department

Be responsible for quality assurance, evaluation and improvement throughout the product lifecycle



QMS Department

Be responsible for setting up and maintaining the quality management system at the Company based on the requirements of the newly enacted product and market regulations and standards



QV Department

Be responsible for quality verification and inspection at the stage of R&D and design



PMS Department

Be responsible for establishing and continuously improving post-market management processes that meet the regulation requirements of the PRC, MDSAP member countries and EU



QC Department

Be responsible for quality control over the entire product lifecycle from raw materials to final products



SQE Department

Be responsible for all-round quality inspection and management of suppliers, ensuring that the quality of the purchased products is up to standard

Keeping on Improving Product Quality

We conduct quality management throughout the product lifecycle and guarantee the stability of product quality through a digital quality management system. In 2023, with our focus on quality control and improvement from four levels, we improved the quality of suppliers and materials through standardised processes, regular reviews and inspections, and practical training. In addition, we strengthened design quality control, promoted quality control compliance, and responded quickly to external feedback, thus achieving our commitment to high quality.

Environmental, Social and Governance Report (Continued)

In 2023, we were regularly inspected and reviewed by external regulators, as well as internal unannounced inspections to ensure the effectiveness of quality management. 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 actively develop a quality training system for MedBot by carrying out quality meetings, quality training and various activities within the Company from time to time, as well as organising employees to participate in external quality-related training and on-site observation, thereby ensuring quality awareness of employees, and further safeguarding the strict top-down implementation of the Company's quality culture and quality supervision requirements. During the Reporting Period, we conducted a total of 130 internal quality training sessions about operating procedures, regulations and standards, and system introduction, fostering a rigorous and pragmatic quality culture in an effective way.

2023 MedBot Quality Month



On 25 August 2023, MedBot conducted a training on Sharing of Practical Experiences in Registrant System, which was one of the key activities of the series of themed salons on Quality with a Purpose in the Group's 2023 Quality Month. The training was conducted in an online and offline manner, including the overview of the medical device registrant system, the responsibilities of the medical device registrant and the manufacturer, and the registrant's assessment and selection of the trustee. From the perspective of regulation interpretation and case analysis, the training enhanced the trainees' understanding of the registrant system and further raised their quality awareness.

Serving Customers Sincerely

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, emphasise the control of product quality risks and establish a post-marketing supervision and management system. 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.

Enhancing the Quality of Services

We maintain close communication with our customers to meet their increasingly diversified needs, continue to provide safe and high-quality products, and win the trust and recognition of our customers with quality services. We have established a complete after-sales service system, following the Feedback Control Procedures, the Complaint Control Procedures and After-sales Service Hotline Management System and other relevant internal systems and processes, and formulated and published the Product Maintenance Management System and the Product Repair Management System during the Reporting Period, which clearly stipulated the complaint handling process and the service specification for engineers.

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 2 complaints relating to products and services, which were promptly addressed to the extent that customer's needs were resolved.

Environmental, Social and Governance Report (Continued)

To further improve customer service level, we have established a technical engineer training system providing training for personnel based on their professions and ranks. Focusing on three major sections which are basic theory, simulation practice and ability improvement, the training comprehensively helps engineers improve their communication skills and product expertise to meet customer needs while building the brand's excellent service reputation. In 2023, our engineer service training participation totalled 97 participants.

Practising Responsible Procurement

Supplier Management

We follow internal supply chain management systems, such as the Procurement Management System and the Supplier Management System, to standardise the management processes of supplier selection, qualification, auditing and elimination. 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 make sure that the quality of the materials or services they provide meets the standards of MedBot.

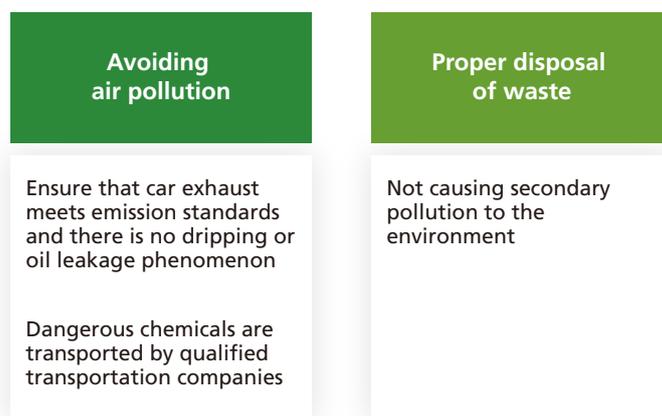
In cooperation with suppliers, we carry out irregular communication and follow-up with suppliers in terms of product delivery and service quality. We will require suppliers to rectify any non-conformity founded in a timely manner to control the quality risks of the supply chain and ensure product quality and safety. 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, and conduct on-site audits of Class A suppliers annually. Only suppliers who passed the annual commercial and quality evaluation with qualified mark 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.

By the end of the Reporting Period, MedBot had a total of 762 suppliers, including 752 suppliers located in PRC and 10 suppliers overseas.

Establishing Sustainable Supply Chain

We regard a stable supply chain as an important guarantee for the sound development of our business. Therefore, we regularly carry out reasonable testing and control of potential risks in the supply chain to enhance supply chain resilience. We integrate ESG management requirements such as environmental responsibility, business ethics and social responsibility into supply chain management, and actively urge our suppliers and partners to fulfil their environmental and social responsibilities, thus comprehensively improving our supply chain risk response capabilities and building a sustainable supply chain. During supplier selection, we take their social and environmental risks into account, and in addition to price and quality of their products, we also consider ESG as a plus point and give priority to working with suppliers with better ESG performance. We require suppliers abide by the principles of integrity and honesty. During the Reporting Period, we updated the Procurement Framework Agreement, adding requirements on business ethics, anti-corruption, safety, environmental protection, human rights, and labour conditions for suppliers, so as to further strengthen the environmental and social responsibilities of the supply chain. To minimise the environmental impact of our business operations on the environment, we require our suppliers to comply with our environmental protection requirements.

Environmental, Social and Governance Report (Continued)



Environmental protection requirements for suppliers

We take the initiative to share our management experience and business practices with our suppliers and share quality resources, with a view to empowering the development of our suppliers and optimising the overall level of our supply chain. In 2023, we conducted a number of technical meetings and exchanges with suppliers to solve technical problems, and give full play to the benefits of upstream and downstream synergies in the industry. In addition, we actively increase the proportion of local procurement. Based on the overall risk analysis results of imported parts, we promote the replacement of different raw materials in batches according to their risk levels. During the Reporting Period, we completed the localisation of raw materials for some products. While ensuring the stability, efficiency and sustainability of the supply chain, we hope to foster the development of the local industrial chain the domestic medical device business.

DRIVING DEVELOPMENT BY SHARING

Consistently putting people first, MedBot regards human capital as the cornerstone and driving force for the long-term corporate development. We comply with the relevant laws and regulations of the places where we operate; we always protect the rights and interests of employees, and improve the pay and performance management mechanism; we also establish an efficient training system to facilitate employees' career development, as well as a safe workplace to protect the occupational health of our employees; furthermore, we attach importance to employee care and create an atmosphere of enjoyment. In doing so, we seek common growth together with our employees.

Gathering Industry Talents

Employees' Rights and Interests

We strictly comply with the Labour Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China, the Prohibition of Child Labour, the Fair Labour Standards Act of the United States and other labour standards and laws in the countries where we operate, and we sign Labour Contracts with our employees in accordance with the MedBot Recruitment Policy and other employment management systems, so as to adhere to the compliance of the employment process and to safeguard the rights and interests of our employees.

We continuously optimise our employee management system through the Employee Handbook, which regulates the management process of employee recruitment, working hours, holidays, remuneration, performance, benefits, training and promotion. We explicitly prohibit the employment of child labour and any form of forced labour, and through strict information collection and verification, we take strict inspection measures during the recruitment process to prevent the occurrence of child labour. If any violation of the employment policy is found, we will immediately initiate an investigation and take measures in accordance with the relevant regulations to maintain a lawful employment environment.

Environmental, Social and Governance Report (Continued)

Recruitment

Following the core philosophy of “Group Wisdom, Tenacity, Focus, Responsibility, Ingenuity, Passion and Innovation”, the Group has formed a diversified corporate recruitment and hiring culture. We have adopted the recruitment strategy of diversified recruitment and multi-departmental assessment, and introduced an interview and assessment system with the participation of multi-functional teams, which can effectively improve the accuracy of matching candidates with positions and enhance the efficiency of human capital development of the enterprise.

We regard human capital as the core competitiveness of a research and innovation enterprise, and a mature human capital development management mechanism as an assistance to efficient recruitment. To this end, we follow the recruitment management system such as the MedBot Recruitment Policy and the Internal Referral Reward System to actively expand recruitment channels, so as to attract a wide range of talents to drive the development of the Company through campus recruitment, social recruitment, internal recommendation and other channels. During the Reporting Period, we set up a direct promotion channel through the president for scientific and technological leaders, attracting outstanding talents in the industry to contribute to the innovation of medical science and technology and revolution in corporate development.

We have established talent development channels for campus recruitment and school-enterprise joint cultivation by carrying out online and offline campus recruitments, setting up joint training programmes of excellent doctors and masters, and holding geek competitions. When we collect technical proposals for various robotics applications from students and faculty of universities and research institutes from all over China who are interested in the field of medical robotics, we also attract people of insight to devote themselves to the cause of medical science, so that we can build a bridge between the campus and workplace, accurately matching potential talents with the Company’s development. We have been continuously carrying out university-enterprise cooperation projects and scholarship programmes with renowned universities in China, such as the Nanjing University of Aeronautics and Astronautics, the Huazhong University of Science and Technology, Xi’an Jiaotong University and the Southern University of Science and Technology, so as to identify technical talents passionate about robotics and related technologies, and to build MedBot as a diversified and innovative employer.

Diversity, Equity and Inclusion

Firmly believing that employees of different backgrounds can bring multiple development drivers to the Company, the Group is committed to building a diverse, equal and inclusive workplace culture, giving employees of different backgrounds fair development opportunities in recruitment and appointment. We have clearly stipulated equal employment in our system, eliminating all employment discrimination due to age, gender, nationality, race, ethnicity and religion, to safeguard diversity and equity in the workplace, and promote an inclusive corporate culture.

We have taken various initiatives to support and promote gender equity in the workplace, safeguarding the fair rights and interests of all employees. For example, we have formulated the Management System for the Protection of Female Employees and Minors, implementing equal pay for equal work, and setting up breastfeeding rooms, to create convenient working conditions for all female employees. And at the same time, we provide our employees with care and benefits such as maternity leave, prenatal leave, breastfeeding leave, parental leave, childcare leave, family caregiver leave for female employees, and nursing leave for male employees, in accordance with the relevant provisions of the Employee Handbook. Moreover, we have established a Women’s Federation providing assistance to female employees, such as life care and female workplace exchange activities, to ensure that female employees can receive timely and effective assistance when necessary, and help them realise their career development and personal growth.

Environmental, Social and Governance Report (Continued)

By the end of the Reporting Period, MedBot had a total of 646 full-time employees. The composition of employees is as follows:

Category		Number of employees	Proportion
By Gender	Male	436	67.49%
	Female	220	32.51%
By Age	At or under 30 years of age	132	20.43%
	31–50 years of age	506	78.33%
	Above 50 years of age	8	1.24%
By Region	China	636	98.45%
	US	10	1.55%
By Academic Qualification	Bachelor's degree	311	48.14%
	Master's degree	168	26.01%
	Doctoral degree	14	2.17%
	Others	153	23.68%

During the Reporting Period, the employee turnover rate was 50.54%, details of which are as follows:

Category		2023	2022
By Gender	Male	51.45%	14.39%
	Female	48.53%	14.65%
By Age	At or under 30 years of age	59.01%	12.53%
	31–50 years of age	47.62%	15.44%
	Above 50 years of age	55.56%	11.11%
By Region	China	50.31%	14.61%
	US	50.00%	10.53%

* Employee turnover rate=cumulative number of resignations in the category during the reporting period/(final number of employees in the category at the end of the reporting period + cumulative number of resignations in the category during the reporting period) * 100%

* During the Reporting Period, the Group implements a focused strategy and streamlined the ongoing R&D projects that are still in their early stages, and to optimise the operational efficiency of the Group, result in a higher staff turnover rate compared to previous years.

Environmental, Social and Governance Report (Continued)

Empowering Talent Development

Training and Development

After years of development and refinement, the Group now has a surgical robot industrialisation team covering the full cycle of surgical robot development from R&D, clinical trials and registration, supply chain management to commercialisation and marketing. We continue to invest in the capacity building of our employees. For example, we have formulated the Training Management System to establish a scientific and diversified talent training path to enable staff development. We have built an internal talent development platform closely related to the business, development and design training courses for employees in various professional areas to meet their training needs, forming a diversified course system covering basic knowledge, management knowledge, professional knowledge and project experience sharing.

Based on the “C-999” training system, we provide four types of training, namely, on corporate culture, management and leadership, general competence and professional competence for different functional groups of employees through different specialised competency development academies. In doing so, we hope to build a learning organisation where our people can acquire the right knowledge and skills for their jobs.

We have established the Management Academy, the Geek Academy, the Specialised Training Academy and the New Recruit Academy, with each of the four academies playing its own role, to continuously strengthen employee skill development, enhance the creativity of specialised talents and the competence of management talents, stimulating the potential of employees in a continued way. In addition, we have launched the MedBot Quantum Programme (Small Quantum System), selecting suitable on-the-job employees who have passed the training and assessment (known as Small Quantum) as the buddies of new employees, and providing opinions and guidance to new employees, so as to assist new employees in quickly mastering work skills, improving business abilities, and efficiently adapting to and integrating into the team.

Management Academy	Geek Academy	Specialised Training Academy	New Recruit Academy
<p>targeted at newly-hired/newly-promoted managers</p> <p>provides online courses to introduce the basic management system and tool import process, and organises various offline courses and seminars to help improve the basic management ability of participants</p>	<p>targeted at technical geeks</p> <p>adopts a project research + coaching model to help them apply what they have learned into practice and improve technical capabilities</p>	<p>targeted at employees with professional functions such as machinery, electrical appliances, algorithms, and software</p> <p>consolidate their professional ability through a complete suite of learning content</p>	<p>targeted at new employees</p> <p>provide courses like cultural integration, system promotion, basic industry and product knowledge popularisation to help them quickly familiarise with the environment and master the vocational skills required for work</p>

Environmental, Social and Governance Report (Continued)

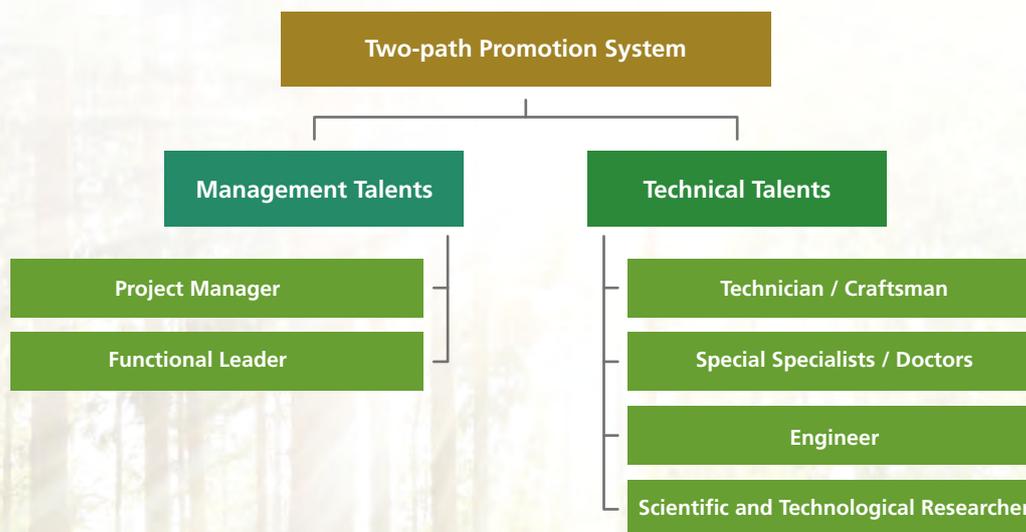
During the Reporting Period, MedBot recorded 15.1 hours of training per employee on average and the trainees accounted for 100% of all employees. The details of the training are as follows:

The Training Statistics for 2023

Category		Average training hours per employee	The percentage of employees trained
By Gender	Male	16.7	67.49%
	Female	11.8	32.51%
By Level	Grass-root level	16.2	79.72%
	Middle-level management	11.3	16.72%
	Senior-level management	8.2	3.56%

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 an appropriate career planning at different stages of their careers. We have implemented a “Two-path, Eighteen-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 “Leadership Management Talents” and “Specialised Technical Talents”, defining the qualifications for promotion and posting criteria for each tier. We have 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.

The “Two-path, Eighteen-level” Career Development System



Environmental, Social and Governance Report (Continued)

Employee Incentives

We have developed the Quarterly Performance Appraisal System for MedBot and the Performance Appraisal System for Management Positions to continuously improve the performance management system. During the Reporting Period, we revised the Performance Appraisal System to clarify the types, grades and bonus distribution system of performance appraisal, so as to optimise the Company's employee performance management mechanism.

We formulate the Instant Incentive Management System, the Mega-matrix R&D Project Performance Appraisal and Incentive System, the Project Incentive System and other incentive systems on the basis of performance appraisal and incentives, to further stimulate the staff's tenacity and concentration, fully mobilise the enthusiasm of the project management team and its members, and to affirm the personal contribution and value of the staff of research and development and other functional departments, as well as to share the returns brought by business growth by means of incentives. 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.

Incentives for Employees

Performance Appraisal Incentive	Instant Incentive	Large R&D Incentives	Project Incentive
Evaluate the performance of employees in each department scientifically, and carry out performance incentives according to the results	Grant immediate honour and encouragement to employees with outstanding work performance	Carry out results-oriented incentive for large R&D teams	Give project incentives for project management team members who make positive contributions

Safeguarding Occupational Health

Safety Management

The Group abides 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, places a high priority on the health and safety of our plant and our employees, and is committed to providing a safe and healthy work environment for our employees. We continue to enhance the execution and effectiveness of safety management from the perspective of mechanism operation and management system, and adhere to the policy of "Horizontal and Vertical Alliance" to promote production safety management, ensuring the Company's production and operation safety.

We have built a sound production safety management system to promote the efficient implementation of the Company's production safety management system with a clear management structure and a specified management system. We have set up a Production Safety Committee, chaired by the president of the Company, to coordinate and supervise the Company's occupational health and safety management. As Vice Chair of this Committee, the Vice President of Supply Chain coordinates with business unit counterparts to advance the Company's health and safety management, and oversees the development and achievement of the Company's occupational health and safety objectives, ensuring safety management initiatives are implemented efficiently across all departments. We have formulated internal systems to standardise the Group's occupational health and safety management and clarified the structure and process of work safety management, such as the Environmental and Occupational Health and Safety Management Manual, the Work Safety Emergency Plan, the Occupational Health Management System and the Production Safety Responsibility System.

Environmental, Social and Governance Report (Continued)

In 2023, all of our occupational health and production safety goals were met. By the end of the Reporting Period, the Group has obtained the ISO 45001 Occupational Health and Safety Management System certification and has been certified as a national Level III Enterprise of Work Safety Standardisation by Shanghai Work Safety Association.

MedBot's Key Occupational Health and Production Safety Goals

1. Zero safety incidents, including deaths, serious injuries, fires, explosions, poisonings and culpable traffic accidents;
2. 100% participation and pass rate in safety training;
3. Main persons in charge, production safety administrators, special operators and employees in relevant positions are 100% certified;
4. Zero incidents of unauthorised management and use of hazardous chemicals;
5. Occupational hazards identification, fire safety inspection, special equipment inspection and other related inspections are 100% completed;
6. The indicators of the working environment are in line with the national occupational health standards, and there are no cases of occupational diseases.

Production Safety

In order to ensure the effective implementation of the production safety management system, during the Reporting Period, we carried out a comprehensive optimisation of the production safety management mechanism and improved the relevant management procedures according to the characteristics of different departments and positions in the Company. Besides, we standardised the process of identifying potential hazards, incident handling and training to promote the standardisation of production safety. Through active management in our daily operations, we hope to comprehensively improve the safety awareness and self-protection ability of our employees, so as to effectively reduce safety risks.

Safety Management Mechanism	Safety Hazard Identification	Safety-related Incident Handling	Production Safety Training
We have constructed safety and supervision management mechanisms as well as a dual preventive system of risk hierarchical control, and potential hazards detection and management; Based on the List of Identification and Control of Environmental Factors and the List of Identification and Control of Hazardous Factors, we carry out the identification and response to hazardous sources, and base the management of employees' occupational safety and health on the formulation of safety operation procedures;	We have formulated the Environmental Factors and Safety Risk Identification Management Procedures and the Production Safety Reward and Punishment Management System to encourage employees to identify and report potential safety hazards in a timely manner in daily production work, and to detect and prevent potential safety hazards with the help of employees' understanding of their own positions, so as to enhance the safety culture and awareness;	We have set up a reporting and investigation process for safety incidents and appointed dedicated teams to investigate thoroughly the causes of the accidents to ensure that safety incidents are properly handled and to avoid re-occurrence of similar accidents;	All new employees are required to pass the three-level safety education training and exams before they can officially take their duties; besides, we carry out regular safety lectures for front-line production employees and strengthen the position safety risk notification.

Environmental, Social and Governance Report (Continued)

We organise a variety of production safety promotion and training activities to enhance the safety awareness of our employees and their ability to deal with emergencies. During the Reporting Period, we conducted 12 safety drills and training including safety training on the use of hazardous chemicals, on the emergency rescue in case of chemical leakage, and on the emergency rescue in case of fire for our employees to enhance their safety awareness and capability, so as to minimise the damage caused by accidents and protect the safety of the workplace and personnel.

Fire Evacuation Drill



Chemical Leakage Emergency Response Training



From 2020 to 2023, the Group had no work-related fatalities. During the Reporting Period, the Group had no working days lost due to work-related reason and no work-related incidents.

Optimising Employee Benefits

Compensation and Benefits

We fully recognise our employees' contributions to the Company and constantly enrich the compensation and welfare benefits to convey our care. We follow the Compensation Management System and other internal policies to provide our employees with a fixed salary that meets the salary standards of all places around the globe where we operate, as well as diversified welfare benefits such as bonuses and subsidies, in order to enhance employee cohesion and create a dedicated and happy workplace.

Diversified Benefits

In addition to the national statutory benefits, we additionally provide supplementary housing provident fund, health examination, wedding gift, parental flexible leave, family caregiver leave, additional commercial insurance, birthday and holiday gifts, and meal allowance for our employees.

Humanised Benefits

We provide our employees with talent subsidy, vocational education subsidy, meal subsidy and technical allowance and effectively address employees' commuting and housing needs through the application mechanism for talent apartments.

Environmental, Social and Governance Report (Continued)

Employee Communication

We have established an effective employee communication mechanism. We listen to the voices of employees and encourage them to speak out by building multiple communication channels such as “Appointment with Senior Management”, “Employee Suggestion Box” and “Employee Voice Listening” to ensure that employees’ suggestions and opinions are effectively conveyed and understood. During the “Appointment with Senior Management” luncheon, we have helped senior officers to understand the voices of grassroots employees in a timely manner so as to break down communication barriers between ranks. We have collected employees’ suggestions, demands and reports of misconduct on the development of the Company through the “Employee Suggestion Box”. For the opinions collected, we have conducted investigation one by one to ensure that every delivery can be responded. We organise “Employee Voice Listening” activities in each line of business every half year to encourage employees to share their thoughts, feelings and suggestions for the development of the Company. In the “Employee Voice Listening” in the second half of 2023, we collected a total of 52 employee voices on eight dimensions, including management, personnel, administration, welfare, technology, patents, systems and branding, and published all the responses within each line of business to address the concerns and difficulties of employees at work.

The “Employee Voice Listening” Site



Relying on the Group’s unique management mode of “Horizontal and Vertical Alliance”, we have established eight horizontal organisations, 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.

MedBot Women’s Federation’s “Cultural Sharing on Female Engineers”



MedBot Sports Federation’s Activities



Environmental, Social and Governance Report (Continued)

ENHANCING WELL-BEING BY PROMOTING INCLUSION

MedBot makes full use of its medical resources and advantages to vigorously promote the development of inclusive healthcare and social welfare. We enhance the accessibility of high-quality medical resources and technologies by training industry talents, developing accessible training platform and collaborating with industry, universities, and research institutes. By organising and advocating active participation of the employees in volunteer service activities to advance the sustainable development of communities where we operate, MedBot takes action to fulfil its social responsibilities.

Dedicated to Inclusive Healthcare

As a leader in the surgical robot industry, the Group is committed to fulfil the original mission of “making surgery easier, safer, and less invasive”. Through a comprehensive training system, we continue to carry out robotic surgery qualification training and certification as well as specialist training to promote the progress and development of medical inclusion and accelerate the application of high-quality medical resources and technologies on benefiting people’s well-being.

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 high-quality medical resources and robotic clinical surgeries increases, we base ourselves in Shanghai while covering various provinces across the country, and work with a number of hospitals to build clinical training centres where training, scientific research and collaboration can be achieved, so as to cultivate more high-level robotic surgical specialists, and continue to promote the application and popularisation of robotic surgical technology.

We actively respond to the call of the China Association of Medical Equipment and set up the “Medical Robots Practice and Training Base”, which is equipped with classrooms and simulated operating theatres for dry module training, three-dimensional organs and animal experiment simulation according to the minimally invasive robots training system. Besides, we provide professional training courses for healthcare personnel through a combination of online and offline courses, imparting operation and technical essentials, so as to contribute to the reserve and development of talents in medical industry.

We cooperate with hospitals in various provinces and cities across the country and gather professional trainers with rich clinical experience in robotic surgery to establish hospital training centres, so as to promote the standardisation of surgical procedures, catalyse a change in medical technologies and the medical service model, and accelerate the development of affordable robotic surgeries. By the end of the Reporting Period, we have opened a total of 31 Toumai Laparoscopic Surgical Robot Co-Training Centres and 13 SkyWalker Orthopedic Surgical Robot Co-Training Centres across the country. Besides, we have carried out 1,435 verification and training surgeries and provided training to a total of 1,347 people, making steady progress in clinical verification surgery and training activities.

To address such problems as the imbalance of medical resources in different regions across China, we have actively cooperated with hospitals in many regions and established hospital training centres, covering cities such as Shanghai, Beijing, Guangzhou, Shenzhen, Chengdu, Chongqing, Changsha, Wuhan, Lanzhou, Nanchang, Hangzhou, Hefei, Jinan, Wenzhou, Shijiazhuang, Taiyuan, Zhengzhou, Dalian, Shihezi and Meizhou. We take the grade-A tertiary hospitals in the capital city of the province as the centre to support the hospitals in other cities of the province and fully train the medical personnel who clinically use the robotic products. With emerging technologies such as 5G and cloud services, 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 and improve the accessibility of remote surgical treatment solutions in remote areas and that of high-quality medical resources.

Environmental, Social and Governance Report (Continued)

Toumai Mobile Platform Supports 5G Remote Demonstrative Surgery in Gansu

Through the innovative mobile training platform, Toumai Laparoscopic Surgical Robot leads the new trend of robotic surgery development with its 5G remote robotic surgery, which breaks the limits of time, space and operators.

In April 2023, the “Kiss of Flying Aspara” — the 204 Series Forum of 2023 held by the Department of Gastrointestinal and Pancreatic Surgery of Gansu Provincial People’s Hospital, also known as the 5G Remote Demonstrative Surgery on Animals in Dunhuang, was held in Dunhuang, a millennium-old city, where a number of experts and scholars from Gansu Province and other regions of China participated in the forum to explore the cutting-edge academics together. The Toumai Mobile Showing & Training Centre appeared at the forum and became the focus of attention. As the first mobile surgical and training platform that houses 5G remote surgical robots in the industry, Toumai Mobile Platform integrates the “5G remote technology” and the “precise and minimally invasive robotic surgical technology” with the practical functions of mobile carriers and uses advanced technologies to make high-quality medical resources more accessible.



Surgeons from Countries along the Belt and Road Participate in Training on Toumai Surgical Robot

In November 2023, surgeons from the “International Training Course on Gastrointestinal Laparoscopic Surgery for Countries along the Belt and Road” took part in training and conducted animal experiments at the Minimally Invasive Robot Training Centre of Xiangya Hospital, Central South University. The training course is an important initiative to innovate international exchange models and an active exploration and demonstration of “resource sharing, complementary advantages, balanced development, and collaborative innovation” between China and countries along the Belt and Road. By the end of the Reporting Period, the training course has successfully provided comprehensive training to nearly a hundred surgeons from dozens of countries in Asia, Europe, Africa and South America, effectively enhancing the robotic surgical skills and standardised treatment level of minimally invasive laparoscopic surgery in countries along the Belt and Road, enabling those countries to adapt to the changes and developments in minimally invasive surgical techniques, and contribute to the discipline construction, medical education and hospital management in the participants’ hospitals.



Environmental, Social and Governance Report (Continued)

Contributing to Public Welfare

We adhere to the inheritance of love and good deeds while seeking the Company's own development, and actively benefiting the society with the heart of goodness, contributing to the development of the society. We advocate the volunteer spirit of "dedication, friendship, mutual help and progress", and organise our staff to participate in volunteer service teams to carry out a number of volunteer activities for the local community, including convenient services, environment improvement, public welfare lectures, and care for the disadvantaged, to build a harmonious community and pass on social care.

During the Reporting Period, the Company organised a volunteer service team to carry out volunteer service of Dongfang Ai Min Gang, donating salty soda and other care materials to sanitation workers through the volunteer service station. Relying on the Company's resources and professional advantages, we organise our volunteer service team to go into campuses and enterprises to popularise medical knowledge and teach first-aid methods, and thus continuously create a warm and mutually supportive company culture and promote the harmonious development with the community.

PROTECTING THE ENVIRONMENT BY GREEN DEVELOPMENT

MedBot firmly promotes green development, integrates the concept of low carbon and environmental protection into the Company's daily production and operations, so as to minimise the negative impact that production and operations may have on the environment. We pay close attention to environmental issues such as resource management, waste emissions and climate change as a response to the national carbon peak and carbon neutrality strategy. Besides, we endeavour to build an ecologically and environmentally friendly enterprise, seeking coordinated development of environment and economic growth.

Dedicated to Green Operation

The Group strictly complies with the Environmental Protection Law of the People's Republic of China, the Environmental Impact Assessment Law of the People's Republic of China and other laws and regulations related to the environment in the places where we operate, and actively undertakes the responsibility of environmental governance. Under the overall guidance and supervision of the EHS Management Committee, we have established and continuously optimised our environmental management system and operation mechanism, strengthened our environmental management capability and continuously improved our environmental management performance. By the end of the Reporting Period, the Group has obtained ISO 14001 environmental management system certification.

We have formulated internal systems such as the Environmental and Occupational Health and Safety Management Manual, the Environmental Factors and Safety Risk Identification Management Procedures, the List of Identification and Control of Environmental Factors and the Logging List of Material Environmental Factors, to clearly define the environmental responsibilities of each department and to ensure the efficient operation of the Company's environmental management system. In the course of our operations, we regularly identify and manage environmental factors and hazardous sources and formulate environmental metrics and targets and management plans based on the current state of the Company's management. Besides, we continue to promote resource saving, pollution reduction, and low-carbon business, integrating the environmental management system into all business processes, and supervising the implementation of environmental management initiatives by the Company's main functional departments and factories in the course of their daily work.

Environmental, Social and Governance Report (Continued)

Environmental Management Objectives

 Water Efficiency	 Energy Consumption Efficiency	 Waste Management	 Carbon Emissions
<p>Optimise the water resource management system and build a water recycle management system.</p>	<p>Improve operational efficiency and endeavour to achieve negative growth of energy consumption intensity.</p>	<p>Optimise waste management and increase reuse of wastes.</p>	<p>Strictly adhere to the carbon peak and carbon neutrality policy and seek to achieve negative growth of carbon emissions intensity.</p>

Focusing on Resource Management

The Group complies with the Energy Conservation Law of the People’s Republic of China, the Water Law of the People’s Republic of China and other relevant laws and regulations in all places around the globe where it operates and is firmly committed to practising a green and low-carbon development path. We advocate energy conservation and emissions reduction, reduce the use and waste of water, encourage the reuse of resources, so as to improve our resource management on an ongoing basis by enhancing the efficiency of resource use.

Energy and Carbon Emissions Management

Complying with the Energy Conservation Law of the People’s Republic of China and other laws and regulations, the Group establishes a low consumption energy management system to implement energy management initiatives. We continue to improve the efficiency of energy use by optimising energy-using equipment, improving the energy structure, carrying out energy-saving management in the office and cultivating energy-saving awareness among employees.

Energy Conservation Management Initiatives

Process equipment optimisation

- Carry out comprehensive analysis and research on the assembly process of medical robots, robotic arms, instruments and endoscopes, and realise technological improvement and process optimisation of processes with high energy consumption and resource loss;
- Introduce high-efficiency energy-saving equipment, replacing hydraulic presses with servo presses, accurately control power outputs with intelligent energy-saving control algorithms to effectively reduce energy consumption;
- Establish an online energy monitoring and management platform to supervise the Company’s energy usage through energy metering equipment and monitoring systems, thus implementing more efficient energy management;
- Use energy-saving lamps and energy-efficient equipment, introduce infrared energy-saving control systems and motion sensor light switches to reduce energy waste, and improve the energy structure through solar photovoltaic panels;
- Optimise energy savings through techniques such as maximum demand (MD) control, regular equipment inspection, installation of remote time-control equipment, and installation of motorised valves for air-conditioning.

Environmental, Social and Governance Report (Continued)

Energy Conservation Management Initiatives

- Administrative management optimisation
- Carry out capacity start rate analysis to ensure the capacity of the clean workshops, and at the same time develop starting and stopping schedules to reduce energy consumption of the purification air-conditioning and chiller;
 - Carry out energy consumption investigation and actions themed on green development and energy conservation, inspect the energy consumption of each functional department, turn off idling lights, air conditioners, audio-visual equipment and other equipment in a timely manner, and encourage employees to develop the good habit of reducing cost and emission and saving power;
 - Carry out energy knowledge training and publicity activities, post energy-saving signs in offices, and strengthen the awareness of energy saving among employees, so as to promote the implementation of energy saving and emission reduction.

Category	Unit	2023	2022
Indirect energy consumption			
Purchased electricity	kWh	4,388,132.50	4,592,201.00
Direct energy consumption			
Natural gas	kWh	203,966.00	20,746.95
Gasoline	kWh	4,331.88	2,639.42
Diesel	kWh	96,609.34	147,722.20
Comprehensive energy consumption	kWh	4,693,039.72	4,763,309.57
Comprehensive energy consumption intensity	kWh/sq.m.	87.95	89.27
Greenhouse gas emissions			
Scope 1 greenhouse gas emissions	Tonnes	67.51	44.23
Scope 2 greenhouse gas emissions	Tonnes	2,502.55	3,230.61
Total greenhouse gas emissions	Tonnes	2,570.06	3,274.84
GHG emission intensity	Tonnes/sq.m.	0.048	0.06

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.
3. The emission factors of purchased electricity are set out in the Notice on the Management of Enterprise Greenhouse Gas Emissions Reporting of the Power Generation Industry in 2023-2025 issued by the Ministry of Ecology and Environment of the People's Republic of China in 2023.
4. In 2023, the natural gas was officially introduced to the Group's public areas such as cafeteria, leading to an increase in natural gas usage, and the frequency of marketing activities for the Group increased, leading to an increase in gasoline usage.

Environmental, Social and Governance Report (Continued)

Water Resources Management

The Group strictly abides by the Water Law of the People's Republic of China, the Clean Water Law and other water-related laws and regulations in all places around the globe where we conduct business and follows the Water Management System to continuously monitor and manage the compliant use of 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.

We incorporate the concept of water conservation into our production operations and carry out a number of initiatives to reduce water consumption. We protect water resources by posting water-saving signs in public areas, cultivating employees' awareness of water conservation, recycling cooling water for production, and using rainwater collection, treatment and reuse systems to improve the utilisation rate of water.

Performance of Water Resources	Unit	2023	2022
Total water consumption	Tonnes	11,016	7,500
Total water consumption intensity	Tonnes/sq.m.	0.21	0.14

Packaging Materials Management

We continue to reduce the amount of packaging materials used, promote the reuse of packaging materials, and optimise the design and use of packaging materials, so as to reduce material waste. We have formulated the Management Policies on Packaging Design, designing and using reusable shipping packaging, realising the reuse of finished products packaging, and ensuring the recycle of packaging boxes and material pallets. We require our suppliers to sign a Purchasing Framework Agreement to ensure the quality of packaging materials and we give priority to suppliers that meet environmental requirements. At the same time, we promote the association standard of the Guidance on Packaging Design for Medical Surgery Robots to provide guiding packaging design standards for the long-term development of the industry, optimise the use of packaging materials through technological innovation, recycling, the use of environmentally friendly materials, lightweight and weight reduction, and explore packaging solutions that take into account environmental protection and the diversity of medical surgical robotic system products.

The Use of Packaging Materials	Unit	2023	2022
Total consumption of packaging materials	Tonnes	21.64	20.1
Total consumption density of packaging materials	Tonnes/sq.m.	0.00041	0.00038

Managing Environmental Impacts

The Group 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 carry out strictly regulated management covering the entire process of production, storage, transportation and disposal.

We generate mainly ethanol emissions from organised exhaust emissions during production and operation. We have established internal management systems and regulations to collect the emissions through ventilation hoods, adsorb them with activated carbon, and discharge them through exhaust pipes to ensure that the emission concentration is below the relevant standards at the operating location.

Environmental, Social and Governance Report (Continued)

We have established internal systems such as the Solid Waste Pollution Control Management System, the Hazardous Chemicals Management System, and the Technical Specification for Setting Hazardous Waste Identification Marks to systematically carry out waste management, unify and standardise the procedures for waste collection and treatment, and ensure that the discharge of waste meets relevant national environmental discharge standards. During the Reporting Period, we reduced our hazardous waste generation by a total of 20% through process improvements that replaced ethanol with water.

Waste Disposal Process

 Generation	<p>Hazardous waste: liquid, solid, and medical wastes generated from R&D and production</p> <p>General waste: solid wastes and domestic wastes generated from R&D and production</p>
 Storage	<p>Hazardous waste: 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</p> <p>General waste: classified, recycled, stored and disposed of by relevant departments</p>
 Disposal	<p>Hazardous waste: transferred to qualified third-party companies for disposal on a regular basis</p> <p>General waste: regularly handed over to the environmental protection department for disposal</p>

We manage the domestic wastewater generated during production and operation activities in compliance with the Water Pollution Prevention and Control Procedure, and pre-treat it through wastewater treatment facilities. After meeting the wastewater discharge standards, it is discharged into the municipal sewage pipeline.

Discharge	Unit	2022	2021
Sewage discharge	Tonne	9914.40	6,750
COD discharge	Tonne	0.37	/
Ammonia nitrogen discharge	Tonne	0.0015	/
Non-methane total hydrocarbon discharge intensity	Milligram/cu.m	8.94	/
Total hazardous waste produced	Tonne	0.31	0.09
Hazardous waste intensity	Tonne/sq.m.	0.0000058	0.0000017
Total solid waste generated	Tonne	72.19	82.20
Total non-hazardous waste disposed	Tonne	72.19	82.20
Non-hazardous waste disposal intensity	Tonne/sq.m.	0.0014	0.002

Addressing Climate Challenges

As COP28 opens a new chapter in the global climate action, contributing to climate change mitigation has become the consensus of all industries. In response to the national strategy of reaching carbon peak in 2030 and realising carbon neutrality in 2060, we regard climate change as one of the key ESG issues and continue to pay attention to climate governance. We also work with all stakeholders to turn challenges into opportunities and strengthen climate action, so as to jointly safeguard our common planet for human survival.

Environmental, Social and Governance Report (Continued)

We refer to the disclosure methods and recommendations of The Task Force on Climate-related Financial Disclosure (TCFD), proactively identify and sort out the risks and potential impacts of climate change, comprehensively consider policy and legal, technology, market, reputation risks in transition risks and the acute and chronic risks in physical risks, and form a preliminary list of climate change risks to guide the Group's climate change response work, enhance business climate adaptability and resilience.

Risks and Opportunities Related to Climate Change Identified by MedBot		Impact cycle	Potential Impact	
Risks	Transition Risks	Policy and Legal	Mid-term	Increased compliance costs in order to meet regulatory requirements;
		Technology	Short-term	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	Mid-term	Increased production costs as a result of changes in raw material prices (e.g., energy, water) and emission requirements (e.g., waste disposal);
		Reputation	Mid-term	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	Mid-term	Production capacity decline or interruption because the extreme climate events disrupt daily operations and supply chain;
		Chronic	Long-term	Potential abnormal power supply caused by climate change-induced continuous hot weather;
Opportunities	Products & Services	Mid-term	Improve the execution and profitability of superior products and lower product costs;	
	Resource Efficiency	Mid-term	Improve the efficiency of energy and water resources usage and reduce operational costs;	
	Energy Source	Long-term	Increase the use of low-emission/clean energy and mitigate the risk associated with higher energy prices in the future.	

To cope with the extreme weather impacts brought about by climate change, prevent acute physical risks such as typhoons, thunderstorms, floods, and cold waves, and build the ability to respond to physical risks driven by extreme weather events, we have developed the Emergency Plan for Environmental Emergencies, standardised the procedures for handling sudden climate events, and reduced the adverse effects that extreme weather may cause. During the reporting period, we strengthened the monitoring and early warning mechanism, continuously carrying out hazard investigation and refining work deployment, so as to comprehensively optimised the management of extreme weather events.

Environmental, Social and Governance Report (Continued)

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 nonhazardous waste. Note: Air emissions include NO _x , SO _x , and other pollutants regulated under national laws and regulations. Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride. Hazardous wastes are those defined by national regulations.	Dedicated to Green Operation
KPI A1.1	The types of emissions and respective emissions data.	Managing Environmental Impacts
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).	Focusing on Resource Management
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Managing Environmental Impacts
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Managing Environmental Impacts
KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	Dedicated to Green Operation Managing Environmental Impacts
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.	Focusing on Resource Management Managing Environmental Impacts
Aspect A2	Use of Resources	
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials. Note : Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.	Focusing on Resource Management
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Focusing on Resource Management
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Focusing on Resource Management
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Dedicated to Green Operation Focusing on Resource Management
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.	Dedicated to Green Operation Focusing on Resource Management
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Focusing on Resource Management

Environmental, Social and Governance Report (Continued)

Subject Areas, Aspects, General Disclosures and KPIs		Sections in ESG Report
Aspect A3	The Environment and Natural Resources	
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Dedicated to 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.	Dedicated to 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.	Addressing Climate Challenges
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.	Addressing Climate Challenges
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.	Gathering Industry Talents
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Gathering Industry Talents
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Gathering Industry Talents
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.	Safeguarding Occupational Health
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Safeguarding Occupational Health
KPI B2.2	Lost days due to work injury.	Safeguarding Occupational Health
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Safeguarding Occupational Health
Aspect B3	Development and Training	
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Note : Training refers to vocational training. It may include internal and external courses paid by the employer.	Empowering Talent Development
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Empowering Talent Development
KPI B3.2	The average training hours completed per employee by gender and employee category.	Empowering Talent Development
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.	Gathering Industry Talents
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Gathering Industry Talents
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Gathering Industry Talents
Aspect B5	Supply Chain Management	
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Practising Responsible Procurement

Environmental, Social and Governance Report (Continued)

Subject Areas, Aspects, General Disclosures and KPIs		Sections in ESG Report
KPI B5.1	Number of suppliers by geographical region.	Practising Responsible Procurement
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 Procurement
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 Procurement
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 Procurement1
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.	Strengthening Quality Management Insisting on Responsible Marketing
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Serving Customers Sincerely
KPI B6.2	Number of products and service-related complaints received and how they are dealt with.	Serving Customers Sincerely
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Exploring the Industry Frontier
KPI B6.4	Description of quality assurance process and recall procedures.	Strengthening Quality Management Serving Customers Sincerely
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Maintaining Data Security
Aspect B7	ANTI-CORRUPTION	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Upholding Integrity and Compliance Operation
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 Compliance Operation
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Upholding Integrity and Compliance Operation
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Upholding Integrity and Compliance Operation
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.	Dedicated to Inclusive Healthcare Contributing to Public Welfare
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Dedicated to Inclusive Healthcare Contributing to Public Welfare
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Dedicated to Inclusive Healthcare Contributing to Public Welfare

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 127 to 203, which comprise the consolidated statement of financial position as at 31 December 2023, 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, comprising material accounting policy information and other explanatory information.

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 2023 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 pages 139 to 140

The Key Audit Matter

How the matter was addressed in our audit

The Group incurred research and development ("R&D") costs of RMB569 million for the year ended 31 December 2023, mainly consisting of staff costs, cost of materials and consumables, contracting and clinical trial expenses.

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

Our 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)

KEY AUDIT MATTER (Continued)

Assessment of the Group's ability to continue as a going concern

Refer to note 1(b) to the consolidated financial statements

The Key Audit Matter

How the matter was addressed in our audit

As at 31 December 2023, the Group had short-term interest-bearing borrowings of RMB375 million. In addition, the Group incurred a net loss of RMB1,024 million and had a net operating cash outflow of RMB568 million for the year ended 31 December 2023.

Note 1(b) to the consolidated financial statements explains how the directors of the Company have formed a judgement that the going concern basis is appropriate in preparing the consolidated financial statement of the Group.

The directors of the Company made their assessment of the Group's ability to continue as a going concern based on a cash flow forecast and its ability to renew the existing banking facilities and obtain additional banking facilities. Based on the assessment, the directors of the Company have concluded that the Group has adequate resources to remain in operation, and that there are no material uncertainties related to events or conditions which, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern.

We identified the assessment of the Group's ability to continue as a going concern as a key audit matter because the assessment is dependent upon certain management assumptions and judgements in forecasting the future cash flows and the ability of the Group to renew the existing banking facilities and obtain additional banking facilities.

Our procedures to assess 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 included the following:

- comparing the future expected cash flows in management's cash flow forecast with the Group's business plan approved by the directors of the Company;
- evaluating the key assumptions adopted by management in the preparation of the cash flow forecast including, forecast sales volumes, average selling prices, operating expenses and necessary capital expenditures comparing the key assumptions with historical information, and where possible, market and other externally available information;
- assessing the availability of banking facilities and other financing agreements by inspecting underlying documentation, which included financing agreements signed after the reporting period end, and evaluating whether the financing facilities were sufficient to meet the Group's needs in context of the cash flow forecast;
- assessing the sensitivities of the key assumptions adopted by management in the going concern assessment and considering the impact on the going concern assessment; and
- evaluating the disclosures in the consolidated financial statements in respect of the going concern assumption with reference to the requirements of the prevailing accounting standards.

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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs 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.

Independent Auditor's Report (Continued)

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

As part of an audit in accordance with HKSAAs, 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.

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.

Independent Auditor's Report (Continued)

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

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

27 March 2024

Consolidated Statement of Profit or Loss

for the year ended 31 December 2023

(Expressed in Renminbi)

	Note	2023 RMB'000	2022 RMB'000
Revenue	3	104,592	21,603
Cost of sales		(89,898)	(15,041)
Gross profit		14,694	6,562
Other net (loss)/income	4	(13,342)	42,078
Selling and marketing expenses		(238,428)	(184,042)
Administrative expenses		(126,361)	(170,472)
Research and development costs		(569,175)	(755,802)
Net loss on financial instruments carried at fair value through profit or loss ("FVPL")		(42,525)	(26,984)
Other operating expenses		—	(6,603)
Loss from operations		(975,137)	(1,095,263)
Finance costs	5(a)	(18,590)	(11,366)
Share of losses of equity-accounted investees		(29,803)	(39,655)
Loss before taxation	5	(1,023,530)	(1,146,284)
Income tax	6(a)	—	—
Loss for the year		(1,023,530)	(1,146,284)
Attributable to:			
Equity shareholders of the Company		(1,012,174)	(1,139,806)
Non-controlling interests		(11,356)	(6,478)
Loss for the year		(1,023,530)	(1,146,284)
Loss per share	9		
Basic and diluted (RMB)		(1.06)	(1.19)

The notes on pages 135 to 203 form part of the consolidated financial statements. Details of dividends payable to equity shareholders of the Company are set out in note 27(b).

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2023

(Expressed in Renminbi)

	2023 RMB'000	2022 RMB'000
Loss for the year	(1,023,530)	(1,146,284)
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	2,171	9,580
Other comprehensive income for the year	2,171	9,580
Total comprehensive income for the year	(1,021,359)	(1,136,704)
Attributable to:		
Equity shareholders of the Company	(1,009,986)	(1,130,226)
Non-controlling interests	(11,373)	(6,478)
Total comprehensive income for the year	(1,021,359)	(1,136,704)

The notes on pages 135 to 203 form part of these financial statements.

Consolidated Statement of Financial Position

(Expressed in Renminbi)

	Note	31 December 2023 RMB'000	31 December 2022 RMB'000
Non-current assets			
Property, plant and equipment	10	367,017	491,576
Intangible assets	11	9,537	7,053
Goodwill	12	1,482	1,482
Equity-accounted investees	14	148,282	175,154
Financial assets measured at FVPL	15	66,916	109,602
Other non-current assets	16	40,625	46,436
		633,859	831,303
Current assets			
Inventories	17	229,505	250,478
Trade and other receivables	18	55,749	93,725
Pledged deposits		1,083	6,657
Cash and cash equivalents	19	507,711	747,962
		794,048	1,098,822
Current liabilities			
Interest-bearing borrowings	20	375,357	—
Trade and other payables	21	244,943	257,649
Contract liabilities	22	11,118	8,489
Lease liabilities	23	47,879	58,218
Provisions		5,979	958
		685,276	325,314
Net current assets		108,772	773,508
Total assets less current liabilities		742,631	1,604,811
Non-current liabilities			
Interest-bearing borrowings	20	99,700	33,100
Contract liabilities	22	3,905	1,786
Lease liabilities	23	72,507	128,632
Deferred income	25	64,682	33,018
Provisions		82	397
		240,876	196,933
NET ASSETS		501,755	1,407,878

The notes on pages 135 to 203 form part of the consolidated financial statements.

Consolidated Statement of Financial Position (Continued)

(Expressed in Renminbi)

	Note	31 December 2023 RMB'000	31 December 2022 RMB'000
CAPITAL AND RESERVES			
Share capital	27	958,594	958,594
Reserves		(439,114)	459,064
Total equity attributable to equity shareholders of the Company		519,480	1,417,658
Non-controlling interests		(17,725)	(9,780)
TOTAL EQUITY		501,755	1,407,878

Approved and authorised for issue by the board of directors on 27 March 2024.

Mr. Sun Hongbin
Chairman

Dr. He Chao
Director

The notes on pages 135 to 203 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2023

(Expressed in Renminbi)

	Attributable to equity shareholders of the Company							Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve	Exchange reserve	Other reserve	Accumulated losses	Total		
Note	RMB'000	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	—	—	17,953	—	—	—	17,953	(788)	17,165
Equity-settled share-based transactions	26	—	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 135 to 203 form part of the consolidated financial statements.

Consolidated Statement of Changes in Equity (Continued)

for the year ended 31 December 2023

(Expressed in Renminbi)

	Note	Attributable to equity shareholders of the Company								
		Share capital	Share premium	Capital reserve	Exchange reserve	Other reserve	Accumulated losses	Total	Non-controlling interests	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2023		958,594	2,006,119	261,741	371	48,628	(1,857,795)	1,417,658	(9,780)	1,407,878
Changes in equity for 2023:										
Loss for the year		—	—	—	—	—	(1,012,174)	(1,012,174)	(11,356)	(1,023,530)
Other comprehensive income		—	—	—	2,188	—	—	2,188	(17)	2,171
Total comprehensive income		—	—	—	2,188	—	(1,012,174)	(1,009,986)	(11,373)	(1,021,359)
Net contributions from non-controlling shareholders of subsidiaries and acquisition of a subsidiary	13	—	—	455	—	—	—	455	3,064	3,519
Equity-settled share-based transactions	26	—	—	111,353	—	—	—	111,353	364	111,717
Balance at 31 December 2023		958,594	2,006,119	373,549	2,559	48,628	(2,869,969)	519,480	(17,725)	501,755

The notes on pages 135 to 203 form part of the consolidated financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2023

(Expressed in Renminbi)

	Note	2023 RMB'000	2022 RMB'000
Net cash used in operating activities	19(b)	(567,843)	(898,475)
Investing activities			
Payments for the purchase of property, plant and equipment		(64,985)	(188,270)
Proceeds from sale of property, plant and equipment		7,670	—
Payments for the purchase of intangible assets		(1,469)	(6,545)
Payments for the investments in equity-accounted investees		—	(70,210)
Loan to an equity-accounted investee		—	(2,800)
Others		399	—
Net cash used in investing activities		(58,385)	(267,825)
Financing activities			
Capital element of lease rentals paid	19(c)	(37,732)	(51,833)
Interest element of lease rentals paid	19(c)	(6,277)	(10,383)
Proceeds from interest-bearing borrowings	19(c)	436,506	33,100
Lease deposits paid		(872)	(2,724)
Lease deposits received		1,531	—
Loans from related parties	19(c)	—	20,000
Repayments of loans from related parties	19(c)	—	(20,000)
Repayments of interest-bearing borrowings	19(c)	(100)	—
Interest paid for interest-bearing borrowings and loans from related parties	19(c)	(10,885)	(260)
Payments for listing expenses in relation to the initial public offering		—	(13,011)
Contributions from non-controlling shareholders of subsidiaries		3,505	17,165
Net cash generated from/(used in) financing activities		385,676	(27,946)

The notes on pages 135 to 203 form part of the consolidated financial statements.

Consolidated Cash Flow Statement (Continued)

for the year ended 31 December 2023

(Expressed in Renminbi)

	Note	2023 RMB'000	2022 RMB'000
Net decrease in cash and cash equivalents		(240,552)	(1,194,246)
Cash and cash equivalents at 1 January		747,962	1,940,825
Effect of foreign exchange rate changes		301	1,383
Cash and cash equivalents at 31 December		507,711	747,962

The notes on pages 135 to 203 form part of the consolidated financial statements.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES

(a) Statement of compliance

Shanghai MicroPort MedBot (Group) Co., Ltd. (the “**Company**”) (上海微创医疗机器人(集团)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**”) 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**”). Material 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 2023 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 MATERIAL ACCOUNTING POLICIES (Continued)

(b) Basis of preparation of the financial statements (Continued)

As at 31 December 2023, the Group had short-term interest-bearing borrowings of RMB375,357,000. In addition, the Group incurred a net loss of RMB1,023,530,000 and had net operating cash outflow of RMB567,843,000 for the year ended 31 December 2023. The directors of the Company have reviewed the current performance and cash flow projection as part of their assessment of the Group's ability to continue as a going concern. The directors of the Company have a reasonable expectation that the Group is able to continue as a going concern for at least the next twelve months from the end of the reporting period and to meet its obligations, as and when they fall due, having regard to (1) the Group's plan on market expansion and strict control on operating costs; and (2) the renewal and addition of banking facilities obtained after the balance sheet date.

The directors have concluded that the Group has adequate resources to continue in operational existence for the foreseeable future and that there are no material uncertainties related to events or conditions which, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern.

(c) Changes in accounting policies

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

- HKFRS 17, *Insurance contracts*
- Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to HKAS 1, *Presentation of financial statements and HKFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies*
- Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to HKAS 12, *Income taxes: International tax reform — Pillar Two model rules*

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

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES (Continued)

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, 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. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. 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.

For each business combination, the Group can elect to measure any non-controlling interests ("NCI") either at fair value or at the NCI's proportionate share of the subsidiary's net identifiable assets. NCI are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. NCI 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 NCI and the equity shareholders of the Company. Loans from holders of NCI 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.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in that former subsidiary is measured at fair value when control is lost.

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

(e) Associates and joint ventures

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group or the Company has joint control, whereby the Group or the Company has the rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

An interest in an associate or a joint venture is accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequently, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income ("OCI") of those investees, until the date on which significant influence or joint control ceases.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES (Continued)

(e) Associates and joint ventures (Continued)

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 ECL model to such other long-term interests where applicable (see note 1(l)(i)).

Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent there is no evidence of impairment.

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

(f) Goodwill

Goodwill arising on acquisition of businesses is measured at cost less accumulated impairment losses and is tested annually for impairment (see note 1(l)).

(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 28(e). These investments are subsequently accounted for as follows, depending on their classification.

An investment in equity securities is classified as FVPL unless the investment is not held for trading purposes and on initial recognition 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 OCI. 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. If such election is made for a particular investment, at the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings and 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 (see note 1(w)(ii)(a)).

(h) Derivative financial instruments

Derivatives are initially measured at fair value. Subsequently, they are measured at fair value with changes therein recognised in profit or loss.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES (Continued)

(i) Property, plant and equipment

The following items of property, plant and equipment are stated at cost, which includes capitalised borrowing costs, less accumulated depreciation and any accumulated impairment losses (see note 1(l)):

- right-of-use assets arising from leases over freehold or leasehold properties where the Group is not the registered owner of the property interest; and
- items of plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment (see note 1(k)).

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components).

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss. Any related revaluation surplus is transferred from the revaluation reserve to retained profits and is not reclassified to profit or loss.

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual values, if any, using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

The estimated useful lives for the current and comparative periods are as follows:

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

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(j) Intangible assets (other than goodwill)

Expenditure on research activities is recognised in profit or loss as incurred. Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the resulting asset. Otherwise, it is recognised in profit or loss as incurred. Capitalised development expenditure is subsequently measured at cost less accumulated amortisation and any accumulated impairment losses.

Other intangible assets, including patents and trademarks, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses (see note 1(l)).

Expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, if any, and is generally recognised in profit or loss.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES (Continued)

(j) Intangible assets (other than goodwill) (Continued)

The estimated useful lives for the current and comparative periods are as follows:

— Software	2–3 years
— Technologies	3 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(k) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. This is the case 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 leases that have a short lease term of 12 months or less, and leases of low-value items such as laptops and office furniture. When the Group enters into a lease in respect of a low-value item, the Group decides whether to capitalise the lease on a lease-by-lease basis. If not capitalised, the associated lease payments are recognised in profit or loss 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 recognised 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 are charged to profit or loss as 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 adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and 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, 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)).

Refundable rental deposits are accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in non-equity securities carried at amortised cost. Any excess of the nominal value over the initial fair value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES (Continued)

(k) Leased assets (Continued)

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will 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.

The lease liability is also remeasured when there is a lease modification, which means a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract, if such modification 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 expected credit losses ("ECL"s) 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).

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

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES (Continued)

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

(i) Credit losses from financial instruments (Continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Generally, credit losses are measured as the present value of all expected cash shortfalls between the contractual and expected amounts.

For undrawn loan commitments, expected cash shortfalls are measured as the difference between (i) the contractual cash flows that would be due to the Group if the holder of the loan commitment draws down on the loan and (ii) the cash flows that the Group expects to receive if the loan is drawn down.

The expected cash shortfalls are discounted using the following rates if the effect 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.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months); and
- lifetime ECLs: these are the ECLs that result from all possible default events over the expected lives of the items to which the ECL model applies.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES (Continued)

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

(i) Credit losses from financial instruments (Continued)

Measurement of ECLs (Continued)

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-months ECLs:

- financial instruments that are determined to have low credit risk at the reporting date; and
- other financial instruments (including loan commitments issued) for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

When determining whether the credit risk of a financial instrument (including a loan commitment) has increased significantly since initial recognition and when measuring ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

The Group considers a financial asset to be in default when the debtor 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 a financial instrument to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

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.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES (Continued)

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

(i) Credit losses from financial instruments (Continued)

Credit-impaired financial assets

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;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off 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.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES (Continued)

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

(ii) Impairment of other non-current assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than property carried at revalued amounts, investment property, inventories and other contract costs, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGU"s). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, 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 or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES (Continued)

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

(iii) Credit losses from financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognised at fair value, which is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss.

The amount initially recognised as deferred income is subsequently amortised in profit or loss over the term of the guarantee as income.

The Group monitors the risk that the specified debtor will default on the contract and remeasures the above liability at a higher amount when ECLs on the financial guarantees are determined to be higher than the carrying amount in respect of the guarantees.

A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in note 1(l)(i) apply.

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES (Continued)

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

(iv) 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 measured 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.

(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 is also recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such latter cases, a corresponding receivable is also recognised (see note 1(o)).

(o) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration and only the passage of time is required before payment of that consideration is due.

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 (see note 1(l)(i)).

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES (Continued)

(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 solicitors 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 ECL (see note 1(l)(i)).

(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.

(r) Preference share capital

The Group's redeemable preference shares are classified as financial liabilities, because they bear non-discretionary dividends and are redeemable in cash by the holders. Non-discretionary dividends thereon are recognised as interest expense in profit or loss as accrued.

Non-redeemable preference shares are classified as equity, because they bear discretionary dividends, do not contain any obligations to deliver cash or other financial assets and do not require settlement in a variable number of the Group's equity instruments. Discretionary dividends thereon are recognised as equity distributions on approval by the Company's shareholders.

(s) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequently, these borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with note 1(y).

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES (Continued)

(t) Employee benefits

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

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Obligations for contributions to defined contribution retirement plans are expensed as the related service is provided.

(ii) Share-based payments

The grant-date fair value of equity-settled share-based payments granted to employees is measured using the binomial lattice model. The amount is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service conditions at the vesting date.

(iii) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring.

(u) Income tax

Income tax expense comprises current tax and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES (Continued)

(u) Income tax (Continued)

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;
- temporary differences related to investment in subsidiaries, associates and joint venture to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;
- taxable temporary differences arising on the initial recognition of goodwill; and
- those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development.

The Group recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Generally provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES (Continued)

(v) Provisions, contingent liabilities

A provision for warranties is recognised when the underlying products or services are sold, based on historical warranty data and a weighting of possible outcomes against their associated probabilities.

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract, which is determined based on the incremental costs of fulfilling the obligation under that contract and an allocation of other costs directly related to fulfilling that contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract (see note 1(l)(ii)).

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

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

(w) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods or the provision of services in the ordinary course of the Group's business. Further details of the Group's revenue and other income recognition policies are as follows:

(i) Revenue from contracts with customers

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.

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.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES (Continued)

(w) Revenue and other income (Continued)

(i) Revenue from contracts with customers (Continued)

(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 stand-alone 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 estimates the stand-alone selling price considering market conditions, entity-specific factors and information about the customer or type of the customer.

(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 is recognised in profit or loss on the date on which the Group's right to receive payment is established.

(b) Interest income

Interest income is recognised using the effective interest method. The "effective interest rate" is 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. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

1 MATERIAL 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 deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(x) Translation of foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into Renminbi (“RMB”) at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions.

Foreign currency differences are recognised in OCI and accumulated in the exchange reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the exchange reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. On disposal of a subsidiary that includes a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation that have been attributed to the NCI shall be derecognised, but shall not be reclassified to profit or loss. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES (Continued)

(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.

(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.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES (Continued)

(aa) Segment reporting

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

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

2 ACCOUNTING JUDGEMENT AND ESTIMATES

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

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

(i) Going concern assessment

Note 1(b) contains information about the judgements made in concluding that there are no material uncertainties related to events or conditions which may cast significant doubt on the Group's ability to continue as a going concern.

(ii) 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.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

2 ACCOUNTING JUDGEMENT AND ESTIMATES (Continued)

(b) Sources of estimation uncertainty

Notes 12, 26 and 28(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. The assessment of the net realisable value of inventories involves high degree of estimation uncertainties and judgement subjectively associated with the usage of the inventories, the estimated selling prices and the selling expenses, etc. 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.

(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.

(iv) Allocation of performance obligations in revenue recognition

As explained in note 1(w)(i)(a), the Group participates in sales arrangements that include multiple performance obligations. The total transaction price is allocated to each performance obligations in an amount based on the estimated relative stand-alone selling prices of the goods or services underlying each performance obligation.

The Group estimates stand-alone 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 estimates the stand-alone selling price considering market conditions, entity-specific factors and information about the customer or type of the customer. Management regularly review stand-alone selling prices and update these estimates, as necessary. Changes in facts and circumstances may result in revisions to the conclusion, which would affect profit or loss.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

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:

	2023 RMB'000	2022 RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
Sales of medical devices — point in time	104,592	21,603

Revenue from each major customer which accounted for 10% or more of the Group's revenue is set out below:

	2023 RMB'000	2022 RMB'000
Customer A	13,704	—
Customer B	10,893	—
Customer C	—	5,526
Customer D	—	3,588

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

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

As at 31 December 2023, the aggregated amount of the transaction price allocated to the remaining performance obligation under the Group's existing contracts was RMB6,144,000 (2022: RMB1,828,000). This amount represents revenue expected to be recognised in the future from rendering services. The Group will recognise the expected revenue in future when the service is rendered to the customers, which is expected to occur over the next 5 years.

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.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting

(i) Segment information

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

(ii) Geographical information

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

	Revenues from external customers		Specified non-current assets	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
The PRC (place of domicile)	83,385	21,603	360,403	491,096
United States	13,704	—	33,933	37,729
Europe	7,503	—	131,982	146,440
	104,592	21,603	526,318	675,265

4 OTHER NET (LOSS)/INCOME

	2023 RMB'000	2022 RMB'000
Interest income on financial assets measured at amortised cost	8,874	26,653
Government grants	19,484	11,568
Net foreign exchange gain	201	2,039
Net loss in relation to the termination of leases (note 10(b))	(40,454)	—
Others	(1,447)	1,818
	(13,342)	42,078

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

	2023 RMB'000	2022 RMB'000
Interest on interest-bearing borrowings and loans from related parties (note 19(c))	11,436	260
Interest on lease liabilities (note 19(c))	6,972	10,866
Total interest expense on financial liabilities not at fair value through profit or loss	18,408	11,126
Others	182	240
	18,590	11,366

(b) Staff costs

	2023 RMB'000	2022 RMB'000
Contributions to defined contribution retirement plans	37,543	39,772
Equity-settled share-based payment expenses (note 26(c))	111,875	136,919
Salaries, wages and other benefits	411,758	436,195
	561,176	612,886

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 items

	2023 RMB'000	2022 RMB'000
Amortisation of intangible assets* (note 11)	2,833	1,813
Depreciation charge* (note 10)		
— owned property, plant and equipment	60,863	42,483
— right-of-use assets	48,063	56,410
	108,926	98,893
	2023 RMB'000	2022 RMB'000
Research and development costs#	569,175	755,802
Auditors' remuneration		
— audit services	1,850	4,489
— other assurance services	3,300	900
— other non-assurance services	231	16
	5,381	5,405
Increase in provisions	6,296	958
Cost of inventories* (note 17(b))	152,880	74,651

Research and development costs includes RMB398,034,000 (2022: RMB428,367,000) 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 RMB24,547,000 (2022: RMB10,726,000) 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:

	2023 RMB'000	2022 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.

The Group has not recognised deferred tax assets in respect of cumulative unused tax losses as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity.

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

	2023 RMB'000	2022 RMB'000
Loss before taxation	(1,023,530)	(1,146,284)
Notional tax on loss before taxation, calculated at the rates applicable to loss in the countries concerned	(248,910)	(277,045)
Effect of non-deductible expenses	34,733	35,179
Effect of additional deduction on research and development costs	(57,131)	(78,647)
Effect of deductible temporary differences and tax losses not recognised	271,308	320,513
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:

	2023					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	—	—	—	—	5,097	5,097
Executive director						
Dr. He Chao	—	1,574	1,279	—	37,558	40,411
Non-executive directors						
Mr. Sun Xin (retired in December 2023)	—	—	—	—	—	—
Mr. Chen Xinxing (appointed in December 2023)	—	—	—	—	—	—
Mr. Chen Chen	—	—	—	—	—	—
Independent non-executive directors						
Dr. Li Minghua	120	—	—	—	—	120
Mr. Yao Haisong	120	—	—	—	—	120
Mr. Mui Wing Hong	120	—	—	—	—	120
Supervisors						
Mr. Chen Gong (appointed in December 2023)	—	41	6	—	2	49
Mr. Yuan Shuai (retired in December 2023)	—	252	281	—	10,435	10,968
Ms. Zhang Lihong	—	—	—	—	—	—
Dr. Zhang Jie	—	—	—	—	—	—
	380	1,867	1,566	—	53,092	56,885

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

7 DIRECTORS' EMOLUMENTS (Continued)

	2022					
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Equity-settled share-based payment (Note)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	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 (retired in June 2022)	60	—	—	—	—	60
Supervisors						
Mr. Yuan Shuai	—	356	345	—	11,672	12,373
Ms. Zhang Lihong	—	—	—	—	—	—
Dr. Zhang Jie	—	—	—	—	—	—
	370	1,913	1,284	—	55,292	58,859

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 26.

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, two (2022: three) are directors whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other three (2022: two) individuals are as follows:

	2023 RMB'000	2022 RMB'000
Salaries and other benefits	2,252	1,960
Discretionary bonuses	2,689	1,764
Equity-settled share-based payments	35,587	34,024
	40,528	37,748

The emoluments of the three (2022: two) individuals with the highest emoluments are within the following bands:

	2023 Number of Individuals	2022 Number of Individuals
HK\$5,500,001 to HK\$6,000,000	1	—
HK\$13,000,001 to HK\$13,500,000	1	1
HK\$25,500,001 to HK\$30,000,000	1	—
HK\$28,500,001 to HK\$29,000,000	—	1

9 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of RMB1,012,174,000 (2022: RMB1,139,806,000) and the weighted average number of ordinary shares of 958,594,000 shares in issue during the year (2022: 958,594,000 shares).

(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 2023 and 2022 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 2023 and 2022 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 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 and 1 January 2023	89,588	204,844	33,911	261,844	34,279	624,466
Transfer from construction in progress	20,578	43,788	—	—	(64,366)	—
Additions	199	11,681	4,630	5,875	40,059	62,444
Exchange adjustments	94	108	56	473	6	737
Disposals	(52,263)	(6,959)	(1,139)	(58,111)	—	(118,472)
At 31 December 2023	58,196	253,462	37,458	210,081	9,978	569,175
Accumulated depreciation and amortisation:						
At 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 and 1 January 2023	21,397	24,381	7,076	80,036	—	132,890
Charge for the year	16,993	36,161	7,709	48,063	—	108,926
Exchange adjustments	7	6	5	91	—	109
Written back on disposals	(13,779)	(40)	(193)	(25,755)	—	(39,767)
At 31 December 2023	24,618	60,508	14,597	102,435	—	202,158
Net book value:						
At 31 December 2023	33,578	192,954	22,861	107,646	9,978	367,017
At 31 December 2022	68,191	180,463	26,835	181,808	34,279	491,576

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:

	2023 RMB'000	2022 RMB'000
Properties leased for own use, carried at depreciated cost	107,646	181,808

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

	2023 RMB'000	2022 RMB'000
Depreciation charge of right-of-use assets by class of underlying asset: — Properties leased for own use	48,063	56,410
Interest on lease liabilities (note 5(a))	6,972	10,866
Expense relating to short-term leases	7,036	6,737

In 2023, the Group terminated certain leases for the use of manufacturing facilities and office building. The Group derecognised the right-of-use assets with a net book value of RMB32,243,000 and the corresponding lease liabilities of RMB35,378,000, and also wrote off the leasehold improvements with a net book value of RMB38,484,000 in relation to these terminated leases. Accordingly, losses arising from the termination of leases (including the termination fee to the lessors) totalling RMB40,454,000, were recognised in the consolidated statement of profit or loss (note 4).

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 19(c), 28(b) and 29, respectively.

The Group has obtained the right to use other properties as its manufacturing plants, warehouse and office building through tenancy agreements. The lease typically run for an initial period from 2 to 5 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	Technologies RMB'000	Total RMB'000
Cost:			
At 1 January 2022	4,046	—	4,046
Additions	5,792	—	5,792
At 31 December 2022 and 1 January 2023	9,838	—	9,838
Additions	3,551	1,766	5,317
At 31 December 2023	13,389	1,766	15,155
Accumulated amortisation:			
At 1 January 2022	972	—	972
Charge for the year	1,813	—	1,813
At 31 December 2022 and 1 January 2023	2,785	—	2,785
Charge for the year	2,660	173	2,833
At 31 December 2023	5,445	173	5,618
Net book value:			
At 31 December 2023	7,944	1,593	9,537
At 31 December 2022	7,053	—	7,053

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 2022 and 31 December 2023	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 2023 RMB'000	31 December 2022 RMB'000
MedBot Business	1,482	1,482

The recoverable amounts of the CGUs are higher of the fair value less costs of disposals and the value in use. The key assumptions used for the calculation of the recoverable amounts of the CGUs were as follows, which are based on either the past experience or external sources of information:

	2023		2022	
	Gross margin ratio	Pre-tax discount rate	Gross margin ratio	Pre-tax discount rate
MedBot Business	34%	18%	30%	18%

Management determined that no impairment provision was required based on the impairment assessment performed as at 31 December 2023 and 2022.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

13 INVESTMENTS IN SUBSIDIARIES

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

Name of company	Place of incorporation and business	Particulars of registered capital/paid-up capital	Proportion of ownership interest as at 31 December 2023			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)	The PRC	RMB12.5 million/ RMB10.158 million	98.44%	98.44%	—	Manufacture, research and development of surgical robot devices
Suzhou MicroPort Shuji Precise Technology Co., Ltd.* (蘇州微創榿機精密科技有限公司) (i)	The PRC	RMB10 million/ Nil	98.44%	—	98.44%	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.* (上海微創榿知科技有限公司) (i)	The PRC	RMB1 million/ RMB1 million	100%	100%	—	Manufacture of parts of surgical robot devices
Jiaxing Weizhuo Technology Co., Ltd.* (嘉興微琢科技有限公司) (i)	The PRC	RMB10 million/ RMB8 million	100%	100%	—	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/ RMB22.75 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/ RMB1.655 million	60.42%	60.42%	—	Research and development of surgical robot devices
MicroPort Medical Corp. Limited	Hong Kong	400 shares	100%	100%	—	Investment
MicroPort NaviBot International Co., Limited	Hong Kong	1,000 shares	98.44%	—	98.44%	Investment
MicroPort NaviBot International LLC	United States	100 shares of US\$ 1 each	98.44%	—	98.44%	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
Shanghai TargBot Medtech Co., Ltd.* (上海術航機器人有限公司, "TargBot") (i)	The PRC	RMB25 million/ RMB20.855 million	95.90%	95.90%	—	Manufacture, research and development of surgical robot devices

* English translation is for identification purpose only.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

13 INVESTMENTS IN SUBSIDIARIES (Continued)

Notes:

- (i) These subsidiaries are domestic enterprises in the PRC.
- (ii) In 2023, in accordance with the ESPP (defined in note 26(a)) 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 RMB3,505,000 in the respective subsidiaries. The transactions were treated as transactions within the shareholders in their capacity as equity holders. Hence, the amount of RMB455,000, being the difference between (i) the cash consideration of RMB3,505,000 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.

14 EQUITY-ACCOUNTED INVESTEEES

As of 31 December 2023, 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 2023			Principal activity
				Group's effective interest	Held by the Company	Held by a subsidiary	
Robocath S.A.S ("Robocath") (Note i)	Incorporated	France	EUR494,549/ EUR440,277	23.62%	—	23.62%	Manufacture, distribution, research and development of surgical robot devices
Cathbot (Shanghai) Robot Co., Ltd. ("Cathbot") 知脈(上海) 机器人有限公司 (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 2023, a staff of Robocath exercised warrants issued by Robocath and purchased 1,000 shares of Robocath. Accordingly, the Group's interest in Robocath was diluted from 23.68% as at 31 December 2022 to 23.62% as at 31 December 2023.

- (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	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
Gross amounts				
Current assets	120,587	203,099	25,052	36,187
Non-current assets	149,011	121,134	1,893	1,801
Current liabilities	(37,415)	(27,207)	(2,596)	(2,149)
Non-current liabilities	(176,122)	(174,917)	—	—
Equity	56,061	122,110	24,349	35,839
Revenue	11,965	5,162	416	—
Loss for the year	(73,862)	(74,678)	(11,764)	(17,319)
Other comprehensive income	(5,299)	11,397	—	—
Total comprehensive income	(79,161)	(63,281)	(11,764)	(17,319)
Reconciled to the Group's interests in the equity-accounted investees				
Gross amounts of net assets of the equity-accounted investees	56,061	122,110	24,349	35,839
Group's effective interests	23.62%	23.68%	51.00%	51.00%
Group's share of net assets of the equity-accounted investees	13,242	28,916	12,418	18,278
Goodwill	119,754	118,056	—	—
Dilution effect of share-based payments arrangement of an equity-accounted investee	(1,014)	(532)	—	—
Carrying amount in the consolidated financial statements	131,982	146,440	12,418	18,451

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

14 EQUITY-ACCOUNTED INVESTEEES (Continued)

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

	2023 RMB'000	2022 RMB'000
Aggregate carrying amount of individually immaterial equity-accounted investees	3,882	10,263
Aggregate amounts of the Group's share of those equity-accounted investees		
Loss for the year	(4,157)	(14,237)
Total comprehensive income	(4,157)	(14,237)

15 FINANCIAL ASSETS MEASURED AT FVPL

	2023 RMB'000	2022 RMB'000
Investments in unlisted equity securities	66,916	109,602

The unlisted equity securities represent shares of 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 28(e).

16 OTHER NON-CURRENT ASSETS

	2023 RMB'000	2022 RMB'000
Prepayments	2,550	10,654
Value-added tax (" VAT ") recoverable	4,148	236
Lease and security deposits (Note)	33,927	35,546
	40,625	46,436

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 2023 included deposits (before discounting) totalling RMB36,664,000 paid to Huiqingcheng Investment, which are refundable after the expiry of the lease.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

17 INVENTORIES

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

	2023 RMB'000	2022 RMB'000
Inventories		
Raw materials	111,347	161,988
Work in progress	54,015	18,263
Finished goods	58,407	62,786
Goods in transit	5,329	7,416
Others	407	25
	229,505	250,478

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

	2023 RMB'000	2022 RMB'000
Carrying amount of inventories sold	60,831	10,514
Write-down of inventories	28,985	—
Cost of inventories directly recognised as research and development costs and distribution costs	63,064	64,137
	152,880	74,651

As at 31 December 2023, certain inventories were identified obsolete and slow-moving, which were written down to net realisable value. The write-down of inventories amounting to RMB28,985,000, which has been recognised in "cost of sales" in the consolidated statement of profit or loss during the year ended 31 December 2023.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

18 TRADE AND OTHER RECEIVABLES

	2023 RMB'000	2022 RMB'000
Trade debtors due from related parties, net of loss allowance	4,969	—
VAT recoverable	25,786	68,244
Other debtors due from		
— third parties	6,561	1,092
— related parties	4,646	3,997
Prepayments	13,787	20,392
	55,749	93,725

As at 31 December 2023, the ageing of trade debtors are within 3 months, based on the invoice date. Trade debtors are due within 60 to 90 days from the date of billing. Further details of the Group's credit policy and credit risk arising from trade debtors are set out in note 28(a). All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

19 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	2023 RMB'000	2022 RMB'000
Cash at bank	507,711	747,962

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

19 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(Continued)

(b) Reconciliation of profit before taxation to cash generated from operations

		2023 RMB'000	2022 RMB'000
Loss before taxation		(1,023,530)	(1,146,284)
Adjustments for:			
Amortisation and depreciation	5(c)	111,759	100,706
Finance costs	5(a)	18,408	11,126
Interest income		(1,519)	(1,419)
Changes in fair value of financial instruments carried at FVPL		42,525	26,984
Net loss/(gain) on disposal of property, plant and equipment		951	(1,918)
Net loss in relation to the termination of leases		37,865	—
Share of losses of equity-accounted investees		29,803	39,655
Equity-settled share-based payment	5(b)	111,875	136,919
Changes in working capital:			
Decrease/(increase) in inventories		25,367	(140,597)
Decrease/(increase) in trade and other receivables		39,467	(65,970)
Increase in trade and other payables		5,860	85,105
Decrease/(increase) in pledged deposits		5,574	(54)
Increase in deferred income		31,664	18,067
(Increase)/decrease in other non-current assets		(3,912)	39,205
Net cash used in operating activities		(567,843)	(898,475)

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

19 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 20 and 21)	Lease liabilities RMB'000 (note 23)	Total RMB'000
At 1 January 2023	33,456	186,850	220,306
Changes from financing cash flows:			
Loans from related parties	—	—	—
Proceeds from interest-bearing borrowings	436,506	—	436,506
Repayments of interest-bearing borrowings	(100)	—	(100)
Interest paid for interest-bearing borrowings and loans from related parties	(10,885)	—	(10,885)
Capital element of lease rentals paid	—	(37,732)	(37,732)
Interest element of lease rentals paid	—	(6,277)	(6,277)
Total changes from financing cash flows	425,521	(44,009)	381,512
Other changes:			
Interest charge	11,436	6,972	18,408
Addition through the acquisition of a subsidiary	5,000	—	5,000
Increase in lease liabilities from entering into new leases during the year	—	5,875	5,875
Effect of termination of leases and lease modification	—	(35,695)	(35,695)
Exchange adjustments	—	393	393
Total other changes	16,436	(22,455)	(6,019)
At 31 December 2023	475,413	120,386	595,799

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

19 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(Continued)

(c) Reconciliation of liabilities arising from financing activities (Continued)

	Interest-bearing borrowings and loans from related parties RMB'000 (notes 20 and 21)	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)

19 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(Continued)

(d) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	2023 RMB'000	2022 RMB'000
Within operating cash flows	7,036	6,737
Within financing cash flows	44,009	62,216
Lease rentals paid	51,045	68,953

20 INTEREST-BEARING BORROWINGS

As of the end of the reporting period, the interest-bearing borrowings were unsecured and repayable as follows:

	2023 RMB'000	2022 RMB'000
Within 1 year	375,357	—
After 1 year but within 2 years	99,700	33,100
	475,057	33,100

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

21 TRADE AND OTHER PAYABLES

	2023 RMB'000	2022 RMB'000
Trade payables due to		
— third-party suppliers	68,664	118,991
— related parties	5,587	5,553
Total trade payables	74,251	124,544
Accrued payroll	78,661	64,094
Amounts due to related parties (Note)	17,259	13,250
Other payables and accrued charges	74,772	55,761
Financial liabilities measured at amortised cost	244,943	257,649

Note: As at 31 December 2023, the balance of interests due to related parties included in "Amounts due to related parties" was RMB356,000 (2022: RMB356,000).

All trade and other payables are expected to be settled 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:

	2023 RMB'000	2022 RMB'000
Within 1 month	48,015	113,649
Over 1 month but within 3 months	13,181	2,834
Over 3 months but within 6 months	6,831	2,751
Over 6 months but within 1 year	2,695	3,531
Over 1 year	3,529	1,779
	74,251	124,544

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

22 CONTRACT LIABILITIES

	2023 RMB'000	2022 RMB'000
Current		
Advanced receipts from customers for sales of medical devices	8,879	8,447
Extended warranty	2,239	42
	11,118	8,489
Non-current		
Extended warranty	3,905	1,786

Movements in contract liabilities

	2023 RMB'000	2022 RMB'000
Balance at 1 January	10,275	102
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities as at 1 January	(7,612)	—
Increase in contract liabilities as a result of receiving advance payments during the year	12,360	10,173
Balance at 31 December	15,023	10,275

The amount of contract liabilities expected to be recognised as income after more than one year is RMB3,905,000 (2022: RMB1,786,000). 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 2023, the lease liabilities were repayable as follows:

	2023 RMB'000	2022 RMB'000
Within 1 year or on demand	47,879	58,218
After 1 year but within 2 years	39,700	47,061
After 2 years but within 5 years	32,807	78,055
More than 5 years	—	3,516
	72,507	128,632
	120,386	186,850

24 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB3,296,557,000 (2022: RMB2,345,922,000) and other temporary differences of RMB111,948,000 (2022: RMB149,127,000) at 31 December 2023 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.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

25 DEFERRED INCOME

	Government subsidies for research and development projects RMB'000
At 1 January 2022	14,951
Additions	27,519
Government grant recognised as other income	(9,452)
At 31 December 2022 and 1 January 2023	33,018
Additions	41,214
Government grant recognised as other income	(9,550)
At 31 December 2023	64,682

26 EQUITY-SETTLED SHARE-BASED TRANSACTIONS

(a) 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.

Since 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 these 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.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

26 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (Continued)

(a) Employee share purchase plan (the “ESPP”) (Continued)

For the year ended 31 December 2023, the total expenses recognised in the consolidated statement of profit or loss for the above transactions are RMB111,636,000 (2022: RMB137,161,000).

(b) 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 2023, MPSC has granted 160,757 share options in aggregate to the employee of the Group, which were not exercisable at 31 December 2023. 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 RMB81,000 for the year ended 31 December 2023 (2022: RMB104,000).

(c) Equity-settled share-based payment expenses recognised in the consolidated statement of profit or loss during the current and prior years:

	2023 RMB'000	2022 RMB'000
Research and development costs	72,355	89,899
Selling and marketing expenses	12,494	18,023
Administrative expenses	27,026	28,997
	111,875	136,919
Add: Impact recognised in share of losses of equity-accounted investees	(158)	346
Total impact of share-based payment recognised in equity during the year	111,717	137,265

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

27 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's equity between the beginning and the end of the year are set out below.

	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 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 and 1 January 2023	958,594	2,006,119	222,918	48,628	(1,480,321)	1,755,938
Changes in equity for 2023						
Loss and total comprehensive income	—	—	—	—	(739,176)	(739,176)
Equity-settled share-based transactions	—	—	102,637	—	—	102,637
Balance at 31 December 2023	958,594	2,006,119	325,555	48,628	(2,219,497)	1,119,399

(b) Dividends

The directors of the Company did not propose the payment of any dividend during the year ended 31 December 2023 (2022: nil).

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

27 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(c) Share capital and share premium

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

	No. of shares ('000)	RMB'000
Ordinary shares, issued and fully paid:		
At 1 January 2022, 31 December 2022 and 31 December 2023	958,594	958,594

(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)(ii); 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.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

27 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(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 debt-to-asset ratio was 65% and 27%, respectively for the years ended 31 December 2023 and 2022.

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.

28 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 trade receivables and other receivables. 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 under other non-current assets is considered to be low, taking into account the remaining lease term and the period covered by the rental deposits.

Except for the financial guarantee issued by the Group to an equity-accounted investee as set out in note 30(c), the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of this financial guarantee at the end of the reporting period is disclosed in notes 28(b) and 30(c).

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(a) Credit risk (Continued)

Trade and other receivables

The Group has established a credit risk management policy under which individual credit evaluations are performed on all customers requiring credit period. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 60 to 90 days from the date of billing. Debtors with balances that are overdue are requested to settle all outstanding balances before any further credit is granted. The Group does not obtain collateral from customers.

As at 31 December 2023, the Group has a significant concentration of credit risk primarily arise from the significant exposure to individual customers. As at 31 December 2023, all trade receivables were due from the Group's related parties. Management considered the default risk of trade receivables due from related parties as at 31 December 2023 was insignificant and no loss allowance was provided in this regard.

Management has assessed that during the year ended 31 December 2023, 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)

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(b) Liquidity risk (Continued)

The following tables show the remaining contractual maturities at the end of each reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of each reporting period) and the earliest date the Group can be required to pay:

	2023					Carrying amount RMB'000
	Contractual undiscounted cash outflow					
	Within	More than	More	More	Total	
	1 year or	1 year but less	than 2 years	than 5 years		
on demand	than 2 years	but less	than 5 years	RMB'000	RMB'000	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and other payables	162,570	—	—	—	162,570	162,570
Interest-bearing borrowings	382,840	101,118	—	—	483,958	475,057
Lease liabilities	50,260	41,982	34,694	—	126,936	120,386
	595,670	143,100	34,694	—	773,464	758,013
Financial guarantee issued: Maximum amount guaranteed	2,500	—	—	—	2,500	—

	2022					Carrying amount RMB'000
	Contractual undiscounted cash outflow					
	Within	More than	More	More	Total	
	1 year or	1 year but less	than 2 years	than 5 years		
on demand	than 2 years	but less	than 5 years	RMB'000	RMB'000	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and other payables	175,276	—	—	—	175,276	175,276
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
	237,605	85,505	85,788	4,651	413,549	395,226

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(c) Interest rate risk

(i) Interest rate risk profile

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 is primarily exposed to fair value interest rate risk in relation to fixed-rate interest-bearing borrowings (note 20) and lease liabilities (note 23) and cash flow risk in relation to variable-rate bank balances (note 19) and variable-rate interest-bearing borrowings (note 20). The Group currently does not have an interest rate hedging policy to mitigate interest rate risk; nevertheless, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

(ii) Sensitivity analysis

At 31 December 2023, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's loss after tax and accumulated losses by approximately RMB3,698,000 (2022: nil). Other components of consolidated equity would have increased/decreased by approximately nil (2022: nil) in response to the general increase/decrease in interest rates.

The sensitivity analysis above indicates the instantaneous change in the Group's loss after tax (and accumulated losses) and other components of consolidated equity 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) and other components of consolidated equity 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 2022.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(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 Hong Kong Dollars. The currencies giving rise to currency risk are primarily United States 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)					
	2023			2022		
	Renminbi RMB'000	United States Dollars RMB'000	Hong Kong Dollars RMB'000	Renminbi RMB'000	United States Dollars RMB'000	Hong Kong Dollars RMB'000
Cash and cash equivalents	8,539	11,507	6,300	8,543	726	7,189
Trade and other receivables	1,653	11,278	—	—	14,226	—
Inter-company payables within the Group	(106,632)	—	—	(56,461)	—	—
Trade and other payables	—	(377)	(947)	—	(4,993)	(96)
Net exposure arising from recognised assets and liabilities	(96,440)	22,408	5,353	(47,918)	9,959	7,093

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(d) Currency risk (Continued)

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's loss after tax (and accumulative losses) and other components of consolidated equity 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. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies.

	2023			2022		
	Increase/ (decrease) in foreign exchange rates	Effect on loss after tax and accumulated losses RMB'000	Effect on other component of equity RMB'000	Increase/ (decrease) in foreign exchange rates	Effect on loss after tax and accumulated losses RMB'000	Effect on other component of equity RMB'000
Renminbi	3%	2,893	—	3%	1,438	—
	(3)%	(2,893)	—	(3)%	(1,438)	—
United States Dollars	3%	(672)	—	3%	(299)	—
	(3)%	672	—	(3)%	299	—
Hong Kong Dollars	3%	(161)	—	3%	(213)	—
	(3)%	161	—	(3)%	213	—

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, and then 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, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2022.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(e) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

The Group has engaged the external valuers to perform valuations for the unlisted equity securities 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)

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(e) Fair value measurement (Continued)

(i) Financial assets and liabilities measured at fair value (Continued)

	Fair value at 31 December 2023 RMB'000	Fair value measurements as at 31 December 2023 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)	66,916	—	10,754	56,162

	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

During the years ended 31 December 2023 and 2022, there were no transfers between Level 1 and Level 2.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(e) Fair value measurement (Continued)

(i) Financial assets and liabilities measured at fair value (Continued)

During the year ended 31 December 2023, unlisted equity securities amounting to RMB10,754,000 were transferred from Level 3 into Level 2, for that in determining the fair value of investments in unlisted equity instruments by referring to the quoted price from an investor.

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.

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	74%
		Expected probability of event	45%

Note:

As at 31 December 2023, 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 RMB444,000/RMB531,000 and an increase/decrease in the expected volatility by 5% would have decreased/increased the Group's loss by RMB168,000/RMB67,000.

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.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(e) Fair value measurement (Continued)

(i) Financial assets and liabilities measured at fair value (Continued)

The movements during the year in the balance of these Level 3 fair value measurements are as follows:

	2023 RMB'000	2022 RMB'000
At 1 January	109,602	98,365
Transfer (to)/from Level 2	(10,754)	47,179
Repurchased by an investee	(161)	—
Exercise of warrants issued by an equity-accounted investee	—	(8,958)
Changes in the value of financial instruments	(42,525)	(26,984)
At 31 December	56,162	109,602

(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 2023 and 2022.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

29 COMMITMENTS

Commitments outstanding at 31 December 2023 not provided for in the financial statements were as follows:

	31 December 2023 RMB'000	31 December 2022 RMB'000
Contracted for	924	14,297
Authorised but not contracted for	20,000	112,400
	20,924	126,697

In addition, the Group was committed at 31 December 2023 to enter into certain leases of 3 years that is not yet commenced, the lease payments under which amounted to RMB2,082,000 per annum (2022: leases of 3 years with lease payments amounted to RMB925,000 per annum).

30 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 7 and certain of the highest paid individuals as disclosed in note 8, is as follows:

	2023 RMB'000	2022 RMB'000
Salaries and other benefits	5,166	5,032
Discretionary bonuses	3,575	2,880
Equity-settled share-based payment expenses	53,240	54,395
	61,981	62,307

Total remuneration was included in staff costs (note 5(b)).

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

30 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) Material related party transactions

During the year ended 31 December 2023 and 2022, 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
AccuTarget MediPharma (Shanghai) Co., Ltd.* (上海導向醫療系統有限公司)	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
MicroPort Orthopedics Inc.	Subsidiary of MPSC

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

30 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) Material related party transactions (Continued)

Name of the related party	Relationship
Cathbot	Equity-accounted investee of the Group
Robocath	Equity-accounted investee of the Group
TargBot (Note)	Former 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.* (上海微創葡運算元醫療科技有限公司)	Subsidiary of MPSC
Shanghai Zaixian MedTech Co., Ltd.* (微創線上醫療科技(上海)有限公司)	Subsidiary of MPSC
Suzhou Reveda Medtech Co., Ltd.* (蘇州悅膚達醫療科技有限公司)	Equity-accounted investee of MPSC
Shanghai Huanbo Digital Technology Co., Ltd.* (上海寰博數碼科技有限公司)	Subsidiary of MPSC
MicroPort Scientific Vascular Brazil Ltda.	Subsidiary of MPSC
MicroPort Longmai Medical Technology (Jiaxing) Co., Ltd.* (微創龍脈醫療科技(嘉興)有限公司)	Subsidiary of MPSC
Shanghai Chongduozhu Health Technology Co., Ltd.* (上海寵多助健康科技有限公司)	Subsidiary of MPSC
MicroPort Shentong Medical Technology (Shanghai) Co., Ltd.* (微創神通醫療科技(上海)有限公司)	Subsidiary of MPSC
Shanghai MicroPort Shenyi Medical Technology Co., Ltd.* (上海微創神奕醫療科技有限公司)	Subsidiary of MPSC
Shentu Medical Technology (Shanghai) Co., Ltd.* (神途醫療科技(上海)有限公司)	Subsidiary of MPSC
Dongguan Kewei Medical Equipment Co., Ltd.* (東莞科威醫療器械有限公司)	Subsidiary of MPSC
Beijing Xinling Medical Technology Co., Ltd.* (北京心凌醫療科技有限公司)	Subsidiary of MPSC
Shanghai MicroPort Heart Medical Technology Co., Ltd.* (上海微創心力醫療科技有限公司)	Subsidiary of MPSC
Wuhan Gangya Medical Technology Co., Ltd.* (武漢港亞醫療科技有限公司)	Equity-accounted investee of MPSC
MicroPort Xindao (Shanghai) Medical Technology Co., Ltd.* (微創心導(上海)醫療科技有限公司)	Subsidiary of MPSC
Suzhou Jingjie Medical Technology Co., Ltd.* (蘇州競捷醫療科技有限公司)	Equity-accounted investee of MPSC

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

30 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) Material related party transactions (Continued)

Name of the related party	Relationship
Shanghai MicroPort Tianlai Medical Technology Co., Ltd.* (上海微創天籟醫療科技有限公司)	Subsidiary of MPSC
MicroPort Shishen Medical Technology (Shanghai) Co., Ltd.* (微創視神醫療科技(上海)有限公司)	Subsidiary of MPSC
Shanghai MicroPort Life Science and Technology Co., Ltd.* (上海微創生命科技有限公司)	Equity-accounted investee of MPSC
MicroPort Surgical Medical Technology (Shanghai) Co., Ltd.* (微創外科醫療科技(上海)有限公司)	Subsidiary of MPSC
MicroPort Youtong Medical Technology (Jiaxing) Co., Ltd.* (微創優通醫療科技(嘉興)有限公司)	Subsidiary of MPSC
Zhuque Feiyan (Shanghai) Medical Technology Co., Ltd.* (朱雀飛燕(上海)醫療科技有限公司)	Subsidiary of MPSC
Shanghai Ruitong Medical Technology Co., Ltd.* (上海銳通醫療科技有限公司)	Subsidiary of MPSC
Shanghai MicroPort Xingxi Ecological Technology Co., Ltd.* (上海微創星系生態科技有限公司)	Subsidiary of MPSC
Shanghai MicroPort Weimei Medical Technology (Group) Co., Ltd.* (上海微創惟美醫療科技(集團)有限公司)	Subsidiary of MPSC
Shanghai Zuoxin Medical Technology Co., Ltd.* (上海佐心醫療科技有限公司)	Subsidiary of MPSC
MicroPort Pte. LTD.	Subsidiary of MPSC
Suzhou MicroPort Regenerative Medicine Technology Co., Ltd.* (蘇州微創再生醫學科技有限公司)	Subsidiary of MPSC
Shenzhen MicroPort Tracking Medical Equipment Co., Ltd.* (深圳微創蹤影醫療設備有限公司)	Subsidiary of MPSC
Shanghai MicroPort Xuanlv Medical Technology Co., Ltd.* (上海微創旋律醫療科技有限公司)	Subsidiary of MPSC
Shanghai MicroPort Biotechnology Co., Ltd.* (上海微創生成生物技術有限公司)	Subsidiary of MPSC
MicroPort Scientific GmbH	Subsidiary of MPSC

* English translation is for identification purpose only.

Note:

TargBot became a subsidiary of the Group during the year ended 31 December 2023. The transactions with TargBot from 1 January 2023 to the date that the Group obtained control over TargBot were disclosed as related party transactions.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

30 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(c) Other material transactions

Particulars of the Group's other material transactions with related parties are as follows:

	2023 RMB'000	2022 RMB'000
Sales of goods to subsidiaries and equity-accounted investees of MPSC, and a former equity-accounted investee	26,980	—
Sales of fixed assets to subsidiaries and equity-accounted investees of MPSC	835	—
Purchase of goods from subsidiaries and equity-accounted investees of MPSC	1,247	2,053
Service fee charged by subsidiaries and equity-accounted investees of MPSC	18,904	16,375
Payment on behalf of the equity-accounted investees and a former equity-accounted investee	1,401	2,904
Payment on behalf of the Group by subsidiaries of MPSC	901	475
Loan from the MPSC	—	20,000
Interest charged by MPSC	—	212
Repayment of loan from the MPSC and the corresponding interest expense	—	20,212
Loan to a former equity-accounted investee	—	2,800

In May 2023, the Company issued maximum guarantees amounting to RMB15,000,000 to a bank in respect of the banking facilities of IntBot (an equity-accounted investee). As at 31 December 2023, IntBot has drawn down bank loans amounting to RMB2,500,000 under the above banking facilities.

(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. At 31 December 2023, the outstanding balance of lease liability was RMB1,041,000 (31 December 2022: RMB2,101,000).

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

30 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 2023 RMB'000	31 December 2022 RMB'000
Receivables from related parties		
Trade related	5,276	385
Non-trade related	4,646	3,997
Amounts due to related parties		
Trade related	5,587	5,553
Non-trade related	16,903	12,894
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)

31 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	31 December 2023 RMB'000	31 December 2022 RMB'000
Non-current assets		
Property, plant and equipment	273,166	380,325
Intangible assets	3,631	3,657
Investments in subsidiaries	423,356	392,841
Equity-accounted investees	16,300	28,714
Other non-current assets	34,734	38,278
	751,187	843,815
Current assets		
Inventories	129,405	164,997
Trade and other receivables	712,040	519,921
Pledged deposits	—	5,566
Cash and cash equivalents	417,999	668,408
	1,259,444	1,358,892
Current liabilities		
Interest-bearing borrowings	370,357	—
Trade and other payables	262,026	230,638
Contract liabilities	9,984	8,489
Lease liabilities	41,005	43,618
Provisions	4,406	958
	687,778	283,703
Net current assets	571,666	1,075,189
Total assets less current liabilities	1,322,853	1,919,004
Non-current liabilities		
Interest-bearing borrowings	99,700	33,100
Contract liabilities	3,710	1,786
Lease liabilities	54,303	106,740
Deferred income	45,659	21,043
Provisions	82	397
	203,454	163,066
NET ASSETS	1,119,399	1,755,938
CAPITAL AND RESERVES (note 27(a))		
Share capital	958,594	958,594
Reserves	160,805	797,344
TOTAL EQUITY	1,119,399	1,755,938

Notes to the Financial Statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

32 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

As at 31 December 2023, 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 2023, 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.

33 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2023

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 2023 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
Amendments to HKAS 1, <i>Presentation of financial statements:</i> <i>Classification of liabilities as current or non-current ("2020 amendments")</i>	1 January 2024
Amendments to HKAS 1, <i>Presentation of financial statements:</i> <i>Non-current liabilities with covenants ("2022 amendments")</i>	1 January 2024
Amendments to HKFRS 16, <i>Leases: Lease liability in a sale and leaseback</i>	1 January 2024
Amendments to HKAS 7, <i>Statement of cash flows and HKFRS 7, Financial Instruments:</i> <i>Disclosures: Supplier finance arrangements</i>	1 January 2024
Amendments to HKAS 21, <i>The effects of changes in foreign exchange rates:</i> <i>Lack of exchangeability</i>	1 January 2025

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:

“2023 AGM”	the annual general meeting of the Company for 2023 to be convened and held in such manner to be determined by the Company
“2024 Master Products Procurement Agreement”	the master products procurement agreement entered into between the Company and MicroPort on 6 December 2023
“2024 Master Services Procurement Agreement”	the master services procurement agreement entered into between the Company and MicroPort on 6 December 2023
“2024 Sales Framework Agreement”	the sales framework agreement entered into between the Company and MicroPort on 6 December 2023
“Articles of Association”	the articles of association of the Company from time to time
“ANVISA”	Brazilian Health Regulatory Agency
“Audit Committee”	the audit committee of the Board
“Bibot”	Biobot Surgical Pte. Ltd., a company established in Singapore with limited liability on 28 August 2007
“Board”	the board of Directors
“CE”	French acronym for “Communate Européene”
“CG Code”	the corporate governance code contained in Appendix C1 to the 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 joint stock company incorporated in the People’s Republic of China with limited liability, 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 report, 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

Definitions (Continued)

“Domestic Share(s)”	ordinary Share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and paid for in RMB
“EU”	European Union
“FDA”	the U.S. Food and Drug Administration
“Free Cash Flow”	the sum of net cash used in operating activities, net cash used for purchase of property, plant and equipment and intangible assets, and net cash used for payment of lease rentals and deposits
“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 Share(s) converted into H Share(s) upon the Domestic Share(s) been approved for full circulation under the full circulation scheme
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing”	the listing of the H Shares on the main board of the Stock Exchange
“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, the shares of which are listed on the main board of the Stock Exchange (Stock Code: 853), being one of the controlling shareholders of the Company
“MicroPort CardioFlow”	MicroPort CardioFlow Medtech Corporation (微創心通醫療科技有限公司), an exempted 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, being one of the controlling shareholders of the Company
“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

Definitions (Continued)

“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix C3 to the Listing Rules
“Mona Lisa”	iSR’obot® Mona Lisa Robotic Transperineal 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.
“Nomination Committee”	the nomination committee of the Company
“NMPA”	National Medical Products Administration of the PRC
“PRC” or “China”	the People’s Republic of China, for the purpose of this report, 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
“Remuneration and Appraisal Committee”	the remuneration and appraisal committee of the Company
“Reporting Period”	the twelve months period ended 31 December 2023
“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 Robot
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented and otherwise modified from time to time
“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 the Company and 49% by Robocath

Definitions (Continued)

“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 the Company, 30% by Biobot and 30% by Shanghai Lingmin
“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
“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 and is a subsidiary of the Company at the end of the Reporting Period
“Share(s)”	ordinary share(s) of the Company, comprising of Domestic Shares and H Shares
“Share Award Scheme”	the H share award scheme approved on the Company’s 2022 first extraordinary general meeting convened on 10 February 2022

Definitions (Continued)

“Share Option Scheme”	the Share Option Scheme approved on each of the Company’s 2022 second extraordinary general meeting, 2022 first domestic shareholders’ class meeting and 2022 first H shareholders’ class meeting convened on 17 March 2022
“Shareholder(s)”	holder(s) of the Shares
“SkyWalker”	SkyWalker® Orthopedic Surgical Robot (registered name in China)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Strategy and Development Committee”	the strategy and development committee of the Company
“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
“TGA”	Therapeutic Goods Administration
“Trans-bronchial Surgical Robot”	Robot-assisted Bronchoscopy Navigation System
“UKCA”	United Kingdom Conformity Assessed
“%”	per cent



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