

MicroPort 微创脑科学

MicroPort NeuroTech Limited
微創腦科學有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 2172

2022

ANNUAL REPORT



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DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

In this annual report, unless the context otherwise requires, the following expressions shall have the following meanings.

“Asahi Intecc”	Asahi Intecc Co., Ltd., a medical devices company incorporated under the laws of Japan with limited liability on 8 July 1976, and all of its subsidiaries
“Audit Committee”	the audit committee of the Board
“Biolink Healthcare”	Biolink Healthcare Investment Limited, an investment holding company with limited liability incorporated in the BVI on January 28, 2021
“Biolink Limited”	Biolink Limited, an investment holding company with limited liability incorporated in the BVI on June 12, 2019.
“Biolink NT”	Biolink NT Investment Limited, an exempted company with limited liability incorporated in the Cayman Islands on October 28, 2020.
“Board”	the Board of Directors
“BVI”	the British Virgin Islands
“CE”	French acronym for “Communate Européenne”, a certification mark that indicates conformity with health, safety and environmental protection standards for products sold within the European Economic Area
“CG Code”	the corporate governance code as contained in Appendix 14 to Listing Rules
“Company” or “we” or “us” or “our”	MicroPort NeuroTech Limited (微創腦科學有限公司), an exempted company incorporated in the Cayman Islands, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 2172)
“Director(s)”	director(s) of the Company, including all executive, non-executive and independent non-executive directors
“FDA”	the United States Food and Drug Administration
“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., our industry consultant
“FY” or “Fiscal Year”	For the year ended 31 December
“Global Offering”	the global offering of the shares, details of which are set forth in the Prospectus
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HKFRSs”	Hong Kong Financial Reporting Standards

Definitions and Glossary of Technical Terms (Continued)

“KPMG”	KPMG, Certified Public Accountants
“Listing”	the listing of the shares on the Main Board of the Stock Exchange
“Listing Date”	15 July 2022, the date on which dealings in the shares on the Main Board of the Stock Exchange first commence
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange. For the avoidance of doubt, the Main Board excludes the Growth Enterprise Market of the Stock Exchange
“MFDS”	the Ministry of Food and Drug Safety in South Korea
“MicroPort”	MicroPort Scientific Corporation (微創醫療科學有限公司), an exempted company incorporated in the Cayman Islands with limited liability whose shares are listed on the Main Board of the Stock Exchange (stock code: 00853), and one of our Controlling Shareholders
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules
“NHTA”	National Healthcare Security Administration
“Prospectus”	the prospectus of the Company dated 29 June 2022
“MP Scientific”	MicroPort Scientific Investment LTD, a company incorporated in the BVI with limited liability on 30 September 2020 and is a direct wholly owned subsidiary of MicroPort, and one of our Controlling Shareholders
“NMPA”	National Medical Products Administration (國家藥品監督管理局) and its predecessor, the China Food and Drug Administration (國家食品藥品監督管理總局)
“PRC”	the People’s Republic of China
“Rapid Medical”	Rapid Medical Ltd., a company incorporated in the State of Israel with limited liability on 12 August 2008, which is primarily engaged in the development, manufacturing and sales of innovative devices for neuro-interventional procedures and is indirectly owned as to 22.28% equity by the Company
“Reporting Period”	for the year ended 31 December 2022
“RMB”	Renminbi, the lawful currency of the PRC

Definitions and Glossary of Technical Terms (Continued)

“R&D”	Research and development
“SFO”	the Securities and Futures Ordinance (Chapter 571) of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	holder(s) of our Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiaries”	has the meaning ascribed thereto under the Listing Rules
“WE’TRON CAPITAL”	WE’TRON CAPITAL LIMITED (中國微創投資管理有限公司), a company incorporated in Hong Kong with limited liability on October 26, 2005
“%”	per cent

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

Mr. Xie Zhiyong (謝志永)
Mr. Wang Yiqun Bruce (王亦群)

Non-Executive Directors:

Mr. Peng Bo (彭博) (*Chairman of the Board*)
Mr. Wang Lin (王琳)
Ms. Wu Xia (吳夏)

Independent Non-Executive Directors:

Dr. Xu Yi (胥義)
Dr. Zhang Haixiao (張海曉)
Mr. Siu Chi Hung (蕭志雄)

AUDIT COMMITTEE

Mr. Siu Chi Hung (蕭志雄) (*Chairperson*)
Dr. Xu Yi (胥義)
Dr. Zhang Haixiao (張海曉)

REMUNERATION COMMITTEE

Dr. Xu Yi (胥義) (*Chairperson*)
Mr. Peng Bo (彭博)
Mr. Siu Chi Hung (蕭志雄)

NOMINATION COMMITTEE

Dr. Zhang Haixiao (張海曉) (*Chairperson*)
Mr. Xie Zhiyong (謝志永)
Dr. Xu Yi (胥義)

REGISTERED OFFICE

Tricor Services (Cayman Islands) Limited
Third Floor, Century Yard, Cricket Square
P.O. Box 902
Grand Cayman, KY1-1103
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 1661 Zhangdong Road
Pudong New Area, Shanghai
PRC

PRINCIPAL BANKERS

China Construction Bank Shanghai Zhangjiang Branch

220 Keyuan Road
Pudong New Area
Shanghai
PRC

Bank of China Shanghai Zhoupu Branch

1st Floor, Wanda Plaza
No. 3435 Hunan Road
Pudong New Area
Shanghai
PRC

Shanghai Pudong Development Bank Co., Ltd. Zhangjiang Keji Branch

No. 56 Boyun Road
Pudong New Area
Shanghai
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

AUTHORISED REPRESENTATIVES

Mr. Peng Bo (彭博)
Ms. Hui Yin Shan (許燕珊)

COMPANY SECRETARY

Ms. Hui Yin Shan (許燕珊)

AUDITOR

KPMG

*Certified public accountants and 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

Clifford Chance

27th Floor, Jardine House
One Connaught Place
Hong Kong

COMPLIANCE ADVISER

Somerley Capital Limited

20/F, China Building
29 Queen's Road
Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Tricor Services (Cayman Islands) Limited

Third Floor, Century Yard, Cricket Square
P.O. Box 902
Grand Cayman, KY1-1103
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
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183 Queen’s Road East
Wanchai
Hong Kong

WEBSITE

www.medneurotech.com

STOCK CODE

2172

LISTING DATE

15 July 2022

FIVE YEARS' FINANCIAL SUMMARY

	2018 RMB'000	2019 RMB'000	2020 RMB'000	2021 RMB'000	2022 RMB'000
Revenue	124,097	183,720	221,923	382,799	547,350
Net profit/(loss) for the year	29,267	46,975	45,287	24,170	(24,678)
Non-HKFRS adjusted net profit for the year	32,425	51,028	50,658	94,084	130,696
Assets					
Non-current assets	125,509	213,000	245,705	556,188	532,315
Current assets	62,275	121,728	539,905	784,154	1,284,685
Total assets	187,784	334,728	785,610	1,340,342	1,817,000
Liabilities					
Current liabilities	50,591	151,626	94,754	174,210	243,800
Non-current liabilities	16,868	14,944	317,974	1,341,072	87,549
Total liabilities	67,459	166,570	412,728	1,515,282	331,349
Total equity/(deficit)	120,325	168,158	372,882	(174,940)	1,485,651

Note: To supplement our consolidated statements of profit or loss of the Group which are presented in accordance with HKFRSs, the Group also prepared the adjusted net profit, which is not required by, or presented in accordance with, HKFRSs. The presentation of such non-HKFRS measures in conjunction with the corresponding HKFRS measures facilitates a comparison of our operating performance by eliminating the impact of listing expenses, interest on other financial liabilities, equity-settled share-based payment, interest on convertible bonds, fair value changes in financial instruments and share of losses of an associate, and the related income tax impact. Such non-HKFRS measures allow investors to consider metrics used by the Group's management in evaluating our performance. Please refer to section headed "Non-HKFRS Measures" in page 29 of this annual report for more details.

COMPANY PROFILE



MicroPort NeuroTech Limited (the “**Company**”) and its subsidiaries (together, the “**Group**” or “**we**”) are one of the first medical device companies in China to enter the neuro-interventional therapeutic area, and has always been committed to the R&D of high-end medical devices in neuro-interventional therapeutic area. The Group has a comprehensive stroke interventional treatment product line, covering all of the three major areas of neurovascular disease, namely hemorrhagic stroke, cerebral atherosclerotic stenosis and acute ischemic stroke. Our products have cumulatively covered approximately 2,600 hospitals nationwide, providing safe and effective stroke disease solutions for approximately 125,000 patients.

The Group has always adhered to the goal of addressing clinical needs and insisted on R&D and innovation with proprietary intellectual property rights. We have a total of 30 commercialised products and product candidates in our portfolio, including ten therapeutic products and three access products approved and commercialised in China and 17 product candidates under development. In addition, four products have been admitted to the NMPA’s innovative special review and approval procedure (the “**Green Path**”).

After years of accumulation, the Company has achieved a breakthrough in multiple “first” and “only” products, including the first stent system approved for treating intracranial atherosclerotic diseases in the world, the only intracranial stent graft approved for treating cerebral vessel diseases in the world, the first Chinese-developed flow-diverting stents approved by the NMPA, and the first vertebral artery drug-eluting stent in China that has been admitted to the Green Path and approved by the NMPA. We have established the technical barriers of leading peers in the industry, and currently have 166 authorized patents, including 37 overseas patents. In addition, 262 patents are being applied for registration.

The Company has a leading international vision and global layout, with its products commercialised and sold in eight countries or regions (including China), covering South Korea, the United States, Brazil, Chile and European countries.

Adhering to the management concept of “Eyes For Greatness, Hands On Details”, MicroPort NeuroTech™ emphasizes people-oriented and deeply imbeds the pursuit of details and the persistence in innovation into its DNA.

In the future, we will continue to pursue innovation and provide patients around the world with more top-quality and accessible total medical solutions for cerebral vessel diseases.

Vision

Build a people-oriented global leading emerging high-tech medical group

Mission

Provide trustworthy and universal access to state-of-the-art total solutions for the treating cerebral vessel diseases

CHAIRMAN'S STATEMENT



Mr. Peng Bo
Chairman of the Board

In 2022, despite the challenges of repeated epidemics outbreak and volatile business environments, the Group's key performance continued to improve steadily with efficient execution of the globalization strategy, and further consolidated its leadership in the neuro-interventional industry, which are attributable to, without doubt, the unremitting efforts of all employees at MicroPort NeuroTech™.

During the Reporting Period, the Group took measures to mitigate the impact of the epidemic, and achieved breakthrough growth in business against the trend, achieving a revenue of RMB547.4 million, representing a substantial increase of 43.0% from last year, among which overseas revenue exceeded RMB20 million for the first time, representing an increase of approximately 35 times over last year. Our profitability also continued to improve. During the Reporting Period, our adjusted net profit was RMB130.7 million, representing an increase of 38.9% over last year.

In the domestic market, the Group's market share in China has reached around 8%, ranking first among domestic brands in terms of the sales revenue in 2022. During the Reporting Period, we established the presence in nearly 500 new hospitals and trained more than 600 neuro-interventional experts. Our products have supported approximately 125,000 procedures in approximately 2,600 hospitals across the country, with a distribution network covering 31 provinces, municipalities and autonomous regions. Benefiting from our winning of bids in centralized procurement of coil products in provinces, the market share of the Group's Numen® Coil Embolization System has rapidly climbed to more than 5%. During the Reporting Period, the domestic clinical usage of our coil products more than doubled year-on-year. In terms of cultivating low-tier markets, we actively responded to our country's call for establishing stroke centers at the grassroots level, and gradually consolidated our presence in the grassroots market through the Eagle & Swallows (神雕飛燕) program. As of the end of the Reporting Period, the product has entered approximately 600 county hospitals, covering more than 200 low-tier cities and counties.

In the international market, the Group's overseas revenue amounted to RMB21.9 million in FY2022. During the Reporting Period, we established four overseas subsidiaries in the United States, the United Kingdom, the Netherlands and Brazil, expanding our business to four continents around the world. Our products have been commercialised in 7 overseas markets, covering half of the countries ranking top 10 worldwide in terms of the number of neuro-interventional procedures.

In the research and development, during the Reporting Period, the Group received the approval for the marketing of four new products, including NUMEN Silk® 3D Electronically Detachable Coil, Neurohawk® Intracranial Stent Thrombectomy Device, X-track™ Intracranial Distal Access Catheter and Diveer® Intracranial Balloon Dilatation Catheter, which further enriched our solutions in the three major therapeutic areas, namely hemorrhagic stroke, cerebral atherosclerotic stenosis and acute ischemic stroke, thus bringing a momentum for the Company's long-term development. At the same time, Rebridge® Intracranial Visualized Stent, independently developed by the Group, was admitted to the NMPA's Green Path, becoming the first Chinese-made full-visualized coil embolization assisting stent to enter clinical trials. It is also the fourth "Green Path" product of the Group.

The Group has always insisted on R&D and innovation with independent intellectual property rights. We have a total of 166 authorized patents and 262 pending patent applications. During the Reporting Period, we were awarded as the "2022 Superior Enterprise with Intellectual Property" by virtue of our outstanding performance in terms of technical capabilities and intellectual property construction and management.

We continue to move towards high-quality development and have established a comprehensive quality management system based on quality culture, system and tools. As at the date of this report, we have obtained MDSAP (Medical Device Single Audit Program), a quality system certification accepted in 5 countries, marking that the Company complies with the ISO13485:2016 standard as well as it is recognised by national agencies in 5 countries including FDA in the United States, TGA in Australia, ANVISA in Brazil, HC in Canada and MHLW in Japan, effectively reducing the audit cost of products entering overseas markets. During the Reporting Period, based on the affirmation of the Company's quality and technology innovation, the Group won the "2022 Shanghai Enterprise Management Modernization Innovation Achievement", becoming the only medical device enterprise that won this achievement award in 2022. In addition, the Group has been awarded Grade A certificate of Shanghai Medical Equipment Production Quality Credit for 6 consecutive years.

2022 is a milestone and also a year of new journey for us. On 15 July 2022, the Group was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited, ushering in a new stage of entering the international capital market.

Looking forward to the future, MicroPort NeuroTech™ will continue to execute its development strategy of "global integration vision, sustainable quality development, consolidated position in neuro-intervention, expansion of neuro tech field", firmly adopt the "physician-engineer collaboration (醫工結合)" research and development model, and create innovative products with international competitiveness, so as to provide quality and accessible solutions for cerebral vessel diseases to patients and physicians around the world.

The directors, senior management and all employees of the Group will uphold the principles of integrity, diligence and responsibility to pursue high-quality development. On behalf of my colleagues, I hereby would like to extend my heartfelt thanks to all shareholders and partners for their long-term companionship and support.

Chairman of the Board

Mr. Peng Bo

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

Stroke is an acute cerebral vessel disease, which is the second major fatal disease in the world and the first major fatal disease in China, with high rates of incidence, disability, mortality and recurrence. According to the research data of the Global Burden of Disease (GDB), China had the largest number of stroke patients in the world, and the proportion of patients younger than 70 years old is increasing, with a trend toward younger patients. Another research result¹ on the burden of stroke disease in China shows that in 2020, the prevalence of stroke in China was 2.6% among people aged 40 years or older, which was much higher than the global prevalence of stroke, and that the number of new strokes in China (approximately 3.4 million) was higher than in the United States (approximately 0.61 million) and Europe (approximately 1.12 million), representing approximately a quarter of all new stroke cases worldwide each year. The research also shows that there were significant urban-rural differences in the burden of stroke disease in China, with both stroke incidence and mortality rates higher in rural areas than in urban areas.

Currently, the neuro-interventional medical device industry in China is still at an early stage of development, with a relatively low market penetration especially in the vast grassroots areas represented by low-tier cities and counties. In recent years, benefiting from driving factors such as constant advancement of cerebral vessel disease screening, continuous increase in the acceptance of neuro-interventional procedures, the construction of stroke centers and increasing supply of Chinese-developed neuro-interventional medical devices, the volume of neuro-interventional procedures has shown a rapid growth trend.

Given a strong time dependence on the treatment effect of cerebral vessel diseases, in order to further improve the prevention and treatment of the stroke and reduce the disability rate and mortality rate due to new stroke cases, China has actively promoted the construction of stroke centers in recent years, and launched “Identification and Hierarchical Diagnosis and Treatment Action for the Stroke in China’s Thousands of Counties and Ten Thousands of Towns (中國千縣萬鎮卒中識別與分級診療行動)”. The hierarchical diagnosis and treatment model for stroke as a specific disease has been established and improved, which has facilitated the “green channels” treatment for stroke and in turn has further improved the stroke prevention and treatment system. According to the National Health Commission of the PRC (“NHC”), as at the end of November 2022, 602 stroke centers in tertiary hospitals and 1,125 stroke centers in secondary hospitals have been established nationwide; 208 cities in 28 provinces (municipalities and autonomous regions) have released stroke first-aid maps, and 2,770 medical institutions have become the units of stroke first-aid maps. With the rapid growth of the number of stroke centers and the continuous improvement of the stroke first-aid maps, the capacity and the coverage rate of diagnosis and treatment in grassroots areas have been further improved.

¹ Estimated Burden of Stroke in China in 2020, JAMA Network Open. 2023;6(3):e231455

In 2022, a number of policies have been promulgated by the Chinese government to support the development of innovative medical devices, which has become an important driving force for increasing the penetration rate of innovative neuro-interventional procedures. In July 2022, the Notice on Printing of CHS-DRG Payment Management Measures for New Drugs and New Technology Exclusions (《關於印發CHS-DRG付費新藥新技術除外支付管理辦法的通知》) was implemented for the first time in Beijing, specifying that eligible new drugs, new devices and new technologies can be declared for CHS-DRG “Exclusions”. Immediately afterwards, regarding the issues surrounding the centralized volume-based procurement (“VBP”) and medical insurance payment for innovative products, the National Healthcare Security Administration (“NHTSA”) clearly stated that innovative medical devices can be excluded from the centralized VBP, which means that a certain market space outside the centralized VBP should be reserved to allow innovative products to explore. In addition, the Chinese government is gradually improving relevant policies to guide local regions to include eligible innovative medical consumables in the scope of medical insurance payment in a timely manner.

In March 2023, the NHTSA clearly supported local medical insurance departments in their pilot work to explore and establish mechanisms for “CHS-DRG payment to support new medical technologies” in their public answers, and expressed that they would further support innovative medical devices to be excluded in CHS-DRG payment management. With the support of the above policies, the hospital admission and clinical use of innovative neuro-interventional devices will embrace great opportunities, driving the high-quality development of the industry.

COMPANY’S BUSINESS

As a pioneer and the largest Chinese company in the neuro-interventional medical device industry in China, the Group is committed to providing innovative and accessible solutions for cerebral vessel diseases to patients and physicians around the world. The Group has a comprehensive portfolio of commercialised products covering three major areas of cerebral vessel diseases, namely hemorrhagic stroke, cerebral atherosclerotic stenosis and acute ischemic stroke. According to Frost & Sullivan, the Group is the only Chinese company among the top five players in China’s neuro-interventional medical device market, with a market share of approximately 8% in terms of the sales in 2022, nearly double that of 2020 while ranking first among all the domestic brands for a long time.

Since its establishment, with the goal of addressing clinical needs, the Group has been placing key emphasis on R&D and innovation with independent intellectual property rights. After years of experiences, we have already mastered a number of core design and manufacturing technology platforms for the R&D and manufacturing of neuro-interventional medical devices. We have developed multiple “first” or “only” products, including the first stent system for treating intracranial atherosclerotic diseases in the world, the only intracranial stent graft approved for treating cerebral vessel diseases in the world, the first Chinese-developed flow-diverting stents approved by the NMPA, and the first vertebral artery drug-eluting stent in China that has been admitted to the NMPA’s Green Path and approved by the NMPA.

BUSINESS REVIEW

In 2022, in the face of challenges from market conditions and the pandemic, the Group took all measures to protect production and operations. By adhering to the sinking strategy of sales channel, the Group strengthened online and offline medical education and training, and accelerated our global business layout, which enabled us to achieve a sustained and rapid revenue growth.

In FY2022, the Group achieved the revenue of RMB547.4 million, representing an increase of 43.0% over the previous year, of which international (non-China) operations recorded the revenue of RMB21.9 million, representing an increase of 3,492% over the previous year. The adjusted net profit for the year of 2022 was RMB130.7 million, representing an increase of 38.9% over the previous year.

The above growth in revenue was mainly due to: (1) major new products launched in recent years (including NUMEN® Coil Embolization System (“**NUMEN® Coil**”), Bridge® Rapamycin Target Eluting Vertebral Artery Stent System (“**Bridge® DES for Vertebral Artery**”), etc.) advanced the hospital tendering process, with the revenue increasing rapidly; (2) leading products in market share (including Tubridge® Flow-diverting Stent (“**Tubridge® Flow-diverting Stent**”), Asahi® Neurovascular Guidewires (“**Asahi® Guidewires**”), etc.) maintained a good growth momentum through the integration of channel resources and sustained development of low-tier markets; (3) overseas business achieved a breakthrough in revenue growth; and (4) multiple newly approved products (including Neurohawk® Stent Thrombectomy Device (“**Neurohawk® Thrombectomy Device**”), Diveer® Intracranial Balloon Dilatation Catheter (“**Diveer® Balloon Catheter**”), etc.) began commercialisation, contributing to the Group’s revenue growth.

COMMERCIALIZATION CAPABILITIES

The Group has established a team for the promotion of medical solutions with the professional medical background and extensive experiences. The team continues to export innovative neuro-interventional treatment concepts to the market, and provides patients and physicians with an integrated solution to treat cerebral vascular diseases, including the promotion and education regarding the surgical methods and products, recommendations for treatment options, training on surgery and surgical devices, clinical support and postoperative follow-ups, so as to continuously improve our penetration in hospitals and strengthen our leading position as a domestic brand. As of the end of 2022, our team for the promotion of medical solutions consisted of nearly a hundred employees with an average industry experience of over 8 years. In addition, the Group has established cooperative relationships with more than 200 distributors and sub-distributors, and our sales channels cover 31 provinces, municipalities and autonomous regions across the PRC.

As at the end of 2022, our products have been clinically used in approximately 2,600 hospitals nationwide, covering more than 1,400 tertiary hospitals and all of the top 100 hospitals in China’s National Stroke Center, cumulatively supporting approximately 125,000 neuro-interventional procedures. In 2022, the Group’s products were newly admitted by approximately 500 hospitals, among which more than 250 were county-level hospitals, indicating that we are gradually consolidating the grassroots market.

As an innovative product approved in recent years, benefiting from its distinctive clinical value, Bridge® Vertebral Stent was newly admitted by over 380 hospitals in 2022, with a total coverage of more than 590 hospitals in total and representing a rapid increase in clinical usage; NUMEN® Coil was newly admitted by approximately 280 hospitals, with a total coverage of around 580 hospitals. We have also realized the first commercial implantation for NUMEN® Coil in Hong Kong. Meanwhile, with the further increased market penetration, APOLLO™ Intracranial Stent System (“**APOLLO™ Stent**”) and Tubridge® Stent were newly admitted by more than 360 and 210 hospitals respectively in 2022, with a total coverage of approximately 1,900 and 790 hospitals, respectively.

For the grassroots market, the Group actively responded to the national call for establishment of primary stroke centers through the Eagle & Swallows (神雕飛燕) program. The Group has been introducing the knowledge about neuro-intervention to physicians and patients in hospitals in low-tier cities and counties, and providing the clinical training, follow-up consulting and routine guidance to grassroots doctors, thereby helping patients to access standardized stroke diagnosis and treatment services in their local areas. In 2022, the Group’s Eagle & Swallows team expanded its network by newly covering more than 250 new grassroots hospitals, with a total coverage of approximately 600 hospitals in over 200 lower-tier cities and counties. In addition, the Group promoted the high-quality medical resources to those local areas through the special fund of “Brain Power” (「百腦神通」) for cultivating young neuro-interventional physicians, so as to enhance the ability of grassroots physicians to identify stroke at an early stage and take early intervention measures, allowing more local patients with cerebral vessel diseases to benefit from the initiatives. As at the end of 2022, the Group has signed and launched a total of six clinical education bases for the Brain Power program, sponsored 10 young physicians for their further study and provided technical trainings to around 60 surgeons.

The Group is committed to improving the global stroke clinical diagnosis and treatment technology and continues to provide professional training to doctors on clinical techniques and standardized diagnosis and treatment processes, gradually building up a customised, systematic and multi-level clinical training system. With the focus on the promotion of our innovative products, namely Tubridge® Stent, NUMEN® Coil and Bridge® Vertebral Stent, we have offered a series of innovative clinical therapies through the combination of several product portfolios such as the “AND procedure” (APOLLO™ Stent + Neurohawk® Thrombectomy Device + Diveer® Balloon Catheter) for the treatment of large vessel occlusions associated with intracranial atherosclerotic stenosis (ICAS-LVO) and the “NEXT procedure” (Neurohawk® Thrombectomy Device + X-track™ Distal Catheter) for the acute thrombectomy surgeries. In 2022, we cumulatively organized more than 30 academic exchange activities in the form of academic sharing and case studies, which attracted more than 40,000 physicians to participate in, thus promoting the communication of cutting-edge academic research and clinical practice experience. Meanwhile, the Group released the new edition of Tubridge® Stent clinical operation manual, which could provide more precise technical guidance to clinical surgeons.

The Group's NUMEN® Coil has been winning the biddings in the VBPs for coils organized by multiple provinces across the PRC. Leveraging on the opportunity of winning the bidding for centralized VBPs, the time for our products to be admitted by hospitals was significantly shortened with a breakthrough in market development. In 2022, the domestic clinical usage of NUMEN® Coil more than doubled as compared with that of the previous year. According to Frost & Sullivan, the market share of the Group's coil product has rapidly climbed to more than 5% in terms of the number of surgical procedures performed in 2022 since its launch in 2021.

INTERNATIONAL BUSINESS

In FY2022, the Group achieved a breakthrough in its international business with the overseas revenue of RMB21.9 million, representing an increase of 3,492% over the previous year.

In 2022, the Group set up four overseas subsidiaries in the United States, the United Kingdom, the Netherlands and Brazil respectively, and established regional sales headquarters in Europe, the Middle East and Africa (collectively known as the “**EMEA**”), North America, Latin America and Asia Pacific. Led by team leaders with rich experience in the promotion of neuro-interventional medical devices, equipped with in-depth knowledge of local markets to build global sales channels. In addition, we have also conducted in-depth cooperation with leading international companies to expand our product portfolios and sales network, in order to build an international platform for innovation.

As at the end of 2022, the Group's products have been commercialised in a total of seven overseas countries, including South Korea, the United States, Brazil, Poland, Spain, Portugal and Chile, covering half of the countries ranking top 10 worldwide in terms of the number of neuro-interventional procedures. In South Korea, as NUMEN® Coil has entered the national medical insurance reimbursement list, its clinical usage continues to increase with over 1,000 surgeries performed in 2022, which has been highly recognised by local doctors for their excellent flexibility and support. In the United States, the Group's NUMEN® Coil has been rapidly promoted through the existing sales channels of its associate, Rapid Medical. Meanwhile, NUMEN® Coil can be used in conjunction with Rapid Medical's self-owned Comaneci® Embolization Assist Device (“**Comaneci® Assist Device**”) to form a complementary product portfolio in the field of coil embolization procedures — “Numenaneci” (NUMEN® Coil + Comaneci® Embolization Assist Device). In the future, both parties will leverage their complementary strengths in terms of sales channels and product distribution to promote the application of innovative neurovascular disease solutions in the Chinese and global markets. In addition, we have completed the first batch of sales for APOLLO™ Stent in Brazil, adding new momentum to our overseas business.

In 2022, a total of three products of the Group were approved for marketing in two overseas countries or regions. In particular, NUMEN® Coil and NUMEN FR® Coil Detachment System (“**NUMEN FR® Detachment**”) have been approved for marketing in Brazil and Japan successively, and U-track® Intracranial Support Catheter System (“**U-track® Support Catheter**”) has also been approved for marketing in Brazil. In terms of overseas market promotion, the Group carried out a total of 18 surgical training and academic exchange activities, covering NUMEN® Coil, APOLLO™ Stents, U-track® Support Catheters and other innovative products in 2022. In addition, the Group made its first appearance at the 2022 annual conference of the Interventional Neuroradiology and Neurosurgery Conference (LINNC) in Paris, and participated in the European Society of Minimally Invasive Neurological Therapy (ESMINT) while obtaining the exclusive broadcast right. Bridge® Stent was presented at the BRAIN international conference in the United Kingdom. The above-mentioned meetings have attracted more than 13,000 clinical experts in total, further enhancing the global influence of the Group’s brands.

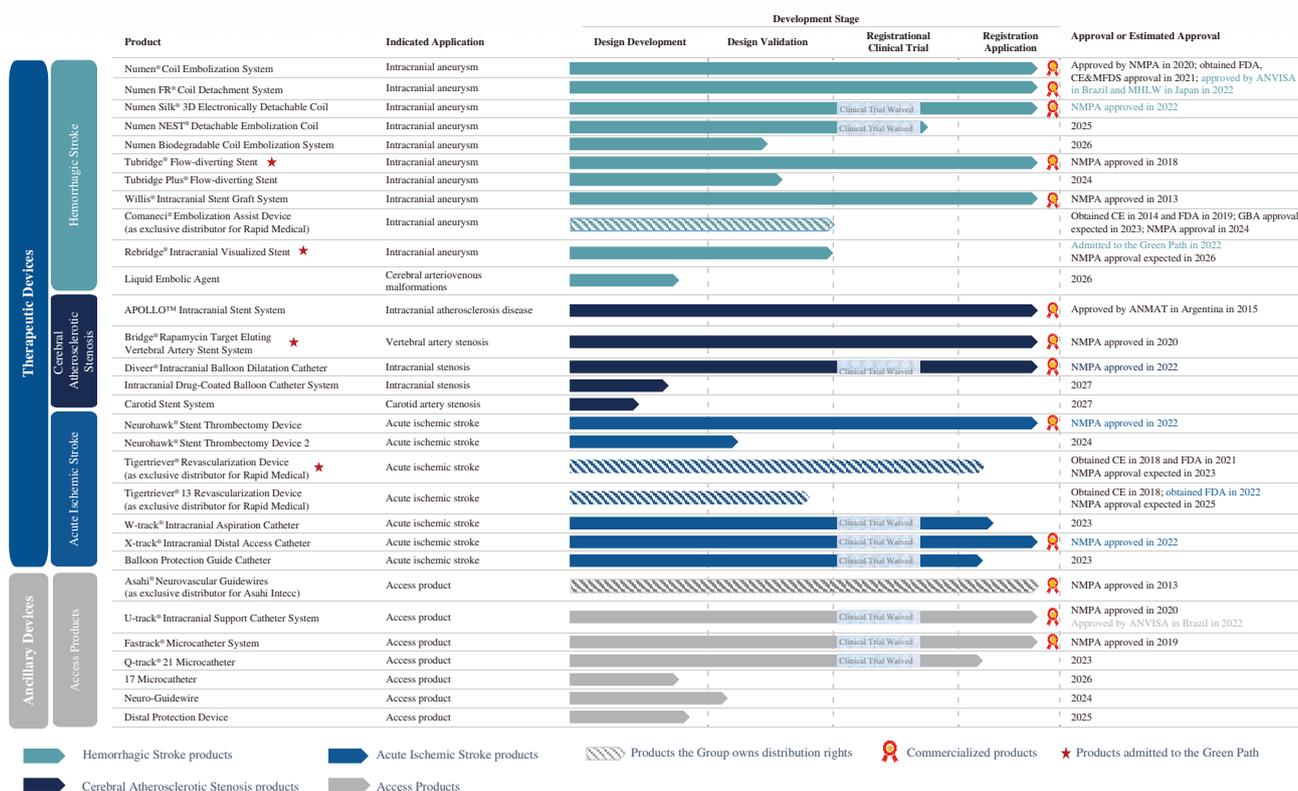
PRODUCT PIPELINE

Since the first approval for marketing for the Group’s product in 2004, leveraging the Group’s excellent R&D capability and efficient physician-engineer collaboration (醫工結合) model, the Group has built up a diversified portfolio of neuro-interventional products. As of the end of 2022, the Group had a total of 30 products, including 10 therapeutic products and 3 access products approved and commercialised in China and 17 pipeline products under different development stages.

In 2022, a total of 4 self-developed products of the Group were approved by the NMPA, including Diveer® Balloon Catheter, a new generation of NUMEN Silk® 3D Electronically Detachable Coil (“**NUMEN Silk® Coil**”), Neurohawk® Stent Thrombectomy Device and X-track® Intracranial Distal Access Catheter (“**X-track® Distal Catheter**”), bringing new impetus to business growth; Rebridge® Intracranial Visualized Stent was admitted to the NMPA’s Green Path, becoming the Group’s fourth Green Path product.

Management Discussion and Analysis (Continued)

The following chart summarizes product portfolio of the Group and development status as of 31 December 2022.



Hemorrhagic Stroke Products

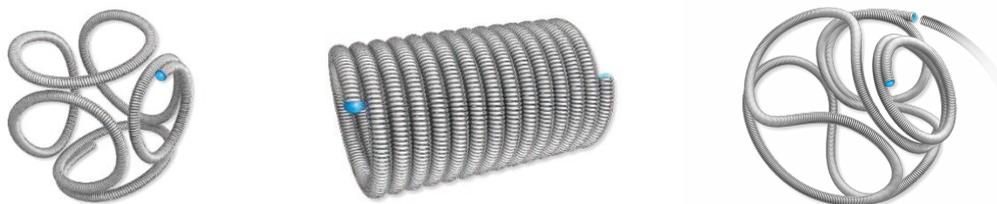
Intracranial aneurysm is one of the main causes of hemorrhagic stroke. According to Frost & Sullivan, hemorrhagic stroke products represent the largest segment in terms of sales of neuro-interventional medical devices in China. The Group has a portfolio of 10 products for the treatment of hemorrhagic stroke, of which five commercialised products have covered key therapeutic areas of hemorrhagic stroke, including embolization coils, flow-diverting stents and stent grafts. According to Frost & Sullivan, the market share of the Group's Tubridge® Flow-diverting Stent was more than 45%, ranking top two in the domestic market share and the first among domestic brands in terms of the number of procedures performed in 2022. In FY2022, the Group recorded the revenue for hemorrhagic stroke products of RMB299.6 million, representing an increase of 40.0% over the previous year. The increase was mainly due to an increase in sales revenue of NUMEN® coils in both domestic and overseas markets as well as an increase in clinical usage of Tubridge® flow-diverting stent.

NUMEN® Coil

NUMEN® coil is a coil embolization system used to treat intracranial aneurysm. It was approved by the NMPA in September 2020, and was subsequently approved for marketing in the European Union, South Korea, the United States, Brazil and Japan, and has been commercialised in seven overseas countries or regions, including South Korea, the United States, Brazil, Poland, Spain, Portugal and Chile. NUMEN® coil permits stable framing, smooth filling and finishing, with superb conformability to shapes of aneurysms. Its three models, MicroFrame, MicroFill and MicroFinish, have a total of 177 specifications, providing physicians with a full range of embolization options.

NUMEN Silk® Coil

NUMEN Silk® coil is an iterative product developed based on NUMEN® coils, and was approved by the NMPA in February 2022. As a new generation of ultra-soft electronically detachable coil, NUMEN Silk® coil features a greater smoothness in the filling stage and finishing stage. The smoothness of the distal-end of its delivery wire improves the microcatheter's stability, to minimize the chance of the kick-back of the microcatheter in the finishing stage, therefore reducing the risk of aneurysm rupture. In 2022, NUMEN Silk® Coil was selected into the 2022 Second Batch of Recommended Catalogue of Shanghai Innovative Products (《2022年度第二批上海市創新產品推薦目錄》), bringing new impetus to accelerate the transformation of innovative achievement.



Tubridge® Flow-diverting Stent

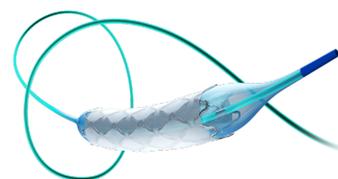
Tubridge® flow-diverting stent was the first neuro-interventional medical device that entered the Green Path, and was also the first Chinese-developed flow-diverting stent approved by the NMPA. Leveraging the principle of haemodynamics, Tubridge® flow-diverting stent can alter the blood flow state of the aneurysm to reduce the impact of blood flow on the aneurysm, which allows the endothelial cells to grow along the stent skeleton, gradually repairing the aneurysm neck and curing the aneurysm. Since its launching in 2018, the product has been widely recognised by surgeons in the industry by virtue of its excellent clinical effects, and has been implanted in more than 10,000 cases. In December 2022, the prospective, multicenter, post-marketing IMPACT study results on the treatment of intracranial aneurysms for Tubridge® flow-diverting stent were officially released, further verifying its characteristics of high occlusion rate, good safety and low recurrence rate in the treatment of unruptured internal carotid artery and vertebral artery aneurysms of various sizes.



The Group are currently developing the next-generation product, Tubridge Plus® Flow-diverting Stent, which aims to improve the smoothness in delivery and stent visibility under angiography. Such upgrades could facilitate the accurate placement of the stent and are expected to enhance the safety of procedures. The product is in the design validation stage.

Willis® Stent Graft

Willis® stent graft is the first and the only intracranial stent graft approved for treating cerebral vessel diseases in the world. It is also the first neuro-interventional medical device that applies the theory of intracranial parent artery reconstruction in practice, with a focus on the characterised and unique treatment sector, and provides viable solutions for complex neurovascular diseases, including dissecting aneurysms, blood blister-like aneurysms, pseudo-aneurysms as well as carotid-cavernous fistulae.



Comaneci® Assist Device

Comaneci® assist device is an adjustable temporary coil embolization assisting stent developed by Rapid Medical. It has received CE Marking in 2014 and FDA approval in 2019, and received FDA Breakthrough Device designation in February 2022 for the treatment of cerebral vasospasm after hemorrhagic stroke. The product is used in the coil embolization of wide-neck or unusually shaped aneurysms to prevent the coil from falling and inadvertently blocking the artery. We are the exclusive distributor in Greater China for Comaneci® assist device. The product is expected to be approved by the NMPA in 2024.

Rebridge® Intracranial Visualized Stent (“Rebridge® Stent”)

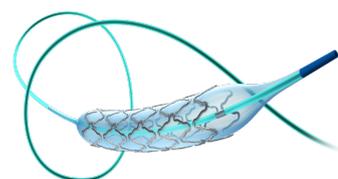
The Rebridge® stent is the first Chinese-developed full-visualized coil embolization assisting stent to enter clinical trials. The whole body of the stent is densely braided from radiopaque alloy wires, and thus, when compared with other stents that only have several radiopaque wires, Rebridge® stent allows physicians to position more precisely for optimal adherent effect after stent expansion. In 2022, Rebridge® Stent was admitted to the Green Path, becoming the Group’s fourth Green Path product.

Intracranial Atherosclerotic Stenosis Products

The Group has developed a comprehensive product portfolio to treat cerebral atherosclerotic stenosis, consisting of five self-developed products, which specifically cover solutions for the three major disease segments including intracranial stenosis, vertebral artery stenosis and carotid artery stenosis. According to Frost & Sullivan, the Group’s intracranial stents ranked the first in China, with the market share of over 60% in terms of the volume of procedures performed in 2022. In FY2022, the Group recorded the revenue for cerebral atherosclerotic stenosis products of RMB148.7 million, representing an increase of 31.6% over the previous year. The increase was mainly due to the acceleration of marketing of Bridge® vertebral artery stents which brought a year-on-year increase of approximately 400% in terms of the clinical usage.

APOLLO™ Intracranial Stent

APOLLO™ intracranial stent is a balloon-expandable stent system, and was approved by the NMPA in 2004. It is the first stent system in the world to treat intracranial atherosclerotic disease (ICAD), and was approved for marketing in Argentina in 2015. With its excellent safety and efficacy, APOLLO™ intracranial stent has maintained the first place in its market share for many years. In recent years, benefiting from the application of stenosis cases in emergency clot retrieval procedure in grassroots hospitals, the market demand for APOLLO™ intracranial stent has maintained a stable growth trend. In 2022, we realized the first commercial implantation for APOLLO™ intracranial stent in Brazil.



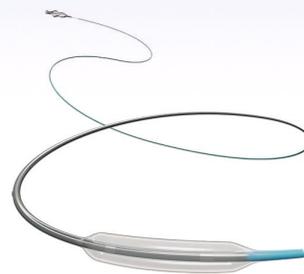
Bridge® Vertebral Artery Stent

Bridge® vertebral artery stent is the first vertebral artery DES admitted to the Green Path and approved by the NMPA. Bridge® stent is designed with single-sided grooved drug-coated stent, and the drug is accurately targeted to release, which can effectively reduce the incidence of in-stent stenosis and avoid the negative impact of drugs on the endothelialization of the stent. In 2022, Bridge® vertebral artery stent appeared at the BRAIN International Conference in the UK to enhance international influence of the product.



Diveer® Balloon Catheter

Diveer® balloon catheter is a specialized rapid-exchange intracranial balloon catheter developed in-house by the Company, which is useful for interventional treatment of patients suffering from non-acute symptomatic intracranial atherosclerotic stenosis. Its ultra-soft tip reduces the risk of vascular injury, and its low push resistance enables excellent placement and pushability in tortuous vessels and complex lesions. The product was approved by the NMPA in January 2022, further expanding the Group's product line for treatment of cerebral atherosclerosis stenosis.

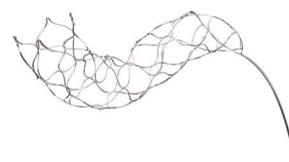


Acute Ischemic Stroke Products

In the field of acute ischemic stroke, the Group has a portfolio of seven products, covering stent thrombectomy devices and aspiration thrombectomy devices. We are the only Chinese company with stent thrombectomy devices compatible with different sizes of blood vessels. In 2022, Neurohawk® thrombectomy device and X-track® distal catheter were approved for marketing. During the same period, the Group recorded the sales revenue for acute ischemic stroke products of RMB5.2 million.

Neurohawk® Thrombectomy Device

Neurohawk® thrombectomy device is the Group's self-developed stent retriever with full visualization, which was approved by the NMPA in February 2022. It features a composite mesh design consisting of two meshes with different opening sizes arranged in a staggered spiral pattern, which allows it to better capture large, tough or fragile clots and improves its wall apposition. In December 2022, the pre-marketing clinical trials of Neurohawk® thrombectomy device CAPTURE was published in *Frontiers in Neurology*, an authoritative journal in the neuro-interventional field, signifying its safety and efficacy have been authoritatively recognised.



X-track® Distal Access Catheter

X-track® distal access catheter is an intermediate catheter product developed by the Group for treating acute ischemic stroke, which was approved by the NMPA in April 2022. The product adopts special polymer material and double-wire braided structure, which can reach the lesion site multiple times during the operation, and its good anti-fatigue performance can fully address the clinical needs for catheter improvement.



Tigertriever® Revascularization Device ("Tigertriever® Stent")

Tigertriever® Stent is the world's first adjustable stent retriever with full visualization, indicated for procedures performed in blood vessels of varying diameters. The product obtained CE Marking in the European Union in May 2018 and obtained FDA approval in the United States in March 2021. We were engaged by Rapid Medical as the exclusive distributor in Greater China for Tigertriever® Stent, Tigertriever® 13 stent and all iterations of Tigertriever®. Tigertriever® Stent was admitted to the NMPA's Green Path in May 2020, for which we have submitted the registration application to the NMPA. Tigertriever® 13 stent is the smallest stent embolectomy device for the treatment of distal vascular occlusion in the world, which was approved by the FDA in July 2022.

W-track® Intracranial Aspiration Catheter (“W-track® Aspiration Catheter”)

W-track® Aspiration Catheter is an intracranial aspiration catheter used for clot aspiration. It has a multi-segment transition design to allow its smooth delivery, and its double-wire braided structure with stainless steel enhances the elongation resistance of the catheter while maintaining flexibility. W-track® Aspiration Catheter can reach the target occlusion quickly and smoothly, in particular in tortuous intracranial vessels. We have submitted the registration application for this product to the NMPA.

Balloon Protection Guide Catheter

Balloon protection guide catheter is a large lumen catheter with a compliant balloon at the distal tip of the catheter, which is designated to facilitate the insertion and guidance of an intravascular catheter while causing temporary distal flow arrest in the artery. We have submitted the registration application for this product to the NMPA.

Access Products

The Group has a product portfolio of seven auxiliary access devices, among which the commercialised products include Asahi® Neurovascular Guidewires (“**Asahi® Guidewires**”), U-track® Intracranial Support Catheter System (“**U-track® Support Catheter**”) and Fastrack® Microcatheter System, and the pipeline products include various models of microcatheter products, self-developed neuro-guidewire products and distal protection device products. In FY2022, the Group recorded the sales revenue for access products of RMB92.4 million, representing an increase of 69.7% over the previous year, which was contributed by the sales growth of Asahi® Guidewires and the new product U-track® Support Catheter.

Asahi® Neurovascular Guidewires

Asahi® guidewires are one of the global leading neurovascular guidewires. Asahi® guidewires feature a unique multi-stranded coil design at the tip, effectively enhancing torque response, elongation resistance and flexibility. The product was approved by the NMPA in August 2013. The Group has been engaged by Asahi Intecc as the exclusive distributor of Asahi® guidewires in China since 2016.

U-track® Support Catheter

U-track® support catheter can reach remote lesions in neurovascular surgery and support the precise delivery of various neurovascular interventional devices. The product was approved by the NMPA in December 2020 and was approved for marketing in Brazil in September 2022.



RESEARCH AND DEVELOPMENT

The Group has always adhered to the purpose of addressing clinical needs and continued on innovation. After years of accumulation, we have mastered the core design and manufacturing technology platforms for the R&D and manufacturing of neuro-interventional medical devices, including braiding and coiling technology, stent forming and processing technology, balloon technology and catheter technology. We have also established a core R&D team with significant technical expertise in these fields. As of the end of 2022, the Group had a total of 167 R&D personnel, approximately 50% of which have master's degrees or above.

The Group has established a mature project evaluation mechanism to regularly track the development direction of cutting-edge technology in the industry, evaluate market demand and its own technology reserves, so as to provide a foundation for medium-and long-term product development strategy. Through a mature physician-engineer collaboration system, we actively respond to the clinical needs of physicians and patients, conduct in-depth exploration of clinical pain points, and regularly evaluate new technologies under development to ensure our products meet clinical needs.

INTELLECTUAL PROPERTY RIGHTS

The Group insists on R&D and innovation with independent intellectual property rights. As of the end of 2022, the Group had 166 authorized patents, including 37 overseas patents. A total of 48 authorized patents were newly granted in 2022, including 9 overseas patents. In addition, the Group has 262 patents under application. According to the branding, marketing and compliance protection strategies, we have completed the layout of domestic and foreign trademarks with 200 registered trademarks and completed 32 new trademark applications in 2022.

In 2022, the Group was awarded the "2022 National Intellectual Property Advantage Enterprise" by virtue of our outstanding performance in technology capability, patent cultivation, application performance, transformation and efficiency enhancement, and intellectual property construction and management. After being awarded as Shanghai Patent Demonstration Enterprise in 2021, the Group was further recognised as a national intellectual property advantage enterprise, marking that our intellectual property work has reached a new height.

QUALITY MANAGEMENT AND MANUFACTURING

In 2022, the production facilities of the Group in Zhangjiang, Shanghai were officially put into operation with a GFA of 7,000 sq.m. The designed annual production capacity has increased from 110,000 products to 180,000 products, and is expected to further increase to 350,000 products in 2025, which is expected to meet the development needs for the next five years. In addition, in 2022, the Group completed more than 70 supply chain improvement and upgrading projects, further accelerating the layout of localization of raw materials and improving the stability of the supply chain. As of the end of the Reporting Period, the localization rate of raw materials for our products has already reached over 90%. On the manufacturing side, we continued to strengthen the construction of lean system, so that the production qualification rate and the efficiency have steadily increased, resulting in a significant optimization in the comprehensive product costs.

The Group upholds the product quality as its core value. We have established a digital product quality control system covering the entire production process, allowing us to trace the whole life cycle of product design, development, manufacturing and after-sale service. As of the date of this report, the Group has obtained MDSAP (Medical Device Single Audit Program), a quality system certification accepted in 5 countries, marking that it complies with the ISO13485:2016 standard as well as it is recognised by national agencies in 5 countries including FDA in the United States, TGA in Australia, ANVISA in Brazil, HC in Canada and MHLW in Japan, effectively reducing the audit cost of products entering overseas markets.

In 2022, based on the affirmation of the Group's quality and technology innovation and the full recognition of the effectiveness of our efforts on quality management, the "Establishment and Practice of Quality and Health Evaluation of 'One Core and Three Links'" (『一核三環』質量健康度評價的建立與實踐) project of the Group was awarded the "2022 Shanghai Enterprise Management Modernization Innovation Achievement" (2022年上海市企業管理現代化創新成果), allowing us to become the only medical device company to receive the award this year. It is also the third consecutive year that the Group has won this award, following the third prize in 2020 for the "Management, Operation and Practice of Brand Cultivation in Medical Device Enterprises" (醫療器械企業品牌培育的管理運營實踐) and the first prize in 2021 for the "Establishment and Practice of '3+3+3 Integrated Physician-Engineer Collaboration' Technology and Innovation Management Method" (『3+3+3一體化醫工結合』科創管理方法的創建和實踐). In addition, the Group has been awarded Grade A certificate of Shanghai Medical Equipment Production Quality Credit for 6 consecutive years.

HUMAN RESOURCES

After a decade of development, the Group has built a mature neuro-interventional industrialization team in China, with a full-cycle operational capabilities in the neuro-interventional medical device industry covering R&D, clinical trials and registration, supply chain management and commercialization. As of the end of 2022, the Group had a total of 580 employees, approximately 50% of which had bachelor's degrees or above.

PROSPECT

Considering the aging population, the increasing number of stroke patients and the improvement of medical infrastructures, the neuro-interventional medical device industry in China is faced with huge development opportunities. In order to seize such opportunities and enhance core competitiveness amidst the market competition, the Group will make full use of its first-mover and scale advantages and implement active business strategies, including but not limited to the following:

1. Continue to enhance innovation capabilities to offer a comprehensive solution for cerebral vessel diseases

We will continue to expand the depth and breadth of our product portfolio to achieve full product coverage of the cerebrovascular therapeutic area. Through independent development and external cooperation, we will continue with development, innovation and iteration, aligning every step of product improvement with clinical needs to offer stroke patients with a top-quality total solution.

2. Promote the universal and affordable strategy and improve operating efficiency

We will continue to optimize our operating system and quality control system in an all-round way, upgrade our manufacturing technologies, strengthen our training system, and build a global supply chain system to further reduce costs and improve operating efficiency. In addition, we plan to increase our production capacity by expanding our production facilities and teams. Taking advantage of the economies of scale, we will promote universal and affordable neuro-interventional solutions, thereby increasing the level of stroke disease diagnosis and treatment in grassroots medical institutions, and benefiting more patients.

3. Expand the strategic global layout

We will actively expand our global presence and gradually enter the top ten countries and regions in terms of the volume of neuro-interventional procedures. We plan to advance the registration of our innovative products overseas and expand our international team to provide physicians and patients from all over the world with advanced therapeutic products and treatment options. We also plan to establish overseas R&D and production centers to expand our brand visibility and attract talents and resources in the neuro-interventional field worldwide. In addition, we will continue to have in-depth cooperation with leading international companies to enlarge our product portfolio and sales network, so as to build an international innovation platform.

FINANCIAL REVIEW

Revenue

In FY2022, the Group's revenue was mainly derived from hemorrhagic stroke products, cerebral atherosclerotic stenosis products, acute ischemic stroke products and access products. The Group's revenue increased by 43.0% from RMB382.8 million in FY2021 to RMB547.4 million in FY2022. This increase was mainly due to: (1) major new products launched in recent years (including NUMEN® Coil Embolization System, Bridge® Rapamycin Target Eluting Vertebral Artery Stent System, etc.) advanced the hospital tendering process, with the revenue increasing rapidly; (2) leading products in market share (including Tubridge® Flow-diverting Stent, Asahi® Neurovascular Guidewires, etc.) maintained a good growth momentum through the integration of channel resources and sustained development of subdivided markets; (3) overseas business achieved a breakthrough in revenue growth in FY2022, exceeding RMB20 million; and (4) multiple newly approved products (including Neurohawk® Stent Thrombectomy Device, Diverer® Intracranial Balloon Dilatation Catheter, etc.) began commercialization, contributing to the Group's revenue growth.

Set out below is the breakdown of revenue by product category:

	Fiscal year		Percentage of change
	2022 RMB'000	2021 RMB'000	
Hemorrhagic stroke products	299,555	213,937	40.0%
Cerebral atherosclerotic stenosis products	148,696	113,018	31.6%
Acute ischemic stroke products	5,197	—	N/A
Access products	92,419	54,470	69.7%
Other business revenue	1,483	1,374	7.9%
Operating income	547,350	382,799	43.0%

Cost of Sales

Our cost of sales increased by 82.8% from RMB84.4 million in FY2021 to RMB154.4 million in FY2022, primarily due to (1) the increases in raw material, staff costs and manufacturing expenses as a result of an increase in sales volume of various types of products; and (2) the increase in depreciation and other costs as a result of the Company's production and logistics capabilities to be restricted caused by the pandemic.

Management Discussion and Analysis (Continued)

Gross Profit and Gross Profit Margin

Our gross profit increased by 31.7% from RMB298.4 million in FY2021 to RMB393.0 million in FY2022, primarily due to an increase in sales volume of various types of products.

In FY2022, the Group's gross profit margin was 71.8%, with the gross margin of 77.1% for in-house produced products. The decrease in the gross profit margin in FY2022 compared to the previous year was mainly due to the restricted production and logistics capabilities caused by the pandemic, which resulted in (1) a decrease in the proportion of in-house produced products in the product sales mix; and (2) an increase in the related cost of sales.

Research and Development Costs

Our research and development costs increased by 31.0% from RMB94.1 million in FY2021 to RMB123.3 million in FY2022, primarily due to the expansion of the team for ongoing and newly developed R&D projects.

Distribution Costs

Our distribution costs increased by 25.4% from RMB69.2 million in FY2021 to RMB86.8 million in FY2022, primarily due to the expansion of the sales team.

Administrative Expenses

Our administrative expenses increased by 43.2% from RMB47.2 million in FY2021 to RMB67.7 million in FY2022, primarily due to (1) rental cost for the non-operational portion of new production and office premises, and the increase in depreciation and amortization of fixed assets; and (2) the expansion of personnel pool.

Other Net Income

Our other net income increased by 30.1% from RMB25.3 million in FY2021 to RMB32.9 million in FY2022, primarily due to: (1) an increase of RMB15.6 million in gains from government grants in FY2022 compared to the previous year; (2) a gain on fair value changes in financial instruments of RMB12.1 million in the previous year and no such gain in FY2022; and (3) an increase in interest income of RMB6.0 million.

Other Operating Costs

Our other operating costs decreased by 6.5% from RMB28.3 million in FY2021 to RMB26.5 million in FY2022, primarily due to the decrease in listing expenses.



Finance Costs

Our finance costs increased by 119.4% from RMB45.3 million in FY2021 to RMB99.4 million in FY2022, primarily due to: (1) as disclosed in the Prospectus, an increase of RMB75.1 million in interest on other financial liabilities as a result of preferred shares issued under the series A financing, such interest expense required no payment in cash and no further accrued from the Listing Date of the Group; and (2) partially offset by the interest on convertible bonds in 2021 amounting to RMB22.9 million. Such interest on convertible bonds was accrued from the issuance of convertible bonds in November 2020 and January 2021, and was no further accrued from the date of the convertible bonds' exchange into preferred shares in November 2021.

Share of Losses of an Associate

In FY2022, the Group's share of the losses of an associate came from Rapid Medical. The Group began to treat Rapid Medical as an associate under equity method from accounting perspective since May 2021.

Income Tax Expenses

Our income tax expenses increased by 163.2% from RMB7.7 million in FY2021 to RMB20.4 million in FY2022, primarily due to an increase in operating profit before tax.

Non-HKFRS Measures

To supplement our consolidated statements of profit or loss which are presented in accordance with HKFRSs, the Company also uses adjusted net profit as non-HKFRS measures, which are not required by, or presented in accordance with, HKFRSs. The Company believes that the presentation of non-HKFRS measures when shown in conjunction with the corresponding HKFRS measures facilitates a comparison of our operating performance from year to year by eliminating potential impacts of items that the management does not consider to be indicative of our operating performance. Such non-HKFRS measures allow investors to consider metrics used by our management in evaluating our performance.

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 measures 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)

The following table sets out the reconciliation to net (loss)/profit for the years indicated:

	Fiscal year		Percentage of change
	2022 RMB'000	2021 RMB'000	
Net (loss)/profit	(24,678)	24,170	N/A
Add/(less):			
— Listing expenses ⁽¹⁾	22,659	26,338	(14.0%)
— Interest on other financial liabilities ⁽²⁾	94,782	19,660	382.1%
— Equity-settled share-based payment expenses ⁽³⁾	12,141	6,753	79.8%
— Interest on convertible bonds ⁽⁴⁾	—	22,875	(100.0%)
— Fair value changes in financial instruments ⁽⁵⁾	—	(12,098)	(100.0%)
— Share of losses of an associate ⁽⁶⁾	26,619	7,517	254.1%
— Income tax effect	(827)	(1,131)	(26.9%)
Non-HKFRS adjusted net profit for the year	130,696	94,084	38.9%

Note:

- (1) Listing expenses are one-off expenses in relation to the Initial Public Offering;
- (2) Interest on other financial liabilities represents interest accrued for the current year on the series A preferred shares issued under the Group's series A financing and presented in other financial liabilities. Such preferred shares were fully converted into ordinary shares and presented in equity as at the Listing Date of the Group and then the interest on other financial liabilities was no further accrued, such interest required no payment in cash;
- (3) Equity-based share-based payment expenses is expenses arising from granting shares through the Share Option Scheme and Employee Incentive Platforms to relevant eligible employees of the Group, the amount of which may not directly correlate with the underlying performance of our business operations;
- (4) Interest on convertible bonds represents the interest accrued in 2021 on the convertible bonds issued under the Group's series A financing. Such convertible bonds were exchanged into preferred shares in November 2021 and then the interest on convertible bonds was not further accrued;
- (5) Fair value changes in financial instruments represents the gain on fair value changes of the Group's series C investment in Rapid Medical (as financial assets measured at fair value through profit or loss) realized upon the Group's series D investment in Rapid Medical in May 2021 (which commenced to have a significant impact on Rapid Medical). The Group measured the fair value of the series C investment upon the date of series D investment in Rapid Medical as the part of the investment cost in Rapid Medical as an associate;
- (6) Share of losses of an associate came from Rapid Medical. The Group began to treat Rapid Medical as an associate under equity method from accounting perspective since May 2021.

Inventories

Our inventories consist of (1) raw materials used in production and research and development; (2) work in progress; and (3) finished goods.

Our inventory increased from RMB88.0 million as of 31 December 2021 to RMB114.7 million as of 31 December 2022, primarily due to an increase in stocks of raw materials as a result of the increase in the Group's business scale.

Trade and Other Receivables

Our trade and other receivables primarily consist of: (1) trade receivables; (2) prepayments and deposits; and (3) amounts in connection with the Restructuring (for 31 December 2021 only).

Our trade and other receivables decreased from RMB102.9 million as of 31 December 2021 to RMB35.3 million as of 31 December 2022, primarily due to: (1) the settlement of the amounts due from related parties in connection with the Restructuring; and partially offset by (2) an increase in trade receivables as a result of the growth of the business.

Trade and Other Payables

Our trade and other payables primarily consist of: (1) trade payables due to third-party suppliers and related parties; (2) accrued expenses; (3) accrued payroll; and (4) other payables.

Our trade and other payables increased from RMB129.7 million as of 31 December 2021 to RMB188.7 million as of 31 December 2022, primarily due to: (1) an increase in trade payables due to the increase in procurement of raw materials; and (2) an increase in accrued payroll and other payables as a result of the growth of the business.

Other Financial Liabilities

Our other financial liabilities decreased from RMB1,238.0 million as of 31 December 2021 to RMBnil as of 31 December 2022. Other financial liabilities arised from the redemption obligation on the preferred shares issued under the Group's series A financing. In FY2022, other financial liabilities were derecognised with the preferred shares fully converted into ordinary shares and presented in equity as at the Listing Date of the Group, and no payment in cash required.

Lease Liabilities

As of 31 December 2022, the Group recorded lease liabilities of RMB85.2 million, which were primarily in relation to the properties the Group leased for our office premises, manufacturing and R&D facilities. The Group recognises lease liabilities with respect to all leases, except for short-term leases and leases of low value assets.

Management Discussion and Analysis (Continued)

Capital Expenditure

In FY2022, the capital expenditure of the Group amounted to RMB47.9 million, representing additions of intangible assets and property, plant and equipment. In particular, the intangible assets of the Group primarily represent the capitalised development costs.

Foreign Exchange Exposure

In 2022, the Group mainly operated in China and a majority of its transactions were settled in Renminbi, the functional currency of the Company's primary subsidiaries. As of 31 December 2022, certain portion of the Group's bank balances was denominated in U.S. dollars. The Group currently do not have a foreign currency hedging policy. However, our management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. Except for certain bank balances, trade receivables, trade and other payables, and other amounts denominated in foreign currencies, the Group did not have significant foreign currency exposure from its operations as of 31 December 2022.

Significant Investment

As of 31 December 2022, the Group's significant investment was an investment in an associate Rapid Medical at a cost of US\$27.5 million (equivalent to RMB191.9 million). The issued and fully paid share capital of Rapid Medical is 22.1 million shares, 22.3% of which are held by the Group, and its principal business is the development, manufacture and sale of innovative devices for neuro-interventional procedures. As at 31 December 2022, the Group's interests in associates was all derived from Rapid Medical, amounting to RMB155.5 million, which accounted for 8.5% of the Group's total assets. For the year ended 31 December 2022, Rapid Medical recorded a loss of US\$17.0 million (equivalent to RMB114.9 million), which was mainly due to the increase in R&D and sales activities expenses of Rapid Medical, and the Group recorded a share of losses of an associate of RMB26.6 million. For details, please refer to the section headed "Acquisition of certain interests in Rapid Medical" in the Prospectus. The Group have been approved to use trademarks of Rapid Medical and became the exclusive agent of Rapid Medical's related products in Greater China, and the Group have leveraged Rapid Medical's sales network in the United States to facilitate our overseas business. As a strategic investor, the Group will hold our investment in Rapid Medical for the long term.

Save as disclosed in this annual report, during the year ended 31 December 2022, we did not hold any other significant investments.

Contingent Liabilities

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



Capital Management

The Group's objectives in managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for the 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.

Liquidity and Financial Resources

The Group's cash and cash equivalents increased from RMB593.3 million as of 31 December 2021 to RMB827.9 million as of 31 December 2022, primarily due to the net cash inflow from operating activities was RMB223.8 million, net cash outflow from investing activities was RMB344.5 million, net cash inflow from financing activities was RMB329.5 million in FY2022. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserve of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long term.

Borrowings and Gearing Ratio

Total borrowings of the Group, including interest-bearing borrowing as of 31 December 2022 and 31 December 2021 were nil. As of 31 December 2022, the gearing ratio of the Group (calculated as total interest-bearing borrowings and lease liabilities divided by total equity plus other financial liabilities as of the same date) decreased to 5.7%, as compared to 10.3% as of 31 December 2021.

Net Current Assets

The Group's net current assets as of 31 December 2022 were RMB1,040.9 million, as compared to net current assets of RMB609.9 million as of 31 December 2021. Such increase was mainly attributable to the profit from operating activities during the Reporting Period.

Charge on Assets

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

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

During the period from the Listing Date up to 31 December 2022, the Group did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures.

Future Plans for Material Investments or Capital Assets

As of 31 December 2022, the Group did not have any plans for material investments and capital assets.

OTHER INFORMATION

MATERIAL EVENTS AFTER THE REPORTING PERIOD

As at the date of this report, there were no material events after the Reporting Period.

USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

The Company was listed on the Main Board of the Stock Exchange on Listing Date with total net proceeds from the listing of approximately HK\$278.1 million after deduction of the underwriting commissions, fees and other estimated expenses payable by the Company in connection with the Global Offering. The proceeds from listing are and will continuously be used in accordance with the plans as disclosed in the section headed “Future Plans and Use of Proceeds” of the Prospectus, namely:

Use of proceeds	Approximate percentage of total amount (%)	Amount of net proceeds allocated upon listing (HK\$ million)	Utilized amount as at 31 December 2022 (HK\$ million)	Unutilized amount as at 31 December 2022 (HK\$ million)	Expected timeline of full utilization
Research and development of therapeutic and access products for hemorrhagic stroke, cerebral atherosclerotic stenosis and AIS	30.0%	93.4	38.0	55.4	By the year ended 31 December 2023
Commercialization of the Company's products for hemorrhagic stroke, cerebral atherosclerotic stenosis and AIS	20.0%	55.6	34.6	21.0	By the year ended 31 December 2023
Expansion of the Company's manufacturing facility to increase the scale of the Company's production	15.0%	41.7	—	41.7	By the year ended 31 December 2023
Expansion of the Company's global presence	20.0%	55.6	6.8	48.8	By the year ended 31 December 2023
Advancing the Company's product portfolio through strategic acquisitions, investment, cooperation or a combination of these tactics	10.0%	27.8	—	27.8	By the year ended 31 December 2023
Working capital and other general corporate purposes	5.0%	13.9	3.4	10.5	By the year ended 31 December 2023
Subtotal	100%	288.0	82.8	205.2	

Save as disclosed above, since the Listing Date, the Group has not utilized any other portion of the net proceeds and will gradually utilize the remaining net proceeds in accordance with the intended purposes as stated in the Prospectus. The expected timeline is based on the best estimation of future market conditions and business operations made by the Company currently and remains subject to change based on future development of market conditions and actual business needs.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Xie Zhiyong (謝志永), born in 1976, was appointed as our Director on November 2, 2020 and re-designated as our executive Director on December 16, 2021. He joined our Group in April 2012 and has been serving as our president since then and is mainly responsible for the overall management of our Group. He is also a member of the nomination committee of the Company (the “**Nomination Committee**”). Mr. Xie also holds various directorships and management positions in our Group companies including a director and general manager of MP NeuroTech Shanghai since May 2012.

Mr. Xie had over 23 years of experience in the neuro-intervention industry. Prior to joining our Group, from January 1999 to March 2012, Mr. Xie successively served as a R&D engineer, a manager of the stent R&D department and a R&D director at Shanghai MicroPort Medical, where he was primarily responsible for R&D of coronary stents, peripheral vascular products and neuro-interventional products including leading the R&D work for APOLLO™ Intracranial Stent System (“**APOLLO™ Intracranial Stent**”). Mr. Xie was awarded the Second Prize for National Science and Technology Award (國家科學技術進步獎二等獎) by the State Council in February 2007 and December 2014, the First Prize and Second Prize for the Science and Technology Award of Shanghai (上海市科學技術獎一等獎) by the Shanghai Municipal Government in November 2009, the Second Prize for the Science and Technology Award of Shanghai Pudong New Area (上海市浦東新區科技進步獎二等獎) by the People’s Government of Shanghai Pudong New Area in January 2017, and the First Prize for the Science and Technology Award of Shanghai (上海市科學技術獎一等獎) by the Shanghai Municipal Government in December 2020. He was also recognised as a Zhangjiang Professional of Excellence (張江卓越人才) by the Management Committee of Shanghai Zhangjiang Hi-Tech Park (上海市張江高科園區管理委員會) in July 2017, a Leading Talent of Shanghai (上海市領軍人才) by the Organization Department of CPC Shanghai Committee (中共上海市委組織部) and Shanghai Municipal Human Resources and Social Security Bureau (上海市人力資源和社會保障局) in February 2020 and a Senior Engineer (正高級工程師) by the Shanghai Municipal Human Resources and Social Security Bureau (上海市人力資源和社會保障局) in December 2020. He has 100 authorized patents in China and overseas, presided over nine provincial and ministerial projects, and led the research and development of neuro-interventional medical devices, of which two were admitted to the “Green Path” of the NMPA and four were rated as innovative products in Shanghai.

Mr. Xie graduated from Shanghai Jiao Tong University (上海交通大學) in the PRC with a major in communications engineering in July 2004 and obtained his master’s degree in project management from Zhejiang University (浙江大學) in the PRC in June 2011.

Mr. Wang Yiqun Bruce (王亦群), born in 1965, was appointed as our Director on November 2, 2020 and re-designated as our executive Director on December 16, 2021. He joined our Group in June 2015 and has been serving as our executive vice president since then. Mr. Wang is mainly responsible for the R&D and the international business of our Group. He also holds various directorships and management positions in our Group companies including a director of MP NeuroTech Shanghai since December 2015.

Directors and Senior Management (Continued)

Mr. Wang has over 27 years of experience in the neuro-intervention industry. Prior to joining our Group, from September 1986 to December 1990, Mr. Wang worked as an assistant engineer at 621 Research Institute of Aviation Industry Corporation (航空工業總公司621研究所), a comprehensive scientific research institute principally engaged in the technological and engineering research of advanced aeronautical materials. From 1991 to 1995, Mr. Wang served as a researcher at the University of Florida in the United States where he was primarily conducting the research of materials science. From November 1995 to 2013, Mr. Wang successively served as a principal engineer, senior marketing manager and group product manager at Boston Scientific Corporation, a manufacturer of medical devices used in interventional medical specialties, where he was primarily responsible for the R&D and the sales and marketing of neuro-interventional products. From 2013 to 2015, Mr. Wang served as a managing director and chief executive officer of Medinova Global LLC, a company principally engaged in the development and consultancy of marketing channels for medical device companies. Mr. Wang was recognised as an expert of the Shanghai Foreign Elite Talent Introduction Program (上海海外高層次人才引進計劃) in 2016. He was awarded the First Prize for Science and Technology Award of Shanghai (上海市科技進步獎一等獎) by the Shanghai Municipal People's Government (上海市人民政府) in 2020.

Mr. Wang obtained his bachelor's degree in polymer materials from Beijing Institute of Chemical Technology (北京化工學院) (now known as Beijing University of Chemical Technology (北京化工大學)) in the PRC in July 1986, his master of science degree in materials science and engineering from the University of Florida in the United States in December 1992 and his second master's degree of business administration executive program from Temple University in the United States in May 2006.

Non-executive Directors

Mr. Peng Bo (彭博), born in 1968, was appointed as our Director on September 30, 2020 and re-designated as our non-executive Director and chairman of the Board on December 16, 2021. Mr. Peng joined our Group in May 2012 and has been serving as the chairman of the Board of Directors of MP NeuroTech Shanghai since then. He is primarily responsible for overseeing the management and operations of our Group. He is also a member of the remuneration committee of the Company (the "**Remuneration Committee**").

Mr. Peng has over 21 years of experience in medical device industry. Mr. Peng joined the MicroPort Group in July 2001 and since then, has successively served various positions in MicroPort Group, including marketing development manager, director of human resources, vice president of domestic marketing and sales and chief marketing officer. Mr. Peng has been serving as the chief marketing officer of Shanghai MicroPort Medical in 2008 and the chairman of the Greater China Executive Committee of MicroPort since 2013, where he is primarily responsible for the overall sales and marketing management. Since May 2012, Mr. Peng has also been serving as the chairman of Shanghai MicroPort Endovascular MedTech (Group) Co., Ltd. (上海微創心脈醫療科技(集團)股份有限公司) ("**MicroPort Endovascular**"), a company principally engaged in endovascular and peripheral vascular devices whose shares are listed on the Science and Technology Innovation Board of the Shanghai Stock Exchange (stock code: 688016).

Mr. Peng obtained his bachelor's degree in computer science from Changchun Institute of Optics and Fine Mechanics (長春光學精密機械學院) (now known as Changchun University of Science and Technology (長春理工大學)) in the PRC in July 1990 and his master's degree in business administration from Shanghai University of Finance and Economics (上海財經大學) in November 2004.

Mr. Wang Lin (王琳), born in 1973, was appointed as our Director on September 23, 2021 and was re-designated as our non-executive Director on December 16, 2021. He is primarily responsible for overseeing the management and operations of our Group.

From May 1997 to September 1998, Mr. Wang served as a project manager's assistant and subcontract manager of Sinopec Engineering Incorporation (中國石化工程建設有限公司), a company principally engaged in engineering construction, where he was primarily responsible for project management. From November 2003 to July 2005, Mr. Wang served as business development and marketing manager of Eli Lilly Asia Inc. (美國禮來亞洲公司), a company principally engaged in development and sales of pharmaceutical products, where he was primarily responsible for business development and marketing affairs. From August 2005 to February 2009, Mr. Wang served as a project manager of McKinsey & Company, a company principally engaged in management consulting services, where he was primarily responsible for project management. From February 2009 to February 2011, Mr. Wang served as a vice president of Zhejiang Hisun Pharmaceutical Co., Ltd. (浙江海正藥業股份有限公司), a pharmaceutical company whose shares are listed on the Shanghai Stock Exchange (stock code: 600267), where he was primarily responsible for business development and sales. From April 2011 to October 2013, Mr. Wang served as the strategic investment development director of China Resources Pharmaceutical Holdings Company Limited (華潤醫藥控股有限公司), a subsidiary of China Resources Pharmaceutical Group Limited (華潤醫藥集團有限公司), a pharmaceutical company whose shares are listed on the Stock Exchange (stock code: 3320) and general manager of Huarun Pien Tze Huang Pharmaceutical Co., Ltd. (華潤片仔癯藥業有限公司) (now known as Fujian Pien Tze Huang Health Technology co., Ltd. (福建片仔癯健康科技有限公司), a pharmaceutical company, respectively, where he was primarily responsible for the overall management. From October 2013 to January 2015, Mr. Wang served as a partner of Trustbridge Partners (摯信資本), a company principally engaged in investment and management consulting services, where Mr. Wang was primarily responsible for healthcare practice. From January 2015 to March 2017, he served as the general manager of Beijing Rogrand E-Commerce Co., Ltd. (北京融貫電子商務有限公司), a company principally engaged in operating ecommerce platform for pharmaceutical products, where he was primarily responsible for its overall management. From March 2018 to April 2019, he served as the co-president of Shanghai Tianyi Investment (Group) Co., Ltd. (上海天億實業控股集團有限公司), a company principally engaged in investment and management of healthcare related companies, where he was primarily responsible for investment management. Since April 2019, he has been serving as a consultant to companies regarding strategy and investment matters.

Mr. Wang graduated from Tianjin University (天津大學) in the PRC with a bachelor's degree in managerial engineering in July 1994. He received his master's degree in business administration in the China Europe International Business School (中歐國際工商學院) in the PRC in April 2003.

Ms. Wu Xia (吳夏), born in 1981, was appointed as our Director on November 19, 2021 and was re-designated as our non-executive Director on December 16, 2021. She is primarily responsible for overseeing the management and operations of our Group.

Directors and Senior Management (Continued)

Ms. Wu has over 10 years of experience in research and private equity investment focusing on healthcare industry. Ms. Wu joined CICC Jia Cheng Investment Management Company Limited (中金佳成投資管理有限公司) in July 2008 and served as vice president from January 2012 to December 2014 and as executive director from January 2015 to August 2018. Ms. Wu transferred into CICC Capital Management Co., Ltd. (中金資本運營有限公司) (“**CICC Capital**”) in August 2018 as an executive director and has been serving as a managing director of CICC Capital since January 2019, where she is primarily responsible for the overall investment and management of CICC Kangrui I (Ningbo) Equity Investment Limited Partners (Limited Partnership) (中金康瑞壹期(寧波)股權投資基金合夥企業(有限合夥)). Ms. Wu has also been serving as a director of Genetron Holdings Limited, a company whose shares are listed on the NASDAQ under the trading symbol of “GTH”, since September 2017, and a non-executive director of MicroPort CardioFlow Medtech Corporation (微創心通醫療科技有限公司), a medical device company whose shares are listed on the Stock Exchange (stock code: 2160). She was awarded “Outstanding Young PE Investor of the Year 2018” by China Renaissance (華興資本) in 2018.

Ms. Wu obtained her bachelor’s degree in finance from Peking University (北京大學) in the PRC in July 2003 and her master’s degree in economics and finance from the University of Warwick in the United Kingdom in January 2005.

Independent non-executive Directors

Dr. Xu Yi (胥義), born in 1975, was appointed as our independent non-executive Director on June 22, 2022. He is also the chairperson of the remuneration committee and a member of the audit committee (the “**Audit Committee**”) and the Nomination Committee.

Dr. Xu has over 17 years of experience in researching on cryopreservation of cells, tissues and organs. He successively served as a lecturer and an associate professor from July 2005 to June 2017, and has been serving as a professor since June 2017, at the University of Shanghai for Science and Technology (上海理工大學), where he is primarily responsible for conducting research on biological thermodynamics. Dr. Xu also served as a senior research scholar at the University of Minnesota in the United States from January 2013 to January 2014.

From April 2017 to April 2021, Dr. Xu served as a deputy head of Cryobiology Group of China Medicinal Biotechnology Association Tissue Biobank Branch (中國醫藥生物技術協會組織生物樣本庫分會低溫生物學組). He has been serving as a committee member of the Biological Resource Management and Utilization Branch of the Chinese Preventive Medicine Association (中華預防醫學會生物資源管理與利用研究分會) since May 2018 and a member of the Tenth Council of Chinese Association of Refrigeration (中國製冷學會第十屆理事會) since October 2020.

Dr. Xu was awarded the Third Prize for Technology Invention Award of Shanghai (上海市技術發明獎三等獎) in November 2006, the Second Prize of Science and Technology Progress Award of Chinese Association of Refrigeration (中國製冷學會科學技術進步獎二等獎) in January 2007, the Second Prize for China Machinery Industry Technology Award (中國機械工業科學技術獎二等獎) in December 2007, the Shanghai Youth Science and Technology “Qimingxing” Program (Type A) (上海市青年科技“啟明星”計劃(A類)資助) in September 2008 and the Third Prize for Technology Invention Award of Shanghai (上海市技術發明獎三等獎) in December 2013.

Dr. Xu graduated from the China University of Mining and Technology (中國礦業大學) in the PRC with a bachelor’s degree in thermal engineering in July 1999 and a master’s degree in fluid machinery and engineering in June 2002. He obtained his doctor’s degree in refrigeration and cryogenic engineering from University of Shanghai for Science and Technology (上海理工大學) in the PRC in August 2005.

Dr. Zhang Haixiao (張海曉), born in 1971, was appointed as our independent non-executive Director on June 22, 2022. He is also the chairperson of the Nomination Committee and a member of the Audit Committee.

Dr. Zhang has over 24 years of working experience in law firms and acquired extensive corporate governance experience by providing legal consulting services including but not limited to anti-corruption compliance consulting, internal compliance investigation, intellectual property and anti-unfair competition law consulting services to a number of multinational companies and listed companies. From October 1998 to March 2000, she served as a legal assistant at the Shanghai Representative Office of Schulz Noack Baerwinkel Law Firm (舒諾貝律師事務所上海辦事處). From March 2000 to July 2003, she served as a practicing lawyer at the Shanghai Office of Beijing Junhe Law Firm (北京市君合律師事務所上海分所). From September 2004 to July 2006, she worked at Shanghai Bangxinyang Law Firm (上海邦信陽律師事務所). From July 2006 to March 2008, she served as a senior associate at the Shanghai Representative Office of Weil Gotshal & Manages LLP (威嘉國際律師事務所上海代表處), where she was primarily responsible for providing legal advice on mergers and acquisitions. From March 2008 to May 2009, she successively served as a senior legal consultant at the Shanghai Representative Office of WongPartnership LLP and a partner at Shanghai Yuanda Law Firm (上海元達律師事務所). From July 2009 to April 2019, she served as a partner at Beijing Zhonglun (Shanghai) Law Firm (北京市中倫(上海)律師事務所), where she was primarily responsible for providing legal advice on anti-corruption, compliance, intellectual property and dispute resolution related matters. Since April 2019, she has been serving as a partner at Beijing Anjie Broad Law Firm (北京安傑世澤律師事務所), where she was mainly responsible for providing legal advice on anti-corruption, compliance, intellectual property and dispute resolution related matters. From 2015 to 2019, she was continuously rated as the “Leading Individual in Compliance” by the international legal ranking institution Legal Band. She has also been serving as an expert member of the Arbitration and Anti-Corruption Working Group of the ICC Arbitration and ADR Committee of the International Chamber of Commerce since November 2019.

Dr. Zhang obtained her first bachelor’s degree in industrial management engineering from Tongji University (同濟大學) (formerly known as Shanghai Institute of Building Materials Industry (上海建築材料工業學院)) in the PRC in July 1993 and her second bachelor’s degree in international economic law from Fudan University (復旦大學) in the PRC in July 1995. She obtained her master’s degree in law from University of Pennsylvania in the United States in May 2002 and her doctor’s degree in law from Fudan University (復旦大學) in the PRC in June 2013.

Directors and Senior Management (Continued)

Mr. Siu Chi Hung (蕭志雄), born in 1971, was appointed as our independent non-executive Director on June 22, 2022. He is also the chairperson of the Audit Committee and a member of the Remuneration Committee.

Mr. Siu has over 28 years of accounting experience and has extensive experience in serving listed companies and IPO clients and advising on financial reporting, corporate governance, compliance and other listing rules matters in numerous occasions. He joined KPMG Hong Kong in August 1994 and became a partner in July 2008. He was the head of real estate of KPMG (China) and the head of capital markets development, Southern China of KPMG (China) before his resignation in June 2018. From September 2019 to September 2021, he served as an executive director of LVGEM (China) Real Estate Investment Company Limited (綠景(中國)地產投資有限公司), a real estate developer and commercial property operator whose shares are listed on the Stock Exchange (stock code: 0095), where he was primarily responsible for corporate investment, treasury and financing, investor relationship and compliance management. From April 6, 2020 to July 20, 2022, he served as an independent non-executive director of Roiserv Lifestyle Services Co., Ltd. (榮萬家生活服務股份有限公司), a property management service provider whose shares are listed on the Stock Exchange (stock code: 2146). Mr. Siu is also currently serving as an independent non-executive director at China Gas Industry Investment Holdings Co. Ltd., an industrial gas supplier whose shares are listed on the Stock Exchange (stock code: 1940), an independent non-executive director at Dongjiang Environmental Company Limited (東江環保股份有限公司), a hazardous waste disposal services provider whose shares are listed on the Stock Exchange (stock code: 0895) and the Shenzhen Stock Exchange (stock code: 2672), an independent non-executive director of Central China Management Company Limited (中原建業有限公司), a project management company for property development projects whose shares are listed on the Stock Exchange (stock code: 9982), and an independent non-executive director of China Aluminum International Engineering Corporation Limited (中鋁國際工程股份有限公司), a technology, engineering service and equipment provider in the nonferrous metals industry whose shares are listed on the Stock Exchange (stock code: 2068) and the Shanghai Stock Exchange (stock code: 601068). Mr. Siu acquired solid knowledge and expertise on corporate governance and compliance matters, during his tenure as independent non-executive director at these listed companies, by reviewing their various continuing connected transactions annually, scrutinizing and monitoring performance reporting, exercising his independent judgment and providing impartial and external opinion to protect the interests of shareholders as a whole.

Mr. Siu obtained his bachelor's degree in business administration from the Chinese University of Hong Kong in Hong Kong in 1994. He was a member of the American Institute of Certified Public Accountants. He is currently a member of the Hong Kong Institute of Certified Public Accountants, and a member of the Hong Kong Independent Non-Executive Director Association. He also obtained an independent director qualification certificate of listed company from the Shenzhen Stock Exchange in February 2021.

SENIOR MANAGEMENT

Mr. Duan Lei (段磊), born in 1982, joined our Group on October 1, 2014 as a senior vice president of sales and promotion of neurovascular disease treatment solutions. He is primarily responsible for overall management of sales and promotion of neuro-interventional solutions of our Group.

Mr. Duan has over 15 years of experience in marketing and sales of medical devices. Prior to joining our Group, from July 2006 to September 2014, Mr. Duan successively served as a sales representative and sales manager in North China at Shanghai MicroPort Medical, where he was primarily responsible for the sales of coronary stents in North China from July 2006 to March 2012 and the sales of APOLLO™ Intracranial Stent in North China from March 2012 to September 2014.

Mr. Duan graduated from Jiangnan University (江南大學) in the PRC with a major in finance via distance learning in July 2018.

Ms. Lu Huina (盧惠娜), born in 1984, joined our Group on April 1, 2016 as a manager of strategy and project management. From January 2017 to November 2020, Ms. Lu successively served as a senior manager of project management and clinical affairs, director of project management and clinical affairs and advanced director of R&D and clinical affairs. Since November 2020, Ms. Lu has been serving as a senior director of quality, regulatory and clinical affairs, primarily responsible for quality, regulatory and clinical affairs of our Group.

Prior to joining our Group, from March 2010 to March 2013, Ms. Lu served as a R&D engineer at Shanghai MicroPort Medical, where she was primarily responsible for R&D of neurovascular products. From April 2013 to March 2016, Ms. Lu served as a supervisor of product development of Shanghai MicroPort Medical, where she was primarily responsible for its product development. Ms. Lu received a Project Management Professional certificate from Project Management Institute in September 2012. She was awarded the Second Prize for Science and Technology Award of Shanghai Pudong New Area (上海市浦東新區科技進步二等獎) by the People's Government of Shanghai Pudong New Area in January 2017 and Science and Technology Award of Shanghai (上海市科技進步獎) by the Shanghai Municipal People's Government in December 2020.

Ms. Lu obtained her bachelor's degree in polymer materials and engineering from Nanchang University (南昌大學) in the PRC in July 2007 and her master's degree in material science from Shanghai University (上海大學) in the PRC in April 2010.

Ms. Wu Zaoli (吳造力), born in 1983, joined our Group on December 7, 2012 as a manager of human resources and administration. From December 2012 to November 2020, Ms. Wu successively served as a manager, senior manager, director and advanced director of human resources and administration. Since November 2020, she has been serving as a senior director of human resources and administration, primarily responsible for human resources and administration management of our Group.

Directors and Senior Management (Continued)

Prior to joining our Group, from September 2007 to December 2012, Ms. Wu successively served as a human resources promotion specialist, head of editorial department and corporate culture manager at Shanghai MicroPort Medical, where she was primarily responsible for corporate culture affairs.

Ms. Wu obtained her bachelor's degree in administrative management and master's degree in industrial economics from Shanghai Maritime University (上海海事大學) in the PRC in July 2005 and October 2007, respectively.

Mr. Xu Weili (徐偉力), born in 1978, joined our Group on December 1, 2020 as a senior director of front-line promotion. He is primarily responsible for product promotion in China and providing strategic advice.

Mr. Xu has over 20 years of experience in marketing and sales of pharmaceuticals and medical devices. Prior to joining our Group, from July 2001 to December 2002, Mr. Xu served as a marketing specialist at the marketing department of Shanghai Medical Institute (上海醫工院醫藥經銷部) where he was primarily responsible for marketing and promotion of pharmaceuticals. From January 2003 to April 2006, Mr. Xu served as a professional medical representative at Xi'an Janssen Pharmaceutical Co., Ltd. (西安楊森製藥有限公司), a pharmaceutical company, where he was primarily responsible for promotion and sales of pharmaceuticals. From April 2006 to July 2007, Mr. Xu served as a senior sales representative at Bristol-Myers Squibb (Shanghai) Trading Company (百時美施貴寶(上海)貿易有限公司), a pharmaceutical products distributor, where he was primarily responsible for promotion and sales of tumor treatment pharmaceuticals. From July 2007 to July 2010, Mr. Xu served as a sales representative at Boston Scientific International Medical Trading (Shanghai) Co., Ltd. (波科國際醫療貿易(上海)有限公司) ("**Boston Scientific**"), a medical device company, where he was primarily responsible for promotion and sales of digestive intervention products in Shanghai. From July 2010 to April 2011, Mr. Xu served as a deputy product manager at Shanghai Roche Pharmaceutical Co., Ltd. (上海羅氏製藥有限公司), a pharmaceutical company. From July 2011 to September 2018, Mr. Xu successively served as head of the sales and senior product manager at Stryker (Beijing) Medical Devices Co., Ltd. (史賽克(北京)醫療器械有限公司), a medical device manufacturer, where he was primarily responsible for promotion and sales of neurovascular interventional products. From September 2018 to November 2020, Mr. Xu served as a senior manager of national professional education and clinical training at Boston Scientific where he was primarily responsible for the national internal clinical training of the digestive intervention business department and the professional training of doctors. Mr. Xu was awarded the Stryker President's Club Award (史賽克總裁俱樂部獎) by Stryker Neurovascular in 2012.

Mr. Xu obtained his bachelor's degree in pharmaceutical enterprise management from China Pharmaceutical University (中國藥科大學) in the PRC in July 2001.

Ms. Hou Zhuoping (後卓萍), born in 1978, joined our Group on June 1, 2018 as a senior manager of finance. Since November 2020, she has been serving as an advanced director of finance, primarily responsible for finance of our Group.

Ms. Hou has over 22 years of experience in accounting and financial management. Prior to joining our Group, from June 1999 to April 2004, Ms. Hou successively worked at the Shanghai branch of Boli Food Industry (Kunshan) Co., Ltd. (波力食品工業(昆山)有限公司) (“**Boli Food**”), a food products manufacturer and distributor, Bote Plastics Industry (Shanghai) Co., Ltd. (波特塑料工業(上海)有限公司) and Boli Food. From July 2004 to March 2015, Ms. Hou successively served as an accountant and finance manager at Shanghai MicroPort Medical, where she was primarily responsible for its finance work. From March 2015 to May 2018, Ms. Hou served as a financial manager at MicroPort Endovascular where she was primarily responsible for its financial matters.

Ms. Hou obtained her bachelor’s degree in accountancy from Fudan University (復旦大學) in the PRC in May 2008. Ms. Hou was certified as an Intermediate Accountant (中級會計師) by Shanghai Municipal Human Resources and Social Security Bureau (上海市人力資源和社會保障局) in July 2010. She was qualified as a board secretary by the Shanghai Stock Exchange (上海證券交易所董事會秘書) in July 2020.

COMPANY SECRETARY

Ms. Hui Yin Shan (許燕珊), born in 1969, was appointed as our company secretary on December 16, 2021.

Ms. Hui is a senior manager of corporate services of Tricor Services Limited, a global professional services provider specializing in integrated business corporate and investor services. She has over 19 years of experience in the corporate secretarial field. Since October 2020, Ms. Hui 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), 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) and the company secretary of Shanghai MicroPort MedBot (Group) Co., Ltd. (上海微創醫療機器人(集團)股份有限公司), a surgical robot company whose shares are listed on the Stock Exchange (stock code: 2252).

Ms. Hui 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 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 UK & Ireland, respectively.

REPORT OF THE DIRECTORS

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is R&D, manufacturing and the sales of neuro-interventional products and the activities of its subsidiaries are set out in Note 12 to the consolidated financial statements. There are no significant changes in the nature of Group’s activities during the year.

FINANCIAL STATEMENTS

The financial position of the Group as at 31 December 2022 and the financial performance of the Group for the year then ended are set out in the consolidated financial statements on pages 124 to 216 of this annual report.

BUSINESS REVIEW

Overview

For the year ended 31 December 2022, the Company recorded the revenue of RMB547.4 million, representing an increase of 43.0% from the year ended 31 December 2021. The Group is committed to the R&D of high-end medical devices in the neuro-interventional field, providing accessible, true, good and beautiful medical solutions for the treatment of cerebral vessel diseases.

A review of the business of the Group during the year ended 31 December 2022, which includes an analysis of the Group’s performance using financial key performance indicators are set out in the section headed “Management Discussion and Analysis” on page 12 to 34 of this report. An analysis of the Group’s performance indicators is set out in the section headed “Management Discussion and Analysis” — “Financial Review” on page 27 to 34 of this report. The compliance with relevant laws and regulations which have significant impact on the Group is set out in this Directors’ report. The reviews form part of this statement.

Environmental Policies and Performance

The Company is well aware of the importance of sustainable development to the Company, and integrates green and low-carbon operation, social responsibility value and other concepts into the Company’s operation and management. We have established and improved our environmental management system to regulate the environmental protection of our production sites.

A comprehensive review of the Company’s environmental policy and performance in 2022 is set out in the “Environmental, Social and Governance Report” on pages 77 to 116 of this annual report.

Compliance with Relevant 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 MOFCOM, the State Administration for Market Regulation, the government of the Hong Kong Special Administrative Region, and such regulators' global counterparts in countries where our Company conducts business. We maintain cordial working relationships with regulators through effective communications. Throughout the year ended 31 December 2022, we 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

- We are largely dependent on the sales of our commercialised products. Our business, financial condition and results of operations would be materially and adversely affected if sales of these products were to decline;
- We face substantial competition. Our competitors may have substantially greater resources than we do and may be able to develop more effective products or offer their products at lower prices than we can, which could materially and adversely impact our business, financial condition and results of operations;
- Recently enacted and future legislation, such as the two-invoice system and centralized procurement, may increase the difficulty and cost for us to obtain regulatory approval of and commercialize our product candidates and affect their prices;
- Failure to achieve broad market acceptance could have a material adverse impact on our business and results of operations;
- If we fail to maintain an effective distribution channel for our products, our business and sales of the relevant products could be adversely affected;
- The manufacture of our products is highly complex and subject to strict quality controls. If we or any of our suppliers or logistics partners encounters manufacturing, logistics, or quality problems, including as a result of natural disasters, our business could suffer;
- If we determine our intangible assets to be impaired, our results of operations and financial condition may be adversely affected;
- Our historical operating results may not be representative of future performance. We may need to obtain additional financing to fund our operations. If we are unable to obtain that financing, we may be unable to complete the development and commercialization of our pipeline products; and
- We could be unsuccessful in obtaining or maintaining adequate patent protection for our products and pipeline products through intellectual property rights, or if the scope of such intellectual property rights obtained is not sufficiently broad, third parties may compete directly against us.

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. MicroPort 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 realize their full potential and to keep pace with growth of the Company.

As at 31 December 2022, the Group had 580 employees (31 December 2021: 462 employees).

Customers

The Group's principal customers are distributors and hospitals throughout the world. We have established an experienced sales team, a wide network of distributors and hospitals, and tried our best to provide perfect customer service, aiming at maintaining long-term cooperation and strengthening business competitive advantage.

The Group is committed to building "a brand belonging to patients", persisting in continuous innovation for the purpose of solving clinical needs, and enabling medical technology and innovative products that represent the highest technological level in the world to benefit patients around the world.

Shareholders

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

Future Business Development

The Company's future business development is set out in the "Management Discussion and Analysis" section on page 12 to 34 of this report.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2022, purchases from the Group's largest supplier and the five largest suppliers in aggregate accounted for 15% and 43% 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 27% and 89% respectively of the Group's total revenue for the year.

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

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 December 2022 are set out in Note 26 to the consolidated financial statements.

DISTRIBUTABILITY OF RESERVES

As at 31 December 2022, the aggregate amount of reserves available for distribution to equity shareholders of the Company was RMB1,204,378,000 (2021: 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 headed "Five Years' Financial Summary" of this annual report.

DIRECTORS

EXECUTIVE DIRECTOR

Mr. Xie Zhiyong
Mr. Wang Yiqun Bruce

NON-EXECUTIVE DIRECTORS

Mr. Peng Bo (*Chairman of the Board*)
Mr. Wang Lin
Ms. Wu Xia

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Xu Yi
Dr. Zhang Haixiao
Mr. Siu Chi Hung

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Group are set out on pages 35 to 43 of this annual report.

DIRECTORS' SERVICE CONTRACT

On 22 June 2022, our Company has entered into a service contract with each of our executive Directors and we have issued letters of appointment to each of our non-executive Directors and independent non-executive Directors. The service contracts with each of our executive Directors and the letters of appointment with each of our non-executive Directors are for an initial fixed term of three years commencing from 16 December 2021 or the third annual general meeting of shareholders of the Company from the date of listing (whichever is earlier). The letters of appointment with each of our independent non-executive Directors are for an initial fixed term of three years since 22 June 2022 or the third annual general meeting of shareholders of the Company from the date of listing (whichever is earlier). The service contracts and the letters of appointment are subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with our Articles of Association and the applicable Listing Rules.

Save as disclosed above, none of the Directors, including those to be re-elected at the forthcoming annual general meeting, 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

During the year ended 31 December 2022, none of the Directors 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

We have a market-competitive remuneration and welfare system, which is based on employees' qualification and experience, attaching importance to welfare packages of employees. The comprehensive remuneration package includes fixed salary, allowances, short-term incentive, and long-term incentive, which demonstrates our respect and recognition to talents. Meanwhile, we have established a number of supplementary benefits on top of the statutory benefits. Our employees' compensation includes basic salary, performance-based cash bonuses, incentive shares and other incentives. We determine our employees' compensation based on each employee's performance, qualifications, position and seniority.

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

The Company has adopted Share Award Scheme as an incentive for Directors and eligible employees. Details of the scheme are set out in the section headed "Share Award Scheme" below.



REMUNERATION OF SENIOR MANAGEMENT

Details of the remuneration bands of the senior management of the Company for the year ended 31 December 2022 are set out as follows:

Remuneration band (RMB)	Number of individuals
0	0
1–5,000,000	7
> 5,000,000	0

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

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

PENSION SCHEME

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

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

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

As at 31 December 2022, the interests and short positions of Directors and chief executives of the Company 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 were required (a) to be 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 they are taken or deemed to have under such provisions of the SFO), or (b) to be and were entered in the register required to be kept by the Company pursuant to section 352 of the SFO, or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules, are as follows:

(a) Long positions in the shares and underlying shares of our associated corporation:

Name of Director	Name of Associated Corporation	Nature/Capacity of Interest	Percentage of Shareholding
Mr. Peng Bo	MicroPort	Beneficial Owner ⁽¹⁾	0.42%
	MicroPort CardioFlow Medtech Corporation (微創心通醫療科技有限公司) ("MicroPort CardioFlow")	Beneficial Owner ⁽²⁾	<0.1%
Mr. Xie Zhiyong	MicroPort	Beneficial Owner ⁽³⁾	<0.1%
Mr. Wang Yiqun Bruce	MicroPort	Beneficial Owner ⁽⁴⁾	<0.1%

Notes:

- As at the end of the Reporting Period, Mr. Peng Bo was interested in (i) 869,496 shares of MicroPort; and (ii) 6,841,170 underlying shares of MicroPort by virtue of the options granted to him under a share option scheme of MicroPort. As Pokang Limited is a company wholly owned by Mr. Peng Bo, Mr. Peng Bo is deemed to be interested in such shares by virtue of Part XV of the SFO.
- As at the end of the Reporting Period, Mr. Peng Bo was interested in 54,304 shares of MicroPort CardioFlow.
- As at the end of the Reporting Period, Mr. Xie Zhiyong was interested in (i) 655,387 shares of MicroPort; and (ii) 380,347 underlying shares of MicroPort by virtue of the options granted to him under a share option scheme of MicroPort.
- As at the end of the Reporting Period, Mr. Wang Yiqun Bruce was interested in 405,620 shares of MicroPort.

Save as disclosed above, since the Listing Date up to the end of the Reporting Period, none of the Directors or Chief Executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 31 December 2022, the following persons (other than Directors or chief executives of the Company), are directly or indirectly, interested in 5% or more of the shares or short positions in the shares and the underlying shares of the Company, which were required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein:

Name of Shareholder	Nature of Interest	Number of Shares ⁽¹⁾	Percentage of Shareholding
MP Scientific ⁽²⁾	Beneficial Owner	310,871,340 (L)	53.35%
MicroPort ⁽²⁾	Interest of controlled corporation	310,871,340 (L)	53.35%
WE'TRON Capital ⁽³⁾	Beneficial Owner	60,526,500 (L)	10.39%
Maxwell Maxcare Science Foundation Limited ("Maxwell Maxcare") ⁽³⁾⁽⁴⁾	Interest of controlled corporation	63,915,000 (L)	10.97%
Biolink Limited	Beneficial Owner	41,996,875 (L)	7.21%
Biolink Fund Limited Partnership ⁽⁵⁾	Interest of controlled corporation	41,996,875 (L)	7.21%
Biolink Biomedical Ltd. ("Biolink Biomedical") ⁽⁵⁾⁽⁶⁾	Interest of controlled corporation	58,795,625 (L)	10.09%
Lion Fish Limited ⁽⁵⁾⁽⁶⁾	Interest of controlled corporation	58,795,625 (L)	10.09%
Thriving Hope Limited ⁽⁵⁾⁽⁶⁾	Interest of controlled corporation	58,795,625 (L)	10.09%
Blossom Vision Limited ⁽⁵⁾⁽⁶⁾	Interest of controlled corporation	58,795,625 (L)	10.09%
Suntera Corporate Trustees (Hong Kong) Limited ⁽⁵⁾⁽⁶⁾	Trustee of discretionary trust	58,795,625 (L)	10.09%
Hu Yibin ⁽⁵⁾⁽⁶⁾⁽⁷⁾	Settlor of discretionary trust and interest of controlled corporation	61,558,955 (L)	10.57%

Notes:

- The letter "L" denotes a long position in our Shares.
- MP Scientific is directly wholly owned by MicroPort. By virtue of the SFO, MicroPort is deemed to be interested in the Shares in which MP Scientific is interested.
- WE'TRON Capital is directly owned as to 99.99% by Maxwell Maxcare. By virtue of the SFO, Maxwell Maxcare is deemed to be interested in the Shares held by WE'TRON Capital.
- Maxwell Maxcare is also the sole shareholder of Miracle Medical Limited. Miracle Medical Limited held 3,388,500 Shares, representing approximately 0.58%. By virtue of the SFO, Maxwell Maxcare is deemed to be interested in the Shares held by Miracle Medical Limited.

5. Each of Biolink Fund Limited Partnership (as the sole shareholder of Biolink Limited), Biolink Biomedical (as the general partner of Biolink Fund Limited Partnership), Lion Fish Limited (as the sole shareholder of Biolink Biomedical), Thriving Hope Limited (as the sole shareholder of Lion Fish Limited), Blossom Vision Limited (as the sole shareholder of Thriving Hope Limited), Suntera Corporate Trustees (Hong Kong) Limited (as the trustee of a discretionary trust (the “**Trust**”) and the sole shareholder of Blossom Vision Limited) and Hu Yibin (the settlor of the Trust) is deemed to be interested in the Shares held by Biolink Limited by virtue of the SFO.
6. Biolink Biomedical is also the general partner of Biolink NT Fund Limited Partnership, which is the sole shareholder of Biolink NT. As such, each of Biolink Biomedical, Lion Fish Limited, Thriving Hope Limited, Blossom Vision Limited, Suntera Corporate Trustees (Hong Kong) Limited and Hu Yibin is deemed to be interested in the Shares held by Biolink NT by virtue of the SFO. Biolink NT held 16,798,500 Shares, representing approximately 2.88% of our Shares in issue.
7. Hu Yibin holds 100% voting power in Biolink Healthcare. Biolink Healthcare held 2,763,330 Shares, representing approximately 0.48% of our Shares in issue. By virtue of the SFO, Hu Yibin is deemed to be interested in the Shares held by Biolink Healthcare.

Save as disclosed above, since the Listing Date up to the end of the Reporting Period, no other interests or short positions in the shares or underlying shares of the Company were recorded in the register which is required to be kept under section 336 of the SFO.

MANAGEMENT CONTRACT

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

DIRECTORS’ INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

No Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any its subsidiaries was a party during the year ended 31 December 2022.

Save as disclosed in Note 29 to the consolidated financial statements, no contract of significance was entered into between any member of the Group and a controlling shareholder of the Company or any of its subsidiaries or contract of significance for the provision of services to any member of the Group by a controlling shareholder or any of its subsidiaries subsisted as at the end of the year of 2022 or during the year ended 31 December 2022.

PERMITTED INDEMNITY PROVISION

The Company has maintained directors’ liability insurance after Listing which provides appropriate cover for the Directors of the Company.

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Apart from the details as disclosed under the heading “Interests and short positions of the Directors and Chief Executives in Shares, underlying Shares and debentures of the Company and its associated corporations” above, at no time during the year ended 31 December 2022 were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director 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, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

CONNECTED TRANSACTIONS

1. Procurement of Property Management Services

On 29 June 2022, the Group entered into a master property management services agreement with MicroPort Sinica (a wholly owned subsidiary of MicroPort, one of the Controlling Shareholders) (the “**Master Property Management Services Agreement**”), pursuant to which MicroPort Sinica agreed to provide property management services to the Group, including but not limited to management and maintenance of communal buildings and public usage facilities (the “**Property Management Services**”) for our office and production area (the “**Property**”), details of which were disclosed in Prospectus. The Master Property Management Services Agreement has a term commencing from the Listing Date (15 July 2022) until 31 December 2023.

It is estimated that the maximum transaction amounts in relation to the procurement of the Property Management Services for each of the two years ending 31 December 2023 will not exceed RMB1.40 million and RMB1.40 million, respectively. In FY 2022, the transaction amount under the agreement was RMB1.1 million.

2. Procurement of Catering Services

On 29 June 2022, the Group entered into a master catering services agreement with MicroPort Sinica (a wholly owned subsidiary of MicroPort, one of the Controlling Shareholders) (the “**Master Catering Services Agreement**”), pursuant to which MicroPort Sinica and its subsidiaries agreed to provide or procure the provision of catering services to the Group, including but not limited to provision of (i) daily meals for our employees; and (ii) catering services for conferences and business meals (the “**Catering Services**”), details of which were disclosed in Prospectus. The Master Catering Services Agreement has a term commencing from the Listing Date (15 July 2022) until 31 December 2023.

It is estimated that the maximum transaction amounts in relation to the procurement of the Catering Services for each of the two years ending 31 December 2023 will not exceed RMB2.1 million and RMB3.0 million, respectively. In FY 2022, the transaction amount under the agreement was RMB0.6 million.

3. Procurement of Supporting Services

On 29 June 2022, the Group entered into a master supporting services procurement agreement (the “**Master Supporting Services Procurement Agreement**”) with MicroPort, pursuant to which the MicroPort Group and its joint ventures and associates agreed to provide our Group certain supporting services, including but not limited to animal testing services, product testing services, simulation technical services, sterilization services and administrative support services (the “**Supporting Services**”), details of which were disclosed in Prospectus. The Master Supporting Services Procurement Agreement has a term commencing from the Listing Date (15 July 2022) until 31 December 2023.

It is estimated that the maximum transaction amounts in relation to the procurement of the Supporting Services for each of the two years ending 31 December 2023 will not exceed RMB7.6 million and RMB7.0 million, respectively. In FY 2022, the transaction amount under the agreement was RMB7.1 million.

4. Procurement of Materials

On 29 June 2022, the Group entered into a master materials procurement agreement (the “**Master Materials Procurement Agreement**”) with MicroPort (one of the Controlling Shareholders), pursuant to which our Group agreed to procure from or procure through the MicroPort Group and its joint ventures and associates semifinished products of stents and delivery systems and Rapamycin (the “**Materials**”) for use in our R&D and production of our products, including APOLLO™, Willis® and Bridge®, details of which were disclosed in Prospectus. The Master Materials Procurement Agreement has a term commencing from the Listing Date (15 July 2022) until 31 December 2023.

It is estimated that the maximum transaction amounts for the procurement of the Materials for each of the two years ending 31 December 2023 will not exceed RMB11.3 million and RMB18.5 million, respectively. In FY 2022, the transaction amount under the agreement was RMB11.3 million.

5. Leasing of Properties

On 29 June 2022, the Group entered into a master property lease agreement (the “**Master Property Lease Agreement**”) with MicroPort (one of the Controlling Shareholders), pursuant to which the Group agreed to lease certain premises to the MicroPort Group (the “**Premises**”) for office and/or production uses, details of which were disclosed in Prospectus. The Master Property Lease Agreement has a term commencing from the Listing Date (15 July 2022) until 31 December 2023.

It is estimated that the maximum transaction amounts in relation to the lease of the Premises for each of the two years ending 31 December 2023 will not exceed RMB1.9 million and RMB1.9 million, respectively. In FY 2022, the transaction amount under the agreement was RMB1.4 million.

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

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

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

Save as the aforesaid, there were no discloseable non-exempted connected transaction or non-exempted continuing connected transaction under the Listing Rules in FY2022.

Save as the aforesaid, none of the "Material Related Party Transactions" as disclosed in Note 29 to the consolidated financial statements in FY2022 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 in FY2022.

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

During the period from the Listing Date up to 31 December 2022, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There was no material acquisition and disposal of subsidiaries and associated companies by the Company during the Reporting Period.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by Directors. Having made specific enquiry by the Company, all Directors confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2022.

SHARE AWARD SCHEME

The Company has adopted a share award scheme on its Board meeting held on 26 August 2022 (the “**Share Award Scheme**”) as a means of recognising the contributions of selected employees of the Group. Pursuant to the Share Award Scheme, the Board may, from time to time and at its absolute discretion, award eligible participants by granting shares of the Company (“**Award Shares**”). A summary of the Share Award Scheme was set out in the announcement of the Company dated 26 August 2022.



Purpose and Objectives of the Share Award Scheme

The purpose of the Share Award Scheme is 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 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 (other than any excluded participant) for participation in the Scheme as a selected participant and determine the Award Shares for each of them. Participation in the Scheme limited to selected participants only. The Board is entitled to impose any conditions as it deems appropriate in its absolute discretion with respect to the entitlement of the selected participant to the Award Shares.

The “eligible participants” include any employee or director of the Group; any director or employee 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 any service provider who provides service to the Group on a continuing and recurring basis in its ordinary and usual course of business which are in the interests of the long term growth of 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 Limit

The Board shall not make any further award of Award Shares which will result in the number of the shares which may be awarded by the Board under the Scheme exceeding 58,265,810 Shares which represents ten per cent (10%) of the issued shares of the Company as at the date of this report.

The maximum number of shares which may be awarded to a selected participant under the Scheme shall not exceed one per cent (1%) of the issued share capital of the Company as at the adoption date, save and except approved by the shareholders of the Company in a general meeting.

Operation

The Board shall, in respect of the Scheme and after having regard to the requirement under the Scheme, determines the number of shares to be purchased as scheme shares, and cause to be paid the reference amount from Company’s resources to the trustee to be held on trust for purchase the scheme shares. After receiving the reference amount and written instruction from the Company, the trustee shall apply the same towards the purchase the maximum number of shares at the prevailing market price.

The Board may, from time to time, at its absolute discretion select any eligible participant (other than any excluded participant) for participation in the Scheme as a selected participant and determine the Award Shares for each of them. Participation in the Scheme limited to selected participants only. The Board is entitled to impose any conditions as it deems appropriate in its absolute discretion with respect to the entitlement of the selected participant to the Award Shares. Upon receipt of the instruction from the Board as to the name of selected participant and the number of Award Shares to be granted to the selected participant, the trustee shall make relevant arrangement to convert the scheme shares to the Award Shares for the relevant selected participant.

As the Share Award Scheme was adopted on 26 August 2022, no Award Shares have been granted during the year ended 31 December 2022. As at the date of this report, the remaining life of the Share Award Scheme is approximately nine years and five months. The Scheme is funded by existing Shares to be purchased by the Trustee on the market. Therefore, there is no Share available for issue under the Share Award Scheme.

EQUITY-LINKED AGREEMENTS

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

PUBLIC FLOAT

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

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association and the laws of the Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to existing shareholders.

DONATION

During the year ended 31 December 2022, the Group made donations of RMB3.8 million.

ANNUAL GENERAL MEETING

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

FINAL DIVIDEND

The Board of the Company did not propose the payment of any final dividend during the year ended 31 December 2022.

TAX RELIEF AND EXEMPTION

The Company is not aware of any particular tax allowances granted to the Company's shareholders due to their interests in its securities.

CORPORATE GOVERNANCE

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

AUDITOR

KPMG has acted as auditor of the Company for the financial year ended 31 December 2022. KPMG shall retire at the forthcoming AGM and, being eligible, will offer themselves for re-appointment. A resolution may be proposed by our Company at the forthcoming AGM to re-appoint KPMG as auditor of the Company.

On behalf of the Board

MicroPort NeuroTech Limited

Chairman of the Board

Mr. Peng Bo

29 March 2023

CORPORATE GOVERNANCE REPORT

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

CORPORATE GOVERNANCE CULTURE AND PURPOSE

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:

- satisfactory and sustainable returns to Shareholders;
- that the interests of those who deal with the Company are safeguarded;
- that overall business risk is understood and managed appropriately;
- the delivery of high-quality products and services to the satisfaction of customers; and
- that high standards of ethics are maintained.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieving high corporate governance standards.

The Board believes that high corporate governance standards are essential in providing a framework for the Company to safeguard the interests of Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the principles and code provisions of the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as the basis of the Company's corporate governance practices.



The Company has in place a corporate governance framework and has established a set of policies and procedures based on the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Such policies and procedures provide the infrastructure for enhancing the Board's ability to implement governance and exercise proper oversight on business conduct and affairs of the Company.

In the opinion of the Directors, throughout the period from 15 July 2022 (the "**Listing Date**") to 31 December 2022, the Company has complied with all the applicable code provisions as set out in the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS/MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules on terms no less exacting than the Model Code.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the period from the Listing Date to 31 December 2022.

The Company has also established written guidelines (the "**Employees Written Guidelines**") no less exacting than the Model Code for securities transactions by employees who, because of such office or employment, are likely to possess inside information in relation to the Company or its securities. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

BOARD OF DIRECTORS

The Company is headed by an effective Board which assumes responsibility for its leadership and control and be collectively responsibility for promoting the Company's success by directing and supervising the Company's affairs. Directors take decisions objectively in the best interests of the Company.

The Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business and regularly reviews the contribution required from a Director to perform his responsibilities to the Company and whether the Director is spending sufficient time performing them that are commensurate with their role and the Board responsibilities. The Board includes a balanced composition of Executive Directors and Non-executive Directors (including Independent Non-executive Directors) so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

Board Composition

The Board currently comprises the following:

Executive Directors

Mr. Xie Zhiyong (*President*)

Mr. Wang Yiqun Bruce (*Executive vice president*)

Non-executive Directors

Mr. Peng Bo (*Chairman of the Board*)

Mr. Wang Lin

Ms. Wu Xia

Independent Non-executive Directors

Dr. Xu Yi

Dr. Zhang Haixiao

Mr. Siu Chi Hung

The biographical information of the Directors is set out in the section headed "Biographies of Directors and Senior Management" of this Annual Report. The relationships between the Directors are disclosed in the respective Director's biography under the section "Biographies of Directors and Senior Management" of this Annual Report. Save as disclosed above, there is no relationships (including financial, business, family or other material/relevant relationship(s)) between the Board members and in particular, between the Chairman and the Chief Executive Officer.

Directors' Attendance Records

The attendance record of each Director at the Board meetings, and the Board Committee meetings of the Company held during the period from the Listing Date up to 31 December 2022 is set out in the table below:

Name of Director	Attendance/Number of Meetings		
	Board	Audit Committee	Remuneration Committee
Executive Directors			
Mr. Xie Zhiyong	2/2		
Mr. Wang Yiqun Bruce	2/2		
Non-executive Directors			
Mr. Peng Bo	2/2		1/1
Mr. Wang Lin	2/2		
Ms. Wu Xia	2/2		
Independent Non-executive Directors			
Dr. Xu Yi	2/2	1/1	1/1
Dr. Zhang Haixiao	2/2	1/1	
Mr. Siu Chi Hung	2/2	1/1	1/1

Board Meetings

Regular Board meetings should be held at least four times a year involving active participation, either in person or through electronic means of communication, of a majority of Directors.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board should assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

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. The Independent Non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

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. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal actions taken against Directors and senior management arising out of corporate activities.

Chairman and Chief Executive Officer

The positions of Chairman and Chief Executive Officer are held by Mr. Peng Bo and Mr. Xie Zhiyong respectively. The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The Chief Executive Officer focuses on the Company's business development and daily management and operations generally.

Independent Non-executive Directors

During the year ended 31 December 2022 and as of the date of this report, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the Independent Non-executive Directors in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that Independent Non-executive Directors are independent.

Board Independence Evaluation

During the year ended 31 December 2022 and as of the date of this report, 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 allows the Board effectively exercises independent judgment to better safeguard Shareholders' interests.

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.



Appointment and Re-election of Directors

The Non-executive Directors (including Independent Non-executive Directors) are appointed for a specific term of three years, subject to renewal after the expiry of the then current term.

All the Directors are subject to retirement by rotation and re-election at the annual general meetings. Under the Articles of Association of the Company, at each annual general meeting, one-third of the Directors for the time being, or if their number is not three of a multiple of three, the number nearest to but not less than one-third shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. The Company's Articles of Association also provides that all Directors appointed to fill a casual vacancy or as addition to the Board shall hold office until the first annual general meeting after appointment. The retiring Directors shall be eligible for re-election.

Continuous Professional 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 year ended 31 December 2022 and as of the date of this report, the Company organized training sessions conducted by the qualified professionals/legal advisers for all Directors. The training sessions covered a wide range of relevant topics including Directors' duties and responsibilities, corporate governance and regulatory updates. In addition, relevant reading materials including compliance manual/legal and regulatory updates/seminar handouts have been provided to the Directors for their reference and studying.

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Audit Committee, Remuneration Committee and Nomination Committee are posted on the Company's website and the Stock Exchange's website and are available to Shareholders upon request.

Audit Committee

The Audit Committee consists of three, namely Mr. Siu Chi Hung, Dr. Xu Yi and Dr. Zhang Haixiao. Mr. Siu Chi Hung is the chairman of the Audit Committee.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, effectiveness of the internal audit function, scope of audit and appointment of external auditors, and arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

During the period from the Listing Date up to 31 December 2022, the Audit Committee held one meeting to review, in respect of the year ended 31 December 2022, the interim and annual financial results and reports and significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, appointment of external auditors and engagement of non-audit services and relevant scope of works and, connected transactions and arrangements for employees to raise concerns about possible improprieties.

The Audit Committee also met the external auditors once without the presence of the Executive Directors.

Remuneration Committee

The Remuneration Committee consists of three members, namely Dr. Xu Yi, Mr. Peng Bo and Mr. Siu Chi Hung. Dr. Xu Yi is the chairman of the Remuneration Committee.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code.

The primary functions of the Remuneration Committee include determining/reviewing and making recommendations to the Board on the remuneration packages of individual Executive Directors and senior management, the remuneration policy and structure for all Directors and senior management; and 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.



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

During the period from the Listing Date up to 31 December 2022, the Remuneration and Appraisal Committee met once to review and make recommendations to the Board on, among other things, the year end bonus of senior management and the related remuneration policy.

Nomination Committee

The Nomination Committee consists of three members, namely Dr. Zhang Haixiao, Mr. Xie Zhiyong and Dr. Xu Yi. Dr. Zhang Haixiao is the chairman of the Nomination Committee.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code.

The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, reviewing the Board Diversity Policy and the Director Nomination Policy and assessing the independence of Independent Non-executive Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company’s Board Diversity Policy.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate’s relevant criteria as set out in the Director Nomination Policy that are necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

Board Diversity Policy

The Company has adopted a Board Diversity Policy which sets out the approach to achieve diversity of 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 maintaining the Company’s competitive advantage.

Pursuant to the Board Diversity Policy, the Nomination Committee reviews regularly the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company’s corporate strategy and to ensure that the Board maintains a balanced diverse profile. In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and regional and industry experience.

The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company’s business growth and is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered.

Corporate Governance Report (Continued)

The Board will consider setting measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

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, an analysis of the Board's current composition is set out below:

Gender	Age Group
Male: 6 Directors	41–50: 4 Directors
Female: 2 Directors	51–60: 4 Directors
Designation	Educational Background
Executive Directors: 2 Directors	Business Administration: 4 Directors
Non-executive Directors: 3 Directors	Account and Finance: 1 Directors
Independent Non-executive Directors: 3 Directors	Legal: 1 Directors
	Other: 2 Directors
Nationality	Business Experience
Chinese: 7 Directors	Accounting & Finance: 2 Directors
American: 1 Directors	Legal: 1 Directors
	Experience related to the Company's Business: 5 Directors

The Nomination Committee and the Board considered that the current composition of Board is sufficiently diverse. The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

Gender Diversity

The Company values gender diversity across all levels of the Group. The following table sets out the gender ratio in the workforce of the Group, including the Board and senior management as at the date of this Annual Report:

	Female	Male
Board	25.00%	75.00%
	(2)	(6)
Senior Management	42.86%	57.14%
	(3)	(4)
Other employees	63.70%	36.30%
	(365)	(208)
Overall workforce	63.45%	36.55%
	(368)	(212)

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,

Details on the gender ratio of the Group together with relevant data can be found in the Environmental, Social and Governance Report on pages 77 to 116 of this Annual Report.

Director Nomination Policy

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee of the Company.

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

The Company has adopted a director nomination policy. The director nomination policy contains the criteria for nomination and appointment of directors, as well as nomination process. In evaluating and selecting any candidate for directorship, the following criteria should be considered:

- Reputation for integrity
- Accomplishment and experience in respect of the neuro-interventional medical device industry and other relevant industries
- Commitment in respect of available time and relevant interest
- Ability to assist and support the Board and make sufficient contribution to the Company
- Diversity in all its aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, talent, skills, knowledge and length of service
- Compliance with relevant legal and regulatory requirements
- Comply with the independence criteria as set out in Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the appointment or reappointment of independent non-executive directors
- Any other relevant factors as determined by the Nomination Committee or the Board from time to time

For the appointment of new Director, the Nomination Committee shall conduct adequate due diligence on the proposing candidate and make recommendations for the Board's consideration and approval. With regard to the re-appointment of any current Board member, the Nomination Committee shall make recommendations to the Board for the re-appointment of the proposing candidate at the general meeting for its consideration and recommendation.

During the year ended 31 December 2022, there was no change in the composition of the Board.

The Nomination Committee will review the Director Nomination Policy, as appropriate, to ensure its effectiveness.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision A.2.1 of the CG Code.

During the Reporting Period, the Board had reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

During the year of 2022 and as of the date of this report, the Audit Committee had reviewed the Group's internal control and risk management systems and processes which covered the whole financial year.

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

The Audit Committee assist the Board in leading the management and overseeing their design, implementation and monitoring of 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 project management, sales and leasing, financial reporting, human resources and information technology. The Company has established legal department and internal review department with policies in relation contract management and compliance management. The legal department is primarily responsible for the comprehensive and centralized management of contracts with the power to guide and supervise the drafting, execution, consummation and management of contracts.

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

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



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

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

The Company has in place the Whistleblowing Policy and system for employees of the Company and those who deal with the Company to raise concerns, in confidence and anonymity, 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. The Report Handling Team, comprised of the Internal Audit Department and the Compliance Management Department, investigates and deals with reports. The Company continues to carry out anti-corruption and anti-bribery activities to cultivate a culture of integrity, and actively organizes anti-corruption training and inspections to ensure the effectiveness of anti-corruption and anti-bribery.

During the year ended 31 December 2022, training regarding compliance importance, hospitality principles and conflicts of interest was held with 580 employees, aiming to increase their awareness of integrity, honesty and fairness. There were no non-compliance cases in relation to bribery and corruption.

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

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements with the support of the accounting and finance team.

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 Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The financial statements of the Company are prepared on a going concern basis, the Directors are of the view that they give a true and fair view of the financial position, performance and cash flow of the Group for the year ended 31 December 2022, and the disclosure of other financial information and report therein complies with relevant legal requirements.

The statement of the external auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report of this Annual Report.

AUDITORS' REMUNERATION

The remuneration paid and payable to the external auditors of the Company in respect of audit services and non-audit services for the year ended 31 December 2022 is set out below:

Service Category	Fees Paid/Payable RMB'000
Audit Services	5,031
Annual audit services	2,480
Other audit-related services	2,551
Non-audit Services	143
Total	5,174

COMPANY SECRETARY

Ms. Hui Yin Shan has been appointed as the Company's secretary. Ms. Hui Yin Shan is a senior manager of corporate services of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services.

All Directors have access to the advice and services of the company secretary on corporate governance and board practices and matters. Ms. Wang Xiaoxiao, the Board secretary of the Company has been designated as the primary contact person at the Company who would work and communicate with Ms. Hui on the Company's corporate governance and secretarial and administrative matters.

For the year ended 31 December 2022, Ms. Hui Yin Shan has undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

Convening an Extraordinary General Meeting

Pursuant to the Articles 17.3 to 17.7 of the Articles of Association of the Company, the Board may, whenever it thinks fit, convene an extraordinary general meeting.

Any one or more shareholders holding, at the date of deposit of the requisition, not less than 10% of the voting rights, on a one vote per share basis, of the issued shares which as at that date carry the right to vote at general meetings of the Company (the "**Eligible Shareholder(s)**"), shall at all times have the right, by written requisition to the directors of the Company (the "**Directors**"), to require an EGM to be called by the Directors for the transaction of any business specified in such requisition.

Eligible Shareholder(s) who wish to convene an EGM must deposit a written requisition (the "**Requisition**") signed by the Eligible Shareholder(s) concerned at the principal office of the Company at 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong, or in the event the Company ceases to have such a principal office, at the registered office of the Company at Tricor Services (Cayman Islands) Limited, Second Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands. The Requisition must state the objects and the resolutions to be added to the agenda of the meeting. The Requisition must be signed by the Eligible Shareholder(s) concerned.

If there are no Directors as at the date of the deposit of the Requisition or if the Directors do not within 21 days from the date of the deposit of the Requisition duly proceed to convene an EGM to be held within a further 21 days, the Eligible Shareholder(s), or any of them representing more than one-half of the total voting rights of all of the Eligible Shareholders, may themselves convene an EGM, but any meeting so convened shall be held no later than the day which falls three months after the expiration of the said 21 day period.

Putting Forward Proposals at General Meetings

There are no provisions under the Articles of Association regarding procedures for Shareholders to put forward proposals at a general meeting. Shareholders who wish to submit a proposal may request the Company to convene a general meeting in accordance with the procedure set out in the preceding paragraph, to consider the matters specified in the request.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

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

Address: 1661 Zhangdong Road, Zhangjiang High-tech Park, Pudong New District, Shanghai, PRC (For the attention of the Board Secretary)
Fax: (86)(21)50801305
Email: NeuroTech_IR@microport.com

For the avoidance of doubt, Shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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 endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, Directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries.

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

Shareholders' Communication Policy

The Company has in place a Shareholders' Communication Policy. The policy aims at promoting effective communication with Shareholders and other stakeholders, encouraging Shareholders to engage actively with the Company and enabling Shareholders to exercise their rights as Shareholders effectively.

The Company has established a number of channels for maintaining an on-going dialogue with its Shareholders as follows:

(a) Corporate Communication

"Corporate Communication" as defined under the Listing Rules refers to any document issued or to be issued by the Company for the information or action of holders of any of its securities, including but not limited to, the directors' report and annual accounts together with a copy of the auditors' report, the interim report, a notice of meeting, a circular and a proxy form. Corporate communication will be provided to the Shareholders in plain language and in both English and Chinese versions to facilitate the Shareholders' understanding. Shareholders have the right to choose the language (either English or Chinese) or means of receipt of the corporate communications (in hard copy or through electronic means).

(b) Corporate Website

A dedicated Investor Relations section is available on the Company's website (www.medneurotech.com). Information on the Company's website is updated on a regular basis. Information released by the Company to the Stock Exchange is also posted on the Company's website immediately thereafter. Such information includes financial statements, results announcements, circulars and notices of general meetings and associated explanatory documents etc. All presentation materials provided in conjunction with the Company's annual general meeting and results announcement each year will be made available on the Company's website. All press releases and Shareholders' newsletters will be made available on the Company's website.

(c) Shareholders' Meetings

The annual general meeting and other general meetings of the Company are primary forum for communication between the Company and its Shareholders. Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at meetings for and on their behalf if they are unable to attend the meetings. Appropriate arrangements for the annual general meetings will be in place to encourage Shareholders' participation. The process of the Company's general meeting will be monitored and reviewed on a regular basis, and if necessary, changes will be made to ensure that Shareholders' needs are best served. Board members, in particular, the chairpersons of the Board committees or their delegates, appropriate senior management and external auditors will attend annual general meetings to answer Shareholders' questions. Shareholders are encouraged to attend Shareholders' activities organized by the Company, where information about the Company, including its latest strategic plan and services will be communicated.

(d) Shareholders' Enquiries

Shareholders may at any time make a request for the Company's information to the extent such information is publicly available. Shareholders may send any enquiries to the Board by email (NeuroTech_IR@microport.com) or by post to the Company at its principal place of business.

Amendments to Constitutional Documents

During the year ended 31 December 2022, the Company has not made any changes to its Articles of Association.

Dividend Policy

The Board of the Company did not propose the payment of any dividend during the year ended 31 December 2022.

It is the dividend policy of the Company to allow its shareholders to participate in the Company's profits whilst to retain adequate reserves for future growth. The Board may declare special dividends as it considers appropriate. When proposing dividend payment, various elements would be taken into consideration, including but not limited to the Company's operations and financial performance, working capital and cash position, capital requirement as well as business strategies.

Such details have been disclosed in the annual report of the Company.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE REPORT

MicroPort NeuroTech Limited (hereinafter referred to as “**MicroPort NeuroTech**”, “**we**” or “**the Company**”) hereby releases our first Environmental, Social and Governance (ESG) Report to disclose information concerning the ESG performance of the Company and its subsidiaries (collectively referred to as “**the Group**”). The Report covers the period from 1 January 2022 to 31 December 2022 (hereinafter referred to as “**the Reporting Period**”), some of which is beyond the above scope.

Basis of Preparation of the Report

The Report is prepared in compliance with all the provisions set out in Appendix 27 *Environmental, Social and Governance Reporting Guide* (the ESG Reporting Guide) to the *Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited* issued by the Stock Exchange of Hong Kong limited (HKEx) and reports on all recommended disclosures outlined in the ESG Reporting Guide. The relevant procedures of the Report include identifying and ranking important stakeholders and material ESG issues, determining the scope of the ESG Report, collecting relevant materials and data, compiling the Report based on materials, reviewing the Report, etc.

Scope and Boundary of the Report

The policies and data disclosed in the Report cover the Group and its subsidiaries, and the reporting scope is consistent with the Annual Report. The historical data cited in the Report are final statistics, and the financial data in the Report are in RMB unless otherwise indicated. “MicroPort” in the Report refers to our parent company, MicroPort Scientific Corporation (853.HK).

Principles of the Report

The report is prepared in accordance with the following principles:

- **Materiality:** The Report identifies and ranks the importance of ESG issues that are important or relevant to stakeholders and the Company through stakeholder communication and materiality assessment.
- **Quantitative:** The Report follows the ESG Reporting Guide and discloses information on the standards, methods, assumptions and/or calculation tools regarding emissions/energy consumption (if applicable), as well as the sources of conversion factors, with reference to the applicable quantitative standards.
- **Balance:** The Report follows the principle of balance, and objectively presents the ESG management status of MicroPort NeuroTech.
- **Consistency:** As it is the Company’s first ESG Report, the principle of consistency is not addressed. Where there are changes, if any, that may affect meaningful comparisons with previous disclosures, or any other relevant factors that affect meaningful comparisons, these have been illustrated in the corresponding places in the Report.

Guarantee on the Reliability of Data

The data and cases cited herein are mainly derived from statistical reports and relevant documents of the Group. The Board of Directors (the Board) of the Company pledges that the report does not contain any false records or misleading statements, and is responsible for the truthfulness, accuracy and completeness of the contents.

Confirmation and Approval of the Report

This report was approved by the Board upon confirmation from the management on 29 March 2023.

BOARD STATEMENT

Strictly abiding by the Reporting Guide of the HKEx, the Board of MicroPort NeuroTech gets increasingly involved in ESG-related issues and emphasises its oversight role to refine ESG governance structure and management mechanism for the coordinated development of business and ESG governance.

Board Responsibility

The Board assumes the ultimate responsibility for MicroPort NeuroTech's ESG tactic and management. The Audit Committee under the Board cooperates with related business departments for the inclusion of ESG into the internal controls and risk management, and provides recommendations on related issues to the Board. The Board fully understands the Company's existing ESG management, makes the ultimate decision on ESG-related issues and is responsible for refining the ESG management system.

Management Approach

The Board assesses relevant risks and opportunities and updates management approaches and strategies if necessary to keep up with the developments by staying up on ESG development trends and peer performance, together with the Company's development plan. The Company maintains close communication with internal and external stakeholders and assesses, analyses and ranks significant ESG issues. The materiality analysis results have been reviewed and approved by the Board.

Target Review

The Company has formulated annual ESG management targets and corresponding measures regarding resources utilisation and health and safety. Regular reviews are carried out against the progress towards relevant targets with recommendations provided to accelerate the achievement.

ESG GOVERNANCE

ESG Governance Structure

Being well aware of the importance of sustainable development, MicroPort NeuroTech incorporates the concepts of green and low carbon operation as well as social responsibility into operation and management. The ultimate responsibility for the ESG governance rests with the Board, who is responsible for assessing ESG-related risks, reviewing the performance of ESG management system on a regular basis and approving public disclosure related to ESG issues. To promote the implementation and execution of ESG work, the Company has established the ESG Working Group comprised of key functions, with designated personnel to coordinate and support in addressing ESG issues, and report to the Board regularly.

Communication with Stakeholders

The Company respects and values expectations and needs of stakeholders. Through regular online and offline meetings, interviews, opinion surveys and work visits, the Company listens to the voice of stakeholders and responds to their demands. We regard the concerns and expectations of stakeholders as references for the future direction of the Company's ESG management and enhancement to optimise our ESG management and decisions. Meanwhile, we respond the concerns of stakeholders in this report.

Stakeholder Type	Stakeholders	Concerned Issues	Communication Channel
Government and regulators	National and local governments, market regulators, tax authorities, environmental and industry regulators	Compliant operation Risk management Business ethics and anti-corruption Product safety and quality Emission management	On-site investigations Exchange of official documents Policy implementation Information disclosure
Shareholders and investors	Equity and debt investors of the Company	Return on investment Information disclosure Technology and innovation Product safety and quality Intellectual property	Investor relations website ¹ Shareholder meetings Information disclosure Letter correspondence Teleconferences On-site visits Roadshows
Customers	Global distributors, hospitals, physicians, surgeons, and patients	Information security Product safety and quality Customer service Responsible marketing	Distributor meetings Customer surveys Technical seminars Customer service hotlines Customer satisfaction surveys

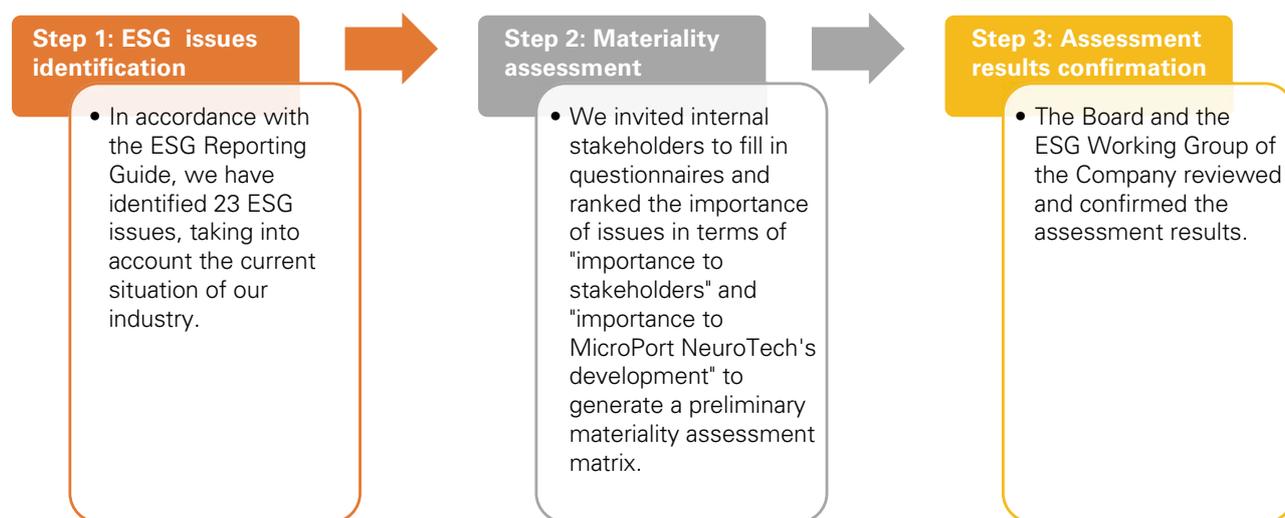
¹ <https://ir.medneurotech.com/cn/investor-relations/>

Environmental, Social and Governance Report (Continued)

Stakeholder Type	Stakeholders	Concerned Issues	Communication Channel
Employees	Employees of the Company	Talent development Employee benefits and compensation Diversity and equality Occupational health and safety	Employee Management Committee Employee training Employee activities Employee surveys Horizontal communication Internal publications
Suppliers	Raw material suppliers	Product safety and quality Responsible supply chain	Supplier evaluation Supplier communication and training
Communities and the media	Local communities, the public, and the media, etc.	Community and public welfare Product safety and quality	Volunteer services Community activities Media communication and interviews

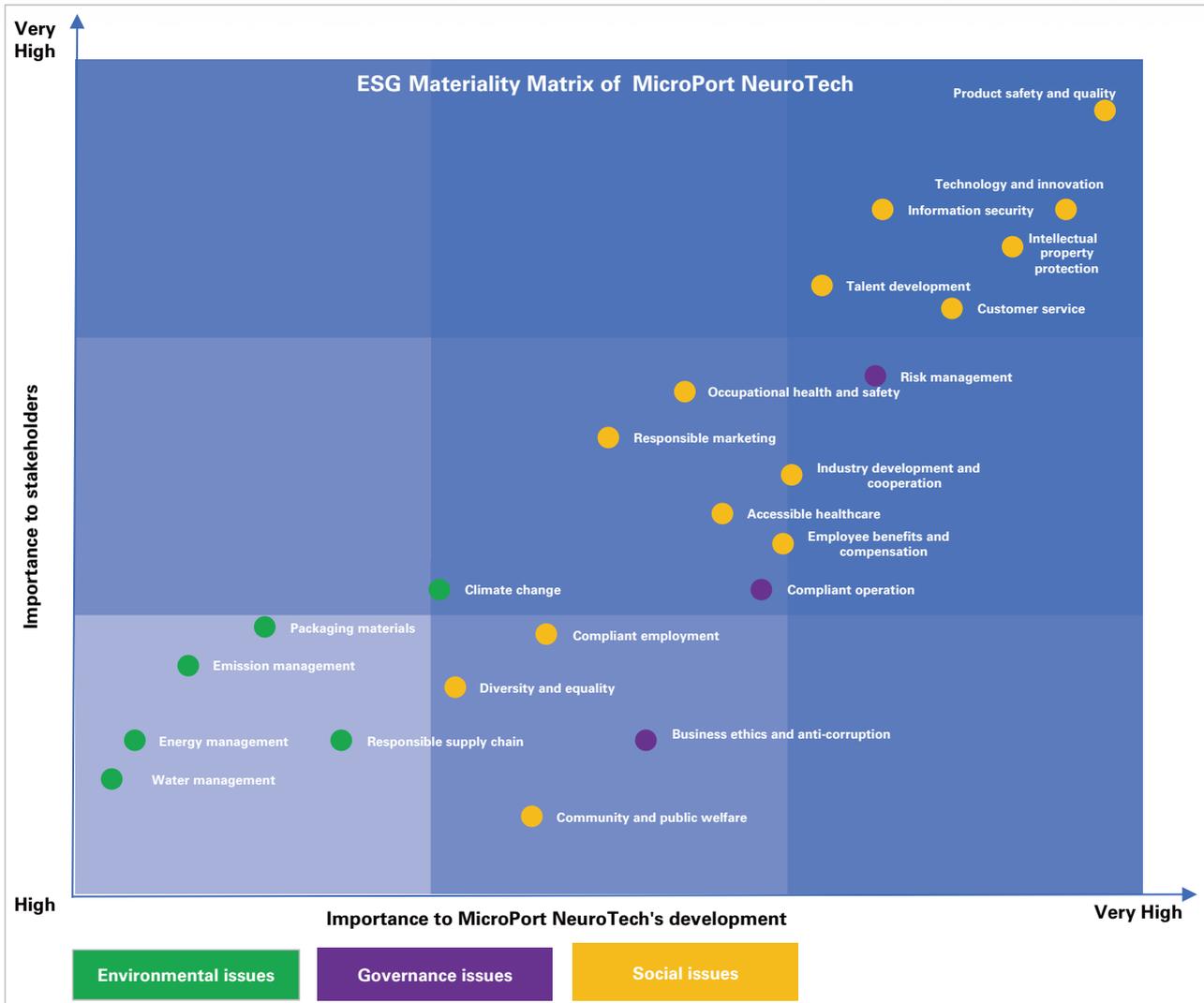
Materiality Analysis

We are committed to building long-term, stable and mutually trusting relationships with all stakeholders to maximise mutual value. During the Reporting Period, we identified 23 ESG issues relevant to the Company in environmental, social and governance areas in accordance with the ESG Reporting Guide combining current situation of the industry and ranked the issues in terms of importance to the Company and stakeholders.





The matrix of ESG materiality analysis is as follows:



1. RESPONSIBLE MANAGEMENT AND COMPLIANT OPERATION

1.1. Business Ethics

Following the principle of honesty and ethics, MicroPort NeuroTech has established a full-fledged and efficient risk management system and internal control system as well as business ethics policies to monitor relevant risks, fostering a culture of integrity and compliance.

1.1.1. Risk Management and Internal Control

MicroPort NeuroTech has formulated the *Risk Management System*, the *Internal Audit System* and the *Working Rules of Internal Audit* to regulate and guide risk management and internal audit. The Board, as the highest decision-making body of risk management, is responsible for establishing the internal control system and reviewing its effectiveness. The Audit Committee comprised of independent directors under the Board is responsible for reviewing and monitoring the financial reporting process, risk management and internal control system, along with recommendations in these regards. Internal control consultants are engaged to review the effectiveness of the internal control over main business processes. They will identify areas for improvement and how to improve, propose potential remedial measures and check the implementation of such measures.

We have a risk management system featured by prevention, control and supervision before, during and after the event respectively in place. By implementing measures such as collecting risk-related initial information, analysing and ranking identified risks and dynamically managing risk factors, we respond to risks in a timely manner. During the Reporting Period, we identified risks regarding policies, human resources, raw material supply and market competition, with corresponding countermeasures adopted. During the Reporting Period, the Group had no significant risk incidents.

We perform regular internal and external audit to prevent and control risks, so as to enhance the reliability of disclosed information. During the Reporting Period, third party agencies were engaged to preform pre-Initial Public Offering audit. In addition, during the Reporting Period, we carried out an internal audit covering the Company and all subsidiaries and issues identified therein were rectified on time.

1.1.2. Anti-Corruption and Anti-Bribery

We operate in a compliant manner and strictly comply with local laws and regulations during the course of business operation. We also have formulated internal policies including the *Compliance Manual*, the *Code of Business Conduct and Ethics* and the *Service Fee Standard for Service Provided by Healthcare Professionals (HCP)*. All these efforts aim to improve the anti-corruption policies and thus regulate the Company's operation management and employees' behaviour. As the highest decision-making body, the Board assumes the primary responsibility for the effectiveness of the Company's compliance management. To further avoid possible conflicts of interest, a third party is engaged as the compliance consultant.

We take a zero-tolerance approach to corruption or bribery in any form, supervising and governing the observance of professional ethics and code of conduct of employees and partners. All employees are required to sign the *Code of Business Conduct and Ethics* to forbid misconduct. We also signed the *Commitment to Integrity and the Anti-corruption Compliance Standard Clause* with suppliers and distributors respectively, requiring business partners to adopt a zero-tolerance approach to corruption and bribery.

Internal and external stakeholders, including employees, customers and business partners, are encouraged to report any improper or illegal conducts with real identities or anonymously. The Report Handling Team, comprised of the Internal Audit Department and the Compliance Management Department, investigates and deals with reports. All reports are required to be filed and assessed and investigated within 24 hours upon the receipt. Stakeholders who may impact the fairness of the investigation will be excluded to ensure the independence during handling process. We are committed to protecting legitimate rights and interests of whistle-blowers and forbid any form of retaliation against them. And we take the same procedures to process both real-name and anonymous reporting. During the Reporting Period, the Group had no violations involving corruption, bribery, extortion, fraud or money laundering.

Reporting Channel

Reporting email:	NT_Legal@microport.com
“Woodpecker” Reporting mailbox:	1601 Zhangdong Road, Zhangjiang High-tech Park, Pudong New District, Shanghai
“MicroPort Neuro”	WeChat Official Account

To better foster the compliance culture, we regularly conduct compliance training to enhance employees’ awareness towards compliance. During the Reporting Period, training regarding compliance importance, hospitality principles and conflicts of interest was held with 580 employees, aiming to increase their awareness of integrity, honesty and fairness.

1.2. Responsible Marketing

We strictly comply with the laws and regulations such as the *Advertising Law of the People’s Republic of China and the Criteria for the Examination and Publication of Medical Apparatus Advertisements* when promoting and marketing, and have formulated the *Management Measures for Product Promotion Materials for the International Market* to set stringent requirements for advertising materials such as the design, printing, brochures and packaging, so as to ensure compliant and legal marketing activities as well as consistency, truthfulness and timeliness of products and marketing contents.

We have marketing agencies in various countries. In China, we organise case sharing, surgery technique promotion, live streaming of surgery, surgery technology support and academic exchanges. In other countries, we attend international exhibitions. To further increase the management efficiency of responsible marketing and safeguard our reputation, we have entered into the standard non-competition agreement with sales and marketing staff to evade direct or indirect competition. As regards the promotion content, we endeavour to protect patients' privacy information, and all contents are advertised only with the consent of patients or doctors and without any personal information leakage. Meanwhile, our promotion materials are reviewed by the Intellectual Property Department and other functions to ensure compliance.

We regularly carry out training on products and compliance to manage marketing behaviours of sales and marketing staff, ensuring that they can convey true and accurate information. During the Reporting Period, the Legal Department launched compliance training about the advertising law to further standardise marketing behaviour.

1.3. Information Security and Privacy Protection

In strict compliance with laws and regulations on information security management including the *Cybersecurity Law of the People's Republic of China*, the *Personal Information Protection Law of the People's Republic of China* and the *Data Security Law of the People's Republic of China*, we have developed our own policies such as the *Information Security Policy*, the *Employee Code of Conduct on Information Security* and the *Data Security Management Process* to protect information and privacy data of employees, customers and patients. As the highest decision-making body of data security, the Information Security and Privacy Management Committee leads activities regarding information security and formulates relevant development strategies. During the Reporting Period, the official website of the Company obtained the certification of National Information System Security Classified Protection at Level 2. As of the date of this report, the Company has obtained certifications of the ISO 27001 Information Security Management System and the ISO 27701 Privacy Information Management System.

Besides, we have the *Information Security Incident Management Procedures* in place to illustrate how and what we should do to handle information security incidents. We classify incidents into Level I to Level IV based on their severity with different responding timing from 30 minutes to 8 hours to handle exceptions and thus reduce the risk to an acceptable level.

We implement various measures, including annual information security audit, firewall deployment, memory devices restriction along with drills and regular training on information security, to prevent data leakage and other incidents, continuously refining the management of information security and privacy protection. During the Reporting Period, we conducted an information security audit on management policies of information technology (IT), IT assets management and system authorisation management with risk rectification implemented following audit recommendations. We also launched the training on information security and privacy protection and the data security training with 503 and 450 participants respectively, aiming to enhance employees' awareness and competence in these regards.

1.4. Intellectual Property

Pursuant to the management approach of “Development driven by technology and innovation and protected by intellectual property”, we apply for and safeguard patents and design patent portfolio to effectively protect our technology outcomes. We strictly abide by the *Trademark Law of the People’s Republic of China*, the *Patent Law of the People’s Republic of China*, the *Anti-Unfair Competition Law of the People’s Republic of China* and other laws and regulations. We have formulated policies such as the *Intellectual Property Rights Manual* and have obtained the GB/T 29490–2013 Intellectual Property Management System certification, thereby realising refined management of intellectual property rights. To further minimise intellectual property risk, we include it in our risk management system and regularly monitor the situation where our products may infringe the intellectual property rights of others.

We encourage technological innovation and have formulated the incentive mechanism on intellectual property. Employees will be awarded corresponding cash based on their application stage regrading innovation results. To enhance intellectual property protection and prevent the leakage of trade secrets, we require our employees to sign the *Agreement on the Confidentiality and Ownership of Intellectual Property*, through which we strengthen confidentiality awareness of employees and clarify employees’ confidentiality obligations. Training sessions are held from time to time on patent basics, comprising technology disclosure form, technology secrets, patent search and trade secrets protection. Employees thus can better understand intellectual property protection and prevent the leakage of trade secrets.

During the Reporting Period, our subsidiary MicroPort NeuroTech (Shanghai) Co., Ltd. (MicroPort Neuro) was awarded the National Enterprises with Intellectual Property Advantages in 2022. During the Reporting Period, there were no incidents of patent, trade secret or trademark infringement. By the end of the Reporting Period, the Group had 428 patents (including pending patents), 200 trademarks (including pending patents) and 1 software copyright.

2. QUALITY CONTROL AND INNOVATION FOR HEALTHCARE

2.1. Quality Management

As quality is paramount for the medical device industry, we strictly comply with the *Law of the People’s Republic of China on Product Quality* and the *Regulations on the Supervision and Administration of Medical Device* and have formulated the *Quality Manual* and over 30 control procedure documents to ensure the stable production of high-quality and safe products.

To ensure more effective and efficient quality management, we have set up a special quality management team and a quality control system covering entire product life cycle so that we can trace from the design, development, and manufacture to after-sales service. As of the date of this report, we have obtained MDSAP, a quality system certification accepted in 5 countries. The product quality system complies with the certification of China and countries around the world, including the European Union, the United States, Australia, Brazil, Canada, Japan, South Korea, Argentina, forming a quality management system with international standards.

Environmental, Social and Governance Report (Continued)



Special Quality Management Team

In compliance with applicable quality standards, we conduct necessary quality test on products and regular internal and external audits to ensure the security. In accordance with the ISO 13485 Medical Device Management System, we established a centre testing laboratory thus to monitor and assess product quality by providing comprehensive test and inspection throughout every step of a product lifecycle. During the Reporting Period, the Group received and passed external audits performed by various authorities, including Shanghai Medical Products Administration and Administration for Market Regulation of Shanghai Pudong New Area.

We also carry out training on quality management to improve employees' awareness and competence. During the Reporting Period, 13 quality training sessions were held, focusing on topics such as risk management, MINITAB operation and ISO 13485.

Besides, the Group was invited to attend the International Quality Innovation Forum of the fifth China International Import Expo to discuss the advanced quality management philosophy and successful practises. In addition, we received honours and awards for our excellent quality management.

No.	Award	Award Issuing Authority
1	Shanghai Quality Management Award — Organisation Award	Shanghai Association for Quality
2	Quality Management Campaign — Benchmarking Level	Shanghai Association for Quality
3	Quality Improvement Excellent Project (Six Sigma Management)	Shanghai Association for Quality
4	Quality Academia and Innovation in China — Third Prize	China Association for Quality
5	Innovation Results of Enterprise Management Modernisation — Third Prize	Shanghai Enterprise Management Modernisation Innovation Achievement Evaluation Committee

2.2. Recall Management

In strict compliance with local laws and regulations during the course of business operation, we have established the *Product Recall Management System* which specifies recall-related issues such as the triggering rules, process and implementation to enhance emergency response capability regarding product safety incidents.

Recalls are classified into a numerical designation (I, II, or III) to indicate the relative degree of health hazard presented by the medical devices being recalled. Corresponding actions will then be taken to ensure that operation enterprises, user agencies or users are informed to stop selling or using in 1 day for Class I, 3 days for Class II and 7 days for Class III. At the same time, we will post the recall announcement on websites. When the recall is determined, we will submit the report form of medical device recall to the Medical Products Administration within 5 days and regularly submit recall strategy implementation report to ensure the timeliness and effectiveness. During the Reporting Period, there were no product recalls due to safety and health causes.

2.3. Dedicated R&D

R&D is an important driving force for our business development. We focus on solutions that address neurovascular diseases to improve the availability of medical facilities and services. Thus, we have established our own R&D centre where we can develop and test designs and register clinical trials and application. Besides, we cooperate with external parties to share advanced technology and incubate new products. By the end of the Reporting Period, our R&D team consisted of 167 researchers, of whom over 50% held doctor's or master's degrees.

We highly value R&D ethics and adhere to compliant R&D, promising that all trails meet relevant standards. Safety and interests of trial subjects are well protected that all animal trials are conducted in accordance with the management regulations about laboratory animals. During the Reporting Period, there was no serious adverse events during clinical trials.

Leveraging our excellent R&D competence and efficient R&D mode, we have a diversified portfolio of neurovascular products, covering hemorrhagic stroke, atherosclerotic stenosis and acute ischemic stroke. By the end of the Reporting Period, the Group owned 30 products with 10 therapeutic devices and 3 access medical devices approved and commercialised in China and 17 products in the pipeline at different stages of development.

During the Reporting Period, the major progress of the Group's products portfolio was as below:

No. Major Progress

- 1 Diveer® Intracranial Balloon Dilatation Catheter: get approved for marketing by the National Medical Products Administration
- 2 Bridge® Rapamycin Target Eluting Vertebral Artery Stent System, Numen® Coil Embolisation System and U-Track® Intracranial Support Catheter System: listed in the *2021 Shanghai Innovative Products Recommendation Catalogue*
- 3 Neurohawk® Stent Thrombectomy Device: get approved for marketing by the National Medical Products Administration
- 4 NUMEN Silk® 3D Electronically Detachable Coil: get approved for marketing by the National Medical Products Administration
- 5 X-track® Intracranial Distal Access Catheter: get approved for marketing by the National Medical Products Administration
- 6 NUMEN® Coil Detachment System: get approved for marketing in Japan
- 7 Rebridge® Intracranial Visualized Stent: passed the Special Review Procedures of Innovative Medical Devices ("**Green Channel**")
- 8 Neurohawk® Stent Thrombectomy Device: CAPTURE, the pre-marketing clinical trial, was published in *Frontiers in Neurology*, an authoritative neuro-interventional magazine

Driven by the demands of doctors and patients, we cooperate with hospitals and universities to promote the industrialisation of research innovation and relevant outcomes. By the end of the Reporting Period, we cooperated with 8 hospitals for joint research and entered into partnerships with universities such as Shanghai University, Suzhou University and Shandong University. During the Reporting Period, we won the Third Prize of Shanghai Enterprise Management Modernisation Innovation Result.

Case: Camel Plan — Innovation Competition

To advocate innovation and acquire more achievements, we launched the Camel Plan — Innovation Competition to attract innovative employees who are devoted to medical device industry and eager to embrace challenges. In November 2022, 10 teams were shortlisted for the final reviews, and we awarded establishment fees and personal subsidies to eligible teams, so as to encourage successive innovation.



Camel Plan — Innovation Competition

2.4. Customer Satisfaction

To protect customer rights, we have formulated the *Administrative Regulations on Handling Customer Complaints*, the *Administrative Regulations on Overseas Complaints* and the *Feedback Control Procedures* to understand customers' feedback on our products and services on all fronts and improve product quality and service standards accordingly, in sustained efforts to provide excellent customer services.

We take customers' feedback seriously, and provide channels for feedback or complaint such as telephone, fax and email in each product specification, and give an email address on our official website to collect external feedback on products on a continuous basis. In addition, we have established a complete and mature process for taking care of complaints and feedback from China and global customers in a timely manner. In response to any customer complaint or feedback received via contacting front-line promotion personnel or email, we take immediate actions to accept, classify and investigate the issue, analyse the cause, take measures to correct the issue and prevent it from occurring again, ensuring customer demands are addressed without delay. By the end of the Reporting Period, we had received 472 complaints or feedback from customers, and had taken timely follow-up measures in accordance with relevant policies, achieving a handling rate of 100%.

3. OPERATING WITH INTEGRITY AND CREATING VALUE ACROSS THE INDUSTRY

3.1. Supply Chain Management

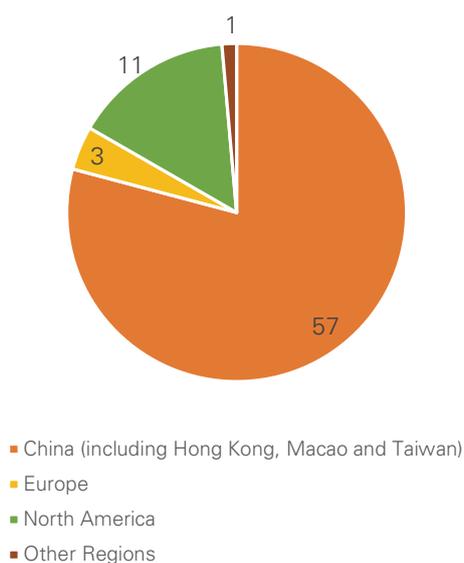
We are committed to building a sustainable supply chain to ensure that our partners meet our requirements and keep on supplying high-quality devices, materials and services. In strict compliance with local laws and regulations during the course of business operation, we have formulated internal supply chain management polices such as the *Procurement Control Procedures* and the *Supplier Management System* to explicitly standardise supply chain management.

For new suppliers, we have developed a series of assessment criteria to comprehensively assess suppliers' qualification, operation, product/service quality and material performance in terms of cost, delivery, service, quality and other factors. Meanwhile, we strictly check their qualifications, including business license, system certification, cleaning certification, etc. In addition to the required qualifications, we also focus on suppliers' quality management system, environment, health and safety (EHS) management system and their social and environmental performance, and will preferably cooperate with suppliers with relevant certifications.

For existing suppliers, a periodic review is implemented to ensure that they maintain high-quality of supply. For efficient review, we, based on the impact of raw materials or services on product quality, have classified suppliers into three categories, i.e., Class A, Class B and Class C, and set differentiated review frequencies. For suppliers who failed in the annual review, we require them to rectify, and will cancel their supply qualifications if they still fail to meet the criteria after rectification. During the Reporting Period, we completed the annual review plan. We reviewed 42 suppliers in total, whose results were all qualified.

We value the supply chain stability and strive to reduce the uncertainty, trying to provide patients with ongoing therapeutic products. During the Reporting Period, we identified risk factors affecting the stability of the supply chain and better maintained the supply chain continuity by improving inventory levels, cooperating with Chinese suppliers and signing long-term cooperation agreements, and thus successfully achieved zero shortage of materials.

By the end of the Reporting Period, we had 72 suppliers. The geographical distribution is as below:



To control supply chain risks and ensure the supply quality, we carry out supplier trainings from time to time to convey the win-win concepts of stable quality and sustainable development. During the Reporting Period, we arranged 4 supplier training sessions on product, technology and other themes, which comprehensively enhanced our understanding of suppliers' process and capability of manufacturing, thus facilitating the subsequent development and improvement of products. Furthermore, adhering to the concept of "Bringing partners together to achieve mutual success", we actively engage in supplier exchange activities to constantly expand cooperation with and among suppliers and convey the concept of sustainable supply chain in an attempt to create win-win cooperation.

Case: The First Partnership Exchange Concluded Successfully

In November 2022, MicroPort NeuroTech successfully held the first partnership exchange themed on “Knowing MicroPort NeuroTech — Insights Sharing and Cooperation Exploring”, where major supplier partners nationwide gathered together to discuss and share over the status quo of enterprises, operation and development plan and technology R&D direction. After this activity, our consensus with suppliers was furthered strengthened. We decided to deepen overall strategic cooperation with suppliers in product, technology, etc. as joint efforts to build an innovative supply chain ecosystem.

3.2. Distributor Management

We consider distributors as one of our major partners and try to build long-term partnership with them. In accordance with the established *Distributor Management System*, we require distributors to strictly comply with local laws and regulations during the course of business operation, and to follow the relevant compliance requirements under our *Compliance Manual* to ensure that they adhere to business ethics.

We select distributors based on their industry qualifications, capabilities and experience, set mandatory requirements on business licenses and business permits and require relevant departments to perform background research on them. At the same time, we regularly review distributors’ financial position, financial performance and compliance with regulatory requirements to ensure their qualification of medical devices is valid on an ongoing basis.

We have developed a well-established distributor compliance system, which requires distributors to comply with laws and regulations concerning anti-corruption and anti-bribery, and to sign the *Distribution Agreement* and the *Anti-Corruption Compliance Standard Clause*. In addition, we regularly organise compliance trainings for distributors to increase their compliance awareness. During the Reporting Period, we carried out an anti-corruption and anti-bribery training to Tier 1 distributors, reaping a passing rate of 100%.

3.3. Industry Leadership

We carry out and participate in industry exchange activities from time to time, join efforts to develop industry standards and cultivate top industry talents. All these efforts are made to provide industry-leading therapy solutions to advance the high-quality development of the neurointerventional area.

3.3.1. Industry Exchange

As a leader in the neurointerventional medical devices market, we actively organise and participate in academic and industry conferences on neurovascular surgery in China and other countries to thoroughly discuss the latest developments of the industry. During the Reporting Period, we held 31 academic exchanges themed on “Twins Bleeding Solutions Forum”, “Promotion of New Products for Thrombectomy and Holistic Ischemia Solutions”, “Amazing Technology — Live Streaming of MicroPort Neuro Products in Surgery”, etc., which were enthusiastically welcomed in the society, with over 42,000 listeners joining online and over 400 doctors offline. In addition, we also took active part in China and international academic exchange conferences and exhibitions. In China, we participated in the “7th Central China Interventional Radiology Conference 2022” and the “Oriental Conference of Interventional Neurovasculology, OCIN 2022” (OCIN 2022). On the international side, we attended the “LINNC PARIS — Conference on Neuroradiology and Neurosurgery” and the “Congress of the European Society of Minimally Invasive Neurological Therapy (ESMINT)” (ESMINT Congress). During these conferences and exhibitions, we discussed and exchanged ideas with renowned experts and scholars on cutting-edge technologies of the industry to learn and draw inspiration from each other.

Case: Innovation for Life, MicroPort NeuroTech Attended the OCIN 2022

In December 2022, MicroPort NeuroTech brought ischemia solutions to OCIN 2022, and discussed the clinical application with various experts on bleeding and ischemia, bringing innovative medical ideas and technology applications to the industry. Besides, the clinical research venue of the conference officially released the research results of IMPACT and Trace-AI, verifying the safety and efficacy of Tubridge® Flow-diverting Stent which was highly appraised and recognised by present experts.



The OCIN 2022

Case: MicroPort NeuroTech Participated in the ESMINT Congress

In September 2022, MicroPort NeuroTech attended the ESMINT Congress in Nice, France, where we discussed and exchanged ideas on aneurysms, stroke, brain arteriovenous malformation and other fields. The conference converged cutting-edge research and challenging cases, and provided a dynamic platform for neuroradiologists, neurosurgeons and neurointerventionalists worldwide to exchange ideas. At the same time, we were authorised to broadcast the conference exclusively in China, providing cutting-edge learning and exchange opportunities for Chinese neurointerventional doctors, with nearly 20,000 Chinese viewers.



The ESMINT Congress

3.3.2. Industry Standard Setting

Upholding the concept of sharing mutual prosperity with our industry partners, we actively participate in the development of industry standards, with the hope to promote the development of the industry by our own professional strengths. Standards of “YY/T 1747–2021 Neurovascular Implants — Intracranial Artery Stents” that we led in writing and “YY/T 1748–2021 Neurovascular implants — Intracranial Embolisation Coils” that we participated in drafting were officially released in 2021. During the Reporting Period, we engaged to promote and implement the “YY/T 1747–2021 Neurovascular Implants — Intracranial Artery Stents”.

3.3.3. Industry Talent Development

We value talents dedicated to advancing neurointerventional practice, and nurture and retain outstanding talents for the industry. From the beginning of the project to the end of the Reporting Period, we have donated a total of RMB1,000,000 to the “Brain Disease Foundation” Special Fund for Cultivating Young Neurointerventional Doctors set under Shanghai Shangshan Foundation. We targeted to provide educational resources and financial support to talents dedicated to advancing neurointerventional practice and further the promotion and application of new technologies, thus benefiting local cerebrovascular patients. By the end of the Reporting Period, the “Brain Disease Foundation” had partnered with 11 hospitals including Huashan Hospital Affiliated to Fudan University and Qilu Hospital of Shandong University, and funded 10 young doctors to pursue further studies.

We launched the “Skyline” programme, aiming to lead neurointerventional doctors across China in clinical study and technical training so as to provide better therapies for patients. During the Reporting Period, we conducted clinical study and technical training courses on the “Skyline” programme at Qilu Hospital of Shandong University, Zhangzhou Affiliated Hospital and the First Affiliated Hospital of Harbin Medical University, accumulatively covering nearly 80 doctors.

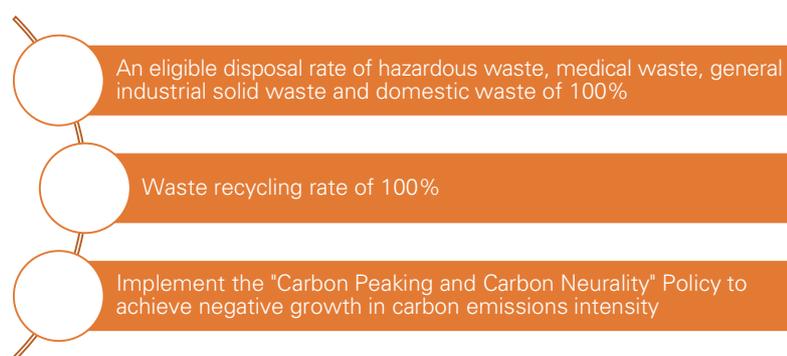
4. LOW-CARBON OPERATION FOR ENVIRONMENTAL PROTECTION

4.1. Environmental Management

Strictly abiding by laws and regulations such as the *Environmental Protection Law of the People’s Republic of China* and the *Law of the People’s Republic of China on Environmental Impact Assessment* and guided by the concept of green development, we have formulated the *Environmental and Occupational Health and Safety Management Manual* to standardise environmental management. Meanwhile, we have established an environmental management system in accordance with ISO 14001 Environmental Management System to take the way to green development. During the Reporting Period, we obtained the certification of GB/T 24001–2016/ISO 14001: 2015 Environmental Management System.

To guarantee an effective environmental management system and constantly better the environmental management, we have set annual environmental targets to strictly control pollution emission and reduce resource consumption, aiming to minimise the adverse impacts on the nature and natural resources in our daily operation and production activities.

Environmental Goals for 2022



4.2. Use of Resources

We strictly abide by laws and regulations including the *Energy Conservation Law of the People’s Republic of China* and the *Water Law of the People’s Republic of China*. We manage the use of resources in a standardised and systematic way. To realise our environmental targets, we have taken a number of initiatives to reduce resource consumption and improve resource efficiency.

Energy Conservation

- Install energy-saving LED light bulbs in the new plants to reduce electricity consumption.
- Launch the “MicroPort Neuro Carpool” campaign to encourage employees to commute by sharing cars to reduce carbon emissions.
- Carry out the “Wellness Gurus” competition to encourage employees to take the stairs instead of the elevator and develop a healthy, low-carbon and eco-friendly lifestyle.

Water Conservation

- Provide water-purifying devices for clean drinking water to reduce bottled water consumption and waste.
- Put up signs to remind employees to save water.
- Regularly inspect water-consuming devices to avoid waste caused by equipment damage.

We have developed the *Packaging and Design Management Specification*, which defines the selection and structural design of packaging materials thus to ensure that the packaging materials match with the products, so as to meet the special needs in different countries and markets. Besides, we keep exploring advanced processes and recycling technologies. We hope to minimise the use of packaging materials and reduce resource consumption while meeting production needs.

Environmental, Social and Governance Report (Continued)

By the end of the Reporting Period, the Group's key performance indicators (KPIs) at the level of resource use were as follows:

Indicator	Unit	2022
Energy Consumption¹		
Direct energy consumption	kWh	505,026.50
Gasoline	kWh	14,237.14
Diesel	kWh	82,544.03
Natural gas	kWh	408,245.33
Indirect energy consumption	kWh	4,085,625.00
Purchased electricity	kWh	4,085,625.00
Total energy consumption ²	kWh	4,590,651.50
Intensity of total energy consumption	kWh per million RMB revenue	8,387.05
GHG emissions		
Scope 1 GHG emissions	CO ₂ equivalent (in tonnes)	124.14
Scope 2 GHG emissions	CO ₂ equivalent (in tonnes)	1,715.96
Total GHG emissions	CO ₂ equivalent (in tonnes)	1,840.10
Intensity of GHG emissions	CO ₂ equivalent (in tonnes) per million RMB revenue	3.36
Water Consumption³		
Total water consumption	tonne	42,346.00
Intensity of water consumption	tonne per million RMB revenue	77.37
Packaging Material Consumption⁴		
Total amount of packaging material consumption of finished products	tonne	11.18
Intensity of packaging material consumption of finished products	tonne per million RMB revenue	0.02

Notes:

1. The Group's greenhouse gas emission coefficients are determined according to the *Guidelines for the Calculation and Reporting of Greenhouse Gas Emissions by Enterprises in Other Industries (Trial)* issued by the National Development and Reform Commission, and power consumption emission factors refer to those in each region;
2. The Group's comprehensive energy consumption is calculated with reference to the *GB/T 2589-2020 General Rules for Calculation of the Comprehensive Energy Consumption* released by the State Administration for Market Regulation and the Standardisation Administration;
3. The Group's water consumption mainly consists of domestic water consumption, and the water resource is supplied by the municipal water supply system, which can meet the daily water demand;
4. The Group's packaging materials comprise both inner and middle packaging. Specifically, inner packaging includes a packaging bag, retaining clip, coil, lining plate, etc., and middle packaging includes a label, specification, packaging box, etc.

4.3. Pollution Prevention and Control

In strict compliance with relevant laws and regulations including the *Law of the People's Republic of China on the Prevention and Control of Air Pollution*, the *Law of the People's Republic of China on Prevention and Control of Water Pollution*, and the *Law of the People's Republic of China on the Prevention and Control of Environment Pollution Caused by Solid Wastes*, we have formulated the *Management System for Air Pollution Prevention and Control*, the *Management System for Water Pollution Prevention and Control*, the *Management System for Solid Wastes Prevention and Control* and the *Management System for Noise Pollution Prevention and Control*. We aim to manage emissions in a normative manner to minimise the impact of pollutants on air, water, soil and other environmental aspects.

To attain our annual environmental targets, we optimise emission control measures to put more effective emission management in place.

Waste Gas Treatment

- Do not discharge waste gas until discharge standards are met by fume hood collection, activated carbon filtering and exhaust blower disposal;
- Deploy portable monitoring apparatus, organise on-job trainings for relevant technical personnel and implement full-process tracking and control measures;
- Maintain, upgrade and repair waste gas treatment units on a regular basis, and establish maintenance ledgers.

Wastewater Treatment

- Transfer the liquid waste to hazardous waste warehouses and engage a qualified third party to clean, transport and dispose on a regular basis;
- Transfer domestic wastewater through sewage networks to Bailonggang Sewage Treatment Plant for centralised treatment.

Hazardous Waste Treatment

- Transfer to hazardous waste warehouses, and engage a qualified third party to clean and transport on a regular basis.

Non-hazardous Waste Treatment

- Transfer general solid wastes to hazardous waste warehouses, and engage a qualified third party to clean and transport on a regular basis;
- Transfer collected domestic wastes to the garbage chamber, and hand over to sanitation workers to clean and transport;
- Implement sorted treatment, and recycle cartons, plastics and other solid wastes with recycling value.

Noise Control

- Purchase low-noise devices as the first choice, and reduce the noise of devices by planning reasonably, and installing cushions and dampers;
- Maintain and repair devices in a timely and regular manner;
- Install air conditioning compressors and fans in separate rooms.

By the end of the Reporting Period, the Group's KPIs at the level of emissions were as follows:

Indicator	Unit	2022
Total amount of exhaust emissions ¹	tonne	0.06
Total amount of wastewater ²	tonne	11,375.00
Total amount of hazardous waste generated ³	tonne	20.07
Total hazardous waste disposed	tonne	20.07
Intensity of hazardous waste disposed	tonne per million RMB revenue	0.04
Total amount of non-hazardous waste generated ⁴	tonne	52.84
Total amount of non-hazardous waste recycled	tonne	52.84
Intensity of non-hazardous waste disposed	tonne per million RMB revenue	0.10

Notes:

1. The Group's waste gas emissions mainly come from gasoline use by cars, and cleaning, coating, spraying and laboratory testing of products;
2. The Group's wastewater mainly includes those generated in the course of production and R&D, and domestic sewage;
3. The Group's hazardous waste mainly includes waste fluids from product cleaning and testing, chemical contaminated waste, activated carbon for treatment of exhaust gases and waste test samples;
4. The Group's non-hazardous waste mainly includes products' tertiary packaging materials, leftover materials, defective products and domestic waste.

4.4. Climate Change

We are fully aware of the significant impact of climate change on business operations and human health. Thus, we integrate climate change into our daily management, reduce greenhouse gas emissions and provide solutions to the health needs arising from climate change, sparing no efforts to minimise the impact of climate change on the environment and human health.

As regards physical risks, we focus on acute physical risks, such as extreme weather. Risk factors identified include lightning, earthquakes, storms, torrential rains and typhoons, which will exert adverse impact on production planning, product delivery, working environment, commuting, transportation and supply chain to certain degree. We have thus formulated specific contingency plans for production and operation.

As regards transition risks, we focus on policy and legal risks, technology risks, market risks, and reputation risks. In response to policy and legal risks, we closely focus on global trend of climate change and national strategies of China, and actively respond to the national goals of "carbon peaking by 2030 and carbon neutrality by 2060". In response to technology risks, we strengthen investment in exploring and researching to continuously optimise product processes. In terms of market risks, we reinforce cooperation with suppliers (e.g., by signing long-term contracts) to increase supply chain stability. In terms of reputation risks, we continuously improve ESG-related practices to mitigate effects of climate changes on the Company.



5. CARING FOR EMPLOYEES AND SEEKING MUTUAL DEVELOPMENT

5.1. Talent Recruitment

Regarding employees as our most valuable assets, we work to create a diverse, inclusive and equal workplace. We strictly abide by the *Labour Law of the People's Republic of China*, the *Labour Contract Law of the People's Republic of China*, and the *Provisions on the Prohibition of Using Child Labour*. We accordingly have formulated internal policies such as the *Employee Manual*, the *Measures on Remuneration Management*, and the *Measures on Welfare Management* to standardise employee management and protect employees' legitimate rights and interests.

We hire people through websites, head-hunters, internal referrals and job fairs. During recruitment, we verify ID cards of applicants to prevent the use of child labour. Once verified, we will transfer the case to a judiciary body and terminate the employment. Meanwhile, we prohibit all forms of forced labour, and we do not advocate overtime work in principle. If overtime work is needed, employees may submit an application and will be compensated with overtime pay or paid leave in accordance with relevant regulations. During the Reporting Period, the Group had no violations involving child labour or forced labour.

We equally treat every employee without discrimination on the grounds of race, sex, colour of skin, age, family background, ethnic tradition, religion or nationality. In this context, we work for a diverse, inclusive and equal workplace. By the end of the Reporting Period, there had been 42 employees from ethnic minorities and 6 foreign employees in our company. Among the 8 members of the Board, 25% were women.

By the end of the Reporting Period, we had 580 employees and they are classified as follows:



We have a market-competitive remuneration and welfare system, which is based on employees' qualification and experience, attaching importance to welfare packages of employees. The comprehensive remuneration package includes fixed salary, allowances, short-term incentive, and long-term incentive, which demonstrates our respect and recognition to talents. Meanwhile, we have established a number of supplementary benefits on top of the statutory benefits.

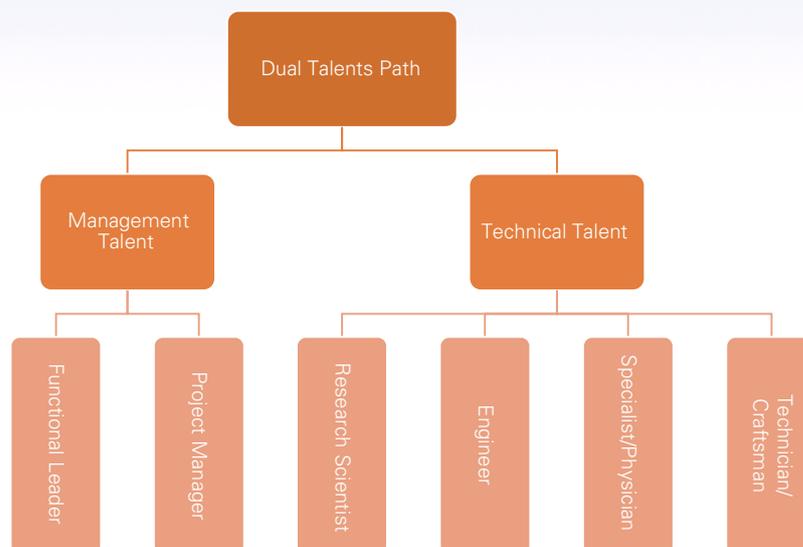
By the end of the Reporting Period, the turnover rate was 17.50%.



5.2. Career Development

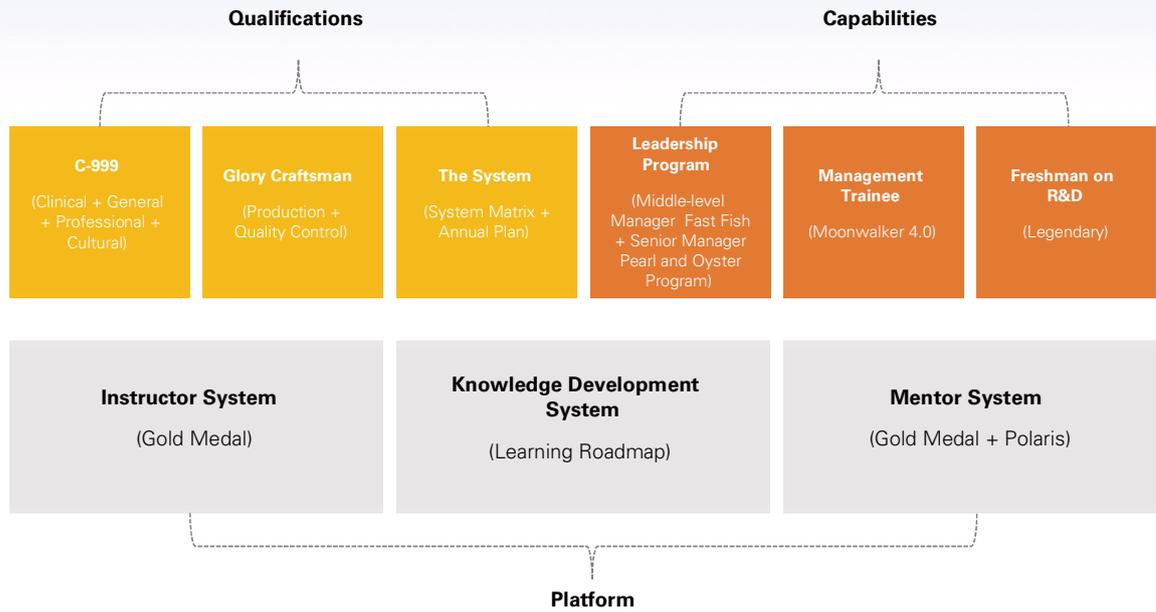
We are fully aware of the importance of talent development for company’s competitiveness, and thus we spare no efforts to provide resources for employees. We follow the talent strategy of MicroPort, which is “One Check, Two Paths, Three Programs”. Every year we initiate annual managerial competency check process to identify managerial talents at different stages of growth. A dual-path of career development regarding “Management Talent” and “Technical Talent” is designed to encourage and guide employees to select the right track for their individual development. Moreover, three targeted incentive programs are in place for better nurturing technology talents.

With the “Two Career Paths and Eighteen Ranks Career Development” plan, we fully respect and support vocational development and growth of our employees, and give them equal opportunities.



The “Two Career Paths and Eighteen Ranks” Promotion Pathway

With the career development plan as our core, we have built a comprehensive and diverse training system and introduced a combination of internal and external training to conduct online and offline learning. We have established training projects including “C-999”, “Glory Craftsman”, “The System”, “Leadership Program”, “Management Trainee” and “Freshman on R&D”. All these focus on the qualification and capabilities and utilise the knowledge platform to improve vocational knowledge, job skills and other capabilities. Meanwhile, based on the *Internal Instructor Management System* and the *Internal Mentor Management System*, we have introduced instructors and mentors to get employees to familiarise their jobs and integrate themselves to the Company. Besides, we reimburse those in further education for a certain amount of expenses incurred herein, based on their positions, with the *Reimbursement Guidance for Further Education* formulated, to promote personal development of employees, and improve their professional skills and performance.



Career Development Plan

Case: Leadership Project – Fast Fish Program Training

In 2022, we invited experts to 2 sessions of management improvement training, to help new middle-level managers improve their experience and skills through scenario analysis and other methods.



Fast Fish Program Training

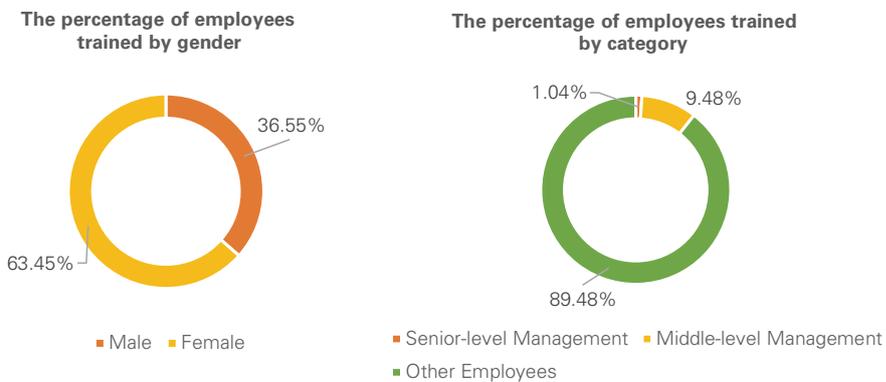
Case: Freshman on R&D – Legendary Program

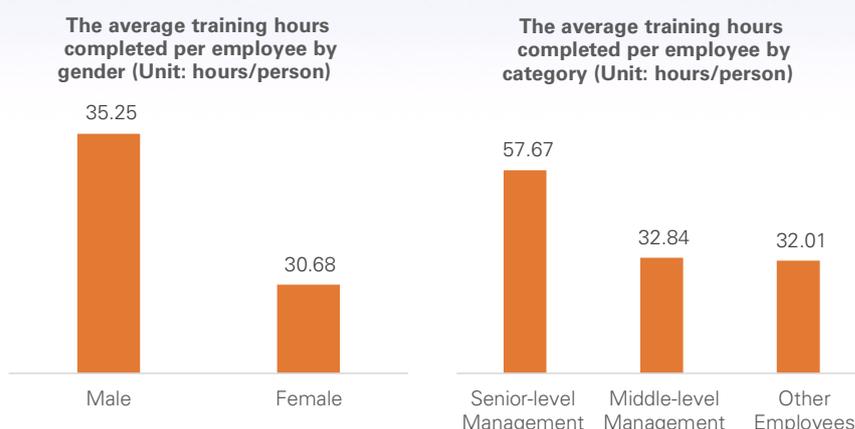
In July 2022, we conducted the one-week “Legendary” training project. During the project, freshmen have learned “Product Life-Cycle Process”, “Product Development Program Example Sharing”, “Risk Management” and “Clinical Trial Management Process”, enabling employees to understand about the entire life cycle of products.



Legendary

During the Reporting Period, the percentage of employees trained accounted for 100%, and the average training time of employees was 32.35 hours per person. The details of training are as follows:





5.3. Occupational Health and Safety

The health and safety of employees is of paramount importance to us. We comply with the *Work Safety Law of the People’s Republic of China* and the *Law of the People’s Republic of China on Prevention and Control of Occupational Diseases*. In addition, we have formulated relevant internal policies such as the *Occupational Health Management System* to create a culture that ensures the health and safety of employees. During the Reporting Period, we obtained the GB/T 45001–2020/ISO 45001: 2018 Occupational Health and Safety Management Systems certification.

We have set up the Safety Production Management Committee, which is composed of the president, executive deputy general manager and persons in charge of various departments. Relevant meetings are held regularly to deploy, coordinate and resolve issues on safety. In order to ensure work safety, we set our annual goal including zero death and serious injury, zero responsible traffic accident, zero accident due to fire, explosion, poisoning, major environmental pollution, and improper management and use of hazardous chemicals, 100% safety training participation rate, and 100% pass rate. By the end of the Reporting Period, we had achieved the annual goal.

We comprehensively strengthen safety management through hazard detection, management of special equipment, safety training, occupational health monitoring to meet requirements on safety production:

- **Hazard detection:** We regularly inspect equipment and facilities, including semi-annual inspections, quarterly special inspections, holiday inspections, quarterly inspections and occasional daily inspections to identify and eliminate hazards. During the Reporting Period, 147 risk factors had been identified and remediated on time.
- **Management of special equipment:** We require operators in special areas to receive special training and obtain relevant qualification certificates. The certificate holding rate of staff in charge, safety production administrator, operators in special or other areas reaches 100%.

- **Safety training:** We provide regular safety training to employees who need to obtain operational certificates before they start production operations. In 2022, we conducted 6 safety training sessions with new employees, operators and managers of chemical and front-line production personnel to enhance their awareness on workplace safety.
- **Occupational health monitoring:** We arrange pre-employment, in-service and off-duty body check for employees faced with occupational hazards and equip them with protective materials. We invite third-party inspection agencies to inspect the workshop every year and publish inspection data to ensure safety.

During the special period in the Reporting Period, we monitored employees' temperature every day in order to ensure the safety of employees at work. Besides, food, fruits and snacks were provided under unified control, and bathing facilities were installed on each floor, so as to meet day-to-day needs of employees. In addition, we have procured female supplies to maximise convenience for female employees.

In the past 3 years, there was no injury or death related to work. During the Reporting Period, there was no lost day related to work injury. With excellent health and safety management, MicroPort Neuro has been accredited as the "Class 2 Enterprise of National Production Safety Standardization" and was listed in the first batch of "Healthy Enterprise" in Shanghai in 2022.

5.4. Talent Care

We care about the physical and mental health of our employees, and enhance the sense of belonging of them, improve corporate cohesion and promote a harmonious atmosphere with an employee care mechanism and various employee activities. On top of the statutory benefits, we have established a number of corporate supplementary benefits, such as commercial insurance, employee health check-ups, wedding gifts, birthday/holiday gifts, high temperature allowance, nutritious working meals, etc. At the same time, the Company pays close attention to individual needs of employees and has set up a targeted subsidy system for specific employees, for example, subsidies are paid for those who are expatriate to other cities.

We highly value employees' suggestions and have established several communication channels to ensure that views and suggestions of employees are effectively conveyed. In detail, to help Senior-level Management understand the needs of employees, we have set up the "Meeting Senior-level Management" lunch meeting to facilitate communication among different levels. Meanwhile, we have set up a "Woodpecker Mailbox" to regularly collect concerns and problems that employees want to express to the Senior-level Management. Letters will be directly delivered to Senior-level Management in anonymous or real-name way.

Case: "Meeting Senior-level Management"

We arrange the "Meeting Senior-level Management" lunch meeting where senior managers and junior employees meet over lunch to discuss different topics. The relaxed atmosphere of the lunch meeting allows both parties to freely express opinions, breaking down communication barriers.



"Meeting Senior-level Management" Lunch Meeting

EAP Project

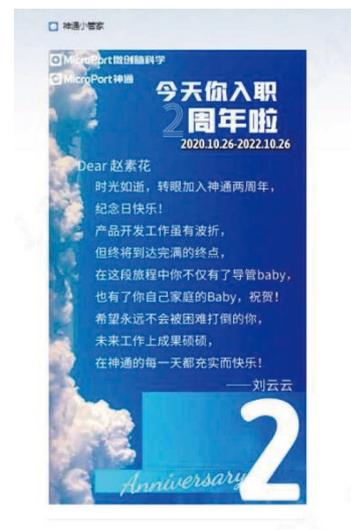
The project aims to provide psychological counselling and address difficulties for employees who have stress at work, negative feelings about marriage or relationship, and problems in child education, interpersonal relationship or health.



EAP Project

Annual Program for In-Service Care

We remember each employee's onboarding day and send a souvenir card on the day of the anniversary.



Annual Program for In-Service Care

Mentor Project

We assign a mentor to each new employee to help them bolster professional skills.



Mentor Project

With attention to work-life balance of every employee, we launch Family Day, Great Cook activity, Mid-Autumn Festival activities, Annual Celebration to enrich their work and life. During the Reporting Period, we timely delivered fresh vegetables and food to employees who lived in Shanghai to ensure supply of daily necessities during the special period. In addition, we initiated 2 sessions of online psychological counselling to alleviate employee's stress and anxiety during lockdown.



Family Day



Great Cook activity



Mid-Autumn activities



Material supply



Celebration of the 10th Anniversary of MicroPort Neuro

6. CONVERGENCE OF LOVE AND GIVING BACK TO THE SOCIETY

6.1. Inclusive Healthcare

Under the mission to “Provide accessible, top-quality and comprehensive solutions for stroke patients”, we utilise our resources and professions to engage in the public good and fulfil social responsibility.

6.1.1. WeLove NeuroTech

In response to national poverty alleviation through healthcare services, we founded the “WeLove NeuroTech” Special Relief Fund with Shanghai Shangshan Foundation at the end of 2020. “WeLove NeuroTech” is the first foundation for patients with cerebral aneurysm, which gives economic aid for patients, saves their lives and improves their quality of life and family well-being. Since its founding, “WeLove NeuroTech” has cooperated with 15 non-profitable enterprises and raised over RMB2.6 million to provide medical aid for more than 60 patients, including a donation of over RMB1.5 million in 2022.

6.1.2. The Swallow Program

We actively assist in the construction of stroke centres across China. Therefore, the Group has set up the “Swallow Program” medical team in 2020, hoping to promote neurointerventional knowledge and to provide post-operative consultation and guidance to doctors and patients in low-tier regions and county hospitals, further improving competencies of grass-root doctors, popularising and allocating medical resources in all directions to remote areas and ensuring timely diagnosis and treatment for grass-foot patients. Since its founding, the “Swallow Program” has provided medical services to patients in around 600 grass-root hospitals of 200 cities across the country.

6.2. Delivering Wellness

We are actively involved in spreading disease knowledge and providing timely treatment to enhance public awareness and save lives. In doing so, we bring warmth and health to the patients.

6.2.1. World Stroke Day

In line with the guiding principle of the *Guideline of the State Council on Implementing the Healthy China Initiative*, we have carried out stroke disease science popularization activities for 3 consecutive years. In 2022, we held a series of education activities for World Stroke Day, which was themed as "Identifying Strokes As Soon As Possible", to spread knowledge on early identification, prevention and control of strokes. During the activities, health ambassadors went to communities and shopping malls to popularise knowledge on the disease, risk factors, and prevention and control measures. At the same time, they explained the triggering factors and key points on prevention and control, played video about strokes, and distributed brochures for citizens. Meanwhile, we have provided prevention and control brochures for departments in 112 hospitals. With activities about World Stroke Day, we hope to enhance public awareness and ensure timely rescue.



World Stroke Day

6.2.2. Health Guard

We stood together with patients and medical workers during the special period, providing concrete support for the society. In April 2022, facing with the shortage of medical resources, we built teams of clinical services and material supply with various parties, and actively take all measures to safeguard product and operation. In this context, we delivered therapeutic products to six to seven hospitals, engaged in six to seven emergency stroke surgeries and teamed up with clinical doctors to save patients' lives.



Health Guard



APPENDIX: INDEX TO THE HKEX'S ESG REPORTING GUIDE

Aspect	Description	Title of sections
A1	Emissions	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	
A1.1	The types of emissions and respective emissions data.	Low-Carbon Operation for Environmental Protection
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	
A1.5	Description of emission target(s) set and steps taken to achieve them.	
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.	
A2	Use of Resources	
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	
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).	Low-Carbon Operation for Environmental Protection
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	
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.	
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	
A3	The Environment and Natural Resources	
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	Low-Carbon Operation for Environmental Protection
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	

Environmental, Social and Governance Report (Continued)

Aspect	Description	Title of sections
A4 General Disclosure A4.1	Climate Change Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer. Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Low-Carbon Operation for Environmental Protection
B1 General Disclosure B1.1 B1.2	Employment 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. Total workforce by gender, employment type (for example, full-or part-time), age group and geographical region. Employee turnover rate by gender, age group and geographical region.	Caring for Employees and Seeking Mutual Development
B2 General Disclosure B2.1 B2.2 B2.3	Health and Safety 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. Number and rate of work-related fatalities occurred in each of the past three years including the reporting year. Lost days due to work injury. Description of occupational health and safety measures adopted and how they are implemented and monitored.	Caring for Employees and Seeking Mutual Development
B3 General Disclosure B3.1 B3.2	Development and Training Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. The percentage of employees trained by gender and employee category (e.g. senior management, middle management). The average training hours completed per employee by gender and employee category.	Caring for Employees and Seeking Mutual Development



Aspect	Description	Title of sections
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.	Caring for Employees and Seeking Mutual Development
B4.1	Description of measures to review employment practices to avoid child and forced labour.	
B4.2	Description of steps taken to eliminate such practices when discovered.	
B5	Supply Chain Management	
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Operating with Integrity and Creating Value Across the Industry
B5.1	Number of suppliers by geographical regions.	
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	
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.	Quality Control and Innovation for Healthcare
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	
B6.2	Number of products and service-related complaints received and how they are dealt with.	
B6.3	Description of practices relating to observing and protecting intellectual property rights.	
B6.4	Description of quality assurance process and recall procedures.	
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	

Aspect	Description	Title of sections
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.	Responsible Management and Compliant Operation
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.	
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	
B7.3	Description of anti-corruption training provided to directors and staff.	
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.	Convergence of Love and Giving Back to the Society
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	
B8.2	Resources contributed (e.g. money or time) to the focus area.	

INDEPENDENT AUDITOR'S REPORT



Independent auditor's report to the shareholders of MicroPort NeuroTech Limited

(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of MicroPort NeuroTech Limited ("**the Company**") and its subsidiaries ("**the Group**") set out on pages 124 to 216 which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("**the Code**") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, 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 matters

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.

Revenue recognition

Refer to note 3 to the consolidated financial statements and the accounting policies on pages 154 to 155.

The Key Audit Matter

The Group recognises revenue from the sale of medical devices at a point in time when control of goods is transferred to the customer. The amount to which the Group expects to be entitled can vary due to sales rebates granted to customers explicitly identified in the sales contracts signed with customers.

The Group uses distributorship business model to sell its medical devices. In addition to the distribution agreements, the Group also signs consignment agreements with certain distributors. Thus, the time when control of goods is transferred may vary under different circumstances.

How the matter was addressed in our audit

Our audit procedures to revenue recognition included the following:

- obtaining an understanding of and assessing and testing the design, implementation and operating effectiveness of management's key internal controls in relation to revenue recognition including the timing of revenue recognition, the variable consideration and management's review of the calculation of and adjustments for sales rebates;
- inspecting, on a sample basis, key customer contracts to identify terms and conditions relating to transfer of goods control and sales rebates and assessing the Group's revenue recognition policies with reference to the requirements of the prevailing accounting standards;

Key audit matters (continued)

Revenue recognition

Refer to note 3 to the consolidated financial statements and the accounting policies on pages 154 to 155.

The Key Audit Matter

The sales rebates granted to customers are based on different factors, including purchase volume from distributors, sales volume to end-customers. Revenue from sales subject to rebate arrangements is recognised at the net amount of consideration to which the Group is entitled, after adjusting for the estimated amount that the Group may be required to rebate to the customer in respect of these sales, unless it is highly probable that the customer will not satisfy the rebate entitlement criteria within the rebate period.

We identified the recognition of revenue as a key audit matter because (i) revenue is a key performance indicator of the Group and is, therefore, subject to possible manipulation through the timing of revenue recognition to meet targets or expectations, (ii) the variety of different terms of sale may affect the timing of the recognition of revenue.

How the matter was addressed in our audit

- selecting samples of sales rebate transactions recorded during the year and comparing the parameters used in the calculation of the rebate (such as purchase volumes and rebate rates) with the relevant source documents to assess whether the methodology adopted in the calculation of the sales rebates was in accordance with the terms and conditions defined in the corresponding rebate arrangements;
- comparing, on a sample basis, specific revenue transactions recorded before and after the financial year end date with relevant underlying documentation, which included goods dispatch notes, shipping documents and other documents, as applicable under the different sales contracts, to assess whether the related revenue had been recognised in the appropriate financial period on the basis of the terms of sale as set out in the respective sales contracts; and
- inspecting underlying documentation for journal entries relating to revenue which met specific risk-based criteria.

Key audit matters (continued)

Assessing potential impairment of intangible assets

Refer to note 11 to the consolidated financial statements and the accounting policies on pages 146 to 147.

The Key Audit Matter

The carrying values of the Group's intangible assets as at 31 December 2022 was RMB131.7 million. Intangible assets are primarily related to capitalised development costs for certain products.

Management performs annual impairment assessments of the intangible assets that are not yet available for use and also performs impairment assessments for specific intangible assets when the management identifies related impairment indicators by comparing the carrying values of these assets with their recoverable amounts being the higher of the fair value less costs of disposal and the value in use.

The preparation of discounted cash flow forecasts involves the exercise of significant management judgment, in particular in assessing future revenue growth, future gross margins, future capital expenditure and working capital movements and appropriate discount rates.

We identified the assessment of potential impairment of intangible assets as a key audit matter because such assessment, if any, involves a significant degree of management judgement, which can be inherently uncertain and could be subject to management bias.

How the matter was addressed in our audit

Our audit procedures to assessing potential impairment of intangible assets included the following:

- evaluating management's identification of the impairment indicators related to the intangible assets and assessing the methodology adopted by management in its impairment assessments with reference to the requirements of the prevailing accounting standards;
- evaluating the key assumptions adopted in the preparation of the discounted cash flow forecasts by comparing data in the discounted cash flow forecasts with the relevant data, including forecast revenue, forecast cost of sales and forecast operating expenses, in the financial budgets which was approved by the board of directors and with available industry statistics;
- comparing the data in discounted cash flow forecasts prepared in the prior year with the current year's performance to assess how accurate the prior year's discounted cash flow forecasts were and making enquiries of management as to the reasons for any significant variations identified;

Key audit matters (continued)

Assessing potential impairment of intangible assets

Refer to note 11 to the consolidated financial statements and the accounting policies on pages 146 to 147.

The Key Audit Matter

How the matter was addressed in our audit

- performing a sensitivity analysis of key assumptions, including future revenue growth rates and the discount rates applied in the discounted cash flow forecasts and considering the resulting impact on the impairment charge for the year and whether there were any indicators of management bias in the selection of these key assumptions; and
- considering the disclosures in the consolidated financial statements in respect of management's impairment assessments of intangible assets with reference to the requirements of the prevailing accounting standards.

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 responsibility 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 HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

- 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.

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

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

KPMG

Certified Public Accountants

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

29 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022
(Expressed in Renminbi)

	Note	2022 RMB'000	2021 RMB'000
Revenue	3	547,350	382,799
Cost of sales		(154,350)	(84,445)
Gross profit		393,000	298,354
Other net income	4	32,921	25,299
Research and development costs		(123,270)	(94,133)
Distribution costs		(86,801)	(69,228)
Administrative expenses		(67,654)	(47,243)
Other operating costs	5(c)	(26,481)	(28,320)
Profit from operations		121,715	84,729
Finance costs	5(a)	(99,422)	(45,309)
Share of losses of an associate		(26,619)	(7,517)
(Loss)/profit before taxation	5	(4,326)	31,903
Income tax	6(a)	(20,352)	(7,733)
(Loss)/profit for the year		(24,678)	24,170
Attributable to:			
Equity shareholders of the Company		(21,765)	24,170
Non-controlling interests		(2,913)	—
(Loss)/profit for the year		(24,678)	24,170
(Loss)/earnings per share (RMB)	9		
Basic and diluted		(0.04)	0.05

The notes on pages 132 to 216 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in Note 26(b).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022
(Expressed in Renminbi)

	2022 RMB'000	2021 RMB'000
(Loss)/profit for the year	(24,678)	24,170
Other comprehensive income for the year, net of nil tax		
Item that will not be reclassified to profit or loss:		
Exchange differences on translation of financial statements of the Company	30,285	(3,182)
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign subsidiaries	(42,060)	7,438
Other comprehensive income for the year	(11,775)	4,256
Total comprehensive income for the year	(36,453)	28,426
Attributable to:		
Equity shareholders of the Company	(33,540)	28,426
Non-controlling interests	(2,913)	—
Total comprehensive income for the year	(36,453)	28,426

The notes on pages 132 to 216 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in Renminbi)

	Note	31 December 2022 RMB'000	31 December 2021 RMB'000
Non-current assets			
Property, plant and equipment	10	193,566	212,238
Investment property	10	13,268	13,611
		206,834	225,849
Intangible assets	11	131,650	127,385
Interest in an associate	13	155,501	168,211
Deferred tax assets	22(b)	11,642	7,398
Other non-current assets	14	26,688	27,345
		532,315	556,188
Current assets			
Financial assets measured at fair value through profit or loss	15	266,053	—
Inventories	16	114,726	87,959
Trade and other receivables	17	35,256	102,908
Time deposit	18	40,721	—
Cash and cash equivalents	18	827,929	593,287
		1,284,685	784,154
Current liabilities			
Trade and other payables	19	188,703	129,666
Contract liabilities	20	11,632	12,403
Lease liabilities	21	24,725	27,993
Derivative financial instruments		272	—
Income tax payables	22(a)	18,468	4,148
		243,800	174,210
Net current assets		1,040,885	609,944
Total assets less current liabilities		1,573,200	1,166,132

The notes on pages 132 to 216 form part of these financial statements.

Consolidated Statement of Financial Position (Continued)

(Expressed in Renminbi)

	Note	31 December 2022 RMB'000	31 December 2021 RMB'000
Non-current liabilities			
Lease liabilities	21	60,519	81,705
Deferred income	23	19,136	18,124
Other financial liabilities	24	—	1,237,990
Other non-current liabilities		7,894	3,253
		87,549	1,341,072
NET ASSETS/(LIABILITIES)			
		1,485,651	(174,940)
CAPITAL AND RESERVES			
	26		
Share capital		76	60
Reserves		1,472,727	(175,000)
Non-controlling interest		12,848	—
TOTAL EQUITY/(DEFICIT)			
		1,485,651	(174,940)

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

Peng Bo
Director

Xie Zhiyong
Director

The notes on pages 132 to 216 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022
(Expressed in Renminbi)

	Note	Attributable to equity shareholders of the Company						Total	Non-controlling interests	Total equity/ (deficit)
		Share capital	Share premium	Exchange reserve	Capital reserve	Statutory general reserve	Retained earnings			
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2021		63,531	—	(3,272)	192,183	14,566	105,874	372,882	—	372,882
Changes in equity for 2021										
Profit for the year		—	—	—	—	—	24,170	24,170	—	24,170
Other comprehensive income		—	—	4,256	—	—	—	4,256	—	4,256
Total comprehensive income		—	—	4,256	—	—	24,170	28,426	—	28,426
Issuance of ordinary shares	26(c)(iii)	65	276,963	—	—	—	—	277,028	—	277,028
Issuance of convertible bonds		—	—	—	4,478	—	—	4,478	—	4,478
Deemed distributions to the shareholder upon the Restructuring (as defined in Note 1)	26(c)(iii)	(63,531)	—	—	(212,491)	—	—	(276,022)	—	(276,022)
Issuance of the Series A-2 Preferred Shares	24	—	—	—	26,178	—	—	26,178	—	26,178
Re-classification and re-designation from ordinary shares to the Series A-2 Preferred Shares	24	(5)	(276,963)	—	(381,448)	—	—	(658,416)	—	(658,416)
Exchange of the convertible bonds and the issuance of the Series A-1 Preferred Shares	24	—	—	—	48,904	—	—	48,904	—	48,904
Appropriation of statutory general reserve		—	—	—	—	10,015	(10,015)	—	—	—
Equity-settled share-based transactions	25	—	—	—	1,602	—	—	1,602	—	1,602
Balance at 31 December 2021		60	—	984	(320,594)	24,581	120,029	(174,940)	—	(174,940)

The notes on pages 132 to 216 form part of these financial statements.

Consolidated Statement of Changes in Equity (Continued)

For the year ended 31 December 2022

(Expressed in Renminbi)

	Note	Attributable to equity shareholders of the Company							Non-controlling interests	Total (deficit)/equity
		Share capital	Share premium	Exchange reserve	Capital reserve	Statutory general reserve	Retained earnings	Total		
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2022		60	—	984	(320,594)	24,581	120,029	(174,940)	—	(174,940)
Changes in equity for 2022										
Loss for the year		—	—	—	—	—	(21,765)	(21,765)	(2,913)	(24,678)
Other comprehensive income		—	—	(11,775)	—	—	—	(11,775)	—	(11,775)
Total comprehensive income		—	—	(11,775)	—	—	(21,765)	(33,540)	(2,913)	(36,453)
Issuance of ordinary shares	26(c)(v)	2	276,138	—	—	—	—	276,140	—	276,140
Conversion of preferred shares into ordinary shares	26(c)(vi)	14	1,101,653	—	290,286	—	—	1,391,953	—	1,391,953
Capital contributions from non-controlling interests		—	—	—	1,049	—	—	1,049	15,761	16,810
Appropriation of statutory general reserve		—	—	—	—	14,229	(14,229)	—	—	—
Equity-settled share-based transactions	25	—	—	—	12,141	—	—	12,141	—	12,141
Balance at 31 December 2022		76	1,377,791	(10,791)	(17,118)	38,810	84,035	1,472,803	12,848	1,485,651

The notes on pages 132 to 216 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2022
(Expressed in Renminbi)

	Note	2022 RMB'000	2021 RMB'000
Operating activities			
Cash generated from operations	18(b)	234,074	168,299
Tax paid		(10,276)	(11,455)
Tax refund		—	562
Net cash generated from operating activities		223,798	157,406
Investing activities			
Payments for the purchase of property, plant and equipment		(32,272)	(49,436)
Payments for the purchase of intangible assets, including expenditures on capitalised development costs		(15,673)	(8,544)
Payments for the investments in an associate and other investments		—	(129,706)
Proceeds from disposal of property, plant and equipment		—	74
Placement of time deposits		(50,000)	(40,000)
Uplift of time deposits		10,092	40,822
Payments for the purchase of financial assets measured at FVPL	15	(256,670)	—
Net cash used in investing activities		(344,523)	(186,790)
Financing activities			
Capital element of lease rentals paid		(25,634)	(13,282)
Interest element of lease rentals paid		(4,495)	(2,665)
Lease deposits refund/(paid)		47	(27,067)
Proceeds from issuance of convertible bonds		—	129,208
Interest paid for convertible bonds		—	(17,921)
Capital contribution from shareholders		66,669	277,028
Deemed distributions to the shareholder upon the Restructuring		—	(344,002)
Proceeds from issuance of the Series A-2 Preferred Shares		—	199,447
Shares issued upon completion of initial public offerings, net of transaction cost	26(c)	276,140	—
Capital contribution from non-controlling interests		16,810	—
Net cash generated from financing activities		329,537	200,746

Consolidated Cash Flow Statement (Continued)

For the year ended 31 December 2022
(Expressed in Renminbi)

	Note	2022 RMB'000	2021 RMB'000
Net increase in cash and cash equivalents		208,812	171,362
Cash and cash equivalents at 1 January		593,287	425,493
Effect of foreign exchanges rates changes		25,830	(3,568)
Cash and cash equivalents at 31 December		827,929	593,287

The notes on pages 132 to 216 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

1 Significant accounting policies

(a) Statement of compliance

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

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of MicroPort NeuroTech Limited (“**the Company**”) and its subsidiaries (“**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 Company was incorporated in the Cayman Islands on 30 September 2020 as an exempted company with limited liability under the Companies Act (As Revised) of the Cayman Islands.

The Company has not carried out any business since the date of its incorporation save for the Group’s reorganisation below. The Group are principally engaged in the research and development, manufacturing and sale of neuro-interventional medical devices.

During the years ended 31 December 2021 and 2022, the Group’s business was primarily conducted through MicroPort NeuroTech (Shanghai) Co., Ltd. (“**MP NeuroTech Shanghai**”). As part of the Group restructuring (the “**Restructuring**”), the Group obtained control of MP NeuroTech Shanghai in 2021.

Upon the completion of the Restructuring in August 2021, the Company became the holding company of the Group. The Restructuring principally involved inserting certain investment holding companies with no substantive operations as the new holding companies of MP NeuroTech Shanghai. There were no changes in the economic substance of the ownership and the business of the Group before and after the Restructuring. Accordingly, the consolidated financial statements has been prepared and presented as a continuation of the financial information of the business with the assets and liabilities recognised and measured at their historical carrying amounts prior to the Restructuring. Intra-group balances, transactions and unrealised gain/loss on intra-group transactions are eliminated in full in preparing the consolidated financial statements.

1 Significant accounting policies (continued)

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

The consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated cash flow statement of the Group for the years ended 31 December 2021 as set out in this report include the financial performance and cash flows of the companies now comprising the Group as if the current group structure had been in existence and unchanged throughout the reporting period.

The consolidated financial statements for the year ended 31 December 2022 comprise the Company and its subsidiaries and the Group's interest in associates and a joint venture.

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 debt and equity securities (see Note 1(f)).
- Derivative financial instruments (see Note 1(g)).

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

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

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

1 Significant accounting policies (continued)

(c) Changes in accounting policies

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

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

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

(d) Subsidiaries and non-controlling interests

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

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

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

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

1 Significant accounting policies (continued)

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

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

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

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

(e) Associates and joint ventures

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

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

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

1 Significant 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 expected credit losses ("ECL") model to such other long-term interests where applicable (see Note 1(l)(i)).

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

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

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

(f) Other investments in debt and equity securities

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

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("FVPL") for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 27(e). These investments are subsequently accounted for as follows, depending on their classification.

1 Significant accounting policies (continued)

(f) Other investments in debt and equity securities (continued)

(i) Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see Note 1(w)(iv)).
- fair value through other comprehensive income (“**FVOCI**”)-recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.
- FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(ii) Equity investments

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

1 Significant accounting policies (continued)

(g) Derivative financial instruments

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

(h) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see Note 1(k)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at cost less accumulated depreciation and impairment losses (see Note 1(l)(ii)). Depreciation is calculated to write off the cost of investment property less its estimated residual value using the straight-line method over its estimated useful life. Rental income from investment properties is accounted for as described in Note 1(w)(ii).

(i) Property, plant and equipment

Property, plant and equipment, including right-of-use assets arising from leases over leasehold properties and of underlying plant and equipment (see Note 1(k)) are stated at cost less accumulated depreciation and impairment losses (see Note 1(l)(ii)).

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

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

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

1 Significant accounting policies (continued)

(i) Property, plant and equipment (continued)

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

- Buildings 43–45 years
- Leasehold improvements are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being 3 to 10 years from the date of completion;
- Equipment and machinery 10 years
- Office equipment, furniture and fixtures 5 years
- Motor vehicles 5 years

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

(j) Intangible assets

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

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

1 Significant accounting policies (continued)

(j) Intangible assets (continued)

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

— Software	3 years
— Capitalised development costs	10 years

The useful life of capitalised development costs is estimated based on the expected life cycle of the underlying product since the commercialisation. Both the period and method of amortisation are reviewed annually.

(k) Leased assets

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

(i) As a lessee

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

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

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

1 Significant accounting policies (continued)

(k) Leased assets (continued)

(i) As a lessee (continued)

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

The initial fair value of refundable rental deposits is accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in debt securities carried at amortised cost (see Notes 1(f)(i), 1(w)(iv) and 1(l)(i)). Any difference between the initial fair value and the nominal value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

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

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

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

1 Significant accounting policies (continued)

(k) Leased assets (continued)

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with Note 1(w)(ii).

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in Note 1(k)(i), then the Group classifies the sub-lease as an operating lease.

(l) Credit losses and impairment of assets

(i) Credit losses from financial instruments, contract assets and lease receivables

The Group recognises a loss allowance for ECLs on the following items:

- financial assets measured at amortised cost (including cash and cash equivalents, time deposits and trade and other receivables, which are held for the collection of contractual cash flows which represent solely payments of principal and interest;
- contract assets as defined in HKFRS 15 (see Note 1(n)); and
- lease receivables.

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

1 Significant accounting policies (continued)

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

(i) Credit losses from financial instruments, contract assets and lease receivables (continued)

Measurement of ECLs

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

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

- fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate; and
- lease receivables: discount rate used in the measurement of the lease receivable.

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

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

ECLs are measured on either of the following bases:

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

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

1 Significant accounting policies (continued)

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

(i) Credit losses from financial instruments, contract assets and lease receivables (continued)

Measurement of ECLs (continued)

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

Significant increases in credit risk

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

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

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

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

1 Significant accounting policies (continued)

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

(i) Credit losses from financial instruments, contract assets and lease receivables (continued)

Significant increases in credit risk (continued)

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

Basis of calculation of interest income

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

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

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

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

1 Significant accounting policies (continued)

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

(i) Credit losses from financial instruments, contract assets and lease receivables (continued)

Write-off policy

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

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

(ii) Impairment of other non-current assets

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

- investment properties and other property, plant and equipment, including right-of-use assets;
- intangible assets;
- investments in an associate; and
- investments in a subsidiary in the Company's statement of financial position;

If any such indication exists, the asset's recoverable amount is estimated. In addition, for intangible assets that are not yet available for use, the recoverable amount is estimated annually whether or not there is any indication of impairment.

1 Significant accounting policies (continued)

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

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

— **Calculation of recoverable amount**

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

— **Recognition of impairment losses**

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

— **Reversals of impairment losses**

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

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

1 Significant accounting policies (continued)

(m) Inventories

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

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

Cost is calculated using the moving weighted average method 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.

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

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

(n) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see Note 1(w)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECLs in accordance with the policy set out in Note 1(l)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see Note 1(o)).

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

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see Note 1(w)).

1 Significant accounting policies (continued)

(o) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see Note 1(n)).

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

(p) Cash and cash equivalents

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

(q) Preferred shares

The preferred shares issued by the Company are classified, on the basis of their component parts, as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Preferred shares issued by the Company are classified as equity if they are non-redeemable by the Company or redeemable only at the Company's option, and any dividends are discretionary. Dividends on preferred shares capital classified as equity are recognised as distributions within equity.

Preferred shares are classified as financial liabilities if they are redeemable on a specific date or at the option of the shareholders (including options that are only exercisable in case of triggering events having occurred), or if dividend payments are not discretionary. The liability is recognised and measured in accordance with the Group's policy for interest-bearing borrowings set out in Note 1(y) and accordingly dividends thereon are recognised on an accrual basis in profit or loss as part of finance costs.

1 Significant accounting policies (continued)

(q) Preferred shares (continued)

Conversion features of preferred shares are classified separately as equity if the option will be settled by exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments. The equity component is the difference between the initial fair value of the preferred shares as a whole and the initial fair value of the liability component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

(r) Trade and other payables

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

(s) Convertible bonds that contain an equity component

Convertible bonds that can be converted into ordinary shares at the option of the holder, where a fixed number of shares are issued for a fixed amount of cash or other financial assets, are accounted for as compound financial instruments, i.e. they contain both a liability component and an equity component.

At initial recognition the liability component of the convertible bonds is measured at the fair value based on the future interest and principal payments, discounted at the prevailing market rate of interest for similar non-convertible instruments. The equity component is the difference between the initial fair value of the convertible bonds as a whole and the initial fair value of the liability component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. Interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is not remeasured and is recognised in the capital reserve until either the bonds are converted or redeemed.

If the bonds are converted, the capital reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the bonds are redeemed, the capital reserve is released directly to retained profits.

When the Group extinguishes the bonds before maturity through an early redemption or repurchase in which the original conversion privileges are unchanged, the Group allocates consideration paid and any transaction costs for the repurchase or redemption to the liability and equity components of the bonds at the date of such transaction. The method used in allocating is consistent with that used in the original allocation when the bonds were issued. Once the allocation is made, any resulting gain or loss relating to the liability and equity components is recognised in profit or loss and in equity, respectively.

1 Significant accounting policies (continued)

(t) Employee benefits

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

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

(ii) Share-based payments

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

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

(iii) Termination benefits

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

Notes to the financial statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

1 Significant accounting policies (continued)

(u) Income tax

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

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

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

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

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

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

1 Significant accounting policies (continued)

(u) Income tax (continued)

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

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

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

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(v) Provisions, contingent liabilities and onerous contracts

(i) Provisions and contingent liabilities

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

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

1 Significant accounting policies (continued)

(v) Provisions, contingent liabilities and onerous contracts (continued)

(i) Provisions and contingent liabilities (continued)

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

(ii) Onerous contracts

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of continuing with the contract.

(w) Revenue and other income

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

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.

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

(i) Sale of medical devices

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

1 Significant accounting policies (continued)

(w) Revenue and other income (continued)

(i) Sale of medical devices (continued)

The amount of the revenue recognised is adjusted for the expected returns, which are estimated based on the historical return rate. Accordingly, a refund liability and a right to recover returned good asset are recognised, where applicable.

The right to recover returned goods asset is recognised only when the returned goods are available to resell. The refund liability is included in other payables and the right to recover returned goods, if any, is included in the inventories. The Group reviews its estimate of expected returns at each reporting date and updates the amounts of the assets and liabilities accordingly.

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

(iii) Dividends

- Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.
- Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(iv) Interest income

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

1 Significant accounting policies (continued)

(w) Revenue and other income (continued)

(v) Government grants

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

(x) Translation of foreign currencies

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

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

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

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

(y) Borrowing costs

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

1 Significant accounting policies (continued)

(y) Borrowing costs (continued)

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

(z) Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
- (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (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.

Notes to the financial statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

1 Significant accounting policies (continued)

(z) Related parties (continued)

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

(aa) Segment reporting

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

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

2 Accounting judgements 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) Research and development expenses

Development expenses incurred on the Group's pipelines are capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the pipeline so that it will be available for use or sale, the Group's intention to complete and the Group's ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the pipeline and the ability to measure reliably the expenditure during the development. Development expenses which do not meet these criteria are recognised as an expense in profit or loss when incurred. Management will assess the progress of each of the development projects and determine the criteria met for capitalisation.

2 Accounting judgements and estimates (continued)

(b) Sources of estimation uncertainty

Notes 25 and 27(e) contain information about the assumptions and their risk factors relating to fair value of equity-settled share-based payment transactions and financial instruments. Other significant sources of estimation uncertainty are as follows:

(i) Impairment of capitalised development costs

The Group is required to test capitalised development costs assets not available for use on an annual basis. Intangible assets are tested whenever events or changes in circumstances indicate that the carrying amount of those assets exceeds its recoverable amount. The recoverable amount is determined based on the higher of fair value less cost to sell and value in use.

Determination of the value in use is an area involving management judgement in order to assess whether the carrying value of the intangible assets can be supported by the net present value of future cash flows. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters including management's expectations of (i) timing of commercialisation, productivity and market size; (ii) revenue compound growth rate; (iii) costs and operating expenses; and (iv) the selection of discount rates to reflect the risks involved.

(ii) Sale returns

The Group only permits the distributors to return or exchange the near-expiry products under the situations specified in the distribution agreements. The Group assesses that such return/exchange would not result in any significant outflow of the Group's embodying economic benefits. The Group has recorded refund liabilities under trade and other payables based on the expected return/exchange rate.

(iii) Impairment of investment in an associate

The Group assesses whether there are any indicators of impairment for investment in an associate at the end of each reporting period. An impairment exists when the carrying amount of the investment in an associate exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use.

Determination of the value in use is an area involving management judgement in order to assess whether the carrying value of the investment in an associate can be supported by its share of the net present value of future cash flows expected to be generated by the associate. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters including management's expectations of (i) revenue compound growth rate; (ii) costs and operating expenses; and (iii) the selection of discount rates to reflect the risks involved.

Notes to the financial statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

3 Revenue and segment reporting

(a) Revenue

The Group sells medical devices through appointed distributors.

For the purpose of resources allocation and performance assessment, the Group's management focuses on the operating results of the Group as a whole. As such, the Group's resources are integrated and no discrete operating segment information is available. Accordingly, no operating segment information is presented.

(i) Disaggregation of revenue

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

	2022 RMB'000	2021 RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
Sales of medical devices — point in time	545,867	381,425
Revenue from other sources		
Gross rentals	1,483	1,374
	547,350	382,799

Revenue from each major customer which accounted for 10% or more of the Group's revenue during the year ended 2021 and 2022 is set out below:

	2022 RMB'000	2021 RMB'000
Customer A	147,508	110,542
Customer B	137,452	101,120
Customer C	108,067	86,769
Customer D	67,624	41,049

3 Revenue and segment reporting (continued)

(a) Revenue (continued)

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

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its sales contracts of medical devices such that the Group does not include information about revenue that the Group will be entitled to when it satisfied the remaining performance obligations under the contracts for sales of medical devices that had an original expected duration of one year or less.

(b) Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from customers and (ii) the Group's property, plant and equipment, investment property, intangible assets and interest in an associate ("**specified non-current assets**"). The geographical location of customers is based on the location at which the goods were delivered. 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 and investment property, the location of the operation to which they are allocated, in the case of intangible assets and other non-current financial assets, and the location of operations, in the case of interest in an associate.

Revenue from customers

	2022 RMB'000	2021 RMB'000
The PRC (place of domicile)	525,440	382,189
Outside the PRC	21,910	610
	547,350	382,799

Specified non-current assets

	31 December 2022 RMB'000	31 December 2021 RMB'000
The PRC (place of domicile)	338,484	353,234
Israel	155,501	168,211
	493,985	521,445

Notes to the financial statements (Continued)
(Expressed in Renminbi unless otherwise indicated)

4 Other net income

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Fair value changes in financial instruments (Note 27(e))	—	12,098
Fair value changes in financial assets measured at fair value (Note 15)	1,695	—
Government grants (i)	21,657	6,106
Interest income on financial assets measured at amortised cost	9,970	3,957
Net foreign exchange loss	(540)	(160)
Net (loss)/gain on disposal of property, plant and equipment	(30)	394
Fair value change of derivative financial instruments	(272)	—
Others	441	2,904
	32,921	25,299

Note:

- (i) Majority of the government grants are subsidies received from government for encouragement of research and development projects and overseas markets developments.

5 (Loss)/profit before taxation

(Loss)/profit before taxation is arrived at after charging/(crediting):

(a) Finance costs

	2022 RMB'000	2021 RMB'000
Interest on convertible bonds	—	22,875
Interest on other financial liabilities (Note 18(c))	94,782	19,660
Interest on lease liabilities	4,495	2,665
Total interest expenses on financial liabilities not at fair value through profit or loss	99,277	45,200
Others	145	109
	99,422	45,309

5 (Loss)/profit before taxation (continued)

(b) Staff costs[#]

	2022 RMB'000	2021 RMB'000
Contributions to defined contribution retirement plans <i>(Note)</i>	12,955	8,745
Equity-settled share-based payment expenses <i>(Note 25)</i>	12,141	6,753
Salaries, wages and other benefits	135,332	104,029
	160,428	119,527

Note: As stipulated by the labour regulations of the PRC, the Group also 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 percentage of the eligible employees' salaries during the year.

(c) Other operating costs

	2022 RMB'000	2021 RMB'000
Restructuring related expenses	—	982
Listing expenses	22,659	26,338
Donations	3,822	1,000
	26,481	28,320

Notes to the financial statements (Continued)
(Expressed in Renminbi unless otherwise indicated)

5 (Loss)/profit before taxation (continued)

(d) Other items

	2022 RMB'000	2021 RMB'000
Amortisation of intangible assets# (Note 11)	14,517	11,114
Depreciation charge# (Note 10)		
— owned property, plant and equipment and investment property	16,248	6,235
— right-of-use assets	27,067	15,573
	43,315	21,808
Less: Capitalised into intangible assets	(1,131)	(1,199)
	42,184	20,609
Research and development expenditure	141,532	102,911
Less: Development costs capitalised into intangible assets (Note 11)	(18,262)	(8,778)
	123,270	94,133
Cost of inventories# (Note 16(b))	191,353	115,969
Auditors' remuneration		
— audit services	5,031	4,225
— non-audit services	143	1,482
	5,174	5,707

Cost of inventories includes RMB52,318,000 (2021: RMB27,434,000), relating to depreciation and amortisation expenses and staff costs, which is also included in the respective total amounts disclosed separately above or in Note 5(b) for each of these types of expenses.

6 Income tax in the consolidated statement of profit or loss

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

	2022 RMB'000	2021 RMB'000
Current tax – PRC Corporate Income Tax (“CIT”)		
Provision for the year	24,596	10,785
Deferred tax		
Origination and reversal of temporary differences	(4,244)	(3,052)
	20,352	7,733

(i) Cayman Islands and British Virgin Islands tax

Pursuant to the current rules and regulations of Cayman Islands and British Virgin Islands, the Company and its subsidiaries located in the Cayman Islands and British Virgin Islands are not subject to any income tax in these jurisdictions.

(ii) Hong Kong Profits Tax

The Company's subsidiary incorporated in Hong Kong is subject to Hong Kong Profits Tax at 16.5% of the estimated assessable profits. No provision for Hong Kong Profits Tax has been made for the year ended 31 December 2022 and 2021 as there are no assessable profits during the year.

(iii) PRC CIT

Pursuant to the CIT Law of the PRC, all of the Company's PRC subsidiaries are liable to PRC CIT at a rate of 25%, except for MicroPort NeuroTech (Shanghai) Co., Ltd. (“**MP NeuroTech Shanghai**”), which is entitled to a preferential income tax rate of 15% as it is certified as a “High and New Technology Enterprise” (“**HNTE**”) during the year ended 31 December 2022 and 2021. According to Guoshuihan 2009 No. 203, if an entity is certified as an HNTE, it is entitled to a preferential income tax rate of 15% during the certified period.

According to a new tax incentives policy promulgated by the State Tax Bureau of the PRC, an additional 100% of qualified research and development expenses incurred from 1 January 2021 onwards is allowed to be deducted.

The CIT law and its relevant regulations also impose a withholding tax at 10% on the foreign investors with respect to dividend distributions made out of the PRC entities from earnings accumulated from 1 January 2008, unless the foreign investors meet certain requirements specified in the relevant tax regulations in the PRC and accordingly are entitled to a preferential rate of 5%.

6 Income tax in the consolidated statement of profit or loss (continued)

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

	2022 RMB'000	2021 RMB'000
(Loss)/profit before taxation	(4,326)	31,903
Notional tax on profit before taxation, calculated at the rates applicable to profit in the countries concerned	32,015	23,335
Effect of the preferential income tax rate (Note 6(a)(iii))	(12,381)	(5,156)
Effect of other non-deductible expenses	12,014	5,346
Effect of additional deduction on research and development expenses (Note 6(a)(iii))	(15,854)	(16,901)
Effect of tax losses not recognised	4,558	1,109
Actual tax expenses	20,352	7,733

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:

	Year ended 31 December 2022					
	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 payments (note) RMB'000	Total RMB'000
Directors						
Bo Peng	—	—	—	—	—	—
Zhiyong Xie	—	1,127	1,616	—	89	2,832
Yiqun Bruce Wang	—	960	1,016	—	—	1,976
Lin Wang	—	—	—	—	—	—
Xia Wu	—	—	—	—	—	—
Yi Xu	105	—	—	—	—	105
Haixiao Zhang	105	—	—	—	—	105
Siu Chi Hung	105	—	—	—	—	105
	315	2,087	2,632	—	89	5,123

7 Directors' emoluments (continued)

	Year ended 31 December 2021					
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Equity-settled share-based payments (note) RMB'000	Total RMB'000
Directors						
Bo Peng	—	—	—	—	—	—
Zhiyong Xie	—	1,099	1,315	—	1,159	3,573
Yiqun Bruce Wang	—	960	1,014	—	932	2,906
Chuan Luo	—	—	—	—	—	—
Lin Wang	—	—	—	—	—	—
Xia Wu	—	—	—	—	—	—
	—	2,059	2,329	—	2,091	6,479

Note:

These represent the estimated value of share-based transactions with the directors, the details of which are disclosed in Note 25. The value of these share-based transactions is measured according to the Group's accounting policies for share-based payment transactions as set out in Note 1(t)(ii).

8 Individuals with highest emoluments

Of the five individuals with the highest emoluments, two (2021: two) are directors whose emoluments are disclosed in Note 7. The aggregate of the emoluments in respect of the other three (2021: three) individuals are as follows:

	2022 RMB'000	2021 RMB'000
Salaries and other benefits	2,522	2,270
Discretionary bonuses	2,181	2,082
Equity-settled share-based payments	55	1,911
	4,758	6,263

Notes to the financial statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

8 Individuals with highest emoluments (continued)

The emoluments of the individuals who are not director and with the highest emoluments are within the following bands:

	2022 Number of individuals	2021 Number of individuals
HK\$Nil to HK\$1,000,000	—	—
HK\$1,000,001 to HK\$1,500,000	1	—
HK\$1,500,001 to HK\$2,000,000	1	1
HK\$2,000,001 to HK\$2,500,000	—	1
HK\$2,500,001 to HK\$3,000,000	1	—
HK\$3,000,001 to HK\$3,500,000	—	1

9 (Loss)/earnings per share

The calculation of the basic (loss)/earnings per share during the year is based on the loss for the year attributable to ordinary equity shareholders of the Company divided by the weighted average number of ordinary shares in issue and on the assumption that the share subdivision as disclosed in Note 26(c) had been in effective on 1 January 2021, calculated as follows:

(i) (Loss)/earnings of the year attributable to ordinary equity shareholders of the Company

	2022 RMB'000	2021 RMB'000
(Loss)/earnings of the year attributable to ordinary equity shareholders of the Company	(21,765)	24,170

9 (Loss)/earnings per share (continued)

(ii) Weighted average number of ordinary shares

	2022 RMB'000	2021 RMB'000
Issued ordinary shares at 1 January for the purpose of basic (loss)/earnings per share	461,398	500,000
Issuance of ordinary shares	6,343	—
Conversion of preferred shares into ordinary shares	49,802	—
Effect of re-classification and re-designation to the Series A-2 Preferred Shares	—	(4,548)
Weighted average number of ordinary shares at 31 December for the purpose of basic (loss)/earnings per share	517,543	495,452

The calculation of diluted earnings per share amounts for the year ended 31 December 2021 had not included the convertible bonds issued and the preferred shares issued by the Company, as they had an anti-dilutive effect on the basic earnings per share amounts.

The calculation of diluted loss per share amounts for the year ended 31 December 2022 had not included the preferred shares issued by the Company, as they had an anti-dilutive effect on the basic earnings per share amounts.

Notes to the financial statements (Continued)
(Expressed in Renminbi unless otherwise indicated)

10 Investment property and property, plant and equipment

(a) Reconciliation of carrying amount

	Buildings held for own use RMB'000	Leasehold improvements RMB'000	Equipment and machinery RMB'000	Office equipment, furniture and fixtures RMB'000	Motor vehicles RMB'000	Right-of-use assets RMB'000	Construction in progress RMB'000	Sub-total RMB'000	Investment property RMB'000	Total RMB'000
Cost:										
At 1 January 2021	14,973	21,458	24,467	3,819	1,857	20,536	1,724	88,834	15,527	104,361
Transfer	—	6,961	7,618	842	—	—	(15,421)	—	—	—
Additions	—	—	1,620	6	—	114,106	59,194	174,926	—	174,926
Disposals	—	(19)	—	(7)	(381)	(821)	—	(1,228)	—	(1,228)
At 31 December 2021 and 1 January 2022	14,973	28,400	33,705	4,660	1,476	133,821	45,497	262,532	15,527	278,059
Transfer	—	39,975	23,420	1,628	—	—	(65,023)	—	—	—
Additions	—	—	—	—	—	1,180	23,150	24,330	—	24,330
Disposals	—	(92)	(424)	(70)	—	(1,943)	—	(2,529)	—	(2,529)
At 31 December 2022	14,973	68,283	56,701	6,218	1,476	133,058	3,624	284,333	15,527	299,860
Accumulated depreciation and amortisation:										
At 1 January 2021	2,557	10,874	5,914	1,672	1,412	6,920	—	29,349	1,573	30,922
Charge for the year	313	2,272	2,525	630	152	15,573	—	21,465	343	21,808
Written back on disposals	—	(15)	—	(7)	(362)	(136)	—	(520)	—	(520)
At 31 December 2021 and 1 January 2022	2,870	13,131	8,439	2,295	1,202	22,357	—	50,294	1,916	52,210
Charge for the year	313	10,690	3,925	825	152	27,067	—	42,972	343	43,315
Written back on disposals	—	(89)	(402)	(65)	—	(1,943)	—	(2,499)	—	(2,499)
At 31 December 2022	3,183	23,732	11,962	3,055	1,354	47,481	—	90,767	2,259	93,026
Net book value:										
At 31 December 2021	12,103	15,269	25,266	2,365	274	111,464	45,497	212,238	13,611	225,849
At 31 December 2022	11,790	44,551	44,739	3,163	122	85,577	3,624	193,566	13,268	206,834

10 Investment property and property, plant and equipment (continued)

(b) Investment property

As at 31 December 2022, the investment property located in Shanghai in the PRC was rented out under terms of operating leases. The fair value of investment property during the year ended 31 December 2022 is approximately RMB17 million, which is determined by management with reference to the market price of comparable properties.

(c) Right-of-use assets

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

	31 December 2022 RMB'000	31 December 2021 RMB'000
Properties leased for own use, carried at depreciated cost	85,577	111,464

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

	2022 RMB'000	2021 RMB'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Properties leased for own use	27,067	15,573
Interest on lease liabilities (Note 5(a))	4,495	2,665
Expense relating to short-term leases	15	24

During the year, the amount of additions to the right-of-use assets included the capitalised lease payment under the new tenancy agreements.

Details of total cash outflow for leases and the maturity analysis of lease liabilities and future cashflow for leases are set out in Notes 18(d) and 27(b), respectively.

The Group leases manufacturing plants, warehouses and office buildings under leases expiring in no more than five years. Some leases include an option to renew the lease when all terms are renegotiated. None of the leases includes variable lease payments.

10 Investment property and property, plant and equipment (continued)

(d) Leases as lessor

The Group leases out its investment property under operating leases. The lease typical run for an initial period of 2 years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes variable lease payments.

Undiscounted lease payments under non-cancellable operating leases in place from the investment property at the reporting date will be receivable by the Group in future periods as follows:

	2022 RMB'000	2021 RMB'000
Within 1 year	1,141	—

In addition, in January 2020, MP NeuroTech Shanghai entered into a 6-year lease of property with a third party. In January 2021, MP NeuroTech Shanghai sub-leased this property for the remaining five year of that lease to Shanghai Shenyi, with the annual rental fee of RMB229,000.

11 Intangible assets

	Capitalised development costs RMB'000	Software RMB'000	Total RMB'000
Cost			
At 1 January 2021	141,025	592	141,617
Additions	8,778	315	9,093
At 31 December 2021 and 1 January 2022	149,803	907	150,710
Additions	18,262	520	18,782
At 31 December 2022	168,065	1,427	169,492
Accumulated amortisation:			
At 1 January 2021	11,683	528	12,211
Amortisation charge for the year	11,074	40	11,114
At 31 December 2021 and 1 January 2022	22,757	568	23,325
Amortisation charge for the year	14,359	158	14,517
At 31 December 2022	37,116	726	37,842
Net book value:			
At 31 December 2021	127,046	339	127,385
At 31 December 2022	130,949	701	131,650

Included in intangible assets were an amount of RMB38,366,000 and RMB17,910,000 that are not yet available for use as of 31 December 2021 and 2022, respectively. These intangible assets were solely related to capitalised development costs.

Majority of amortisation of intangible assets is recognised in "cost of sales" in the consolidated statement of profit or loss.

Notes to the financial statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

11 Intangible assets (continued)

(a) Impairment test

The capitalised development costs not yet available for use are tested annually based on the recoverable amount of each individual asset at the product level.

As of 31 December 2021, the capitalised development costs not yet available for use is only related to Neurohawk® stent thrombectomy device (“**Neurohawk**”). In February 2022, Neurohawk was approved by the National Medical Products Administration (“**NMPA**”) and commercialised in the PRC. Accordingly, it is no longer included in the capitalised development costs not yet available for use. As of 31 December 2022, the capitalised development costs not yet available for use included Rebridge® Intracranial Visualized Stent (“**Rebridge**”).

In addition, due to the Centralized Procurement works related to coils led by Jilin province in 2022, the sales performance of the Company’s commercialised product NUMEN® coil embolisation system and NUMEN FR® coil detachment system (collectively “**NUMEN Products**”) may be impacted. The Company identified it as an external indicator of impairment and performed an impairment test in accordance with the Group’s accounting policies set out in Note 1(l)(ii).

The recoverable amount of each product was determined based upon the value-in-use calculations, which adopted the multi-period excess earnings method.

The cash flow projections are based on the financial budgets approved by the directors of the Company. Revenue forecasts are based on management’s expectations of the timing of the commercialisation, productivity and the market size of related products. Management estimates the products will have a 10–12 years’ useful life commencing from the approval for commercialisation with higher rates of revenue growth in the earlier years and declining revenue during the remaining years of the estimated useful life. The discount rates used are pre-tax and reflect specific risks relating to the relevant products.

The key assumptions used for recoverable amount calculations of each individual asset are as follows:

	As at 31 December 2022
Rebridge	
Revenue from the commercialisation to the peak sales (% annualised compound growth rate)	37%
Revenue for the remaining useful life (% annualised compound growth rate)	-4%
Pre-tax discount rate	27.1%

11 Intangible assets (continued)

(a) Impairment test (continued)

	As at 31 December 2022
NUMEN Products	
Revenue from the next year to the peak sales (% annualised compound growth rate)	13%
Revenue for the remaining useful life (% annualised compound growth rate)	-6%
Pre-tax discount rate	27.9%
Neurohawk (i)	
Revenue from the commercialisation to the peak sales (% annualised compound growth rate)	22%
Revenue for the remaining useful life (% annualised compound growth rate)	-29%
Pre-tax discount rate	29.8%

Note:

- i As at 31 December 2022, the Group did not identify any impairment indicators for Neurohawk by reviewing the internal and external sources of information in accordance with the Group's accounting policies set out in Note 1(l) (ii). Consequently, no impairment assessment for Neurohawk as of 31 December 2022 was performed.

(b) Impact of possible changes in key assumptions

The recoverable amount of Rebridge is estimated to exceed its carrying amount at 31 December 2022 by approximately RMB36 million.

The recoverable amounts of NUMEN Products are estimated to exceed its carrying amount at 31 December 2022 by approximately RMB9 million.

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

Notes to the financial statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

11 Intangible assets (continued)

(b) Impact of possible changes in key assumptions (continued)

The recoverable amount of each individual asset would equal its carrying amount if each key assumption was to change as follows with all other variables held constant:

	As at 31 December 2022
Rebridge	
Revenue from the commercialisation to the peak sales (% annualised compound growth rate)	25%
Revenue for the remaining useful life (% annualised compound growth rate)	-17%
Pre-tax discount rate	38.4%
NUMEN Products	
Revenue from the next year to the peak sales (% annualised compound growth rate)	9%
Revenue for the remaining useful life (% annualised compound growth rate)	-11%
Pre-tax discount rate	34.0%
Neurohawk	
	As at 31 December 2021
Revenue from the commercialisation to the peak sales (% annualised compound growth rate)	21%
Revenue for the remaining useful life (% annualised compound growth rate)	-31%
Pre-tax discount rate	35.4%

12 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	Issued/registered capital	Proportion of ownership interest			Principal activity
			Group's effective interest	Held by the Company	Held by a subsidiary	
MicroPort NeuroTech Medical LTD	BVI	USD150,000,000	100%	100%	—	Investment holding
MicroPort NeuroTech International Limited	Hong Kong	USD42,702,569.91	100%	—	100%	Investment holding
Sevenoaks Global Limited	BVI	USD5,500,000	100%	—	100%	Investment holding
Shanghai Shenjing Vortex Medical Technology Co., Ltd. (上海神晶漩渦醫療科技有限公司)	The PRC	USD75,000,000	100%	—	100%	Distribution, research and development of medical devices
MicroPort NeuroTech (Shanghai) Co., Ltd. (微創神通醫療科技(上海)有限公司)	The PRC	RMB163,531,250	100%	—	100%	Manufacture, distribution, research and development of medical devices
Shentu Medical Technology (Shanghai) Co., Ltd. (神途醫療科技(上海)有限公司)	The PRC	RMB52,810,000/ RMB60,000,000	68.17%	—	68.17%	Manufacture, distribution, research and development of medical devices
Shendun Medical Technology (Shanghai) Co., Ltd. (神遁醫療科技(上海)有限公司)	The PRC	RMB5,000,000	100%	—	100%	Manufacture, distribution, research and development of medical devices
Shenhong Medical Technology (Shanghai) Co., Ltd. (神泓醫療科技(上海)有限公司)	The PRC	RMB1,000,000	100%	—	100%	Manufacture, distribution, research and development of medical devices
Beijing Shenrui Enterprise Management Consulting Co., Ltd. (北京神睿企業管理諮詢有限公司)	The PRC	RMB0/ RMB1,000,000	100%	—	100%	Research and development of medical devices

12 Investments in subsidiaries (continued)

The following table lists out the information relating to Shentu Medical Technology (Shanghai) Co., Ltd., one of subsidiaries of the Group which has a material non-controlling interest (NCI). The summarised financial information presented below represents the amounts before any inter-company elimination.

	2022 RMB'000
NCI percentage	31.83%
Current assets	42,604
Non-current assets	2,596
Current liabilities	(4,836)
Non-current liabilities	—
Net assets	40,364
Carrying amount of NCI	12,848
Revenue	—
Loss for the year	(9,152)
Total comprehensive income	(9,152)
Loss allocated to NCI	(2,913)
Dividend paid to NCI	—
Cash flows from operating activities	(6,447)
Cash flows from investing activities	(2,026)
Cash flows from financing activities	49,810

13 Interest in an associate

The following list contains the particulars of an associate as at 31 December 2022, which is an unlisted corporate entity whose quoted market price is not available:

Name of associate	Form of business structure	Place of incorporation	Particulars of issued and paid-up capital	Proportion of ownership interest			Principal Activity
				Group's effective interest	Held by the Company	Held by a subsidiary	
Rapid Medical Ltd. ("Rapid Medical")	Incorporated	Israel	22.1 million shares	22.3%	—	22.3%	Development, manufacturing and sales of innovative devices for neuro interventional procedures

The associate is accounted for using the equity method in the consolidated financial statements.

Summarised financial information of Rapid Medical, adjusted for any differences in accounting policies are disclosed below:

	31 December 2022 RMB'000	Eight months ended 31 December 2021* RMB'000
Revenue	108,110	67,989
Loss for the year/period	(114,870)	(33,740)
Other comprehensive income	—	—
Total comprehensive income	(114,870)	(33,740)

* On 28 April 2021, the Group entered into a series D preferred share purchase agreement with Rapid Medical, pursuant to which, the Group purchased 2,987,349 series D preferred shares newly issued by Rapid Medical at a cash consideration of US\$20,000,000 (equivalent to RMB129,706,000). Upon the completion of the transaction (the "Closing Date"), the Group held approximately 22.28% interest in Rapid Medical in aggregate and became the largest shareholder of Rapid Medical. In addition, the Group also appointed a director in the board of Rapid Medical. Management believe the Group has significant influence over Rapid Medical since then and Rapid Medical became an associate of the Group and measured under equity method. The fair value of the previous held investments in Rapid Medical at the Closing Date amounting to US\$7,549,000 (equivalent to RMB48,959,000) formed part of initial cost of the investment in an associate.

Notes to the financial statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

14 Other non-current assets

	31 December 2022 RMB'000	31 December 2021 RMB'000
Lease deposits (<i>Note</i>)	23,555	21,699
Prepayments for property, plant and equipment	2,723	5,031
Others	410	615
	26,688	27,345

Note:

Lease deposits are typically paid for leased properties, which are refundable after the expiry of the leases and carried at amortised cost. During the year of 2021, the Group entered into a 5-year lease agreement (the "**Lease Agreement**") with Shanghai Huiqingcheng Investment Management Co., Ltd.* (上海回青橙投資管理有限公司, "**SH Investment**") in respect of certain leasehold properties for use of manufacturing facilities, warehouses and office buildings. As at 31 December 2022, the carrying amount of lease deposits paid to SH Investment is RMB22,870,000.

* The English name is for identification purpose only.

15 Financial assets measured at fair value through profit or loss

	31 December 2022 RMB'000	31 December 2021 RMB'000
Wealth management products	266,053	—

In July and August 2022, the Company separately entered into subscription agreements with four segregated portfolio companies incorporated in the Cayman Islands. Pursuant to the agreements, the Company purchased four wealth management products amounted to US\$37,950,000 (equivalent to RMB256,670,000) in aggregate at fixed annualised return rate of 1.6%. The wealth management products are subject to a lock-up period of one month and can be redeemed by the Company at any time upon expiration of the lock-up period. Their fair values are within level 3 of the fair value hierarchy as disclosed in Note 27(e).

16 Inventories

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

	31 December 2022 RMB'000	31 December 2021 RMB'000
Raw materials	64,803	35,639
Work in progress	19,865	15,675
Finished goods	30,058	36,645
	114,726	87,959

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

	2022 RMB'000	2021 RMB'000
Costs of inventories sold	151,177	82,021
Write-down of the inventories	2,607	1,590
Cost of inventories directly recognised as research and development costs	33,687	30,189
Cost of inventories directly recognised as selling and marketing expenses	3,882	2,169
	191,353	115,969

Notes to the financial statements (Continued)
 (Expressed in Renminbi unless otherwise indicated)

17 Trade and other receivables

	31 December 2022 RMB'000	31 December 2021 RMB'000
Trade receivables	10,071	1,066
Other debtors	3,283	3,925
Deposits and prepayments	21,902	31,248
Amounts due from related parties in connection with the Restructuring (Note 26(c)(iii))	—	66,669
	35,256	102,908

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

Ageing analysis

As of the end of the reporting period, the ageing analysis of trade receivables based on the invoice date (or date of revenue recognition, if earlier) and net of loss allowance, is as follows:

	31 December 2022 RMB'000	31 December 2021 RMB'000
Within 1 month	5,622	971
1 to 3 months	4,155	—
3 to 12 months	294	95
	10,071	1,066

Trade receivables are generally due within 30 to 90 days from the date of billing. Further details on the Group's credit policy and credit risk arising from receivables are set out in Note 27(a).

18 Time deposits, cash and cash equivalents and other cashflow information

(a) Time deposits and cash and cash equivalents

	31 December 2022 RMB'000	31 December 2021 RMB'000
Time deposits		
Time deposits with original terms over 3 months	40,721	—
Cash and cash equivalents		
Deposits with banks	827,929	593,287

As at 31 December 2021 and 2022, cash and cash equivalents of the Group held in banks and financial institutions in the PRC amounted to RMB381,437,000 and RMB539,663,000, respectively. The remittance of funds out of the PRC is subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

18 Time deposits, cash and cash equivalents and other cashflow information (continued)

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

	Note	2022 RMB'000	2021 RMB'000
(Loss)/profit before taxation		(4,326)	31,903
Adjustments for:			
Amortisation and depreciation	5(d)	56,701	31,723
Interest expenses	5(a)	99,277	45,200
Interest income on time deposits		(813)	(822)
Fair value changes in financial instruments	27(e)	—	(12,098)
Fair value changes in financial assets carried at fair value	15	(1,695)	—
Share of losses of an associate		26,619	7,517
Loss/(gain) on disposal of property, plant and equipment	4	30	(394)
Equity-settled share-based payments	25	12,141	1,459
Others		(172)	(866)
Changes in working capital:			
Increase in inventories		(26,767)	(32,953)
(Increase)/decrease in trade and other receivables		(1,430)	25,796
Increase in trade and other payables		69,627	52,575
Increase in deferred income		1,012	8,570
Increase in other non-current liabilities		4,641	827
(Decrease)/increase in contract liabilities		(771)	9,862
Cash generated from operations		234,074	168,299

18 Time deposits, cash and cash equivalents and other cashflow 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.

	Lease liabilities RMB'000 <i>(Note 21)</i>	Other financial liabilities RMB'000 <i>(Note 24)</i>	Total RMB'000
At 1 January 2022	109,698	1,237,990	1,347,688
Changes from financing cash flows:			
Capital element of lease payments	(25,634)	—	(25,634)
Interest element of lease payments	(4,495)	—	(4,495)
Total changes from financing cash flows	(30,129)	—	(30,129)
Exchange adjustments	—	76,016	76,016
Other changes:			
Increase in lease liabilities from entering into new leases during the year	1,180	—	1,180
Interest charge <i>(Note 5(a))</i>	4,495	94,782	99,277
Conversion of preferred shares into ordinary shares	—	(1,408,788)	(1,408,788)
	5,675	(1,314,006)	(1,308,331)
At 31 December 2022	85,244	—	85,244

Notes to the financial statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

18 Time deposits, cash and cash equivalents and other cashflow information (continued)

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

	Convertible bonds RMB'000	Lease liabilities RMB'000 (Note 21)	Other financial liabilities RMB'000 (Note 24)	Total RMB'000
At 1 January 2021	316,996	14,152	—	331,148
Changes from financing cash flows:				
Proceeds from issuance of convertible bonds	129,208	—	—	129,208
Interest paid for convertible bonds	(17,921)	—	—	(17,921)
Capital element of lease payments	—	(13,282)	—	(13,282)
Interest element of lease payments	—	(2,665)	—	(2,665)
Issuance of the Series A-2 Preferred Shares (as defined in Note 24)	—	—	199,447	199,447
Total changes from financing cash flows	111,287	(15,947)	199,447	294,787
Exchange adjustments	(8,513)	—	(1,752)	(10,265)
Other changes:				
Increase in lease liabilities from entering into new leases during the year	—	108,828	—	108,828
Equity component of convertible bonds	(4,478)	—	—	(4,478)
Exchange of the convertible bonds and the issuance of the Series A-1 Preferred Shares (as defined in Note 24)	(438,167)	—	388,397	(49,770)
Re-classification and re-designation from ordinary shares to the Series A-2 Preferred Shares	—	—	658,416	658,416
Equity component of newly issued Series A-2 Preferred Shares	—	—	(26,178)	(26,178)
Interest charge (Note 5(a))	22,875	2,665	19,660	45,200
	(419,770)	111,493	1,040,295	732,018
At 31 December 2021	—	109,698	1,237,990	1,347,688

18 Time deposits, cash and cash equivalents and other cashflow information (continued)

(d) Total cash outflow for leases

	2022 RMB'000	2021 RMB'000
Within financing cash flows	30,129	15,947

All these amounts relate to the lease rentals paid.

19 Trade and other payables

	31 December 2022 RMB'000	31 December 2021 RMB'000
Trade payables due to		
— third party suppliers	31,748	28,482
— related parties	8,468	6,466
	40,216	34,948
Accrued expenses	22,583	33,751
Accrued payroll	42,333	29,290
Other payables	83,571	31,677
	188,703	129,666

19 Trade and other payables (continued)

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

	31 December 2022 RMB'000	31 December 2021 RMB'000
Within 1 month	35,093	33,112
Over 1 month but within 3 months	2,560	1,408
Over 3 months but within 6 months	368	187
Over 6 months but within 1 year	1,306	65
Over 1 year	889	176
	40,216	34,948

All of the above balances are expected to be settled within one year.

20 Contract liabilities

	31 December 2022 RMB'000	31 December 2021 RMB'000
Advanced receipts from customers for sales of medical devices	11,632	12,403

Movements in contract liabilities

	2022 RMB'000	2021 RMB'000
At 1 January	12,403	2,541
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(12,403)	(2,541)
Increase in contract liabilities as a result of receiving advance payments during the year in respect of unfulfilled performance obligation as at the year end	11,632	12,403
At 31 December	11,632	12,403

All of the contract liabilities are expected to be recognised as income within one year.

21 Lease liabilities

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of each of the reporting period.

	31 December 2022 RMB'000	31 December 2021 RMB'000
Within 1 year	24,725	27,993
After 1 year but within 2 years	24,691	24,606
After 2 years but within 5 years	35,828	57,099
	60,519	81,705
	85,244	109,698

22 Income tax in the consolidated statement of financial position

(a) Current taxation in the consolidated statement of financial position represents:

	31 December 2022 RMB'000	31 December 2021 RMB'000
At the beginning of the year	4,148	4,256
Provision for PRC CIT for the year (Note 6(a))	24,596	10,785
Tax paid	(10,276)	(11,455)
Tax refund	—	562
At the end of the year	18,468	4,148
Representing:		
Income tax payables	18,468	4,148

(b) Deferred tax assets recognised:

The components of deferred tax assets recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Deferred income RMB'000	Accrued expenses and others RMB'000	Total RMB'000
At 1 January 2021	1,433	2,913	4,346
Credited to profit or loss	1,286	1,766	3,052
At 31 December 2021 and 1 January 2022	2,719	4,679	7,398
Credited to profit or loss	152	4,092	4,244
At 31 December 2022	2,871	8,771	11,642

22 Income tax in the consolidated statement of financial position (continued)

(c) Deferred tax assets not recognised

Tax losses for which no deferred tax asset was recognised expire as follows:

	31 December 2022		31 December 2021	
	RMB'000	Expire year	RMB'000	Expire year
Expire	22,672	2023–2027	4,443	2022–2026

In accordance with the accounting policy set out in Note 1(u), the Group has not recognised deferred tax assets in respect of cumulative tax losses due to the unpredictability of future taxable profits in the relevant tax jurisdiction and entity.

The tax losses incurred from the Group's subsidiaries in the PRC will expire in 5 years from the respective year. The tax losses incurred from the Group's subsidiaries in Hong Kong could be carried forward indefinitely under current tax legislation.

(d) Deferred tax liabilities not recognised

At 31 December 2022, temporary differences relating to the undistributed profits of a PRC subsidiary amounted to RMB320,380,000 (2021: RMB192,995,000). Deferred tax liabilities of RMB32,038,000 (2021: RMB19,300,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Group controls the dividend policy of this subsidiary and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

Notes to the financial statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

23 Deferred income

	Government subsidies for research and development projects RMB'000
At 1 January 2021	9,554
Additions	9,910
Government grant recognised as other income	(1,340)
At 31 December 2021 and 1 January 2022	18,124
Additions	2,400
Government grant recognised as other income	(1,388)
At 31 December 2022	19,136

24 Other financial liabilities

In November 2021, the Company and several investors (the “**2021 Pre-IPO Investors**”) entered into a share subscription and purchase agreement, pursuant to which: (i) the 2021 Pre-IPO Investors subscribed for an aggregate of 2,032,495 newly issued series A-2 preferred shares of the Company (the “**Series A-2 Preferred Shares**”) at an aggregate consideration of approximately US\$31.26 million; and (ii) MicroPort Scientific Investment LTD (“**MP Scientific**”, the immediate parent of the Company) transferred 7,720,432 ordinary shares of the Company to the 2021 Pre-IPO Investors at a consideration of approximately US\$118.74 million, whereby the transferred ordinary shares were reclassified and redesignated as Series A-2 Preferred Shares (together the “**Pre-IPO Investment**”).

Upon the completion of the Pre-IPO Investment in November 2021, the convertible bonds issued by the Company were simultaneously exchanged into an aggregate of 11,759,125 series A-1 preferred shares of the Company (the “**Series A-1 Preferred Shares**”) at a price of approximately US\$5.95 per Series A-1 Preferred Shares.

24 Other financial liabilities (continued)

Significant terms of the Series A-1 Preferred Shares and Series A-2 Preferred Shares are outlined below:

Liquidation preference

In the event of any liquidation of the Company (such as liquidation, dissolution or winding up) or trade sale of its business, the holders of the Series A-1 Preferred Shares and Series A-2 Preferred Shares shall be entitled to receive, prior and in preference to any distribution of any of the assets or surplus funds of the Company to the other shareholders, an amount equals to the original issue price plus an interest accrued at a simple interest rate of 8% per annum.

Redemption rights

The Series A-1 Preferred Shares and Series A-2 Preferred Shares shall be redeemable by the Company upon the occurrence of certain contingent events, with the main conditions being: a qualified public offering does not occur before 18 November 2024, at an amount equal to the original issue price plus an interest accrued at a simple interest rate of 10% per annum.

Conversion feature

Each Series A-1 Preferred Share or Series A-2 Preferred Share shall be convertible into such number of fully paid ordinary shares at any time at the option of the holder after the original issue date of the Series A-1 Preferred Shares and Series A-2 Preferred Shares. The initial conversion ratio for preferred share to ordinary share is 1:1. Such initial conversion ratio shall be subject to adjustment (including but not limited to dividends, share splits and combinations, capital reorganisation or reclassification). Each Series A-1 Preferred Share or Series A-2 Preferred Share shall automatically be converted into such number of the ordinary share of the Company upon the closing of a qualified public offering as specified in the memorandum of association of the Company.

Presentation and Classification

The redemption obligations give rise to financial liabilities, which are measured at the highest of those amounts that could be payable, and on a present value basis. The conversion feature is recognised as an equity component as the Series A-1 Preferred Shares and Series A-2 Preferred Shares can be converted into ordinary shares where the number of shares to be issued is fixed.

The financial liabilities arising from the Series A-1 Preferred Shares and Series A-2 Preferred Shares are measured at the transaction price at initial recognition, and subsequently at amortised cost at an effective interest rate of 14.38%. A residual amount is allocated to equity for the conversion feature.

Upon the completion of the Listing in July 2022, the preferred shares issued by the Company were automatically converted into ordinary shares. Accordingly, the preferred shares issued by the Group were reclassified from liabilities to equity.

The movements of other financial liabilities during the year ended 31 December 2021 and 2022 are set out in Note 18(c).

Notes to the financial statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

25 Equity-settled share-based transaction

(a) Share options granted by the ultimate controlling party

MicroPort Scientific Corporation (“MPSC”), the ultimate controlling party of the Group, has 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.

From the adoption of the above share option scheme to 31 December 2022, MPSC has granted share options to the employees of the Group. These share options are vested in instalments over an explicit vesting period of one to seven years. Each instalment is accounted for as a separate share-based compensation arrangement. The contractual life of the options is ten years.

(i) The terms, conditions and fair values at the grant date of the grants are as follows:

	Number of instruments	Vesting conditions	Contractual life of options
Options granted to executives and directors on:			
— on 30 June 2015	300,000	1 year from the date of grant	10 years
— on 24 December 2018	452,446	2 years from the date of grant	10 years
Total share options granted	752,446		

(ii) The number and weighted average exercise prices of share options are as follows:

	2022		2021	
	Weighted average exercise price HK\$	Number of options '000	Weighted average exercise price HK\$	Number of options '000
Outstanding at the beginning of the year	30.63	2,414	6.10	1,413
Granted during the year	19.23	2,471	48.15	1,420
Exercised during the year	5.31	(361)	4.36	(419)
Forfeited during the year	40.57	(67)	—	—
Outstanding at the end of the year	25.78	4,457	30.63	2,414
Exercisable at the end of the year	15.42	1,670	6.62	861

25 Equity-settled share-based transaction (continued)

(a) Share options granted by the ultimate controlling party (continued)

(ii) The number and weighted average exercise prices of share options are as follows: (continued)

All the share options granted are exercisable by the grantees upon vesting and will expire in a period from August 2022 through August 2031. As at 31 December 2022, the weighted average remaining contractual life for the share options granted was 8.47 years (2021: 7.9 years).

(iii) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binomial lattice model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the binomial lattice model.

	2022 HK\$	2021 HK\$
Fair value of share options and assumptions		
Fair value at measurement date	5.47 to 10.48	25.09
Share price	14.26 to 28.05	48.15
Exercise price	14.26 to 28.05	48.15
Expected volatility (expressed as weighted average volatility used in the modelling under binomial tree model)	49.34% to 50.72%	48.42%
Option life	10 years	10 years
Expected dividends yield	0.10%	0.10%
Risk-free interest rate	1.80% to 3.00%	1.19%

(b) Share awards granted by the ultimate controlling party

MPSC has granted certain number of its own ordinary shares to the employee of the Group under the share award scheme approved by the board of MPSC with no vesting conditions attached at nil consideration. MPSC and the Group also entered into a recharge arrangement approximate to the grant-date fair value of this share-based payment and the recharge is required to be paid after the shares are awarded. The fair value of services received in return for the shares awarded of nil for the year ended 31 December 2022 (2021: RMB5,294,000), which is measured by the grant-date share price of MPSC, was recognised as expenses on the grant date with a corresponding increase in trade and other payables due to MPSC.

25 Equity-settled share-based transaction (continued)

(c) Employee share purchase plan (the “ESPP”)

Since 2015, the Group adopted several ESPPs, pursuant to which, the partnership firms, whose limited partners consisted of employees of the Group, invested in the Group by way of subscribing newly issued equity interests of MP NeuroTech Shanghai. All participants of the ESPPs have purchased equity interests in respective partnership firms at amounts specified in the respective partnership agreements.

All ESPPs contain a service condition. Employees participating in the plan have to transfer out their equity interests if their employments with the Group were terminated within the vesting period, to a person or a party nominated by the general partners of the partnership firms at a price no higher than the amounts specified in the respective partnership agreements. The fair value of the ESPP at the grant date, being the difference between the considerations and the fair value of the equity interests subscribed shall be spread over the vesting period and recognised as staff costs in the profit or loss.

The fair value of the equity interests subscribed is measured by either (i) the reference to the price of third party investors who also made contributions to the Group or (ii) the valuation reports which were prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited (“JLL”) and Beijing North Asia Asset Assessment Firm, and reviewed and approved by the management.

The total expenses recognised in the consolidated statement of profit or loss for the above ESPP are RMB448,000 for the year ended 31 December 2022 (2021: RMB289,000).

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

	2022 RMB'000	2021 RMB'000
Cost of sales	665	204
Research and development costs	8,042	3,141
Selling and marketing expenses	2,776	1,207
Administrative expenses	658	2,201
Equity-settled share-based payment expenses recognised in the consolidated statement of profit or loss	12,141	6,753
Less: Recharge arrangement in connection with the share awards granted by the ultimate controlling party (<i>Note 25(b)</i>)	—	(5,294)
Equity-settled share-based payment expenses recognised in equity	12,141	1,459

26 Capital and reserves

(a) Movements in components of equity

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

	Note	Share capital RMB'000	Share premium RMB'000	Exchange reserve RMB'000	Capital reserve RMB'000	Accumulated losses RMB'000	Total equity/ (deficit) RMB'000
Balance at 31 December 2020 and 1 January 2021		—	—	(89)	11,601	(2,351)	9,161
Changes in equity for 2021:							
Loss and total comprehensive income		—	—	(3,182)	—	(71,198)	(74,380)
Issuance of ordinary share	26(c)(ii)	65	276,963	—	—	—	277,028
Issuance of convertible bonds		—	—	—	4,478	—	4,478
Effects of the Restructuring		—	—	—	91,046	—	91,046
Issuance of the Series A-2 Preferred Shares	24	—	—	—	26,178	—	26,178
Re-classification and re-designation from ordinary shares to the Series A-2 Preferred Shares	24	(5)	(276,963)	—	(381,448)	—	(658,416)
Exchange of the convertible bonds and the issuance of the Series A-1 Preferred Shares	24	—	—	—	48,904	—	48,904
Balance at 31 December 2021 and 1 January 2022		60	—	(3,271)	(199,241)	(73,549)	(276,001)
Changes in equity for 2022:							
Loss and total comprehensive income		—	—	30,285	—	(99,864)	(69,579)
Issuance of ordinary shares	26(c)(v)	2	276,138	—	—	—	276,140
Conversion of preferred shares into ordinary shares	26(c)(vi)	14	1,101,653	—	290,286	—	1,391,953
Balance at 31 December 2022		76	1,377,791	27,014	91,045	(173,413)	1,322,513

Notes to the financial statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

26 Capital and reserves (continued)

(b) Dividends

The directors of the Company did not propose the payment of any dividend during the year ended 31 December 2022.

(c) Share capital

Authorised

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 30 September 2020 with authorised share capital of US\$50,000 divided into 500,000,000 ordinary shares with par value of US\$0.0001 each.

Issued and fully paid

	Note	Ordinary share No. of share '000	RMB'000
Balance at 31 December 2020 and 1 January 2021		—*	—*
Issuance of ordinary shares	26(c)(ii)	100,000	65
Re-classification and re-designation to the Series A-2 Preferred Shares	24	(7,720)	(5)
Balance at 31 December 2021 and 1 January 2022		92,280	60
Effect of the share subdivision	26(c)(iv)	369,118	—
Issuance of ordinary shares	26(c)(v)	13,700	2
Conversion of preferred shares into ordinary shares	26(c)(vi)	107,560	14
Balance at 31 December 2022		582,658	76

* The amount is less than 1,000.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 30 September 2020.

Upon the completion of the Restructuring, the Company became the holding company of the Group. Share capital as at 31 December 2021 represented the issued share capital of the Company.

26 Capital and reserves (continued)

(c) Share capital (continued)

- (i) In July 2020, MP NeuroTech Shanghai entered into a capital subscription agreement with several investors, among which, Shanghai Wangdaotong Biotechnology Co., Ltd. (wholly-owned by Dr. Chang Zhaohua, the chairman and director of MPSC) contributed RMB115,000,000. Pursuant to the capital subscription agreement, these investors subscribed for newly issued paid-in capital of MP NeuroTech Shanghai at a total consideration of RMB150,000,000.
- (ii) At the date of the incorporation and 31 December 2020, the Company issued 1 ordinary share at a consideration of US\$1.

In 2021, the Company issued 99,999,999 ordinary shares at a cash consideration of RMB277,028,000 to the existing shareholders of MP NeuroTech Shanghai ("**Existing Shareholders**").

In March 2021 and August 2021, Shanghai Shenjing, a wholly-owned subsidiary of the Group, entered into the equity purchase agreements with Existing Shareholders to acquire the 100% of the equity interests in MP NeuroTech Shanghai with an aggregated consideration of RMB344,002,000. The above transactions which were part of the Restructuring, were treated as a deemed distribution to the shareholders. Accordingly, the difference between (i) the consideration paid by Shanghai Shenjing of RMB344,002,000; and (ii) the deemed capital contribution from related parties in connection with the Restructuring of RMB66,998,000 and related tax impact, was debited to capital reserve of the Group.

- (iii) As disclosed in Note 24, MP Scientific transferred 7,720,432 ordinary shares to the 2021 Pre-IPO Investors, whereby the transferred ordinary shares were reclassified and redesignated as the Series A-2 Preferred Shares. The difference between (i) the initial carrying amount of the related Series A-2 Preferred Shares in amount of US\$118,740,000 (equivalent to RMB757,853,000) and (ii) the carrying amount of ordinary share capital transferred of US\$772 (equivalent to RMB5,000) has been debited to the share premium and capital reserve of the Company.
- (iv) On 22 June 2022, a share subdivision was approved by the shareholders of the Company, pursuant to which, each issued and unissued share capital was subdivided to five shares of the corresponding class with par value of US\$0.00002 each. Consequently, the issued share capital of the Company consisted of 461,397,840 ordinary shares.
- (v) On 15 July 2022, the Company was listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Listing**"). The Company issued 13,700,000 ordinary shares at the price of HK\$24.64 per share and received the net proceeds of HK\$314,586,000 (equivalent to approximately RMB276,140,000), after deducting all capitalised listing expenses. Out of the net proceeds from the listing, RMB2,000 and RMB276,138,000 were credited to the Company's share capital and share premium account, respectively.

26 Capital and reserves (continued)

(c) Share capital (continued)

- (vi) Upon the completion of the Listing, 58,795,625 series A-1 Preferred Shares and 48,764,635 series A-2 Preferred Shares issued by the Group were automatically converted into 107,560,260 ordinary shares of the Company in aggregate, resulting in a transfer of the carrying amount of other financial liabilities of RMB1,408,788,000 to ordinary share capital of RMB14,000, share premium of RMB1,101,653,000, capital reserve of RMB290,286,000 and exchange reserve of RMB16,835,000 (included in other comprehensive income), respectively.

(d) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by the Companies Act of the Cayman Islands.

(ii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of the Company and certain subsidiaries within the Group. The reserve is dealt with in accordance with the accounting policies set out in Note 1(x).

(iii) Capital reserve

The capital reserve primarily comprises the following:

- the fair value of the actual or estimated number of unexercised share options granted to executives and employees of the Group in accordance with the accounting policy adopted for equity-settled share-based payments in Note 1(t)(ii);
- the historical book value of the paid-in capital and capital reserve of MP NeuroTech Shanghai when 100% equity interests of MP NeuroTech Shanghai were transferred to the Group under the Restructuring, less consideration the Group has paid to acquire the 100% equity interests of MP NeuroTech Shanghai under the Restructuring;
- the amount allocated to the unexercised equity component of the Convertible Bonds at initial recognition (Note 1(s));
- the amount allocated to the equity component of the Convertible Bonds upon its extinguishment before maturity; and
- The amount allocated to the conversion feature of the Series A-1 Preferred Shares and the Series A-2 Preferred Shares (Note 1(q)).

26 Capital and reserves (continued)

(d) Nature and purpose of reserves (continued)

(iv) Statutory general reserve

In accordance with the relevant PRC accounting rules and regulations, the PRC subsidiaries of the Company are required to make appropriation of its retained profits to statutory general reserve at the rate of 10% of its net profit each year, until the reserve balance reaches 50% of its paid-in capital. The transfer of this reserve must be made before distribution of dividend to equity owners. The statutory general reserve can be utilised to offset prior year's losses or converted into paid-in capital only.

(e) Capital management

The Group's objectives in the aspect of managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group defines "capital" as including all components of equity, preferred shares and convertible bonds as at the end of each of the reporting year and "debt" as including interest-bearing borrowings, loans from related parties and lease liabilities. On this basis, the amount of capital employed at 31 December 2021 and 2022 was RMB1,063,050,000 and RMB1,485,651,000, respectively and the debt-to-capital ratio is 10.3% and 5.7%, respectively.

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.

27 Financial risk management and fair values of financial instruments

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade 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. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

The management assessed loss allowance provision for trade receivables at an amount equal to lifetime ECLs, which is based on recent historical settlement records and adjusts for forward looking information. Management has assessed that during the year ended 31 December 2022, the default risk of trade receivables is insignificant and no loss allowance provision for trade receivables was recognised.

The management has assessed that during the year ended 31 December 2022, other receivables have not had a significant increase in credit risk since initial recognition. Thus, a 12-month expected credit loss approach that results from possible default event within 12 months of each reporting date is adopted by management. The management of the Company do not expect any losses from non-performance by the counterparties of other receivables and no loss allowance provision for other receivables was recognised.

27 Financial risk management and fair values of financial instruments (continued)

(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.

The following tables show the remaining contractual maturities at the end of the 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 the reporting period) and the earliest date the Group can be required to pay:

	As at 31 December 2022					Carrying amount RMB'000
	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	
Trade and other payables	188,703	—	—	—	188,703	188,703
Lease liabilities	25,191	26,401	40,637	—	92,229	85,244
	213,894	26,401	40,637	—	280,932	273,947

	As at 31 December 2021					Carrying amount RMB'000
	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	
Trade and other payables	129,666	—	—	—	129,666	129,666
Lease liabilities	28,533	26,317	66,290	—	121,140	109,698
Other financial liabilities	—	—	1,823,448	—	1,823,448	1,237,990
	158,199	26,317	1,889,738	—	2,074,254	1,477,354

Notes to the financial statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

27 Financial risk management and fair values of financial instruments (continued)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's interest rate risk arises primarily from cash at banks and deposits with banks. The Group's interest-bearing financial instruments at variable rates as at 31 December 2021 and 2022 are the cash at bank except for fixed deposits, and the cash flow interest risk arising from the change of market interest rate on these balances is not considered significant. The Group's exposure to interest rate risk is not significant.

(i) Interest rate risk profile

The Group's interest rate profile as monitored by management is set out below.

	31 December 2022		31 December 2021	
	Effective interest rate	Amount RMB'000	Effective interest rate	Amount RMB'000
Net fixed rate instruments:				
Time deposits	3.45%	40,721	N/A	—
Deposits with banks	1.5% – 4.92%	299,890	N/A	—
Other financial liabilities	N/A	—	14.38%	(1,237,990)
Lease liabilities	4.75%	(85,244)	4.75%	(109,698)
		255,367		(1,347,688)
Net variable rate instruments:				
Deposits with banks	0.0001% ~ 2.025%	528,039	0.00% – 2.55%	593,287
		528,039		593,287
		783,406		(754,401)

27 Financial risk management and fair values of financial instruments (continued)

(c) Interest rate risk (continued)

(ii) Sensitivity analysis

At 31 December 2022, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's loss after tax for the year and increased/decreased retained profits by approximately RMB4,410,000 (2021: increased/decreased profit by RMB5,346,000).

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained profits) 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 profit after tax (and retained profits) is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis has been performed on the same basis as 2021.

Notes to the financial statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

27 Financial risk management and fair values of financial instruments (continued)

(d) Currency risk

The Group is exposed to currency risk primarily from sales and purchases which give rise to receivables and payables that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily US\$.

(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)	
	31 December 2022 US\$ RMB'000	31 December 2021 US\$ RMB'000
Cash and cash equivalents	6,287	975
Amounts due to group companies	—	(11,222)
Trade and other receivables	7,535	—
Trade and other payables	(9,388)	(4,431)
Net exposure arising from recognised assets and liabilities	4,434	(14,678)

27 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 profit after tax (and retained profits) 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.

	31 December 2022		31 December 2021	
	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profit RMB\$'000	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profit RMB\$'000
US\$ (against RMB)	3%	(110)	3%	363
	-3%	117	-3%	(386)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of each of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of each of the reporting period. The analysis excludes differences that would result from the translation of the financial statements of the entities into the Group's presentation currency. The analysis has been performed on the same basis for the year ended 31 December 2021.

27 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 a team that manages the valuations of the financial instruments for financial reporting purpose. The team manages the valuation on a case by case basis. External valuation experts will be involved when necessary.

As at 31 December 2021, there was no financial instruments measured at fair value.

Fair value measurements as at 31 December 2022 categorised into

	Fair value at 31 December 2022 RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement				
Financial assets:				
— Wealth management products measured at FVPL (Note 15)	266,053	—	—	266,053
Financial liabilities				
— Foreign currency forward contracts	(272)	—	(272)	—

27 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 hierarchy (continued)

During the years ended 31 December 2021 and 2022, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Valuation technique and input used in Level 2 fair value measurement

These foreign currency forward contracts are fair valued by comparing the contracted rate to the exchange rate of relevant currency issued by the bank at the end of reporting period. All movements in fair value are recognised in profit or loss in the period they occur.

Information about Level 3 fair value measurements

Valuation techniques	Significant unobservable inputs
Wealth management products measured at FVPL	Expected rate of return of 1.6% (Note)

Note: The wealth management products measured at FVPL is redeemable at a redemption price equals to the net asset values as stated in the monthly shareholder's statement issued by the administrators, which represents a fixed rate of return of 1.6%. The fair value measurement is positively correlated to the expected rate of return. As at 31 December 2022, it is estimated that with all other variables held constant, an increase/decrease of 100 basis points in the expected rate of return would have decrease/increase the Group's loss by RMB1,059,000/RMB1,059,000.

Notes to the financial statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

27 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 hierarchy (continued)

Information about Level 3 fair value measurements (continued)

The movement during the year ended 31 December 2021 and 2022 in the balance of this Level 3 fair value measurement are as follows:

	Unlisted equity securities RMB'000
At 1 January 2021	37,051
Exchange adjustments	(190)
Changes in fair value recognised in profit or loss	12,098
Transfer to interest in an associate (<i>Note 13</i>)	(48,959)
At 31 December 2021	—
	Wealth management products RMB'000
At 31 December 2021 and 1 January 2022	—
Exchange adjustments	7,688
Purchase of wealth management products (<i>Note 15</i>)	256,670
Changes in fair value recognised in profit or loss	1,695
At 31 December 2022	266,053

(ii) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2021 and 2022.

28 Commitments

Capital commitments in respect of property, plant and equipment and intangible assets outstanding at 31 December 2022 not provided for in the financial statements were as follows:

	31 December 2022 RMB'000	31 December 2021 RMB'000
Contracted for	4,373	12,067
Approved but not contracted for	253,801	25,637
	258,174	37,704

29 Material related party transactions

(a) Key management personnel remuneration

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

	2022 RMB'000	2021 RMB'000
Salaries and other benefits	5,784	5,546
Discretionary bonuses	5,676	5,369
Equity-settled share-based payment expenses	144	4,359
	11,604	15,274

Notes to the financial statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

29 Material related party transactions (continued)

(b) Related parties

Particulars of the Group's other transactions with related parties other than key management personal remuneration during the year ended 31 December 2022 are as follows:

Name of party	Relationship
MPSC	Ultimate controlling party of the Group
MicroPort Product Innovation Inc	Subsidiary of MPSC
MPO Japan K.K.	Subsidiary of MPSC
MicroPort CRM Japan Co., Ltd.	Subsidiary of MPSC
MicroPort Scientific Ltd	Subsidiary of MPSC
MicroPort Scientific Vascular Brasil Ltda.	Subsidiary of MPSC
MicroPort Sinica Co., Ltd. (微創投資控股有限公司) (formerly known as MicroPort Group Co., Ltd. (上海微創投資 控股有限公司) and MicroPort (Shanghai) Scientific Investment Co., Ltd. (微創(上海)醫療科學投資有限公司))	Subsidiary of MPSC
Shanghai MicroPort Medical (Group) Co., Ltd.* (上海微創醫療器械(集團)有限公司)	Subsidiary of MPSC
Shanghai Shenyi Medical Technology Co., Ltd. (上海神奕醫療科技有限公司, "Shanghai Shenyi")	Subsidiary of MPSC
Shanghai ShenTai Medtech Co., Ltd.* (上海神泰醫療科技有限公司)	Subsidiary of MPSC
Shanghai SafeWay Medtech Co., Ltd.* (上海安助醫療科技有限公司)	Subsidiary of MPSC
D-pulse Medical (Beijing) Co., Ltd.* (龍脈醫療器械(北京)有限公司)	Subsidiary of MPSC
MicroPort Access Medtech (Jiaxing) Co., Ltd.* (龍脈醫療器械(嘉興)有限公司)	Subsidiary of MPSC
Fujian Kerui Pharmaceutical Co., Ltd.* (福建科瑞藥業有限公司)	Subsidiary of MPSC
Shanghai Henian Investment Management Centre (Limited Partnership)* (上海鶴年投資管理中心(有限合夥))	Entity controlled by key management personnel of the Group
Shanghai Lianghong Investment Management Centre (Limited Partnership)* (上海良弘投資管理中心(有限合夥))	Entity controlled by key management personnel of the Group
Shanghai Liangkai Enterprise Management Consulting Centre (Limited Partnership)* (上海良凱企業管理諮詢中心 (有限合夥))	Entity controlled by key management personnel of the Group
Shanghai Lianggu Enterprise Management Consulting Centre (Limited Partnership)* (上海良固企業管理諮詢中心 (有限合夥))	Entity controlled by key management personnel of the Group

29 Material related party transactions (continued)

(b) Related parties (continued)

Name of party	Relationship
Suzhou ProSteri Medical Technology Co., Ltd.* (蘇州諾潔醫療技術有限公司)	Equity-accounted investee of MPSC
AccuPath Medtech (Jiaxing) Co., Ltd.* (浙江脈通智造科技(集團)有限公司, "AccuPath")	Equity-accounted investee of MPSC (Note)
AccuTarget MediPharma (Shanghai) Co., Ltd.* (上海導向醫療系統有限公司, "AccuTarget")	Equity-accounted investee of MPSC (Note)
Shanghai HuaRui Bank Co., Ltd.* (上海華瑞銀行股份有限公司, "SHRB")	Equity-accounted investee of MPSC
Rapid Medical	Equity-accounted investee of the Group

Note: AccuPath was previously the fellow subsidiary of the Group and became the equity-accounted investee of MPSC since January 2021.

A subsidiary of MPSC acquired certain equity interests in AccuTarget and AccuTarget became an equity-accounted investee of MPSC since June 2021.

* English translation is for identification purpose only.

(c) Financing and leasing arrangement with related parties

- (i) In November 2018, the Group entered into lease contracts in respect of certain leasehold properties from AccuTarget, which became a related party of the Group in June 2021 for its operation. As at 31 December 2022, the Group recorded lease liabilities due to AccuTarget in amount of RMB67,000.
- (ii) In February 2020 and May 2021, MP NeuroTech Shanghai leased out its own properties to a related party and recognised rental income amounted to RMB1,112,000 and RMB1,435,000 for the years ended 31 December 2021 and 2022.

Notes to the financial statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

29 Material related party transactions (continued)

(d) Cash deposits placed in a related party

As at 31 December 2022, the Group has placed cash deposits amounted to RMB90,103,000 in SHRB with interest rate ranged of 1.8%-3.45% per annum.

(e) Other transactions with related parties

	2022 RMB'000	2021 RMB'000
Sales of goods to an equity-accounted investee of the Group	8,055	—
Service fee charged by subsidiaries of MPSC	7,673	6,603
Service fee charged by an equity-accounted investee of MPSC	1,192	450
Purchase of goods from subsidiaries of MPSC	8,508	8,607
Purchase of goods from an equity-accounted investee of MPSC	2,754	2,239
Purchase of equipment from subsidiaries of MPSC	2,299	1,256
Payment on behalf of the Group by subsidiaries of MPSC	6,323	1,793
Payment on behalf of related parties by the Group	454	481

(f) Related party balances

	31 December 2022 RMB'000	31 December 2021 RMB'000
Amounts due from related parties		
Trade related	2,682	1,269
Non-trade related	822	66,744
Amounts due to related parties		
Trade related	8,574	8,348
Non-trade related	5,647	—

(g) Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of the lease arrangement set out in Note 29(c)(ii), the service fee charged by subsidiaries of MPSC and an equity-accounted investee of MPSC and the purchase of goods from subsidiaries of MPSC and an equity-accounted investee of MPSC set out in Note 29(e) above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided under the paragraph "Connected transactions" in the reports of the directors.

30 Company-level statement of financial position

	31 December 2022 RMB'000	31 December 2021 RMB'000
Non-current assets		
Interest in subsidiaries	856,682	791,943
Current assets		
Cash and cash equivalents	285,505	195,088
Financial assets measured at fair value through profit or loss	266,053	—
Other receivables	—	2,926
	551,558	198,014
Current liabilities		
Other payables	85,727	27,968
	85,727	27,968
Net current assets	465,831	170,046
Total assets less current liabilities	1,322,513	961,989
Non-current liabilities		
Other financial liabilities	—	1,237,990
	—	1,237,990
NET ASSETS/(LIABILITIES)	1,322,513	(276,001)
CAPITAL AND RESERVES		
Share capital	76	60
Reserves	1,322,437	(276,061)
TOTAL EQUITY/(DEFICIT)	1,322,513	(276,001)

Notes to the financial statements (Continued)

(Expressed in Renminbi unless otherwise indicated)

31 Immediate and ultimate controlling parties

As at 31 December 2022, the directors consider the immediate parent to be MP Scientific, which is incorporated in British Virgin Islands and does not produce financial statements available for public use.

As at 31 December 2022, the directors consider the ultimate controlling party is MPSC, which is incorporated in Cayman Islands. MPSC is listed on the Main Board of The Stock Exchange of Hong Kong Limited and produces financial statements available for public use.

32 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2022

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the accounting period beginning on 1 January 2022 and which have not been adopted in these financial statements. These include the following:

	Effective for accounting periods beginning on or after
Amendments to HKAS 1, <i>Classification of Liabilities as Current or Non-current</i>	1 January 2023
HKFRS 17, <i>Insurance contracts</i>	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2, <i>Disclosure of Accounting Policies</i>	1 January 2023
Amendments to HKAS 8, <i>Definition of Accounting Estimates</i>	1 January 2023
Amendments to HKAS 12, <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

