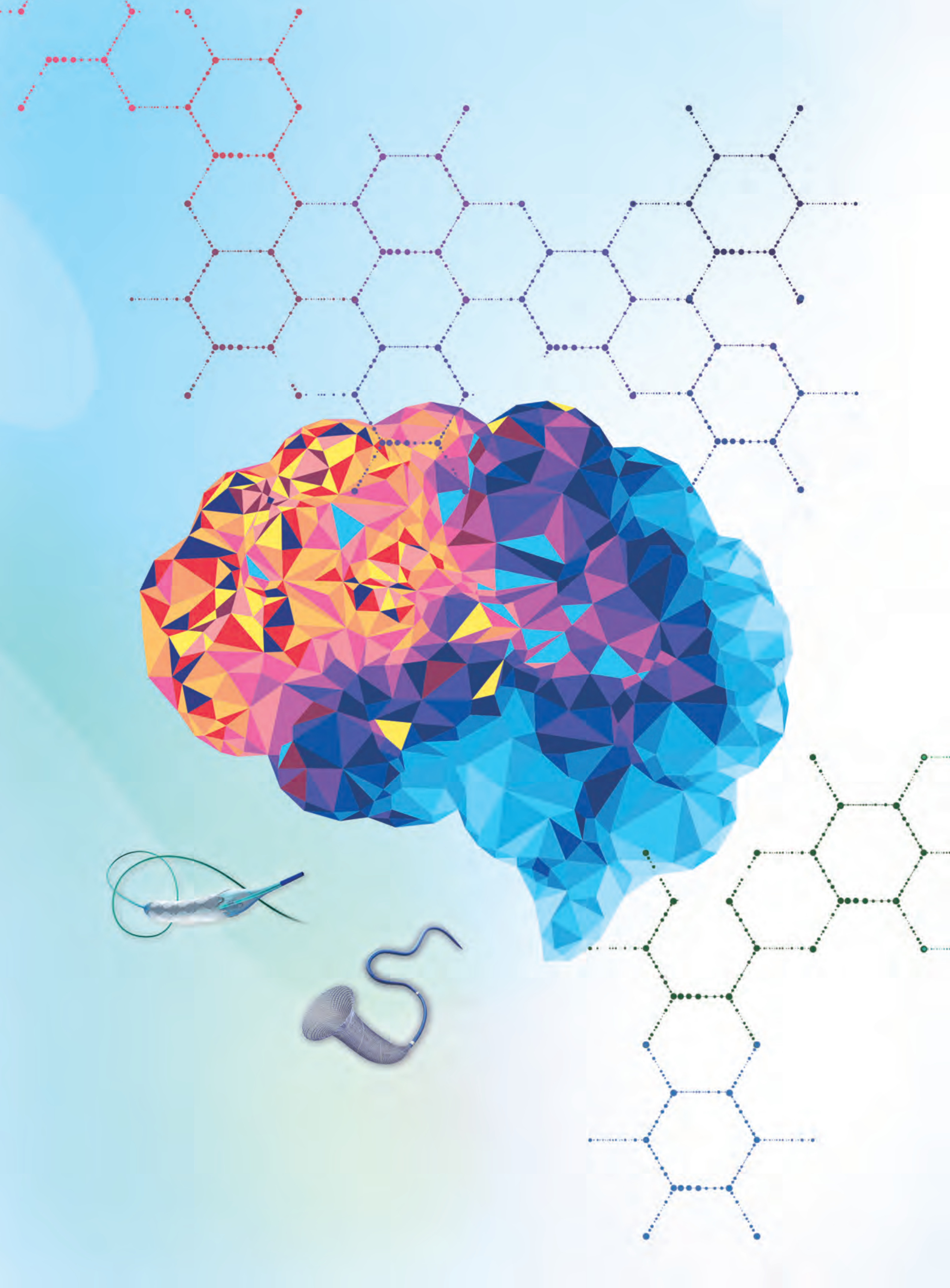
MicroPort微创脑科学

MicroPort NeuroTech Limited
微創腦科學有限公司

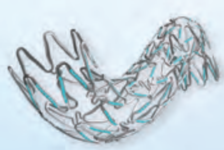
(Incorporated in the Cayman Islands with limited liability)

Stock Code：2172

2023
ANNUAL REPORT



CONTENTS



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
"Board"	the Board of Directors
"BVI"	the British Virgin Islands
"CE"	French acronym for "Communate Europpene", 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 C1 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
"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
"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
"MicroPort Group"	MicroPort and its subsidiaries
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix C3 to the Listing Rules
"NHSA"	National Healthcare Security Administration
"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)
"Previous Year" or "FY2022"	the year ended 31 December 2022
"PRC"	the People's Republic of China
"Prospectus"	the prospectus of the Company dated 29 June 2022
"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" or "FY2023"	for the year ended 31 December 2023
"RMB"	Renminbi, the lawful currency of the PRC
"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) *(Former Chairman)*
(Resigned on 3 November 2023)
Dr. Chang Zhaohua (常兆華) *(Chairman)*
(Appointed on 3 November 2023)
Mr. Sun Qingwei (孫慶蔚)
(Appointed on 3 November 2023)
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. Xie Zhiyong (謝志永)
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) *(Resigned on 3 November 2023)*
Mr. Xie Zhiyong (謝志永)
(Appointed on 3 November 2023)
Ms. Hui Yin Shan (許燕珊)

COMPANY SECRETARY

Ms. Hui Yin Shan (許燕珊)

AUDITOR

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

LEGAL ADVISER

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
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

WEBSITE

www.medneurotech.com

STOCK CODE

2172

LISTING DATE

15 July 2022

FIVE YEARS' FINANCIAL SUMMARY

	2019 RMB'000	2020 RMB'000	2021 RMB'000	2022 RMB'000	**2023** **RMB'000**
Revenue	183,720	221,923	382,799	547,350	**665,624**
Net profit/(loss) for the year	46,975	45,287	24,170	(24,678)	**134,581**
Non-HKFRS adjusted net profit for the year	51,028	50,658	94,084	130,696	**195,438**
Assets					
Non-current assets	213,000	245,705	556,188	532,315	**628,097**
Current assets	121,728	539,905	784,154	1,284,685	**1,332,544**
Total assets	334,728	785,610	1,340,342	1,817,000	**1,960,641**
Liabilities					
Current liabilities	151,626	94,754	174,210	243,800	**249,249**
Non-current liabilities	14,944	317,974	1,341,072	87,549	**73,141**
Total liabilities	166,570	412,728	1,515,282	331,349	**322,390**
Total equity/(deficit)	**168,158**	**372,882**	**(174,940)**	**1,485,651**	**1,638,251**

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. Please refer to section headed "Non-HKFRS Measures" in page 27 to 28 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 more than 3,000 hospitals nationwide, providing safe and effective cerebrovascular disease solutions for more than 160,000 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 18 products approved and commercialised in China and 12 product candidates under development. In addition, four products have been admitted to the NMPA's innovative special review and approval procedure (the "**Green Path**"), ranking the first among Chinese neuro-interventional medical device companies.

After years of accumulation, the Company has achieved a breakthrough in multiple "First-of-Its-Kind" and "One-of-a-Kind" 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 have 201 authorized patents as of the end of 2023, including 46 overseas patents. In addition, 303 patents are being applied for registration.

The Company has a leading international vision and global layout, with its products commercialised and sold in 17 overseas countries or regions, covering South Korea, the United States, Japan, Brazil, Chile, Argentina, Saudi Arabia and European countries.

Adhering to the management concept of "Eyes For Greatness, Hands On Details", MicroPort NeuroTech™ always emphasizes on the people-oriented corporate culture 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 innovative comprehensive medical solutions for cerebrovascular diseases.

Vision

Building a people-oriented global leading emerging high-tech medical group.

Mission

Providing the accessible, top-quality and comprehensive solutions for the treatment of cerebrovascular diseases.

CHAIRMAN'S STATEMENT

Dr. Chang Zhaohua
Chairman

In 2023, faced with the complex and volatile policy and market environments, all employees of MicroPort NeuroTech™ have made concerted efforts to overcome difficulties and respond to challenges. During the Reporting Period, the Group delivered rapid growth in operating results and a significant increase in profitability, thus further enhancing its leading position among domestic brands.

In FY2023, the Group's revenue amounted to RMB665.6 million, representing a substantial increase of 21.6% over the Previous Year, and the profit during the period amounted to RMB134.6 million, turning losses into profits and achieving strong growth as compared to the Previous Year.

The Group continues to promote innovative neuro-interventional treatment concepts to the market, and provides patients and physicians with an integrated solution to treat cerebrovascular diseases. As of the end of the Reporting Period, the Group's products have supported approximately 167,000 procedures in more than 3,000 hospitals across the country, with a distribution network covering 31 provinces, municipalities and autonomous regions. Benefiting from the comprehensive and complete product matrix and long-term accumulation of surgeon recognition, the Group's products were newly admitted by more than 400 hospitals in 2023. In the meantime, the volume-based centralized procurement (VBP) for coils in multiple provinces have been implemented one after another, and the Group's related products have won bids in all the previous VBP projects, further making breakthroughs in hospital admission and clinical promotion.

The Group adheres to the strategy for its distribution channel expanding to the lower-tier market and actively contributes to building the industry and social ecology. In 2023, the Group newly expanded to approximately 200 grassroots hospitals through the Eagle & Swallows (神雕飛燕) program, covering a total of over 800 hospitals in 250 lower-tier cities and counties, helping grassroots hospitals to improve stroke treatment capabilities. Among them, market-share leading products such as Tubridge® Flow-diverting Stent performed particularly well in the grassroots market. 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. The Group also provided financial assistance to patients with cerebral aneurysms through the "WeLove NeuroTech" (「微愛神通」) Special Relief Fund.

In FY2023, the Group's overseas revenue amounted to approximately RMB31.7 million, representing an increase of 44.7% from the Previous Year. As of the end of the Reporting Period, the Group's products have been commercialised in 17 overseas countries, covering 8 of the top 10 countries worldwide in terms of the number of neuro-interventional procedures. Among them, the Group has implemented direct sales models in Ireland and the United Kingdom for the first time, significantly increasing its operational efficiency. In addition, NUMEN® Coil has been included in medical insurance in Japan and we have completed multiple commercial implantations for this product, achieving a rapid commercialization progress.

In 2023, the Group's R&D projects gained fruitful results: 5 products (including Tigertriever® Stent Thrombectomy Device and WAVE-track™ Intracranial Aspiration Catheter) were approved by the NMPA for marketing. The registrational applications for 3 products (including a new generation of fully-visualized Tubridge Plus® Flow-diverting Stent, Neurohawk® Thrombectomy Device 2 and distal protection device) have been submitted to the NMPA for approval.

The Group insists on R&D and innovation with independent intellectual property rights. As of the end of 2023, the Group had 201 authorized patents, including 46 overseas patents. A total of 18 authorized patents were newly granted during the Reporting Period, including 4 overseas patents. In addition, there are also 303 patents pending in the Group.

During the Reporting Period, the Group further consolidated the layout of localization of raw materials, with the steady decrease of the production cost. As of the end of the Reporting Period, the localization rate of raw materials for our products has reached more than 90%.

Those who are good at planning go far, and those who work hard succeed. We will continue to implement the development strategy of "possessing a globally-integrated vision, maintaining the sustainable and high-quality development, strengthening the position in neuro-intervention, and expanding the boundaries of brain science", increase our innovation capabilities, promote inclusive strategies, and seize opportunities in market competition to offer patients around the world with a top-quality comprehensive solution to treat cerebrovascular diseases.

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 would like to extend my heartfelt thanks to all shareholders and partners for their long-term companionship and support.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

Stroke is an acute cerebrovascular 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 (GBD), China had the largest number of stroke patients in the world, and the proportion of patients younger than 70 years old kept increasing, with a trend toward younger patients. Another research result[1] on the burden of stroke disease in China showed 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 the number of new stroke cases in China (approximately 3.4 million) was higher than that 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.

Thanks to the development of neuroimaging, neuro-interventional therapy is gradually replacing the traditional surgical craniotomy and conventional drug therapy with its safe, effective and minimal invasive characteristics, and has become an important treatment for stroke. However, 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 lower-tier cities and counties. In recent years, relevant policies have been successively issued to encourage and support the development of the interventional neurology industry in terms of the diagnosis, treatment and prevention of stroke, medical device innovation and technical specifications, and supervision of medical devices, etc. According to Frost & Sullivan, the market size of China's neuro-interventional medical devices was RMB8.16 billion in 2023, and it is expected to reach RMB20.26 billion in 2028, with huge growth potential.

As an important aspect of "Healthy China Initiative" (健康中國建設), China has been gradually establishing and improving the prevention, diagnosis and treatment policy for stroke. In 2021, multiple departments including the NMPA jointly formulated the Comprehensive Plan for Strengthening Stroke Prevention and Treatment Work to Reduce Millions of New Disabilities (《加強腦卒中防治工作減少百萬新發殘疾工程綜合方案》), which proposes the overall goal of further improving the prevention and treatment effect of stroke and reducing the incidence rate and disability rate, and clarifies the phased goals to be achieved by 2022, 2025, and 2030, including the goals for the awareness rates of hypertension among residents, the development of intravenous thrombolysis and thrombectomy techniques, etc. Meanwhile, the "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)" has been expedited to implement the Green Channel for stroke treatment, and establish and improve the hierarchical diagnosis and treatment system for stroke. According to the Stroke Prevention Project of National Health Commission ("**HNC**") of the PRC, as of mid-March 2024, an aggregate of over 1,980 stroke centers have been established in the country, including over 620 stroke centers in tertiary hospitals and over 1,360 in secondary hospitals. With the rapid growth of the number of stroke centers and the continuous improvement of the first aid treatment map for stroke, the capacity and the coverage of diagnosis and treatment of primary care have been further improved.

1 Burden of stroke in China in 2020, JAMA Netw Open. 2023;6(3):e231455

In addition, the Reform of the Medical and Health Care System in the PRC continues to be deepened. In March 2023, the NHSA has issued the Notice on Pharmaceutical Centralized Procurement and Price Management in 2023 (《關於做好2023年醫藥集中採購和價格管理工作的通知》), which proposes to conduct a new batch of national organized procurement of high-value medical consumables based on the principle of "one product, one tactic", establishing the underlying principle for centralized procurement of drugs and medical consumables. In June 2023, Beijing issued the Management Plan on the Linage of DRG Payment and Volume-based Procurement in Medical Institutions (《醫療機構DRG付費和帶量採購聯動管理方案》), aiming to correlate DRG payment with volume-based procurement (VBP) to bring the winning price of VBP into the consideration of DRG weights. This policy will motivate medical institutions to further optimize cost and resource management and is of considerable referential importance in the form and direction of future centralized VBPs. In July 2023, six departments including the National Health Commission have jointly issued the Key Tasks for Deepening the Reform of the Medical and Health System in the Second Half of 2023 (《深化醫藥衛生體制改革2023年下半年重點工作任務》), which clarifies the development priorities for deepening the medical reform in the next stage: from the perspective of medical insurance coverage, treatment and surgical projects with clear clinical efficacy and significant technical value will be prioritized to be included into the adjustment scope; from the perspective of payment mode, while adjusting the payment structure through the centralized VBPs of drugs and medical devices as well as the innovative medical insurance negotiations, no less than 70% of the coordinated regions are required to carry out DRG/DIP reform by the end of 2023. Under the reform of diversified and composite medical insurance payment methods, medical devices with clear clinical value and rigid treatment demand are expected to usher in a rapid growth, while auxiliary attributes and non-essential varieties are showing a weakening trend. This will bring a more profound impact on the structure of clinical medical products in a longer term.

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 cerebrovascular diseases to patients and physicians around the world. The Group has a comprehensive portfolio of commercialized products covering three major areas of cerebrovascular diseases, namely hemorrhagic stroke, cerebral atherosclerotic stenosis and acute ischemic stroke. According to Frost & Sullivan, the Group's market share in China's neuro-interventional medical device market jumped to the fourth place in terms of the sales in 2023 while ranking the first among all the domestic brands for many years.

Since its establishment, while always adhering to the goal of addressing clinical needs, the Group has been placing key emphasis on research and development ("**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. The Group has developed multiple "First-of-Its-Kind" products and "One-of-a-Kind" products, including the world-first stent system for treating intracranial atherosclerotic diseases in the world, the world-only intracranial stent graft approved for treating cerebrovascular diseases, 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 special review procedure for innovative medical devices (the "**Green Path**") and approved by the NMPA.

Business Review

In 2023, by expanding distribution channels in lower-tier market, actively responding to changes in the external policy environment, and accelerating global footprint expansion, the Group has achieved a rapid growth in the operating performance with the profitability greatly improved. In FY2023, the Group achieved the revenue of RMB665.6 million, representing an increase of 21.6% over the Previous Year. During the Reporting Period, the Group's net profit for the year was RMB134.6 million, turning losses into profits and achieving strong growth as compared to the Previous Year, and the non-HKFRS adjusted net profit reached RMB195.4 million, with an increase of 49.5% over the Previous Year.

Commercialization Capabilities

The Group has established a promotion team for medical solutions with members who are professionally qualified and experienced. The team continues to promote innovative neuro-interventional treatment concepts to the market and provides patients and physicians with an integrated solution to treat cerebrovascular diseases. These are accomplished through the means of 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, which strengthen our leading position as a domestic brand.

As at the end of 2023, our promotion team for medical solutions consisted of 85 employees with an average industry experience of over 12 years. In addition, the Group has established cooperative relationships with 400 distributors and sub-distributors, and the distribution channels have covered 31 provinces, municipalities and autonomous regions across the country. The Group's products have been clinically used in more than 3,000 hospitals nationwide, covering more than 1,550 tertiary hospitals and all of the top 100 hospitals among all the National Stroke Centers in China (中國國家卒中中心), cumulatively supporting approximately 167,000 neuro-interventional procedures.

In 2023, benefiting from the comprehensive and complete product matrix and the long-term accumulation of practitioner recognition, the Group's products have newly been applied in more than 400 hospitals, of which approximately 200 were county hospitals, gradually consolidating the grassroots market. In the meantime, the VBP projects of coils have been implemented gradually in various provinces, and Henan Province has also launched the VBP of neuro-interventional medical consumables among public medical institutions. The related products of the Group have benefited from winning the VBP bids, with hospital admission and clinical promotion ushering in a breakthrough.

In the field of hemorrhagic stroke products, Tubridge® Flow-diverting Stent, the Group's market-share leading product, accelerated the development of new markets with the focus on developing the second-tier and grassroots hospitals. During the Reporting Period, Tubridge® Flow-diverting Stent was newly admitted into approximately 250 hospitals, covering more than 1,000 hospitals in total, which had also led to a rapid increase in the combinatorial usage of Fastrack® Microcatheter System ("**Fastrack® Microcatheter**"). NUMEN® Coil took the opportunity of winning the VBP bids to significantly increase market share and hospital penetration. During the Reporting Period, the product newly entered more than 350 hospitals and had achieved clinical applications in an accumulated number of more than 900 hospitals. WILLIS® Intracranial Stent Graft ("**WILLIS® Stent Graft**"), as the world's first and only approved intracranial stent graft, not only has excellent clinical effects in the treatment of complex cranial vascular diseases, but has also won a wide recognition by clinical experts with its continuously expansion of advantages in indications such as vascular rupture in nasopharyngeal carcinoma surgery and cervical dissection aneurysm.

In the field of cerebral atherosclerotic stenosis treatment products, the innovative product Bridge® Vertebral Artery DES has shown differentiated characteristics such as grooved drug loading design and low long-term restenosis rate, which leads to enhanced recognition of the drug-loaded stent treatment concept by the surgeons. In 2023, Bridge® Vertebral Artery DES newly entered approximately 500 hospitals, covering more than 1,000 hospitals in total. It had also won the exclusive bid in Henan Province's VBP, with the clinical usage increasing by more than double over the Previous Year. In addition, APOLLO™ Intracranial Stent System ("**APOLLO™ Intracranial Stent**") continued to accelerate hospital admission and established the presence in approximately 300 new hospitals during the Reporting Period, covering more than 2,100 hospitals in total. Diveer® Balloon Catheter has continued to accelerate the market introduction with its advantages of ultra-soft head end, ultra-low outside diameter, and easier passage through highly narrow lesions since its launch in 2022. As of the end of the Reporting Period, Diveer® Balloon Catheter has been listed on the procurement platforms of 31 provinces nationwide and entered more than 200 hospitals in total, further improving the Group's product portfolio in the treatment of atherosclerotic stenosis.

In the field of acute ischemic stroke treatment products and access products, as of the end of the Reporting Period, Neurohawk® Thrombectomy Device and X-track® Distal Catheter, which were launched in 2022, both had been listed on the procurement platforms of 30 provinces, and had entered over 240 and 180 hospitals respectively. As a key accessory in aneurysm treatment surgery, driven by the sales volume of related therapeutic products of the Group, U-track® Support Catheter has further leveraged its competitive advantages such as the high clinical adaptability and the complete channel integration, and had realized the year-on-year increase of approximately 120% in terms of clinical usage during the Reporting Period, continuously bringing new momentum to the revenue growth.

As for the grassroots market, the Group actively responded to the national call for establishing primary stroke centers through the Eagle & Swallows (神雕飛燕) program. The Group has been providing the clinical training, follow-up consulting and routine guidance to physicians in hospitals in lower-tier cities and counties, thereby helping grassroots hospitals to improve their stroke treatment ability. In 2023, Eagle & Swallows team established the presence in approximately 200 new grassroots hospitals, with a total coverage of more than 800 hospitals in 250 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 build a platform for technical communication among grassroots clinicians, allowing more local patients with cerebrovascular diseases to benefit from the initiatives. As of the end of the Reporting Period, the Group had provided technical trainings for the Brain Power program to 130 surgeons.

The Group is committed to improving the stroke clinical diagnosis and treatment technology in the globe 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, Bridge® Vertebral Artery Stent and Neurohawk® Thrombectomy Device, we have offered a series of innovative clinical therapies through the combination of several product portfolios including the "AND procedure" (APOLLO™ Intracranial 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.

International Business

In FY2023, the Group achieved a breakthrough in its international business with the overseas revenue of RMB31.7 million, representing an increase of 44.6% over the Previous Year. Among them, the Group's revenue increased exponentially in the Asia Pacific ("**APAC**"), Europe, the Middle East and Africa ("**EMEA**") and Latin America ("**LATAM**").

As of the end of 2023, the Group's products have been commercialized in a total of 17 overseas countries, including South Korea, the United States, Brazil, Poland, Spain, Portugal, Chile, Ireland, the United Kingdom, Croatia, Greece, Argentina, Japan, Germany, Italy, Belgium and Saudi Arabia, covering 8 of the top 10 countries worldwide in terms of the number of neuro-interventional procedures. In Japan, the commercialization of NUMEN® Coils has progressed rapidly since its inclusion into medical insurance in October 2023 and the completion of the first batch of implantation. By the end of 2023, it has entered more than 90 local hospitals. In Ireland and the United Kingdom, the Group has successfully implemented a direct sales model, which has significantly improved the operational efficiency while better adapting to local market demand and marketing habits, adding new impetus to the growth of overseas business. In France, the Micro Frame and Micro Fill series of NUMEN® Coils have entered the national medical insurance reimbursement list.

In terms of product admission and market promotion, multiple innovative products of the Group continued to debut in the international market. In 2023, NUMEN® Coils were approved successively for commercialization in Australia, Saudi Arabia, Colombia, Argentina and the UAE, and Tubridge® Flow-diverting Stent was approved for marketing in Argentina and Brazil. In addition, X-track® Distal Catheter, Fastrack® Microcatheter and Neurohawk® Thrombectomy Device were also approved for marketing in Argentina. In 2023, the Group carried out a total of 18 overseas surgical training and academic exchange activities. At the World Live Neurovascular Conference (WLNC), a complex case of NUMEN® Coils for treatment of aneurysm was lively streamed and attracted many top neurointerventional specialists in the world.

Product Pipeline

Since the marketing approval of the first product in 2004, leveraging its 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 date of this report, the Group had a total of 18 products that have been approved and commercialized in China, and 12 pipeline products at different development phases. Among them, four products have been approved by the NMPA to be admitted to the Green Path, ranking first among Chinese neuro-interventional medical device companies.

From the beginning of 2023 and up to the date of this report, the Group's R&D projects have achieved fruitful results. Five products, including Tigertriever® Revascularization Device ("**Tigertriever® Revascularization Device**"), WAVE-track™ Intracranial Aspiration Catheter ("**WAVE-track™ Aspiration Catheter**"), QUEEN-track™ Microcatheter, Veyronwire™ Neurovascular Guide Wire and NeuroGuard® Neurovascular Balloon Guide Catheter ("**Neurovascular Balloon Guide Catheter**"), have been successfully approved by the NMPA for marketing; the registration applications of Neurohawk® Stent Thrombectomy Device 2 and Distal Protection Device have been submitted to the NMPA for approval. In addition, several clinical projects of Tubridge® Flow-diverting Stent have made significant progress: the PARAT MINI clinical study for the treatment of wide-neck, small and medium-sized aneurysms has completed all the patient enrollment; the pre-marketing clinical study of the new generation of Tubridge Plus® Flow-diverting Stent with full visualization has also completed all the patient enrollment, and the application was submitted to the NMPA for registration in August 2023.

The following chart summarizes our product portfolio and development status as of the date of this report.

		Product	Indicated Application	Development Stage (Design Development / Design Validation / Registrational Clinical Trial / Registration Application)	Approval or Estimated Approval
Therapeutic Devices	Hemorrhagic Stroke	Numen® Coil Embolization System	Intracranial aneurysm		NMPA approved in 2020; obtained FDA, CE, South Korea, Brazil and Japan approvals
Therapeutic Devices	Hemorrhagic Stroke	Numen FR® Coil Detachment System	Intracranial aneurysm		Approved in Australia, Argentina, Saudi Arabia, Emirates, Columbia in 2023
Therapeutic Devices	Hemorrhagic Stroke	Numen Silk® 3D Electronically Detachable Coil	Intracranial aneurysm	Clinical Trial Waived	NMPA approved in 2022
Therapeutic Devices	Hemorrhagic Stroke	Numen Uni® Electronically Detachable Coil	Intracranial aneurysm	Clinical Trial Waived	2024
Therapeutic Devices	Hemorrhagic Stroke	Numen Nest® Detachable Coil	Intracranial aneurysm	Clinical Trial Waived	2024
Therapeutic Devices	Hemorrhagic Stroke	NuFairy™ Absorbable Coil Embolization System	Intracranial aneurysm		2026
Therapeutic Devices	Hemorrhagic Stroke	Tubridge® Flow-diverting Stent ★	Intracranial aneurysm		NMPA approved in 2018 Approved in Argentina and Brazil in 2023
Therapeutic Devices	Hemorrhagic Stroke	Tubridge Plus® Flow-diverting Stent	Intracranial aneurysm		2024
Therapeutic Devices	Hemorrhagic Stroke	WILLIS® Intracranial Stent Graft System	Intracranial aneurysm		NMPA approved in 2013
Therapeutic Devices	Hemorrhagic Stroke	Comaneci® Embolization Assist Device (as exclusive distributor for Rapid Medical)	Intracranial aneurysm		Obtained CE and FDA NMPA approval expected in 2027
Therapeutic Devices	Hemorrhagic Stroke	Rebridge® Intracranial Visualized Stent ★	Intracranial aneurysm		2026
Therapeutic Devices	Hemorrhagic Stroke	Liquid Embolic Agent	Cerebral arteriovenous malformations		2026
Therapeutic Devices	Cerebral Atherosclerotic Stenosis	APOLLO™ Intracranial Stent System	Intracranial atherosclerosis disease		NMPA approved in 2004, approved in Argentina, Brazil
Therapeutic Devices	Cerebral Atherosclerotic Stenosis	Bridge® Rapamycin Target Eluting Vertebral Artery Stent System ★	Vertebral artery stenosis		NMPA approved in 2020
Therapeutic Devices	Cerebral Atherosclerotic Stenosis	Diveer® Intracranial Balloon Dilatation Catheter	Intracranial stenosis	Clinical Trial Waived	NMPA approved in 2022
Therapeutic Devices	Cerebral Atherosclerotic Stenosis	Intracranial Drug-Coated Balloon Catheter System	Intracranial stenosis		2027
Therapeutic Devices	Cerebral Atherosclerotic Stenosis	Carotid Stent System	Carotid artery stenosis		2028
Therapeutic Devices	Acute Ischemic Stroke	Neurohawk® Stent Thrombectomy Device	Acute ischemic stroke		NMPA approved in 2022 Approved in Argentina in 2023
Therapeutic Devices	Acute Ischemic Stroke	Neurohawk® Stent Thrombectomy Device 2	Acute ischemic stroke	Clinical Trial Waived	2024
Therapeutic Devices	Acute Ischemic Stroke	Tigertriever® Revascularization Device (as exclusive distributor for Rapid Medical) ★	Acute ischemic stroke		Obtained CE and FDA NMPA approved in 2023
Therapeutic Devices	Acute Ischemic Stroke	Tigertriever® 13 Revascularization Device (as exclusive distributor for Rapid Medical)	Acute ischemic stroke		Obtained CE and FDA NMPA approval expected in 2025
Therapeutic Devices	Acute Ischemic Stroke	WAVE-track™ Intracranial Aspiration Catheter	Acute ischemic stroke	Clinical Trial Waived	NMPA approved in 2023
Therapeutic Devices	Acute Ischemic Stroke	X-track® Intracranial Distal Access Catheter	Acute ischemic stroke	Clinical Trial Waived	NMPA approved in 2022 Approved in Argentina in 2023
Therapeutic Devices	Acute Ischemic Stroke	NeuroGuard® Balloon Protection Guide Catheter	Acute ischemic stroke	Clinical Trial Waived	NMPA approved in Jan 2024
Ancillary Devices	Access Products	Asahi® Neurovascular Guidewires (as exclusive distributor for Asahi Intecc)	Access product		NMPA approved in 2013
Ancillary Devices	Access Products	U-track® Intracranial Support Catheter System	Access product	Clinical Trial Waived	NMPA approved in 2020, approved by ANVISA in Brazil in 2022
Ancillary Devices	Access Products	Fastrack® Microcatheter System	Access product	Clinical Trial Waived	NMPA approved in 2019 Approved in Argentina in 2023
Ancillary Devices	Access Products	QUEEN-track™ Microcatheter	Access product	Clinical Trial Waived	NMPA approved in 2023
Ancillary Devices	Access Products	17 Microcatheter	Access product		2026
Ancillary Devices	Access Products	Veyronwire™ Neurovascular Guide Wire	Access product		NMPA approved in 2023
Ancillary Devices	Access Products	Distal Protection Device	Access product		2024

Hemorrhagic stroke products | Acute ischemic stroke products | Products the Group has distribution rights | Commercialized products | ★ Products admitted to the Green Path

Cerebral Atherosclerotic Stenosis products | Access products

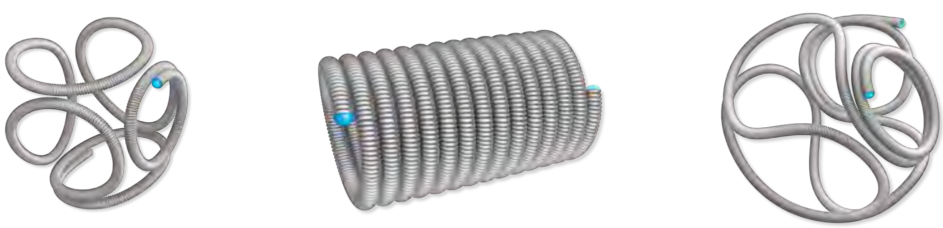
Hemorrhagic Stroke Products

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 11 products for the treatment of hemorrhagic stroke, of which five products have been approved for commercialisation, including embolization coils, flow-diverting stents and stent grafts, covering key therapeutic areas of hemorrhagic stroke. According to Frost & Sullivan, the market share of the Group's Tubridge® Flow-diverting Stent ranked the first among domestic brands in terms of the implantation volume in 2023. In addition, since its launch to market in 2021, the market share of the Group's coil products in China has rapidly climbed to the top five in terms of the implantation volume in 2023.

In FY2023, the Group recorded the revenue of hemorrhagic stroke products of RMB425.3 million, representing an increase of 42.0% over the Previous Year, which was mainly due to the significant increase in the clinical use of Tubridge® Flow-diverting Stent and the increase in the global sales revenue of NUMEN® Coil.

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, Japan, Argentina, Australia, Saudi Arabia, Colombia and the UAE, and has been commercialised in 17 overseas countries or regions, including South Korea, the United States, Brazil, Poland, Spain, Portugal, Chile, Ireland, United Kingdom, Croatia, Greece, Argentina, Japan, Germany, Italy, Belgium, and Saudi Arabia, receiving high praise from local clinicians. 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 aneurysms embolization options. In June 2023, the research results of NUMEN® Coil applied to aneurysms less than 5mm were officially published in the journal "BMC Surgery", further demonstrating its safety and effectiveness of application to aneurysms less than 5mm as well as its world-leading clinical efficacy.

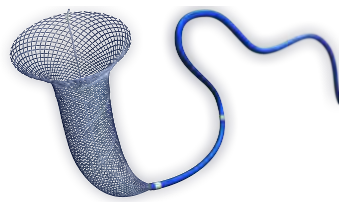


NUMEN Silk® Coil

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.

Tubridge® Flow-diverting Stent and Tubridge Plus® Flow-diverting Stent ("Tubridge Plus® Flowdiverting Stent")

Tubridge® flow-diverting stent was the first neuro-interventional medical device that entered the Green Path, and was also the first Chinese-developed flowdiverting 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. In 2023, the product was listed in the 2022 Shanghai Biomedical "New and Excellent Medical Devices" Product Catalogue (《2022年度上海市生物醫藥"新優藥械"產品目錄》) and passed the "Shanghai Brand" certification. In January 2024, the overseas Tubridge® flow-diverting stent successfully in Argentina, opening up a new situation for its expansion into overseas markets.

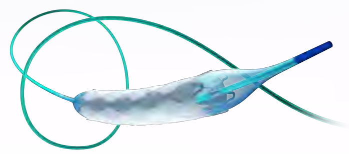


During the Reporting Period, the PARAT MINI clinical study of Tubridge® Flow-diverting Stent in the treatment of small and medium-sized and intracranial wide-neck aneurysms completed the enrollment of all cases, in order to expand the indications of this product in the treatment of small and medium-sized aneurysms.

Its new-generation product, Tubridge Plus® Flow-diverting Stent, which aims to improve the smoothness in delivery and stent visibility under angiography, could facilitate the accurate placement of the stent and enhance the safety of procedures. During the Reporting Period, the PARAT PLUS study of the pre-marketing clinical trial for Tubridge® Flow-diverting Stent has completed the enrollment of all cases, and was submitted to the NMPA for registration in August 2023.

The two clinical studies above provided a number of evidence-based medical evidences for Tubridge® series flow-diverting stent in the treatment of large and giant aneurysms, medium and small aneurysms, and real-world applications. In February 2024, the research results of Tubridge® Flow-diverting Stent applied to intracranial aneurysms were officially published in the journal "Clinical Neuroradiology", fully demonstrating its safety and effectiveness in treating intracranial aneurysms as well as its world-leading clinical efficacy.

WILLIS® Stent Graft



Willis® stent graft is the first and the only intracranial stent graft approved for treating cerebrovascular diseases in the world. It is also the first neuro-interventional medical device that applies the theory of intracranial parent artery reconstruction in practice to treat neurovascular diseases. It focuses 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 a temporary coil embolization assisting stent developed by Rapid Medical. It has received CE Marking in 2014 and FDA approval in 2019. It also has 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. The Group is the exclusive distributor in Greater China for Comaneci® assist device.

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.

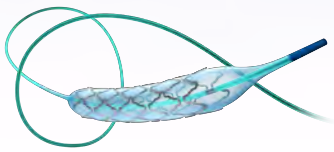
Intracranial Atherosclerotic Stenosis Products

The Group has a comprehensive product portfolio in the field of treatment of 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 market shares of the Group's APOLLO™ Intracranial Stent and *Bridge® Vertebral Artery DES* ranked the first (approximately 60%) and the second (approximately 50%) in the intracranial stenosis treatment field and vertebral artery stenosis treatment field in China respectively in terms of the implantation volume in 2023.

In FY2023, the Group recorded the revenue for cerebral atherosclerotic stenosis products of RMB153.5 million, representing an increase of 3.2% over the Previous Year. The increase was mainly due to the acceleration of marketing of Bridge® vertebral artery stents.

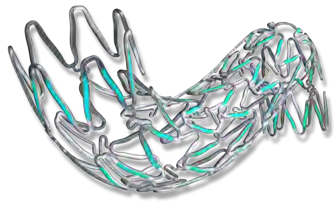
APOLLO™ Intracranial Stent

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 has been approved for marketing in Argentina in 2015. According to Frost & Sullivan, the market share of APOLLO™ Intracranial Stent ranked the first (approximately 60%) in China in terms of the implantation volume in 2023, fully demonstrating its excellent safety and efficacy.



Bridge® Vertebral Artery DES

Bridge® Vertebral Artery DES is the first approved vertebral artery DES admitted to the Green Path. According to Frost & Sullivan, the market share of Bridge® Vertebral Artery DES ranked the second (approximately 50%) in China in terms of implantation volume in 2023. Bridge® Vertebral Artery DES has been 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. The results of pre-marketing clinical trials of the product showed that the success rate of Bridge® Vertebral Artery DES implantation was 98%, and the incidence of in-stent restenosis (≥50%) at 6 months after operation was only 3.7%, which fully proved its clinical safety and effectiveness. In 2023, the product was listed in the 2022 Shanghai Biomedical "New and Excellent Medical Devices" Product Catalogue (《2022年度上海市生物醫藥"新優藥械"產品目錄》).



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.

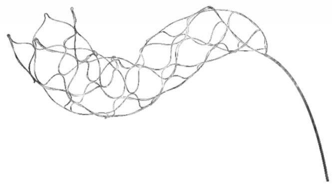
Acute Ischemic Stroke Products

In the field of acute ischemic stroke, the Group has five commercialized products and two products under research and development, covering stent thrombectomy devices and aspiration thrombectomy devices. According to Frost & Sullivan, the Company is the only Chinese company with stent thrombectomy devices compatible with different sizes of blood vessels.

In FY2023, the Group recorded the revenue of acute ischemic stroke products of RMB25.7 million, representing an increase of 394.2% over the Previous Year, mainly due to the revenue growth contributed by Neurohawk® Thrombectomy Device and X-track® Distal Access Catheter, which were launched in 2022.

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.



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. Its good anti-fatigue performance can fully address the clinical needs for catheter improvement.

Tigertriever® Revascularization Stent

Tigertriever® revascularization 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 FDA approval in the United States in March 2021. We were engaged by Rapid Medical as the exclusive distributor in Greater China for Tigertriever® revascularization stent, Tigertriever® 13 stent and all iterations of Tigertriever®. Tigertriever® revascularization stent was admitted to the NMPA's Green Path in May 2020 and was approved by the NMPA in August 2023. 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.

WAVE-track™ Aspiration Catheter

WAVE-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. WAVE-track™ aspiration catheter can reach the target occlusion quickly and smoothly, in particular in tortuous intracranial vessels. The product was approved by the NMPA in August 2023.

Neurovascular Balloon Guide Catheter

Neurovascular balloon 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. The product was approved by the NMPA in January 2024.

Access Products

The Group has a product portfolio of seven auxiliary access devices, among which five have been commercialized, including Asahi® Neurovascular Guidewires ("**Asahi® Guidewires**"), U-track® Intracranial Support Catheter System ("**U-track® Support Catheter**"), Fastrack® Microcatheter System, QUEEN-track™ Microcatheter and Veyronwire™ Guide Wire. The products under research and development include various models of microcatheter products and distal protection device products.

In FY2023, the Group recorded the revenue of access products of approximately RMB59.2 million, representing a decrease of 35.9% over the Previous Year, which was primarily because the Group proactively reduced the proportion of agency products in its sales portfolio for operational considerations.

Fastrack® Microcatheter

Fastrack® microcatheter is currently the only microcatheter system with a lumen of 0.029 in China. Its unique large lumen can provide the simplicity of instrument delivery and recovery. The product is designed to reach farther lesions in neurovascular surgery and support the precise delivery of intracranial interventional devices. The product was approved by the NMPA in July 2019.

U-track® Support Catheter

U-track® support catheter can reach proximal 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. During the Reporting Period, the first batch of commercial use of this product was completed in Brazil. It was the Company's fourth product entering the Brazilian market and the first access product, which enriched the Company's product portfolio for cerebrovascular diseases in Brazil.

QUEEN-track™ Microcatheter

QUEEN-track® microcatheter was approved by the NMPA in June 2023. The product adopts a non-invasive head end, specially treated transition section design and hydrophilic coating lubrication, which can reach the deep blood vessels of the brain and avoid the stimulation of blood vessels as much as possible. The product has an effective length of 155cm and is compatible with various surgical procedures to meet the needs of different scenarios. In particular, it can effectively remove thrombus when using in conjunction with the Neurohawk® Thrombectomy Device during the treatment of acute ischemic stroke.

Asahi® Guidewires

Asahi® Guidewires are one of the global leading neurovascular guidewires. It features a unique multistranded coil design at the tip, 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.

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-forming technology. We have also established a core R&D team with significant technical expertise in these fields. As of the end of the Reporting Period, the Group had an R&D team of 150 personnel, over 50% of which have doctor's or master's degrees.

The Group has established a mature project evaluation mechanism to regularly track the development direction of cutting-edge technology in the industry and 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 listen 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 the clinical needs.

Intellectual Property Rights

The Group insists on R&D and innovation with independent intellectual property rights. As of the end of 2023, the Group had 201 authorized patents, including 46 overseas patents. A total of 18 authorized patents were newly granted during the Reporting Period, including 4 overseas patents. In addition, the Group has 303 patents under application. According to the branding, marketing and compliance protection strategies, we have actively managed the domestic and foreign trademark portfolio with 180 registered trademarks and completed 4 new trademark applications during the Reporting Period.

Quality Management and Manufacturing

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. During the Reporting Period, the Group obtained the MDSAP (Medical Device Single Audit Program), a quality system certification accepted in five countries, which effectively reduces the audit cost for products entering overseas markets. As of the end of the Reporting Period, the Group has successively obtained a number of system certifications, covering the relevant regulations and standard requirements of China, the European Union, the United States, Australia, Brazil, Japan, South Korea, Argentina and other countries around the world, forming an international quality management system.

The Group summed up the "Practical Experience on the 'One Core and Three Links (一核三環)' Quality and Health Management Model" in the long-term exploration and practice based on the comprehensive quality management, and was awarded with the honorary title of "Shanghai Quality Benchmark" in July 2023 by virtue of this project. Through the implementation of the "'One Core and Three Links' Quality and Health Management Model", the Group has formed a relatively complete management model in terms of improving product quality, reducing quality costs and improving system operation capabilities, which is conducive to establishing clearer quality evaluation standards, formulating clearer quality management strategies, and promoting our high-quality development.

In 2023, the Group completed over 60 supply chain improvement and upgrading projects in total, achieving a significant decrease in production costs, and further improved the stability of the supply chain. As of the end of the Reporting Period, the localization rate of raw materials for our products had reached over 90%, of which the localization rate of key materials exceeded 85%. At the same time, we had established an advanced quality management system, continuously strengthened the construction of the lean system, steadily improved the production yield and the production efficiency, and realized the cost reduction and consumption control.

Human Resources

After a decade of development, the Group has built the largest 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 2023, the Group had a total of 571 employees, over 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 advantage and scaling advantage and implement active business strategies, including but not limited to the following:

1. **Continue to enhance innovation capabilities to offer comprehensive solutions for brain diseases**

   We will continue to expand the depth and breadth of our product portfolio to achieve full product coverage of the cerebrovascular therapeutic area. We will keep on with research and development, innovation, and iteration through in-house R&D and external cooperation, aligning every step of product improvement with clinical needs to offer stroke patients with comprehensive top-quality solutions. At the same time, we will also gradually explore more solutions in the field of brain science to meet the growing clinical needs of brain diseases.

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. Capitalizing 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 footprint**

   We will actively expand our global presence and gradually enter the countries and regions ranked top ten 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 FY2023, 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 21.6% from RMB547.4 million in FY2022 to RMB665.6 million in FY2023. This is primarily due to: (1) several market-share leading products (including Tubridge® Flow-diverting Stent, Bridge® Rapamycin Target Eluting Vertebral Artery Stent System, and NUMEN® Coil Embolization System, etc.) continuously exploring uncovered hospitals and lower-tier markets, further consolidating competitive advantages and achieving significant revenue growth; (2) products newly approved in 2022 (including Neurohawk® Stent Thrombectomy Device, Diveer® Intracranial Balloon Dilatation Catheter, etc.) accelerating hospital access and contributing to the incremental revenue of the Group; (3) overseas business continuing to achieve rapid growth, recording a revenue of RMB31.7 million in FY2023.

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

	Fiscal year		
	2023 RMB'000	2022 RMB'000	**Change %**
Hemorrhagic stroke products	**425,267**	299,555	42.0%
Cerebral atherosclerotic stenosis products	**153,458**	148,696	3.2%
Acute ischemic stroke products	**25,683**	5,197	394.2%
Access products	**59,196**	92,419	-35.9%
Other business revenue	**2,020**	1,483	36.3%
Total	**665,624**	547,350	21.6%

Cost of Sales

Cost of sales decreased by 0.3% from RMB154.4 million in FY2022 to RMB153.8 million in FY2023. This is primarily due to the Group implementing multiple supply chain improvement projects and experiencing a decrease in production costs due to scale effects amidst rising sales volumes across various product categories.

Gross Profit and Gross Profit Margin

Gross profit increased by 30.2% from RMB393.0 million in FY2022 to RMB511.8 million in FY2023. The increase was primarily due to an increase in sales volume of various types of products mentioned above.

The Group's gross profit margin was 76.9%. In FY2023, the gross profit margin increased by 5.1 percentage points as compared with 71.8% in FY2022, primarily due to an increase in the proportion of in-house produced products in the product sales structure, as well as the implementation of multiple supply chain improvement projects and economies of scale to reduce production costs.

Research and Development Costs

Research and development costs increased by 34.0% from RMB123.3 million in FY2022 to RMB165.1 million in FY2023, primarily due to an increase in research and development projects.

Distribution Costs

Distribution costs increased by 27.6% from RMB86.8 million in FY2022 to RMB110.7 million in FY2023, primarily due to the gradual recovery of distribution activities in the PRC market in FY2023 and an expansion in overseas business distribution investments compared to FY2022.

Administrative Expenses

Administrative expenses decreased by 17.0% from RMB67.7 million in FY2022 to RMB56.1 million in FY2023, primarily due to the improvement of efficiency in operating management, as well as the transfer of expenses to other operating departments as the change of premises' usage.

Other Net Income

Other net income increased by 21.6% from RMB32.9 million in FY2022 to RMB40.0 million in FY2023, primarily due to an increase in interest income of RMB6.6 million.

Other Operating Costs

Other operating costs decreased by from RMB26.5 million in FY2022 to nil in FY2023. Most of these other operating costs in FY2022 were listing expenses, while there were no such expenses in FY2023.

Finance Costs

Finance costs decreased by 96.3% from RMB99.4 million in FY2022 to RMB3.7 million in FY2023, primarily due to the interest of RMB94.8 million on other financial liabilities as a result of preferred shares issued under the series A financing in FY2022. Such interest expense required no payment in cash and no further accrued from the Listing Date of the Group, and there was no such interest expense in FY2023.

Share of the Losses of an Associate

In FY2023, 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 an accounting perspective since May 2021.

Impairment loss of investment in an associate

In FY2023, the Group's impairment loss of investment in an associate came from Rapid Medical amounting to RMB30.2 million. The Group made the impairment loss based on Rapid Medical's value in use as of 31 December 2023.

Income Tax Expenses

Our income tax expenses increased by 35.0% from RMB20.4 million in FY2022 to RMB27.5 million in FY2023, 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, we also use adjusted net profit as non-HKFRS measures, which are not required by, or presented in accordance with, HKFRSs. We believe that the presentation of non-HKFRS measures when shown in conjunction with the corresponding HKFRS measures facilitates a comparison of our operating performance from period to period 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.

From time to time in the future, we may exclude other items from our review of financial results. 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.

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

	Fiscal year		
	2023	2022	**Change**
	RMB'000	RMB'000	**%**
Net profit/(loss)	**134,581**	(24,678)	N/A
Add/(less):			
— Listing expenses(1)	**—**	22,659	N/A
— Interest on other financial liabilities(2)	**—**	94,782	N/A
— Equity-settled share-based payment expenses(3)	**6,813**	12,141	- 43.9%
— Impairment loss of investment in an associate(4)	**30,200**	—	N/A
— Share of losses of an associate(5)	**23,844**	26,619	-10.4%
— Income tax effect	**—**	(827)	N/A
Non-HKFRS adjusted net profit for the year	**195,438**	130,696	49.5%

(1) Listing expenses are one-off expenses in relation to the Initial Public Offering;

(2) Interest on other financial liabilities represents interest accrued 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 are 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) Impairment loss of investment in an associate came from the investment in Rapid Medical. The Group made impairment loss based on value in use of Rapid Medical as of 31 December 2023.

(5) 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 RMB114.7 million as of 31 December 2022 to RMB201.0 million as of 31 December 2023, primarily due to an increase in reserves of raw materials and finished goods as a result of the expansion of the Group's business scale.

Current Trade and Other Receivables

Our current trade and other receivables primarily consist of (1) trade receivables; and (2) prepayments and deposits.

Our current trade and other receivables increased from RMB35.3 million as of 31 December 2022 to RMB62.8 million as of 31 December 2023, primarily due to 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 RMB188.7 million as of 31 December 2022 to RMB213.1 million as of 31 December 2023, primarily due to an increase in trade payables due to the increase in procurement of raw materials.

Lease Liabilities

As of 31 December 2023, the Group recorded lease liabilities of RMB61.4 million, which were primarily in relation to the properties the Group leased for our office premises, manufacturing and R&D facilities. The Group recognizes lease liabilities with respect to all leases, except for short-term leases and leases of low value assets.

Capital Expenditure

The capital expenditure of the Group amounted to RMB42.2 million in FY2023, representing an addition of intangible assets and property, plant and equipment. In particular, the intangible assets of the Group primarily represent the capitalized development costs.

Foreign Exchange Exposure

During the Reporting Period, the Group mainly operated in China and a majority of its transactions were settled in RMB, the functional currency of the Company's primary subsidiaries. As of 31 December 2023, certain portion of the Group's bank balances was denominated in U.S. dollars. The Group currently does 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 2023.

Significant Investment

As of 31 December 2023, the Group's significant investment was an investment in an associate company 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 2023, the Group's interests in associates were all derived from Rapid Medical, amounting to RMB103.7 million, which accounted for 5.3% of the Group's total assets. In FY2023, Rapid Medical recorded a loss of US$14.9 million (equivalent to RMB104.9 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 RMB23.8 million and an impairment loss of investment in an associate of RMB30.2 million based on the value in use as of 31 December 2023. We have been approved to use trademarks of Rapid Medical and became the exclusive agent of Rapid Medical's related products in Greater China, and we have leveraged Rapid Medical's sales network in the United States to facilitate our overseas business. As a strategic investor, we will hold our investment in Rapid Medical for the long term.

Save as disclosed in this annual report, during the year ended 31 December 2023, we did not hold any other significant investments.

Contingent Liabilities

As of 31 December 2023, 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 were approximately RMB721.2 million as of 31 December 2023, as compared to approximately RMB827.9 million as of 31 December 2022, primarily due to the net cash inflow from operating activities of approximately RMB153.8 million, net cash outflow from investing activities of approximately RMB233.2 million and net cash outflow from financing activities of approximately RMB33.3 million during the Reporting Period. The Group's policy is to regularly monitor its liquidity requirements, 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 2023 and 31 December 2022 were nil. As of 31 December 2023, the gearing ratio of the Group (calculated as total interest-bearing borrowings and lease liabilities divided by total equity) decreased to 3.7%, as compared to 5.7% as of 31 December 2022.

Net Current Assets

The Group's net current assets as of 31 December 2023 were RMB1,083.3 million, as compared to net current assets of RMB1,040.9 million as of 31 December 2022.

Charge on Assets

As of 31 December 2023, there was no charge on assets of the Group.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

In FY2023, 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 2023, 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, except for the final dividend set out in Note 32 to the consolidated financial statements, there were no other 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 the 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 the 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 2023 (HK$ million)	Unutilized amount as at 31 December 2023 (HK$ million)	Expected timeline of full utilization
Research and development of therapeutic and access products for hemorrhagic stroke, cerebral atherosclerotic stenosis and AIS	30%	83.4	83.4	—	Fully utilized
Commercialization of the Company's products for hemorrhagic stroke, cerebral atherosclerotic stenosis and AIS	20%	55.6	55.6	—	Fully utilized
Expansion of the Company's manufacturing facility to increase the scale of the Company's production	15%	41.7	41.7	—	Fully utilized
Expansion of the Company's global presence	20%	55.6	55.6	—	Fully utilized
Advancing the Company's product portfolio through strategic acquisitions, investment, cooperation or a combination of these tactics	10%	27.8	—	27.8	By the year ending 31 December 2024
Working capital and other general corporate purposes	5%	13.9	13.9	—	Fully utilized

Save as disclosed above, 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

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. He was appointed as chief executive officer in January 2024 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**") and the remuneration committee of the Company (the "**Remuneration Committee**"). Mr. Xie also holds various directorships and management positions in our Group companies including a director and general manager of MicroPort NeuroTech (Shanghai) Co., Ltd. ("**MicroPort Neuro**") since May 2012, and was appointed as Chairman of the Board from November 2023.

Mr. Xie had over 25 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 senior 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 MicroPort Neuro since December 2015.

Mr. Wang has over 28 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

Dr. Chang Zhaohua (常兆華), born in 1963, was appointed as a non-executive Director and Chairman of the Board on 3 November 2023.

Dr. Chang is currently the Chairman of the Board, executive Director and Chief Executive Officer of MicroPort. He has over 33 years' experience in the medical device industry, and currently also serves as a professor at School of Medical Device, University of Shanghai for Science and Technology. Before establishing Shanghai MicroPort Medical (Group) Co., Ltd. (上海微創醫療器械(集團)有限公司) in 1998, from 1996 to 1997, Dr. Chang served as vice president of R&D at Endocare Inc., a NASDAQ listed medical device company based in California, U.S.. From 1990 to 1995, Dr. Chang served as senior engineer, chief scientist, director of R&D and vice president of engineering at Cryomedical Sciences Inc., a medical device company in Maryland U.S. which was listed on NASDAQ prior to its acquisition by a third party.

Dr. Chang received his bachelor's degree in refrigeration engineering in 1983 and master's degree in cryogenic engineering in 1985, both from University of Shanghai for Science and Technology. In 1992, he received his doctoral degree in biological science from State University of New York (Binghamton).

Mr. Sun Qingwei (孫慶蔚), born in 1983, was appointed as a non-executive Director on 3 November 2023.

Mr. Sun joined MicroPort in October 2018 and has held various positions including assistant to the CEO and senior director of strategy and planning. During that period, he was responsible for the strategic planning and operation of the company, leading the strategic layout and assisting dozens of MicroPort's subsidiaries to establish medium to long-term development plans. He has also pioneered a number of emerging areas and led the start-up development of new businesses. Prior to joining MicroPort, Mr. Sun accumulated many years of experience in pharmaceutical and life science consulting in Boston, U.S., where he conducted in-depth research in the areas of biopharmaceuticals, medical devices, diagnostics, and healthcare services.

Mr. Sun graduated from Kyoto University of Japan in 2007 with a bachelor's degree in engineering science, majoring in materials science and engineering, and obtained a master's degree in materials engineering from Kyoto University of Japan in 2009. Mr. Sun attended Harvard School of Public Health since 2009 and obtained a master's degree in environmental health in 2011.

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. (華潤片仔癀藥業有限公司) (now known as Fujian Pien Tze Huang Health Technology co., Ltd. (福建片仔癀健康科技有限公司), 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.

Ms. Wu has over 11 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 18 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"啓明星"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 25 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 Bärwinkel 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.

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 29 years of accounting experience and during his term of serving as an audit partner of KPMG on several occasions, he 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), 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 December 1994. He is currently a member of the Hong Kong Institute of Certified Public Accountants, a member of the American 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

Dr. Liao Wangcai (廖旺才), born in 1964, was appointed as the chief technology officer in January 2024 and is mainly responsible for the research and development affairs of the Group.

Dr. Liao has over 28 years of experience in medical research and development. Prior to joining the Group, Dr. Liao served as an assistant engineer at Wuhan School of Geodesy and Geomatics (武漢測繪學院) (now known as Wuhan University) from 1985 to 1988. From 1995 to 1997, 1998 to 1999 and 1999 to 2001, Dr. Liao was engaged in postdoctoral research at the Institute of Physics, Chinese Academy of Sciences, Rehabilitation Institute of Chicago and Northwestern University Medical School, Department of Pathology and Laboratory Medicine (DPALM) of University of Texas Houston Medical School. From 1997 to 1998, Dr. Liao served as an associate researcher in the Department of Psychology at the Chinese University of Hong Kong, mainly responsible for the research and development of electroencephalography systems. From 2001 to 2005, Dr. Liao served as senior engineer and chief engineer successively at ZOLL Medical Corporation. From 2005 to 2007, Dr. Liao served as a senior scientist at Guidant Corporation (later acquired by Boston Scientific Corporation (a company listed on the New York Stock Exchange, stock code: BSX)) and Boston Scientific Corporation, leading and completing a number of research and development work related to pulmonary artery blood pressure and intracardiac blood pressure sensors. Dr. Liao served as chief engineer at InnerPulse, Inc. from 2007 to 2009, as chief scientist at LivaNova PLC (a company listed on the NASDAQ, stock code: LIVN) from 2009 to 2018, and a chief auditor and medical product expert successively at TÜV SÜD, TÜV Rheinland and DEKRA from 2018 to 2022. From 2022 to 2023, Dr. Liao served as vice president of research and development at MicroPort Soaring CRM (Shanghai) Co., Ltd.

Dr. Liao received a bachelor's degree in radio from the Wuhan School of Geodesy and Geomatics (now known as Wuhan University) in China in June 1985, a master's degree in geophysics from the Institute of Geology, China Earthquake Administration in June 1991, and a PhD in biomedical engineering from Tsinghua University in June 1995. He has been an associate member of the Institute of Electrical and Electronics Engineers since 2002.

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 was appointed as chief marketing officer in January 2024 and is primarily responsible for overall management of sales and promotion of neuro-interventional solutions of our Group.

Mr. Duan has over 18 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.

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.

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 25 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 20 years of experience in the corporate secretarial field. Ms. Hui serves as 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 Beijing UBOX Online Technology Corp. (北京友寶在線科技股份有限公司), a vending machine operator in PRC whose shares are listed on the Stock Exchange (stock code: 2429), 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 2023.

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 13 to the consolidated financial statements. There are no significant changes in the nature of Group's activities during the year 2023.

FINANCIAL STATEMENTS

The financial position of the Group as at 31 December 2023 and the financial performance of the Group for the year then ended are set out in the consolidated financial statements on pages 136 to 224 of this annual report.

BUSINESS REVIEW

Overview

For the year ended 31 December 2023, the Company recorded the revenue of RMB665.6 million, representing an increase of 21.6% from the year ended 31 December 2022. The Group is committed to the R&D of high-end medical devices in the neuro-interventional field, providing the accessible, top-quality and comprehensive solutions for the treatment of cerebrovascular diseases.

A review of the business of the Group during the year ended 31 December 2023, 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 10 to 32 of this annual report. An analysis of the Group's performance indicators is set out in the section headed "Management Discussion and Analysis" — "Financial Review" on page 25 of this annual report. The compliance with relevant laws and regulations which have significant impact on the Group is set out in this report of the Directors. These discussions form part of this annual report.

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 during the year ended 31 December 2023 is set out in the "Environmental, Social and Governance Report" on pages 81 to 125 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 the Company conducts business. We maintain cordial working relationships with regulators through effective communications. Throughout the year ended 31 December 2023, we have strived to operate 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 are faced with the 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 Group builds its success on employees' dedication and commitment. We are committed to providing as much opportunities as possible for employees' skills enhancement and career development. The Group 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 2023, the Group had 571 employees (31 December 2022: 580 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 Official Account, 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 10 to 32 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2023, purchases from the Group's largest supplier and the five largest suppliers in aggregate accounted for 13% and 48% 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 30% and 89% respectively of the Group's total revenue for FY2023.

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 2023 are set out in Note 25 to the consolidated financial statements.

DISTRIBUTABILITY OF RESERVES

As at 31 December 2023, the aggregate amount of reserves available for distribution to equity shareholders of the Company was RMB1,216,857,000 (31 December 2022: RMB1,204,378,000).

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 *(Former Chairman) (Resigned on 3 November 2023)*
Dr. Chang Zhaohua *(Chairman) (Appointed on 3 November 2023)*
Mr. Sun Qingwei
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 33 to 41 of this annual report.

DIRECTORS' SERVICE CONTRACT

On 22 June 2022, each of the executive Directors has entered into a service contract with the Company for a term of three years commencing from 16 December 2021, subject to retirement by rotation and re-election in accordance with the Articles of Association and is subject to termination as provided in the service contract.

On 22 June 2022, each of Mr. Wang Lin and Ms. Wu Xia, as the non-executive Director, has entered into an appointment letter with the Company, for an initial term of three years commencing from 16 December 2021, subject to retirement by rotation and re-election in accordance with the Articles of Association and is subject to termination as provided in the appointment letter.

On 3 November 2023, each of Dr. Chang Zhaohua and Mr. Sun Qingwei, as the non-executive Director, has entered into an appointment letter with the Company, for an initial term of three years commencing from 3 November 2023, subject to retirement by rotation and re-election in accordance with the Articles of Association and is subject to termination as provided in the appointment letter.

On 22 June 2022, each of the independent non-executive Directors has entered into an appointment letter with the Company for an initial term of three years commencing from 22 June 2022, subject to retirement by rotation and re-election in accordance with the Articles of Association and is subject to termination as provided in the appointment letter.

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 2023, 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 also adopted the Share Scheme and the Share Award Scheme to provide certain incentives for Directors and eligible employees. Details of the scheme are set out in the section "Share Scheme" and "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 2023 are set out as follows:

Remuneration band (RMB)	Number of individuals
0	0
1–5,000,000	6
> 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 Note 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 2023, 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 Securities and Futures Ordinance (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 for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules, are as follows:

(a) Long positions in the shares and underlying shares of the Company:

Name of Director	Number of shares	Nature/ Capacity of Interest	Note	Percentage of Shareholding
Mr. Xie Zhiyong	251,775	Beneficial Owner	1	0.04%
Mr. Wang Yiqun Bruce	158,063	Beneficial Owner	1	0.03%
Mr. Sun Qingwei	39,177	Beneficial Owner	—	0.01%

Note:

1. Mr. Xie Zhiyong and Mr. Wang Yiqun Bruce were interested in the relevant shares of the Company by virtue of the Award Shares and/or the options granted to them under the Company's Share Scheme. Please refer to the section headed "Share Scheme" and "Share Award Scheme" below for further details.

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

Name of Director	Name of associated corporation	Number of shares	Nature/ Capacity of Interest	Note	Percentage of Shareholding
Dr. Chang Zhaohua	MicroPort	49,047,671	Beneficial Owner	1	0.25%
	MicroPort CardioFlow Medtech Corporation (微創心通醫療科技有限公司)("**MicroPort CardioFlow**")	6,000,000	Beneficial Owner	2	2.67%
Mr. Xie Zhiyong	MicroPort	545,734	Beneficial Owner	3	0.03%
Mr. Wang Yiqun Bruce	MicroPort	405,620	Beneficial Owner	—	0.02%
Mr. Sun Qingwei	MicroPort	259,848	Beneficial Owner	—	0.01%

Note:

1. As at the end of the Reporting Period, Dr. Chang Zhaohua was interested in 49,047,671 underlying shares of MicroPort by virtue of the options granted to him under a share option scheme of MicroPort.

2. As at the end of the Reporting Period, Dr. Chang Zhaohua was interested in 6,000,000 underlying shares of MicroPort CardioFlow by virtue of the options granted to him under a share option scheme of MicroPort CardioFlow.

3. Mr. Xie Zhiyong was interested in (i) 228,851 shares of MicroPort; and (ii) 316,883 underlying shares of MicroPort by virtue of the options granted to him under a share option scheme of MicroPort.

4. As at the end of the Reporting Period, Mr. Wang Yiqun Bruce was interested in 405,620 shares of MicroPort.

5. As at the end of the Reporting Period, Mr. Sun Qingwei was interested in 259,848 underlying shares of MicroPort by virtue of the options granted to him under a share option scheme of MicroPort.

Save as disclosed above, as at 31 December 2023, 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 2023, 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	59,900,000 (L)	10.28%
Maxwell Maxcare Science Foundation Limited ("**Maxwell Maxcare**")[3][4]	Interest of controlled corporation	63,288,500 (L)	10.86%

Notes:

1. The letter "L" denotes a long position in our Shares.

2. 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.

3. WE'TRON Capital is directly owned as to 100.00% by Maxwell Maxcare. By virtue of the SFO, Maxwell Maxcare is deemed to be interested in the Shares held by WE'TRON Capital.

4. 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.

Save as disclosed above, as at 31 December 2023, 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 2023, no contract concerning the management and administration of all or any substantial part of the business of the Company was entered into or existed.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

None of Directors 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 2023.

Save as disclosed in Note 28(a) 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 2023 or during the year ended 31 December 2023.

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 2023 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 during the year; 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. The 2022 Master Catering Services Agreement

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 "**2022 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 2022 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 ended 31 December 2023 will not exceed RMB2.1 million and RMB3.0 million, respectively. In FY2023, the transaction amount under the agreement was RMB2.4 million.

2. The 2023 Master Catering Services Agreement

On 1 December 2023, the Company and MicroPort agreed to enter into the 2023 Master Catering Services Agreement, pursuant to which the MicroPort Group and its joint ventures and associates agreed to provide or procure the provision of catering services to the Group, including but not limited to provision of (i) daily meals for the employees; and (ii) catering services for conferences and business meals, details of which were set out in the Company's announcement dated 1 December 2023. The term of the 2023 Master Catering Services Agreement is from 1 January 2024 to 31 December 2026 (both dates inclusive).

It is estimated that the maximum transaction amounts for the procurement of the Catering Services for each of the three years ending 31 December 2026 will not exceed RMB3.3 million, RMB3.7 million and RMB3.9 million, respectively.

3. 2022 Master Supporting Services Procurement Agreement

On 29 June 2022, the Group entered into a master supporting services procurement agreement (the "**Master Supporting Services Procurement Agreement**") with MicroPort (one of the Controlling Shareholders), pursuant to which the MicroPort Group and its joint ventures and associates agreed to provide the 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 ended 31 December 2023 will not exceed RMB7.6 million and RMB7.0 million, respectively. In FY2023, the transaction amount under the agreement was RMB6.7 million.

4. **2023 Master Supporting Services Procurement Agreement**

On 1 December 2023, the Group and MicroPort agreed to enter into the 2023 Master Supporting Services Procurement Agreement, pursuant to which the MicroPort Group and its joint ventures and associates agreed to provide the 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 set out in the Company's announcement dated 1 December 2023. The term of the 2023 Master Supporting Services Procurement Agreement is from 1 January 2024 to 31 December 2026 (both dates inclusive).

It is estimated that the maximum transaction amounts in relation to the procurement of the Supporting Services for each of the three years ending 31 December 2026 will not exceed RMB7.2 million, RMB7.5 million and RMB7.8 million, respectively.

5. **2022 Master Materials Procurement Agreement**

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 the 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 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 ended 31 December 2023 will not exceed RMB11.3 million and RMB18.5 million, respectively. In FY2023, the transaction amount under the agreement was RMB17.4 million.

6. **2023 Master Materials Procurement Agreement**

On 1 December 2023, the Company and MicroPort agreed to enter into the 2023 Master Materials Procurement Agreement, pursuant to which the Group agreed to procure from or procure through the MicroPort Group and its joint ventures and associates semi-finished products of stents and delivery systems and Rapamycin for use in its R&D and production of products, details of which were set out in the Company's announcement dated 1 December 2023. The term of the 2023 Master Materials Procurement Agreement is from 1 January 2024 to 31 December 2026 (both dates inclusive).

It is estimated that the maximum transaction amounts for the procurement under the 2023 Master Materials Procurement Agreement for each of the three years ending 31 December 2026 will not exceed RMB26.0 million, RMB26.5 million and RMB27.0 million, respectively.

7. 2023 Master Technical Cooperation Service Agreement

On 1 December 2023, the Group and MicroPort entered into the Master Technical Cooperation Service Agreement (the "**Master Technical Cooperation Service Agreement**"), pursuant to which the MicroPort Group and its joint ventures and associates agreed to cooperate with the Group on multiple R&D projects and provide technical service to the Group including technical design and development, design verification and confirmation, supply chain management, entrusted production and processing in relation to the R&D projects, technical consultation and support, licenses and the transfer of technology and other technical services (the "**Technical Services**"), details of which were set out in the Company's announcement dated 1 December 2023. The term of the 2023 Master Technical Cooperation Service Agreement is from 1 December 2023 to 30 November 2026 (both dates inclusive).

It is estimated that the maximum transaction amounts in relation to the upcoming procurements of the Technical Services for the period from 1 December 2023 to 31 December 2023, the year ending 31 December 2024, the year ending 31 December 2025 and the eleven months ending 30 November 2026 will not exceed RMB1.5 million, RMB5.9 million, RMB5.9 million and RMB5.9 million, respectively. In FY2023, the transaction amount under the agreement was RMB0.7 million.

The Independent Non-executive Directors have reviewed the Company's continuing connected transactions and confirmed that the relevant transactions have been entered into:

— in the ordinary and usual course of business of the Group;

— on normal commercial terms; and

— on terms that are fair and reasonable and in the interests of the Company and its shareholders as a whole pursuant to the agreements governing such transactions.

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 FY2023.

Save as the aforesaid, none of the "Material Related Party Transactions" as disclosed in Note 28 to the consolidated financial statements in FY2023 constituted discloseable non-exempted connected transaction or non-exempted continuing connected transaction under the Listing Rules.

To the extent that the above "Material Related Party Transactions" constitute 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 FY2023.

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

During the year ended 31 December 2023, save for the 517,000 shares purchased by the Trustee of the Share Award Scheme on the Stock Exchange at the total consideration of HK$9,533,660 (equivalent to RMB8,310,000) pursuant to the terms of the trust deed under the Share Award Scheme, 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 year ended 31 December 2023.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix C3 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 2023.

SHARE SCHEME

The Share Scheme was adopted by the Company on 12 July 2023 ("**Adoption Date**"), after the approval of the annual general meeting on 28 June 2023 (the "**2022 AGM**"). The terms of the Share Option Scheme are governed by Chapter 17 of the Listing Rules.

A summary of the principal terms of the Share Scheme is set out below:

1. Purpose

The purpose of the Share Scheme is to provide incentive to the Eligible Participants in order to promote the development and success of the business of the Group. The Share Scheme will give the Eligible Participants an opportunity to have a personal stake in the Company and will help motivate the Eligible Participants in optimising their performance and efficiency and attract and retain the Eligible Participants whose contributions are important to the long-term growth of the Group.

2. Administration of the Share Scheme

The Share Scheme shall be subject to the administration of the Board whose decision on all matters arising in relation to the Share Scheme or its interpretation or application or effect shall (save as otherwise provided in the Share Scheme and in the absence of manifest error) be final and binding. For the avoidance of doubt, subject to compliance with the requirements of the Listing Rules and the provisions of the Share Scheme, the Board shall have the right to (i) interpret and construe the provisions of the Share Scheme; (ii) determine the persons who will be offered Awards under the Share Scheme, and the number of Shares and the Exercise Price or Issue Price in relation to such Awards; (iii) make such appropriate and equitable adjustments to the terms of Awards granted under the Share Scheme as it may deem necessary; and (iv) make such other decisions or determinations or regulations as it shall deem appropriate for the administration of the Share Scheme.

Subject to compliance with the Listing Rules, the authority to administer the Share Scheme may be delegated by the Board to a committee of the Board or to any other person(s) deemed appropriate at the sole discretion of the Board.

The Company may establish a trust ("**Trust**") and appoint a trustee to hold Shares for the purposes of (i) holding Award Shares allotted and issued by the Company and reserved for specified Eligible Participants; (ii) settling Awards; and (iii) taking other actions for the purposes of administering and implementing the Share Scheme. The trustee of the Trust shall be instructed by the Company.

The trustee of the Trust holding unvested Award Shares, whether directly or indirectly, shall abstain from voting on matters that require Shareholders' approval under the Listing Rules.

3. Eligible Participants and the Basis of Eligibility

The Eligible Participants are the Employee Participants, the Related Entity Participants and the Service Provider Participants.

In determining the basis of eligibility for Employee Participants, the factors in assessing whether any person is eligible to participate in the Share Scheme include: (1) the performance of the Employee Participant; (2) the skill, knowledge, experience, expertise and other personal qualities of the Employee Participant, (3) the time commitment, responsibilities or employment conditions of the Employee Participant according to the prevailing market practice and industry standard; (4) the length of employment with the Group; and (5) the contribution or potential contribution of the Employee Participant to the development and growth of the Group.

A service provider participant (the "**Service Provider Participant**") refers to a person who provides services to any member of 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, and fall into any of the following categories, provided that placing agents or financial advisers providing advisory services for fundraising, mergers or acquisitions, and auditors or valuers who provide assurance or are required to perform their services with impartiality and objectivity shall be excluded.

4. Scheme Limits

The Scheme Mandate Limit

The total number of Shares which may be issued in respect of all Awards which may be granted at any time under the Share Scheme together with options and awards which may be granted under any other schemes of the Company shall not exceed such number of Shares as equals 10% of the Shares in issue as at the Adoption Date (the "**Scheme Mandate Limit**"), which is 58,265,810 Shares. Awards lapsed in accordance with the terms of the Share Scheme (and other schemes of the Company) will not be regarded as utilised for the purpose of calculating the Scheme Mandate Limit. The maximum entitlement of each Eligible Participant would result in the Shares issued and to be issued in respect of all options and awards granted to such Eligible Participant (excluding any options and awards lapsed in accordance with the terms of the relevant schemes) in the twelve(12)-month period up to and including the date of such grant representing in aggregate shall not exceeding 1% of the Shares in issue.

The Service Provide Participant Sublimit

Subject to the above, the total number of Awards which may be issued in respect of all Awards which may be granted at any time under the Share Scheme together with options and awards which may be granted under any other share schemes for the time being of the Company to Service Providers shall not exceed such number of Shares as equals to 1% of the Shares in issue as at the Adoption Date (the "**Service Provider Participant Sublimit**") within the Scheme Mandate Limit. Awards lapsed in accordance with the terms of the Share Scheme will not be regarded as utilised for the purpose of calculating the Service Provider Participant Sublimit.

Refreshment

The Company may seek approval of the Shareholders in a general meeting of the Company to refresh the Scheme Mandate Limit and/or the Service Provider Participant Sublimit under the Share Scheme on or after the third anniversary of the date of the Shareholders' approval for the last refreshment or the Adoption Date. The total number of Shares which may be issued upon exercise of all (i) the Awards under the Share Scheme and (ii) the options and awards to be granted under any other schemes of the Company as "refreshed" must not exceed 10% of the Shares in issue as at the date of approval of the refreshment. For the purpose of seeking approval of the Shareholders under this paragraph (3), the Company must send a circular to the Shareholders containing the information required under the Listing Rules. Any refreshment within any three-year period shall be subject to independent Shareholders' approval.

Grant in excess of the Scheme Mandate Limit

The Company may seek separate approval of the Shareholders in a general meeting of the Company for granting Awards exceeding the Scheme Mandate Limit provided that the Awards in excess of the Scheme Mandate Limit are granted only to Eligible Participants specifically identified by the Company before such approval is sought. For the purpose of seeking approval of the Shareholders under this paragraph, the Company must send a circular to the Shareholders containing a generic description of the specified Eligible Participants who may be granted such Awards, the number and terms of the Awards to be granted, the purpose of granting Awards to the specified Eligible Participants with an explanation as to how the terms of the Awards serve such purpose, and such other information as required under the Listing Rules. The number and terms (including the Exercise Price or the Issue Price) of the Awards to be granted to such Eligible Participant must be fixed before Shareholders' approval. For the grant of Share Options, the date of Board meeting for proposing such grant should be taken as the date of grant for the purpose of calculating the Exercise Price.

The total number of shares available for issue under the Share Scheme are 58,265,810, representing 10% of the issued shares of the Company as at the date of the annual report.

5. Vesting Period

Save for the circumstances prescribed below, an Award must be held by the Grantee for a period that is not shorter than the Minimum Period before the Award can be exercised.

The Board may at its discretion grant Awards to Employee Participants only with a vesting period shorter than the Minimum Period in the following circumstances:

(1) grants of "make-whole" Awards to new joiners to replace the share options or award shares they forfeited when leaving the previous employers;

(2) grants to an Employee Participant whose employment is terminated due to death or occurrence of any out of control event;

(3) grants that are made in batches during a year for administrative and compliance reasons, which include Awards that should have been granted earlier if not for such administrative or compliance reasons but had to wait for subsequent batch;

(4) grants of Awards with a mixed or accelerated vesting schedule such as where the Awards may vest evenly over a period of twelve (12) months; or

(5) grants with performance-based vesting conditions in lieu of time-based vesting criteria.

6. Exercise Period, Exercise Price, Issue Price and Exercise of Awards

The exercise period of the Share Scheme shall be determined and notified by the Company to the grantee at the time of making an offer provided that such period shall not go beyond the day immediately prior to the tenth anniversary of the offer date with respect of the relevant award.

The Exercise Price shall be determined by the Board at its absolute discretion, provided that it shall not be less than the highest of:

(1) the closing price of the Shares as shown in the daily quotations sheet of the Stock Exchange on the offer date, which must be a Business Day;

(2) the average of the closing prices of the Shares as shown in the daily quotations sheets of the Stock Exchange for the five (5) consecutive days on which the Shares are traded on the Stock Exchange immediately preceding the offer date; and

(3) the nominal value of the Share on the offer date.

The Issue Price shall be such price determined by the Board in its absolute discretion and notified to the Grantee in the Offer Letter. For the avoidance of doubt, the Board may determine the Issue Price to be nil.

7. Remaining Life of the Scheme

The Share Scheme shall be valid and effective for a period of 10 years commencing on the Adoption Date, after which period no further options shall be granted. Subject to the above, in all other respects, in particular, in respect of options remaining outstanding on the expiry of the 10-year period referred to in this paragraph, the provisions of the Share Scheme shall remain in full force and effect.

Subject to the early termination, the remaining life of the Share Scheme is approximately 9 years and 3 months as of the date of this annual report.

8. Outstanding Options Granted as of 31 December 2023

Categories of Grantees	Number of Shares underlying the granted options as of 1 January 2023	Granted during the Reporting Period	Exercised during the Reporting Period	Vested during the Reporting Period	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Exercise price	Number of Shares underlying the granted options as of 31 December 2023	Date of grant	Vesting period	Exercise period	Closing price of the Company immediately before the date of grant of options	Fair value of options at the date of grant	Share price of the Company immediately before the exercise date of options
Directors														
Xie Zhiyong	–	126,000	–	–	–	–	HK$13.52	126,000	2023/7/28	2028/7/28	2028/7/28–2033/7/27	HK$13.28	HK$6.96	N/A
Wang Yiqun Bruce	–	79,000	–	–	–	–	HK$13.52	79,000	2023/7/28	2028/7/28	2028/7/28–2033/7/27	HK$13.28	HK$6.96	N/A
Other employees of the Group	–	971,000	–	–	–	7,000	HK$13.52	964,000	2023/7/28	2028/7/28	2028/7/28–2033/7/27	HK$13.28	HK$6.93	N/A
Total	–	1,176,000	–	–	–	7,000	–	1,169,000	–	–	–	–	–	–

Notes:

1. Details of the valuation of Options under the Share Scheme during the year ended 31 December 2023, including the accounting standard and policy adopted for the Share Scheme, are set out in Note 24(d) and Note 1(t(ii)) to the consolidated financial statements.

2. Save as determined by the Board and provided in the offer letter of the grant of an Option, the Share Scheme does not stipulate any performance target a grantee is required to achieve before the relevant award can be exercised.

3. No option was granted to Service Provider Participant since the Share Scheme was adopted. Therefore, the number of options available for grant under the Service Provide Participant Sublimit at the beginning and the end of the year of 2023 was nil and 5,826,581, respectively. The number of options available for grant under the Share Scheme at the beginning and the end of the year of 2023 was nil and 57,096,810, respectively.

4. The number of shares that may be issued in respect of options during the year of 2023 divided by the weighted average number of shares of the Company in issue for the year equals to 0.002.

SHARE AWARD SCHEME

The Group 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 ten per cent (10%) of the issued shares of the Company as at the adoption date.

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.

Vesting

Unless otherwise provided in the Share Award Scheme, subject to the receipt by the trustee of within the period stipulated in the vesting notice sent to the relevant Selected Participant by the Board or the Committee, and a confirmation from the Company that all vesting conditions having been fulfilled, the trustee shall transfer the relevant Award Shares to the Selected Participant(s) or his/her nominee(s) as soon as practicable after the Vesting Date. The Vesting Date shall be on any Business Day at the end of March of any year or any other date as stated in the Offer Letter or may be otherwise determined by the Board.

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.

The Share Award Scheme is funded by existing Shares to be purchased by the Trustee on the market. Therefore, no shares available for issue under the Share Award Scheme. As at the date of this report, the remaining life of the Share Award Scheme is approximately 8 years and 4 months.

		Number of Award Shares for the year ended 31 December 2023										
Categories of Grantees	Date of grant	Outstanding as of 1 January 2023	Closing price immediately prior to grant	Fair value of Award Shares at the date of grant[1]	Purchase price	Granted	Vested	Lapsed	Cancelled	Outstanding as of 31 December 2023	Weighted average closing price of Award Shares immediately before the Vesting Date	Vesting schedule
Directors												
Xie Zhiyong	2023/03/30	—	HK$14.50	HK$14.60	HK$0	125,775	125,775	—	—	0	—	2023/03/30
Wang Yiqun Bruce	2023/03/30	—	HK$14.50	HK$14.60	HK$0	79,063	79,063	—	—	0	—	2023/03/30
The five highest paid individuals of the Group in aggregate (excluding those who are also Directors of the Company)	2023/03/30	—	HK$14.50	HK$14.60	HK$0	123,678	123,678	—	—	0	—	2023/03/30
Other employees of the Group	2023/03/30	—	HK$14.50	HK$14.60	HK$0	188,201	188,201	—	—	0	—	2023/03/30

Notes:

1. Details of the valuation and the accounting standard and policy adopted for the Share Award Scheme during the year of 2023 are set out in the Note 24(d) and Note 1(t(ii)) to the consolidated financial statements.

2. Subject to fulfilment of vesting conditions including customized performance targets for each grantee, the Award Shares shall be vested according to the vesting schedule.

3. There is no performance target for the grantees to achieve before the relevant Award Shares can be vested.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements that will or may result in the Company issuing Shares or that require the Company to enter into any agreements that will or may result in the Company issuing Shares were entered into by the Company during the year ended 31 December 2023.

PUBLIC FLOAT

From the information publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public at all times as of 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 2023, the Group made no donations.

ANNUAL GENERAL MEETING

The 2023 Annual General Meeting (the "**2023 AGM**") of the Company will be held on 26 June 2024. The notice of the 2023 AGM will be sent to shareholders at least 21 clear days before the 2023 AGM.

FINAL DIVIDEND

The Board has resolved to recommend the payment of a final dividend of HK$0.11 (tax inclusive) per share (the "**Share**") for the year ended 31 December 2023 to the shareholders whose names appear on the register of members of the Company on Wednesday, 3 July 2024 and also to recommend the offer to the shareholders the right to select as an alternative, to receive such final dividend wholly by allotment of new Shares credited as fully paid in lieu of cash (the "**Scrip Dividend Scheme**"), subject to the approval of the shareholders on the payment of final dividend at the 2023 AGM and the granting by the Stock Exchange of the listing of, and permission to deal in, the Shares to be issued pursuant thereto.

Once the relevant resolution is passed at the 2023 AGM, the proposed final dividend is expected to be paid on or about Thursday, 22 August 2024. Dividend warrants and share certificates for new shares to be issued under the Scrip Dividend Scheme will be dispatched by ordinary mail on or about Thursday, 22 August 2024. The Shares to be issued pursuant to the Scrip Dividend Scheme will rank pari passu in all respects with the Shares in issue on the date of allotment and issue of such Shares save that they will not be entitled to the final dividend for the year ended 31 December 2023.

On the condition that the payment of the above final dividend is approved by the shareholders at the 2023 AGM, a circular containing details of the Scrip Dividend Scheme will be published on or about Tuesday, 23 July 2024.

Closure of Register of Members

(a) For determining the entitlement to attend and vote at the 2023 AGM

The register of members of the Company will be closed from Friday, 21 June 2024 to Wednesday, 26 June 2024, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2023 AGM, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 20 June 2024 (Hong Kong time), being the last registration date.

(b) For determining the entitlement to the proposed final dividend

The proposed final dividend for the year ended 31 December 2023 is subject to approval by the shareholders at the 2023 AGM. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Wednesday, 3 July 2024 to Friday, 5 July 2024, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 2 July 2024 (Hong Kong Time), being the last registration date.

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 2023. 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 2023 AGM to re-appoint KPMG as auditor of the Company. There has been no change in auditor since the Listing Date.

On behalf of the Board
MicroPort NeuroTech Limited
Chairman of the Board
Dr. Chang Zhaohua

27 March 2024

The board (the "**Board**") of directors (the "**Directors**") of the Company is pleased to report to the shareholders of the Company (the "**Shareholders**") on the corporate governance of the Company for the year ended 31 December 2023 ("**2023**" or the "**Reporting Period**").

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 (the "**CG Code**") contained in Appendix C1 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") 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 (the "**CG Code**") contained in Appendix C1 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). 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, the Company has complied with all the applicable code provisions as set out in the CG Code during 2023. The Company will continue to review and enhance its corporate governance practices to ensure compliance with 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 C3 to the Listing Rules on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code/code of conduct during 2023.

The Company has also established written guidelines (the "**Employees Written Guidelines**") no less exacting than the Model Code for securities transactions by employees who, 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 *(Chief Executive Officer)*
Mr. Wang Yiqun Bruce *(Senior vice president)*

Non-executive Directors

Dr. Chang Zhaohua *(Chairman of the Board)*
Mr. Sun Qingwei
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 and general meetings of the Company held during 2023 is set out in the table below:

	Attendance/Number of Meetings			
Name of Director	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
Executive Directors				
Mr. Xie Zhiyong	5/5		1/4	2/2
Mr. Wang Yiqun Bruce	5/5			
Non-executive Directors				
Mr. Peng Bo *(Former Chairman)*	4/5		3/4	
Dr. Chang Zhaohua *(Current Chairman)*	1/5			
Mr. Sun Qingwei *(Newly appointed)*	1/5			
Mr. Wang Lin	5/5			
Ms. Wu Xia	5/5			
Independent Non-executive Directors				
Dr. Xu Yi	5/5	3/3	4/4	2/2
Dr. Zhang Haixiao	5/5	3/3		2/2
Mr. Siu Chi Hung	5/5	3/3	4/4	

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 Dr. Chang Zhaohua 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 2023, 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

The Company has established mechanisms to ensure independent views and input are available to the Board, which set out the processes and procedures to ensure a strong independent element on the Board, these mechanisms allow the Board effectively exercises independent judgment to better safeguard Shareholders' interests.

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 2023, 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 Board committees/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 chairperson 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 2023, the Audit Committee held three meetings to review, in respect of the year ended 31 December 2023, 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 twice without the presence of the Executive Directors.

Remuneration Committee

The Remuneration Committee consists of three members, namely Dr. Xu Yi, Mr. Xie Zhiyong and Mr. Siu Chi Hung. Dr. Xu Yi is the chairperson 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 2023, the Remuneration Committee met four times to review and determine the policy for the remuneration of executive directors, assess performance of executive directors, and review and approve matters relating to share schemes. In addition, the Remuneration Committee also reviewed and made 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 chairperson 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 and the Company is in full compliance with the board diversity (requirements under Rule 13.92 of the Listing Rules).

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.

During 2023, the Nomination Committee held two meetings to review the Board composition, make recommendations to the Board on the appointment and succession planning of Directors, and assess the independence of Independent Non-executive Directors.

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.

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: 7 Directors Female: 2 Directors	40–49: 4 Directors 50–59: 4 Directors 60–69: 1 Directors
Designation	**Educational Background**
Executive Directors: 2 Directors Non-executive Directors: 4 Directors Independent Non-executive Directors: 3 Directors	Business Administration: 2 Directors Account and Finance: 2 Directors Legal: 1 Directors Other: 4 Directors
Nationality	**Business Experience**
Chinese: 8 Directors American: 1 Directors	Accounting & Finance: 3 Directors Legal: 1 Directors Experience related to the Company's Business: 7 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	22.22% (2)	77.78% (7)
Senior Management	42.86% (3)	57.14% (2)
Other employees	63.70% (358)	36.30% (208)
Overall workforce	63.45% (361)	36.55% (210)

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 81 to 125 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;
- Board 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.

On 3 November 2023, the Board announced that Mr. Peng Bo has resigned as a non-executive Director, the Chairman, a member of the Remuneration Committee, Authorized Representative, and a Director and the chairman of the Company due to retirement; Dr. Chang Zhaohua has been appointed as a non-executive Director and the Chairman, Mr. Xie Zhiyong has been appointed as a member of Remuneration Committee and Mr. Sun Qingwei has been appointed as a non-executive Director, with effect from the same date.

Dr. Chang Zhaohua and Mr. Sun Qingwei have obtained the legal advice referred to in Rule 3.09D of the Listing Rules on 2 November 2023. Both of Dr. Chang Zhaohua and Mr. Sun Qingwei have confirmed that they understood their obligations as a Director of the Company.

Save as disclosed above, there was no change in the composition of the Board during 2023. 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 2023, 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 assists 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 2023, six trainings regarding compliance importance, hospitality principles and conflicts of interest were held with 503 employees. 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 2023, 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 2023 is set out below:

Service Category	**Fees Paid/Payable RMB'000**
Audit Services	2,700
Non-audit Services	32
Total	2,732

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.

During 2023, 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 ("**EGM**").

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, Shanghai, PRC (For the attention of the Board Secretary)
Fax: (86) (21) 5080 1305
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 is 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 Board has reviewed the implementation and effectiveness of the Shareholders' Communication Policy and the results were satisfactory.

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 2023, the Company has not made any changes to its Articles of Association.

Dividend Policy

Th Company has adopted the dividend policy for the payment of dividend. It is the 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 determining/proposing dividend payment frequency, amount and forms during any financial year/period, various elements would be taken into consideration by the Board, 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 this annual report of the Company.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE REPORT

MicroPort NeuroTech Limited hereby releases our second Environmental, Social and Governance ("**ESG**") Report to disclose information concerning the ESG performance of the Group in response to stakeholders' concerns and expectations on the Group's ESG management. The Report covers the period from 1 January 2023 to 31 December 2023 (the "**Reporting Period**").

Basis of Preparation of the Report

The Report is prepared in compliance with all the provisions set out in *Appendix C2 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

Unless otherwise specified, the Report covers the Company and its subsidiaries. The historical data cited in the Report are final statistics, and the financial data in the Report are in RMB unless otherwise indicated.

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 Group through stakeholder communication and materiality assessment.

- **Quantitative:** In this Report, explanations on the standards, methods, hypothesis and/or calculation tools used to measure emissions/energy consumption and the source of the conversion coefficient adopted are provided in respective sections.

- **Balance:** The Report follows the principle of balance, and objectively presents the ESG management status of the Group.

- **Consistency:** This Report adopts the same statistical methods for information disclosure as those used in the 2022 ESG Report. Any changes are explained in the respective places.

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**") 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 27 March 2024.

BOARD STATEMENT

Strictly abiding by the Reporting Guide of the HKEx, the Board of the Group 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 the Group's ESG tactic and management. The Audit Committee under the Board cooperates with related business departments for the inclusion of ESG into the internal control and risk management, and provides recommendations on related issues to the Board. The Board fully understands the Group'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 Group 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 Group 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

The Group is committed to integrating ESG concepts and practices into the Company's business and management, and actively responding to the concerns and expectations of internal and external stakeholders, in an effort to create common value through joint efforts.

ESG Governance Structure

Being well aware of the importance of sustainable development, the Group incorporates the concepts of green and low-carbon operation as well as social responsibility and value deeply into the Company's 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 Group 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 Group respects and values the concerns and expectations of stakeholders. We have built a regular, multi-channel communication mechanism to actively listen and respond to the concerns of stakeholders, and regard these as references for the future direction of the Company's ESG management and enhancement to optimise our ESG management and decisions, also to advance the ESG implementation in an orderly manner.

Stakeholder Type	Concerned Issue	Communication Channel
Government and 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	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	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/en/investor-relations/

Stakeholder Type	Concerned Issue	Communication Channel
Employees	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	Product safety and quality Responsible supply chain	Supplier evaluation Supplier communication and training
Community and the media	Community and public welfare Product safety and quality	Volunteer services Community activities Media communication and interviews

Materiality Analysis

The Group is committed to building long-term, stable and mutually trusting relationships with all stakeholders to maximise mutual value. During the Reporting Period, the Group reviewed the materiality assessment for the prior year and concluded that the results were still applicable. Therefore, we continued to use these results, with certain adjustments made to the titles of part of the material topics only.

Step 1: ESG issues identification

- In accordance with the ESG Reporting Guide, the Group has identified 23 ESG issues, taking into account the current situation of our industry.

Step 2: Materiality assessment

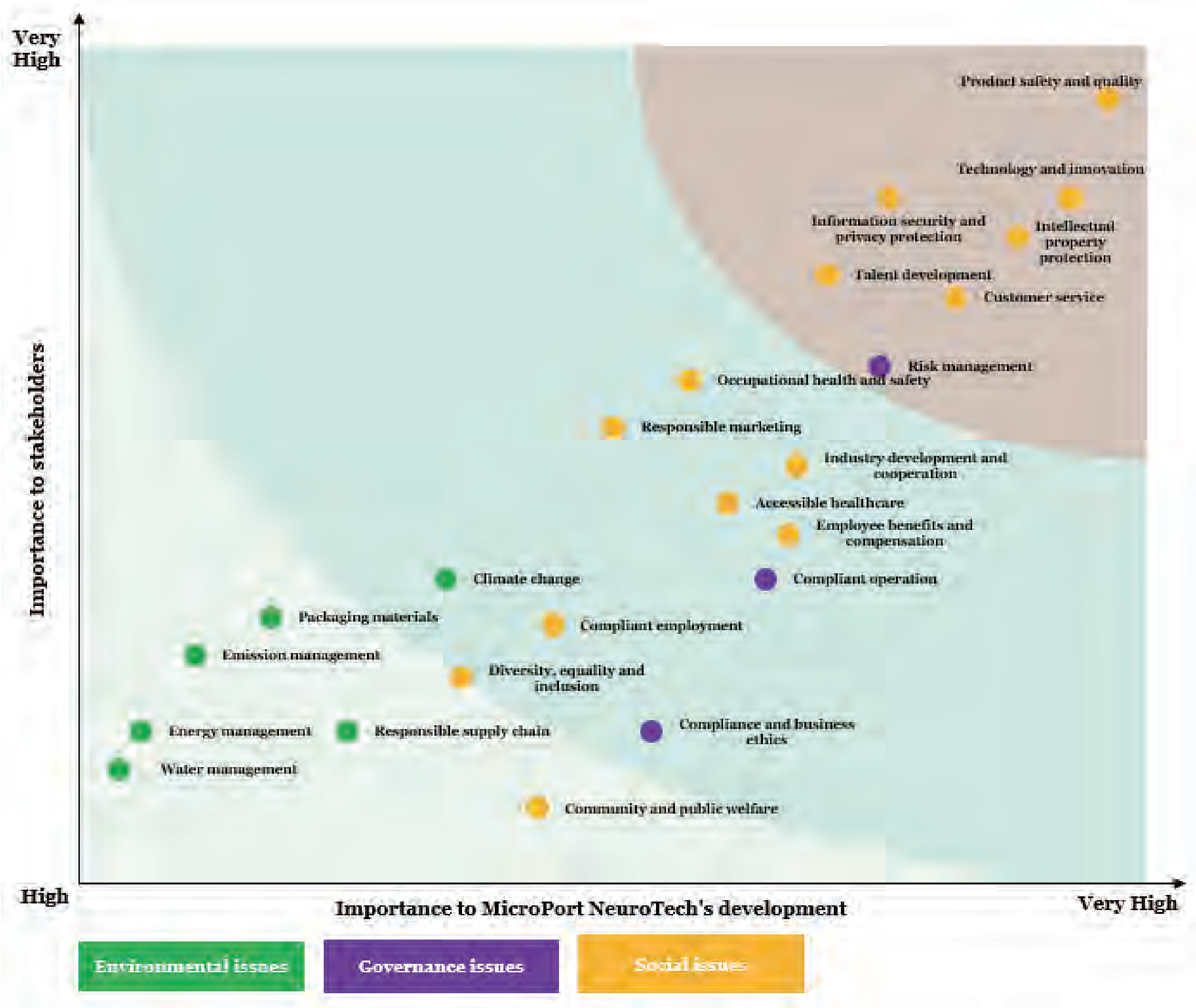
- We invited internal stakeholders to fill in questionnaires and ranked the importance of issues in terms of "importance to stakeholders" and "importance to MicroPort NeuroTech's development" to generate a preliminary materiality assessment matrix.

Step 3: Assessment results confirmation

- The Board and the ESG Working Group of the Company reviewed and confirmed the assessment results.

Materiality Analysis Process

The matrix of ESG materiality analysis is as follows:



ESG Materiality Matrix of MicroPort NeuroTech

1. STRENGTHENING CORPORATE GOVERNANCE

Sound corporate governance lays the cornerstone of the Group's sustainable operation. The Group adheres to transparency, honesty, and morality in the conduct of work. We have built a complete and effective structure of corporate governance, with emphasis on compliance in the process of cooperation and communication with stakeholders, in an effort to lay a solid foundation for the steady and sustainable development of the Group.

1.1 Risk Management and Internal Control

Adequate and effective risk management and internal control are a vital guarantee for the sustainable development of the Group. The Group 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 control.

As the highest decision-making body of risk management and internal control, the Board is responsible for the development and maintenance of the risk management and internal control system, including the evaluation and determination of the risks and their nature and level that the Company is willing to bear for achieving the strategic goals. The Audit Committee comprised of independent directors under the Board is obliged to lead management in the design and implementation of the risk management and internal control system and oversee their relevant work. The Internal Audit Department regularly conducts independent risk assessments to identify the risks that may affect the Group's businesses. Management coordinates with department leaders to assess potential risks for the likelihood of occurrence, impact, urgency and the vulnerability involved.

The Group has 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, the Group identified a range of risks including strategic risks, financial risks, market risks, operational risks and legal risks, assessed the likelihood of occurrence, impact, vulnerability and urgency, and formulated risk responses accordingly. During the reporting period, the Group had no significant risk incidents.

The Group performs regular internal and external audit to prevent and control risks, so as to enhance the reliability of disclosed information. During the Reporting Period, the Group conducted special internal audit and annual external audit, covering the Company and its subsidiaries, and proposed corresponding improvement suggestions, in an effort to ensure the effective operation of the internal control system.

1.2 Business Ethics

The Group abides by business ethics, strictly complies 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 strengthen the construction of the business ethics policy system 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 compliance management. The Legal Department and Internal Audit Department are responsible for formulating policies relevant to contract management and compliance management. To further avoid possible conflicts of interest, a third party is engaged as the compliance consultant.

The Group takes 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. The Group also signs the *Statement of Commitment to Social Responsibility and Integrity* with suppliers, and the *Standard Provisions for Anti-Corruption Compliance* with distributors, 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. The Group firmly protects the legitimate rights and interests of whistle-blowers, clearly stipulates that both real-name and anonymous reports shall be treated equally and forbids any form of retaliation. 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 further promote the compliance culture building, the Group regularly conducts compliance training and publishes compliance-related articles, in an effort to popularize the key knowledge about compliance. During the Reporting Period, the Group achieved a 100% coverage in compliance training. For instance, the Group conducted 6 compliance training sessions for new employees and sales and marketing employees, focusing on explaining the anti-corruption policies in the medical sector, and restating the requirements of the *Compliance Manual* to enforce the compliance awareness of integrity, honesty and justice in work. The Group invited an external law firm to provide compliance training for Directors. In addition, the Group sends the latest compliance hot topics through "Compliance Mini Class" to all employees to support the creation of a compliance culture.

1.3 Responsible Marketing

The Group earnestly practices responsible marketing, strictly complies 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 has formulated the *Management Measures for Product Promotion Materials for the International Market* to set stringent requirements for advertising materials such as the design, printing, and brochures, 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.

To guarantee legal and compliant marketing, the Group regularly carries out training on products and compliance to manage marketing behaviours of sales and marketing employees, ensuring that they can convey true and accurate information. The Group conducted advertising compliance training during the Reporting Period, focusing on aspects like "Developments in Advertising Legislation and Enforcement", "Introduction to Advertising Categories" and "Absolutist Terms", which deepened employees' understanding of responsible marketing.

Advertising Compliance Training

1.4 Information Security

Information security is the foundation for the business continuity of the Group. 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*, the Group has 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. The Group has built the information security management system referring to the requirements of *ISO 27001 Information Security Management System* and *ISO 27701 Privacy Information Management System*, and received the third-party certification. In addition, the official website of the Group has received the National Classified Protection of Information System Security Level II certification.

Besides, the Group has the *Information Security Incident Management Procedures* in place to illustrate how and what we should do to handle information security incidents. The Group classifies 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.

The Group implemented 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, the Group carried out vulnerability scanning, penetration tests and manual assessments against Internet-facing applications, and attack simulations against intranet and Internet-facing networks, with no material vulnerabilities identified. We also conducted phishing email drills to raise employees' awareness of information security. In addition, the Group actively carries out information security training, delivering annual compliance and information security training and exams for 503 employees, with a passing rate of 100%.

During the reporting period, the Group had no data leakage or other risk incidents.

2. INNOVATION PROTECTING HEALTH

To provide high-quality and accessible solutions and service experience to patients worldwide, the Group focuses on the clinical needs, keeps innovating, builds a diversified neurovascular intervention product portfolio, and establishes a comprehensive quality management system to safeguard lives and health.

2.1. R&D Innovation Progress

Research and development ("**R&D**") is an important driving force for our business development. The Group focuses on solutions that address neurovascular diseases to improve the availability of medical facilities and services. Leveraging our excellent R&D competence and efficient R&D mode, the Group has a diversified portfolio of neurovascular products, covering haemorrhagic stroke, atherosclerotic stenosis and acute ischemic stroke.

The Group has established our own R&D centre where we can develop and test designs and register clinical trials and application. Besides, the Group cooperates with external parties to share advanced technology and incubate new products. By the end of the Reporting Period, the R&D team of the Group consisted of 150 researchers, of whom over 50% held doctor's or master's degrees.

In addition to independent R&D, the Group also joins hands with partners to explore diversified paths of R&D innovation. The Group sticks to the R&D mode of "Medical-Industrial Collaboration", jointly promoting co-operative R&D project with multiple hospitals. Meanwhile, the Group coordinates with nationally renowned universities like Shandong University, South China University of Technology, Sichuan University, Fudan University, Guangzhou Medical University and Southern Medical University, etc. to jointly promote R&D innovation and transformation of scientific and technological achievements.

Case: Camel Project — "Breakthrough Technology Competition"

In 2023, the Group launched the Camel Project — "Breakthrough Technology Competition", encouraging innovative technicians who are passionate about medical devices and eager to embrace challenges to sign up, digging deeply into the pain points, exploring and solving the technical problems. The Group granted establishment fees and personal subsidies to winning teams, so as to encourage successive innovation.

Camel Project — "Breakthrough Technology Competition"

As of the date of this report, the Group had a total of 30 commercialised products and product candidates in our portfolio, including 18 products approved and commercialised in China and 12 product candidates under development. In addition, four products have been admitted to the NMPA's innovative special review and approval procedure, ranking the first among Chinese neuro-interventional medical device companies.

From the beginning of 2023 and up to the date of this report, the Group continued to strengthen innovation capacity. Some of the significant progress made in its product portfolio is set out below:

No.	Major Progress
1	Tubridge® Flow-diverting Stent's PARAT MINI study completed all the patients enrollment
2	QUEEN-track™ Microcatheter received the marketing approval from the NMPA
3	NUMEN® Coil Embolization System's study for the treatment of small aneurysms was published in BMC Surgery
4	Tubridge Plus® Flow-diverting Stent's Clinical Trial PARAT PLUS study completed all the patients enrollment
5	MicroPort NeuroTech™'s associate company Rapid Medical received marketing approval for its Thrombectomy Stent Tigertriever® from the NMPA
6	Veyronwire™ Neurovascular Guidewire and WAVE-track™ Aspiration Catheter received the marketing approvals from the NMPA
7	Nufairy™ Absorbable Embolization Coil completed all the patients enrollment for its First-in-Man study
8	Bridge® Rapamycin Target Eluting Vertebral Artery Stent System's clinical study Bridge-MAX completed all the patients enrollment

The Group's products have received significant external recognition for their safety, convenience, and effectiveness. This is also a reflection of the Group's persisting efforts in R&D and innovation, and the transformation and the industrialisation of scientific and technological achievements. Some of the important awards are set out below:

No.	Awards
1	NUMEN Silk™ 3D Electronically Detachable Coil selected in the *2022 Catalogue of Recommended Innovative Products of Shanghai (Batch II)*
2	Tubridge® Flow-diverting Stent and Bridge® Rapamycin Target Eluting Vertebral Artery Stent System shortlisted in the *2022 Shanghai Biomedical "Novel and Excellent Pharmaceuticals and Devices" Catalogue*
3	Tubridge® Flow-diverting Stent certified as "Shanghai Brand"

2.2. Protection of Intellectual Property

Pursuant to the management approach of "Development driven by technology and innovation and protected by intellectual property", the Group adheres to the independent R&D and innovation of Intellectual Property ("**IP**") and designs patent portfolio to effectively protect our technology outcomes. The Group strictly abides 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. The Group has formulated policies such as the *Intellectual Property Rights Manual* and has obtained the GB/T 29490–2013 Intellectual Property Management System certification, thereby realising refined management of intellectual property rights.

The Group encourages technological innovation and has formulated the incentive mechanism on intellectual property. Employees are granted corresponding rewards based on their application stage regarding 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. To further minimise IP risk, the Group integrates IP management into the risk management system and regularly monitors the situation where our products may infringe the IP of others.

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, the Group separately conducted training on "Business Secrets", IP month "Basics of IP", "Facts about Trademark", and "Patent Searches", in an effort to deepen employees' IP knowledge and competence and improve overall IP management.

As of the end of 2023, the Group had 201 authorized patents, including 46 overseas patents. A total of 18 authorized patents were newly granted during the Reporting Period, including 4 overseas patents. In addition, the Group has 303 patents under application. According to the branding, marketing and compliance protection strategies, we have actively managed the domestic and foreign trademark portfolio with 180 registered trademarks and completed 4 new trademark applications during the Reporting Period. In 2023, there are no infringement events of patents, business secrets or trademarks of others.

2.3. Quality Supervision Management and Control

As quality is paramount for the medical device industry, the Group strictly complies 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 has formulated the *Quality Manual* and over 30 control procedure documents to ensure the stable production of high-quality and safe products.

Quality Assurance:
Manage the R&D and production of products to meet quality requirements.

Quality Management System:
Establish and maintain the Company's quality management system, monitor the operation of the quality management system and respond to external reviews.

Post-Marketing Supervision:
Cope with quality feedbacks from the market following the product vigilance process required by laws and regulations.

Quality Control:
Inspect product quality during the production process of purchase, process and outgoing.

Test Centre:
Meet testing requirements of R&D, biochemistry and environment during the production process following the laboratory quality management system.

Dedicated Quality Management Team

The Group has established a dedicated quality management team and a digital product quality control system covering the whole process of production, which enables us to trace the entire life cycle of product design, development, manufacturing and after-sales service. By the end of the Reporting Period, the Group had received the five-country quality system certification Medical Device Single Audit Program (MDSAP) and other quality system certifications, covering the relevant regulations and standard requirements of countries such as China, the European Union, the United States, Australia, Brazil, Japan, South Korea, Argentina, forming quality management system with international standards.

In compliance with applicable quality standards, the Group conducts 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, the Group 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, Administration for Market Regulation of Shanghai Pudong New Area and Shanghai Certification Evaluation and Verification Centre for Medical Devices and Cosmetics.

The Group also carries out training on quality management to improve employees' awareness and competence. During the Reporting Period, the Group conducted 11 quality training sessions, covering a variety of topics such as "Packaging for Terminally Sterilized Medical Devices & Requirements of Sterilization-related Regulations and Standards", "CFR Part 820 — FDA's Quality System Regulation (QSR) for Medical Devices" and Argentine legislation.

Case: The 10th MicroPort NeuroTech Quality Month Event

From March to December 2023, MicroPort NeuroTech organised a quality month activity with the theme of "Precision Management for Quality Improvement, Innovative Thinking for Steady Efficiency Increase", focusing on the three major topics of quality topic series, quality competition series and quality brand series, and carried out 13 activities such as regulations and standards training, experience sharing, quality competition, etc., to publicise the quality culture.

The 10th MicroPort NeuroTech Quality Month Event

The Group actively participates in industry quality forum, communicates and discusses the advancing quality management concept and successful experience in practices, in an effort to promote industry quality standards and high-quality development.

Case: 2023 "World Accreditation Day" Theme Activity

In June 2023, on the 16th World Accreditation Day, the Shanghai Municipal Administration for Market Supervision and Shanghai Xuhui District People's Government jointly organised the thematic publicity activities "Inspection, Testing and Certification: Promoting Industrial Optimisation and Upgrading", displaying the development of the inspection, testing and certification industry and the effectiveness of work. The Group's subsidiary MicroPort NeuroTech (Shanghai) Limited ("**MP NeuroTech Shanghai**") was awarded the title of "Shanghai Brand" certified enterprise in Pudong New Area 2022–2023.

2023 "World Accreditation Day" Theme Activity

The Group won many awards in the quality category for our excellent quality management:

No.	Award	Award Issuing Authority
1	"Shanghai Brand" Certification	Shanghai Brand International Certification Alliance
2	Shanghai "Quality Benchmark"	Shanghai Municipal Commission of Economy and Informatisation
3	Shanghai Quality Management Team Outstanding Achievement	Shanghai Municipal Association for Quality

2.4. Clinical Ethics Assurance

The Group strictly adheres to clinical ethics and complies with the *World Medical Association's Declaration of Helsinki* and other test standards and requirements. We have formulated internal policies like the *Controls in Clinical Trials*, the *Guidelines for the Clinical Trail Centre* and the *Code of Practice for the Management of Animal Experiments*, making every effort to protect the health and safety of clinical subjects and their privacy rights, and ensuring that the animal testing operations comply with the relevant regulations on the management of experimental animals.

At the stage of designing clinical trials, the Group fully weighs the risks and benefits expected of the subjects (and the society) and elaborates them in the clinical trial protocols. Clinical trials must obtain approval documents or filing documents from the Ethics Committee, China Human Genetic Resources Management Office, Shanghai Municipal Medical Products Administration and NMPA (if required) before implementation.

During trial execution, the Group closely monitors and records safety events such as device-related adverse events or serious adverse events, device defects, protocol deviations, etc., and conducts risk analyses to ensure subject safety.

The Group attaches great importance to the subjects' right to know and has taken several initiatives to safeguard the health rights and interests of the subjects. Before the subject enrolment, the researcher gives all necessary explanations to the subject and guardian and obtains their properly signed informed consent, which explicitly provides the subject with safeguards such as free treatment or compensation related to the clinical trial.

The Group firmly protects subjects' personal information and privacy. Confidentiality obligations of researchers, clinical trial suppliers, sponsors and other parties involved are clearly stipulated in related contracts or agreements, or separate confidentiality agreements are signed. In addition, the Group encrypts clinical data to fully protect the privacy of subjects.

Regarding the ethics of animal testing, the Group fully assesses the necessity and follows the 3R principles of "Replacement, Reduction and Refinement" to minimise the use of live animals as far as possible, to safeguard animal welfare in accordance with the law. In addition, the Group invites qualified animal testing suppliers and professionals to carry out protocol design and implementation, and conducts pre-tests appropriately before safety and efficacy studies.

2.5. Product Recall Management

In strict compliance with local laws and regulations during the course of business operation, the Group has 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, the Group will post the recall announcement on websites. When the recall is determined, the Group 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.

By the end of the Reporting Period, there were no product recalls due to safety and health causes.

2.6. Protection of Customer Rights and Interests

To protect customer rights and interests, the Group has 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.

The Group takes customers' feedback seriously, provides channels for feedback or complaint such as telephone, fax and email in each product specification, and gives an email address on our official website to collect external feedback on products on a continuous basis. In addition, the Group has 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, the Group had received 1,071 complaints or feedback from customers, and had taken timely follow-up measures in accordance with relevant policies, achieving a handling rate of 100%.

Notes:

1. During the Reporting Period, with the increase of the sales volume and the implantation volume of the Group's products, the number of customer complaints or feedback also increased.

3. COOPERATION AND DEVELOPMENT

The Group actively seeks for long-term cooperative relationships with industry chain partners and practices sustainable development concepts in the realisation of business value. Through building a responsible supply chain and deepening industry exchanges, the Group is committed to fulfilling social value together with partners and achieving win-win cooperation.

3.1. Supply Chain Empowerment

The Group is aware that the quality, resilience and sustainability of our supply chain is critical to the long-term development of our business. In strict compliance with local laws and regulations during the course of business operation, the Group has formulated internal supply chain management polices such as the *Procurement Control Procedures* and the *Supplier Management System* and established a supplier life cycle management system to safeguard the high quality and stability of the supply chain.

For new suppliers, the Group has 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, the Group strictly checks their qualifications, including business license, system certification, cleaning certification, etc.

In addition to requirements for qualifications, the Group also requires suppliers to meet ESG management standards such as quality, environmental responsibility, social responsibility and business ethics, giving due consideration to suppliers' performance in human rights, environmental protection and workplace safety. We prefer suppliers that have obtained certifications related to the ISO 13485 Quality Management System in the Medical Device Industry, the ISO 14001 Environmental Management Systems and the ISO 9001 Quality Management Systems. In addition, the Group signs the *Commitment to Social Responsibility and Integrity* with suppliers, which requires suppliers to comply with the principle of cooperation with integrity.

For existing suppliers, a periodic review is implemented to ensure that they maintain high-quality of supply. For efficient review, the Group, based on the impact of raw materials or services on product quality, has 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, the Group requires them to rectify, and will cancel their supply qualifications if they still fail to meet the criteria after rectification. During the Reporting Period, the Group completed the annual review plan, reviewing 42 suppliers in total, whose results were all qualified.

The Group continues to empower its suppliers by providing them with targeted resources and assistance and conducting annual supplier training to convey the win-win concepts of stable quality and sustainable development. During the Reporting Period, the Group conducted 4 supplier training sessions on topics such as product technology and packaging material application, which comprehensively enhanced our understanding of suppliers' process and capability of manufacturing, thus facilitating the subsequent development and improvement of products.

Besides, the Group is highly concerned with the supply chain resilience, trying to provide patients with ongoing therapeutic products. During the Reporting Period, the Group 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 91 suppliers. The geographical distribution is as below:

Supplier Location	**Amount**
China (including Hong Kong, Macao and Taiwan)	74
Overseas	17

3.2. Distributors and Agents Management

Distributors and agents are also important partners of the Group. We adhere to the tenet of "Solidarity, Cooperation and Win-Win" to establish a long-term and stable cooperative relationship with partners.

The Group has formulated the *Distributor Management Policies* to regulate distributor management. The Group selects distributors based on their industry qualifications, capabilities and experience, sets mandatory requirements on business licenses and business permits and requires relevant departments to perform background research on them. At the same time, the Group regularly reviews distributors' financial position, financial performance and compliance with regulatory requirements to ensure their qualification of medical devices is valid on an ongoing basis.

The Group has developed a well-established distributor and agent compliance system, setting out compliance standards in the *Compliance Manual* which requires them to comply with laws and regulations concerning anti-corruption and anti-bribery, and to sign the *Standard Provisions for Anti-Corruption Compliance*. Meanwhile, the Group regularly conducts compliance training for distributors and agents to raise their awareness of compliance. During the Reporting Period, the Group conducted annual compliance training to distributors and agents, focusing on explaining the medical anti-corruption policies, restating the compliance requirements for attendance, self-hosted meetings, hosting and HCP Service Fees set forth in the *Compliance Manual*. Meanwhile, the Group launched testing concerning anti-bribery and anti-corruption, with the passing rate of 100%.

Distributors and Agents Compliance Training

In addition, the Group provides various product training to distributors and agents, helping them fully understand the product solutions and empowering partners. "NeuroTech Skylines — Mobile Classroom" is a training session targeting agents. By adopting the combined form of thematic lectures, product demonstrations, and hands-on simulation, and focusing on the hot topics of concern to the agents, the course explains our product solutions in sequence to enhance the promotion ability and confidence of agents. During the Reporting Period, the Group carried out 6 "NeuroTech Skylines — Mobile Classroom" sessions, covering 268 agents.

Case: 2023 MicroPort NeuroTech Agents Conference

In May 2023, MicroPort NeuroTech held the 2023 Agents Conference themed "Gathering to Seek Development and Growing to be Unique". The Group shared the marketing experience and achievements with agents based on the past ten years of the cooperation experience. There are 31 employees from the Group and 79 agents attending the conference.

3.3. Industry Cooperation and Exchange

Adhering to the integrated development concept of "innovation, communication, exchange and sharing", the Group continues to promote industry exchanges, participates in the formulation of industry standards and industry exchange activities and provides industry-leading therapy solutions to advance the high-quality development of the neurointerventional area.

3.3.1 Industry Exchange Activities

As a leader in the neurointerventional medical devices market, the Group actively organises academic exchange activities to thoroughly discuss the latest developments of the industry and promote the implementation of cutting-edge scientific and technological achievements in clinical practice, benefiting patients around the world. During the reporting period, the Group held more than 20 academic exchanges themed on "Twins Bleeding Solutions Forum", "Promotion of New Products for Thrombectomy and Holistic Ischemia Solutions", "Amazing Technology — Live Streaming of MicroPort NeuroTech Products in Surgery", "MISS Forum — Holistic Ischemia Solutions", "Case Contest", "Press Conference for IMPACT Clinical Trial" etc., which were enthusiastically welcomed in the society, with over 400 doctors joining offline.

At the same time, the Group continues to pay attention to the trend of academic cutting-edge technologies development, actively participates in academic exchange conferences and exhibitions at home and abroad, and builds an international innovation platform. During the Reporting Period, the Group took part in domestic and overseas academic exchange conferences and exhibitions. On the domestic side, we participated in the "Annual Conference of Chinese Federation of Interventional Clinical Neurosciences", the "2023 Neuro-Interventional Internet Conference" and the "20th China Forum on Cerebrovascular Diseases". On the overseas side, we attended the "LINNC PARIS — Conference on Neuroradiology and Neurosurgery", the "Congress of the European Society of Minimally Invasive Neurological Therapy ("**ESMINT**")" and the World Live Neurovascular Conference ("**WLNC**"). During these conferences and exhibitions, we discussed and exchanged ideas with renowned experts and scholars at home and abroad on cutting-edge technologies of the industry to learn and draw inspiration from each other.

Case: MicroPort NeuroTech Attended WLNC

In April 2023, MicroPort NeuroTech brought NUMEN® Coil Embolization System to WLNC for surgical demonstrations and in-depth conversations with the world's top experts in the neurointerventional area. At the same time, as an international exchange platform jointly built by WLNC and OCIN, 2023 WLNC-OCIN International Seminar was held in Shanghai. Through this seminar, MicroPort NeuroTech linked the world's advanced technologies in the neurointerventional area, leading China's intelligent innovative products to go from Shanghai towards the world.

WLNC

Case: MicroPort NeuroTech Held the First Summit Forum on Cutting-edge Brain Science Innovations

In December 2023, MicroPort NeuroTech successfully held the first Summit Forum on Brain Science Innovations, inviting professors from Shanghai Ruijin Medicine Research Development Co., Ltd., Shanghai Jiao Tong University, Sichuan University, Fudan University and Guangzhou Medical University to conduct multi-dimensional and deep cross-border integration and multidisciplinary exchanges, exploring the cutting-edge research progress in the field of brain science and brain technology.

The First Summit Forum on Cutting-edge Brain Science Innovations

3.3.2 Industry Standard Setting

Upholding the concept of sharing mutual prosperity with our industry partners, the Group actively participates in the development of industry standards, with the hope to promote the development of the industry by our own professional strengths. During the Reporting Period, the association standards for "Intracranial Flow-diverting Stent" was released to the public with our participation in the drafting stage, helping to improve the standardized development of the industry.

4. CONTRIBUTING TO A LOW-CARBON FUTURE

Responding to the national "carbon peaking" and "carbon neutrality" goals, the Group adheres to the green development concept and integrates environmental protection into production and operation. By managing energy, water resources and emission more wisely, we manage to minimize our negative environmental impact.

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, the Group has formulated the *Environmental and Occupational Health and Safety Management Manual* to standardise environmental management. Meanwhile, the Group has established an environmental management system in accordance with ISO 14001 Environmental Management System to take the way to green development, and has obtained the certification of ISO 14001 Environmental Management System.

To guarantee an effective environmental management system and constantly better the environmental management, the Group has set annual environmental targets to strictly control pollution emission and accelerate transition to low-carbon production and operations.

Environmental Goals for 2023:

- A 100% eligible disposal rate of hazardous waste, medical waste, general industrial solid waste and domestic waste

4.2. Use of Resources

The Group strictly abides 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*. The Group manages the use of resources in a standardised and systematic way and integrates the concept of sustainable development into production and operation.

The Group has implemented multiple energy and water management measures to promote the efficiency of the use of resources.

Energy Conservation

- Install energy-saving LED light bulbs in the new plants to reduce electricity consumption.
- Launch the "MicroPort NeuroTech 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.

Energy and Water Conservation Measures

During the Reporting Period, the Group launched a "Senior Management Inspection" project. Senior management of the Group inspects energy usage monthly, detects and corrects energy waste timely so as to promote energy efficiency. In addition, the Group set up the "Thought with Green Actions" energy-saving group, which starts from the details to improve the awareness of energy conservation, finds out what we can do better on energy conservation in daily work and advocates everyone to be a "green-minded person".

For packaging material management, the Group has developed the *Packaging and Design Management Specification* and the *Packaging Material Storage Cycle* referring to the packaging materials for terminal sterilized medical devices of ISO 11607. These documents define the selection and structural design of packaging materials to ensure that the packaging materials match with the products, so as to meet the special needs in different countries and markets.

Besides, the Group keeps exploring advanced processes and recycling technologies. We hope to minimise the use of packaging materials and reduce resource consumption while meeting production needs. During the Reporting Period, the Group adopted packaging reduction measures for some products and removed some non-critical packaging components, thus achieving lightweight packaging. In addition, the Group upgraded the packaging of catheter products from long boxes to square boxes, achieving packaging reduction and improving availability of transport packaging and product protection requirements.

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

Indicator[5]	Unit	2023	2022
Energy Consumption[1]			
Direct energy consumption	kWh	366,557.83	505,026.50
Gasoline	kWh	13,712.75	14,237.14
Diesel	kWh	25,229.19	82,544.03
Natural gas	kWh	327,615.89	408,245.33
Indirect energy consumption	kWh	3,751,908.00	4,085,625.00
Purchased electricity	kWh	3,751,908.00	4,085,625.00
Total energy consumption[2]	kWh	4,118,465.83	4,590,651.50
Intensity of total energy consumption	kWh per million RMB revenue	6,179.87	8,387.05
GHG emissions			
Scope 1 GHG emissions	CO_2 equivalent (in tonnes)	89.32	124.14
Scope 2 GHG emissions	CO_2 equivalent (in tonnes)	1,575.80	1,715.96
Total GHG emissions	CO_2 equivalent (in tonnes)	1,665.12	1,840.10
Intensity of GHG emissions	CO_2 equivalent (in tonnes) per million RMB revenue	2.50	3.36
Water Consumption[3]			
Total water consumption	tonne	34,283.00	42,346.00
Intensity of water consumption	tonne per million RMB revenue	51.44	77.37
Packaging Material Consumption[4]			
Total amount of packaging material consumption of finished products	tonne	45.90	11.18
Intensity of packaging material consumption of finished products	tonne per million RMB revenue	0.07	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.

5. The Group does not have significant impacts on the environment and natural resources in the course of its operations. Accordingly, Aspect A3 (The Environment and Natural Resources) and its KPI A3.1 (Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them) are not applicable to the Group, and therefore, information related to this level is not disclosed in this ESG report.

4.3. Emission Management

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*, the Group has 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*. The Group aims 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, the Group optimises 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.

Disposal Measures of Emissions

Case: "Disposal of wastes in compliance with the standards" Training

In September 2023, the Group conducted "Disposal of wastes in compliance with the standards" training, which focused on waste classification, waste identification, waste disposal process, and relevant environmental protection laws and regulations. The relevant departments participated in this training, which deepened their understanding of the waste disposal process and improved the compliance of waste disposal.

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

Indicator	Unit	2023	2022
Total amount of exhaust emissions[1]	tonne	0.07	0.06
Total amount of wastewater[2]	tonne	11,017.00	11,375.00
Total amount of hazardous waste generated[3]	tonne	33.90	20.07
Total hazardous waste disposed	tonne	33.90	20.07
Intensity of hazardous waste disposed	tonne per million RMB revenue	0.05	0.04
Total amount of non-hazardous waste generated[4]	tonne	62.84	52.84
Total amount of non-hazardous waste recycled	tonne	62.84	52.84
Intensity of non-hazardous waste disposed	tonne per million RMB revenue	0.09	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; In 2023, the Group's hazardous waste increased due to the production growth;

4. The Group's non-hazardous waste mainly includes products' tertiary packaging materials, leftover materials, defective products and domestic waste; In 2023, the Group's non-hazardous waste increased due to the production growth.

4.4. Climate Change

The Group is fully aware of the significant impact of climate change on business operations and human health. In the face of climate change risks, the Group integrates climate change into the daily risk management system. We conduct a comprehensive assessment of our business and take measures based on the results, in an effort to continuously enhance our resilience to climate change.

Categories		Potential impacts	Responses
Physical risks	Acute physical risks	• A rise in the frequency of extreme weather events will affect the stability of supply chain.	• The Group increases inventory levels in advance based on production demand and develops alternate suppliers.
	Chronic physical risks	• Climate change may increase the risk of unpredictable infectious diseases. This in turn reduces the availability of the workforce and productivity.	• The Group has formulated contingency plans for production and operation.
Transition risk	Policies and laws	• Failure to comply with laws and regulations may result in adverse consequences, such as fines, government investigations, loss of stakeholder confidence, competitive disadvantage or additional compliance costs.	• The Group has task assignment systems and adequate labour resources to ensure continuous compliance with the laws and regulations of regulatory agencies in various countries.
	Technologies	• Failure to develop safe, effective and sustainable products and to address unmet healthcare needs or develop disruptive new technologies may lead to loss of market share, underperformance and lack of stakeholder confidence.	• The R&D team supports ongoing R&D investment, product development, regulatory approvals and new product launches to build the product pipeline.
	Markets	• Failure to effectively identify, react to, or plan for changes in market conditions, market competition, and customer needs may lead to poor decision-making and underperformance.	• The Group endeavours to make our products superior in quality and performance, develops differentiated products, and keeps abreast of the latest technology while adapting our marketing strategy to meet the demand.
	Reputation	• Failure to implement an appropriate ESG plan can impair the ability to respond to long-term risks, with a range of reputational and commercial implications.	• The Board of the Group and the ESG Working Group provide ongoing oversight and guidance on strategy and execution.

5. CREATING A PLEASANT WORKPLACE

The excellence and dedication of our employees is the cornerstone of the Group's long-term development. The Group regards employees as the most valuable assets, and always respects and protects the basic rights and interests of employees. The Group improves the level of wellbeing and care for employees, helps employees with the career development, protects occupational health and safety, creates a supportive, encouraging, fair and safe working environment, and contributes to the sustainable development of talents.

5.1. Employment and Retention

The Group adheres to compliant employment, strictly abides 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*. The Group accordingly has 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.

The Group hires people through websites, head-hunters, internal referrals and job fairs. During recruitment, the Group verifies 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, the Group prohibits 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.

The Group strives to build a talent cooperation platform to cultivate and recruit outstanding talents. As a certified internship base in Pudong New Area, the Group offers a number of internship opportunities for universities every year. In 2023, a total of 13 college students entered the Group as interns.

The Group equally treats 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 39 employees from ethnic minorities and 10 foreign employees in the Group. Among the 9 members of the Board, 22% were women.

By the end of the Reporting Period, the Group had 571 employees and they are classified as follows:

	Type	**Total workforce**
Gender	Male	210
	Female	361
Age group	Under 30 years old	189
	30 to 50 years old	379
	Over 50 years old	3
Geographical region	China	561
	Overseas	10
Employee category	Senior-level management	5
	Middle-level management	53
	Other employees	513

By the end of the Reporting Period, the turnover rate was 13.75% and it is classified as follows:

	Type	**Employee turnover rate**
Gender	Male	14.98%
	Female	13.01%
Age group	Under 30 years old	16.37%
	30 to 50 years old	12.27%
	Over 50 years old	25.00%
Geographical region	China	13.82%
	Overseas	9.09%

5.2. Wellbeing and Care

The Group has a market-competitive remuneration and welfare system to attract and retain talent by offering remuneration packages based on employees' qualification and experience. The comprehensive remuneration package includes fixed salary, allowances, short-term incentive, and long-term incentive, demonstrating our respect and recognition to talents.

On top of the statutory benefits, the Group has added 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 Group 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. In 2023, the Group added employee dormitory benefits to address the housing needs of employees.

The Group cares about the physical and mental health of employees, and has established an employee care mechanism to enhance the sense of belonging of them, improve corporate cohesion and promote a harmonious atmosphere.

- **Annual Program for In-Service Care:** We remember each employee's onboarding day and send a souvenir card on the day of the anniversary.

- **Mentor Project:** We assign a mentor to each new employee to help them bolster professional skills.

Meanwhile, with attention to work-life balance of every employee, we launch First Anniversary of Listing, Bicycle Riding, Family Day, Snow-skin Mooncakes DIY to enrich their work and life.

First Anniversary of Listing

Bicycle Riding

Family Day

Snow-skin Mooncakes DIY

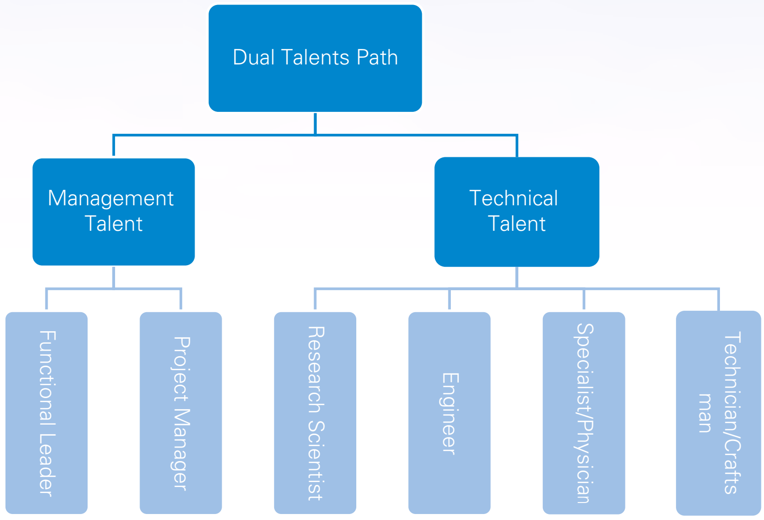
Showing our care and support to female employees, the Group provides baby care rooms for lactating female employees, provides flexible work schedules for female employees who need to pick up/bring children to school, and distributes gifts on Women's Day. The Group has also established the Women's Federation to safeguard the rights and interests of female employees of the Group. In 2023, the Women's Federation organised staff activities such as single club for young women, poetry conference and flower arranging.

The Group values employees' suggestions and has established several communication channels to ensure that their views and suggestions are effectively conveyed. In detail, to help senior management understand the needs of employees, the Group has 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 senior management. Letters will be directly delivered to senior management in anonymous or real-name way.

5.3. Cultivation and Development

The Group is fully aware of the importance of talent development for company's competitiveness, and thus spares no efforts to provide resources for employees. The Group follows the talent strategy of "One Check, Two Paths, Three Programs", and initiates 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, the Group fully respects and supports vocational development and growth of our employees, and gives them equal opportunities.



The "Two Career Paths and Eighteen Ranks" Promotion Pathway

With the career development plan as our core, the Group has built a comprehensive and diverse training system and introduced a combination of internal and external training to conduct online and offline learning. The Group has established extensive training projects for on-boarding talents, management talents and technical talents. All these focus on the qualification and capabilities and utilise the knowledge platform to improve vocational knowledge, job skills and other capabilities.

In 2023, the Group conducted various training projects including on-board training, management trainee training, research and development product lifecycle training and English training, covering 6,376 employees and achieving a satisfaction rate of 98.3.

Onboarding Training

Management Trainee Training

R&D Product Lifecycle Training

English Training

The Group values internal experience and prioritises talent development and has formulated *the Internal Instructor Management System* and newly formulated *the Internal Mentor Management System*. Instructors and mentors are appointed to help employees familiarise their jobs and integrate themselves to the Company.

In 2023, the Group set up a mentor club and arranged training sessions on coaching skills, tutoring skills and coaching leadership salon, which covered 60 excellent internal mentors and produced 15 in-house mentors with professional qualifications.

Coaching Skills Training

Tutoring Skills Training

Coaching Leadership Salon

Besides, the Group reimburses 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.

During the Reporting Period, the percentage of employees trained accounted for 100%, and the average training time of employees was 40.27 hours per person. The details of training are as follows:

	Type	The percentage of employees trained	The average training hours (hours)
Gender	Male	36.78%	45.90
	Female	63.22%	37.00
Employee category	Senior-level management	0.88%	26.60
	Middle-level management	9.28%	31.42
	Other employees	89.84%	41.32

5.4. Health and Safety

As a responsible enterprise, the Group attaches great importance to the occupational health and safety of employees, complies 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, the Group has formulated relevant internal policies such as the *Safety Production Responsibility System for All Employees*, the *Safety Education and Training Management System*, the *Hidden Disease Investigation and Management System*, the *Occupational Health Management System*, the *Occupational Disease Prevention and Control Publicity, Education and Training System*, the *Occupational Disease Protection Supplies Management System* and the *Chemicals Management System* to create a culture that ensures the health and safety of employees, and has obtained the ISO 45001 Occupational Health and Safety Management Systems certification.

The Group has 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, the Group sets annual safety goals. By the end of the Reporting Period, the Group had achieved the annual safety goals.

- Zero death and serious injury, zero responsible traffic accident, zero accident due to fire, explosion, poisoning, major environmental pollution;
- The rectification rate of accident-related hazards is 100%, the timely rectification rate is 100%, and the timely reporting of hazard investigation information is 100%;
- The pass rate of special equipment inspection is 100%;
- 100% safety training participation rate, and 100% pass rate;
- The certificate holding rate of staff in charge, production safety administrator and operators in special or other areas reaches 100%;

- Zero improper management and use of hazardous chemicals;

- The completion rate of occupational disease hazard inspection, environmental inspection, fire inspection, special equipment inspection and other related inspections is 100%;

- The indicators of employee's working environment meet the national occupational health standards, and the incidence rate of occupational diseases is 0.

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

- **Hazard detection:** The Group has formulated the *Hazard detection and Management System*, requiring regular inspections on equipment and facilities, including seasonal inspections, quarterly special inspections, comprehensive inspections, holiday inspections and occasional daily inspections, aiming to identify and eliminate hazards. During the Reporting Period, 104 risk factors had been identified and rectified on time.

- **Management of special equipment:** The Group requires 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 management on chemicals:** The Group has formulated the *Hazard detection and Management System* to standardize the whole process of "warehousing, storage, use and waste" of chemicals. In addition, the Group requires chemical workers to receive special training and obtain relevant qualification certificates. In 2023, the Group organised external training on certificate examinations for chemical workers, with a total of 22 people trained and certified to work. In addition, explosion-proof electrical appliances are provided in all the chemical storage warehouses, which has passed the explosion-proof testing of China Coal Technology & Engineering Group Shanghai Research Institute Co. Ltd. and obtained a qualified explosion-proof testing report.

- **Safety training:** The Group provides regular safety training to employees who need to obtain operational certificates before they start production operations. In 2023, the Group conducted 10 safety training sessions themed on safety education and training with new employees at three levels, special chemical safety training, fire and electrical safety training, production safety responsibility training, safety laws and regulations, safe operation procedures training.

- **Occupational health monitoring:** The Group arranges pre-employment, in-service and off-duty body check for employees faced with occupational hazards and equips them with protective materials. The Group invites third-party inspection agencies to inspect the workshop every year and publishes inspection data to ensure safety.

In the past 3 years, there was no injury or death related to work. During the Reporting Period, one work-related accident occurred in the Group and there was 140 lost days related to work injury.

Notes:

1. During the Reporting Period, one employee of the Group had a traffic accident on the way to work, and the traffic liability was determined to be the full responsibility of the other party.

6. ENGAGING IN SOCIAL WELFARE

Under the mission to "Provide accessible, top-quality and comprehensive solutions for stroke patients", the Group utilises our resources and professions to promote inclusive healthcare and engage in the public good through the "WeLove NeuroTech" Special Relief Fund, the Swallow program, the special fund of "Brain Power" for cultivating young neuro-interventional physicians and a series of education activities for World Stroke Day, further creating positive social impact and wining public trust.

6.1. WeLove NeuroTech

In response to national poverty alleviation through healthcare services, the Group 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. "WeLove NeuroTech" acquired 14 hospital partners and provided medical aid for 28 patients in 2023.

WeLove NeuroTech Program

6.2. The Eagle & Swallows Program

For the grassroots market, the Group actively responds to the national call for establishment of primary stroke centres through the Eagle & Swallows program. The Group has been providing the clinical training, follow-up consulting and routine guidance to physicians in hospitals in lower-tier cities and counties, thereby helping grassroots doctors to improve the treatment for stroke. In 2023, the Group's Eagle & Swallows Program team expanded its network by newly covering nearly 200 new grassroots hospitals, with a total coverage of over 800 hospitals in more than 250 lower-tier cities and counties.

6.3. Brain Power

The Group is promoting high-quality medical resources to those local areas through the special fund of "Brain Power" for cultivating young neuro-interventional physicians, so as to provide a platform for grassroots clinical doctors to exchange technologies, allowing more local patients with cerebrovascular diseases to benefit from the initiatives. In 2023, the Group sponsored 13 young physicians for their further study and provided technical training to around 130 surgeons.

Brain Power Program

6.4. World Stroke Day

The Group is 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. In line with the guiding principle of the *Guideline of the State Council on Implementing the Healthy China Initiative*, the Group has carried out stroke disease science popularization activities consecutively.

In October 2023, the Group held a series of education activities for World Stroke Day, which was themed as "Stroke: Prevention Does Matter", to spread knowledge on early identification, prevention and control of strokes. During the activities, over 70 health ambassadors of MicroPort NeuroTech went to communities, shopping malls and grassroots hospitals to popularise knowledge on the disease, risk factors, and prevention and control measures. At the same time, they gave free clinic, organised popularisation lectures on stroke and distributed brochures for citizens. All of these effectively publicized the stroke prevention and control on a broader social coverage. According to statistics, over 11,000 brochures on stroke prevention and control were distributed, benefiting more than 11,000 people, which effectively enhanced public awareness.

World Stroke Day

APPENDIX: INDEX TO THE HKEX'S ESG REPORTING GUIDE

Aspect	Description	Title of sections
A1 General Disclosure	**Emissions** 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.	CONTRIBUTING TO A LOW-CARBON FUTURE>Emission Management
A1.1	The types of emissions and respective emissions data.	CONTRIBUTING TO A LOW-CARBON FUTURE>Emission Management
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).	CONTRIBUTING TO A LOW-CARBON FUTURE>Use of Resources
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	CONTRIBUTING TO A LOW-CARBON FUTURE>Emission Management
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	CONTRIBUTING TO A LOW-CARBON FUTURE>Emission Management
A1.5	Description of emission target(s) set and steps taken to achieve them.	CONTRIBUTING TO A LOW-CARBON FUTURE>Environmental Management
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.	CONTRIBUTING TO A LOW-CARBON FUTURE>Emission Management
A2 General Disclosure	**Use of Resources** Policies on the efficient use of resources, including energy, water and other raw materials.	CONTRIBUTING TO A LOW-CARBON FUTURE>Use of Resources
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).	CONTRIBUTING TO A LOW-CARBON FUTURE>Use of Resources
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	CONTRIBUTING TO A LOW-CARBON FUTURE>Use of Resources
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	CONTRIBUTING TO A LOW-CARBON FUTURE>Use of Resources
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.	CONTRIBUTING TO A LOW-CARBON FUTURE>Use of Resources
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	CONTRIBUTING TO A LOW-CARBON FUTURE>Use of Resources

Aspect	Description	Title of sections
A3	**The Environment and Natural Resources**	
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	CONTRIBUTING TO A LOW-CARBON FUTURE>Use of Resources
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	CONTRIBUTING TO A LOW-CARBON FUTURE>Use of Resources
A4	**Climate Change**	
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	CONTRIBUTING TO A LOW-CARBON FUTURE>Climate Change
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	CONTRIBUTING TO A LOW-CARBON FUTURE>Climate Change
B1	**Employment**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	CREATING A PLEASANT WORKPLACE>Employment and Retention
B1.1	Total workforce by gender, employment type (for example, full-or part-time), age group and geographical region.	CREATING A PLEASANT WORKPLACE>Employment and Retention
B1.2	Employee turnover rate by gender, age group and geographical region.	CREATING A PLEASANT WORKPLACE>Employment and Retention
B2	**Health and Safety**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	CREATING A PLEASANT WORKPLACE>Health and Safety
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	CREATING A PLEASANT WORKPLACE>Health and Safety
B2.2	Lost days due to work injury.	CREATING A PLEASANT WORKPLACE>Health and Safety
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	CREATING A PLEASANT WORKPLACE>Health and Safety

Aspect	Description	Title of sections
B3 General Disclosure	**Development and Training** Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	CREATING A PLEASANT WORKPLACE>Cultivation and Development
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	CREATING A PLEASANT WORKPLACE>Cultivation and Development
B3.2	The average training hours completed per employee by gender and employee category.	CREATING A PLEASANT WORKPLACE>Cultivation and Development
B4 General Disclosure	**Labour Standards** 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.	CREATING A PLEASANT WORKPLACE>Employment and Retention
B4.1	Description of measures to review employment practices to avoid child and forced labour.	CREATING A PLEASANT WORKPLACE>Employment and Retention
B4.2	Description of steps taken to eliminate such practices when discovered.	CREATING A PLEASANT WORKPLACE>Employment and Retention
B5 General Disclosure	**Supply Chain Management** Policies on managing environmental and social risks of the supply chain.	COOPERATION AND DEVELOPMENT>Supply Chain Empowerment
B5.1	Number of suppliers by geographical region.	COOPERATION AND DEVELOPMENT>Supply Chain Empowerment
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.	COOPERATION AND DEVELOPMENT>Supply Chain Empowerment
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	COOPERATION AND DEVELOPMENT>Supply Chain Empowerment
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	COOPERATION AND DEVELOPMENT>Supply Chain Empowerment

Aspect	Description	Title of sections
B6 General Disclosure	**Product Responsibility** Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	STRENGTHENING CORPORATE GOVERNANCE > Responsible Marketing INNOVATION PROTECTING HEALTH> Quality Supervision Management and Control
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	INNOVATION PROTECTING HEALTH> Product Recall Management
B6.2	Number of products and service related complaints received and how they are dealt with.	INNOVATION PROTECTING HEALTH> Protection of Customer Rights and Interests
B6.3	Description of practices relating to observing and protecting intellectual property rights.	INNOVATION PROTECTING HEALTH> Protection of Intellectual Property
B6.4	Description of quality assurance process and recall procedures.	INNOVATION PROTECTING HEALTH> Product Recall Management
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	STRENGTHENING CORPORATE GOVERNANCE > Information Security
B7 General Disclosure	**Anti-corruption** 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.	STRENGTHENING CORPORATE GOVERNANCE>Business Ethics
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.	STRENGTHENING CORPORATE GOVERNANCE>Business Ethics
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	STRENGTHENING CORPORATE GOVERNANCE>Business Ethics
B7.3	Description of anti-corruption training provided to directors and staff.	STRENGTHENING CORPORATE GOVERNANCE>Business Ethics

Aspect	Description	Title of sections
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.	ENGAGING IN SOCIAL WELFARE
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	ENGAGING IN SOCIAL WELFARE
B8.2	Resources contributed (e.g. money or time) to the focus area.	ENGAGING IN SOCIAL WELFARE

INDEPENDENT AUDITOR'S REPORT

KPMG

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 136 to 224 which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes, comprising material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("**the Code**") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the 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 160 to 162.

The Key Audit Matter	How the matter was addressed in our audit
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.	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; • 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 160 to 162.

The Key Audit Matter	How the matter was addressed in our audit
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.	• 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 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 page 154 to 155.	
The Key Audit Matter	**How the matter was addressed in our audit**
The carrying values of the Group's intangible assets as at 31 December 2023 was RMB151 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.	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 appropriateness of the methodology adopted by management in its impairment assessments with reference to the requirements of the prevailing accounting standards; • evaluating the reasonableness of certain assumptions adopted in the discounted cash flow forecasts by comparing data in the discounted cash flow forecasts with the relevant data, including forecast revenue ("**assumptions**") by comparing with the financial budgets which was approved by the board of directors and with available industry statistics; and assessing whether the discount rate applied was within the range adopted by other companies in the same industry;

Key audit matters (continued)

Assessing potential impairment of intangible assets	
Refer to note 11 to the consolidated financial statements and the accounting policies on page 154 to 155.	
The Key Audit Matter	**How the matter was addressed in our audit**
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.	• comparing the assumptions included 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 and whether there was any indication of management bias; • involving our internal valuation specialists in assessing the appropriateness of the impairment assessment model with reference to the prevailing accounting standards and the discount rate applied in the discounted cash flow forecast by benchmarking against those of comparable companies and external market data if available; • performing a sensitivity analysis on 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 assumptions; and • considering the reasonableness of 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.

Key audit matters (continued)

Assessing impairment of investment in Rapid Medical Ltd. ("Rapid Medical") which was accounted for as an associate

Refer to note 13 to the consolidated financial statements and the accounting policies on page 154 to 155.

The Key Audit Matter	How the matter was addressed in our audit
The Group has 22.3% interest in Rapid Medical, which is accounted for under the equity method. The Group's share of the net assets in Rapid Medical as at 31 December 2023 was RMB104 million, which represented approximately 5.3% of the total assets of the Group. As at 31 December 2023, management determined that there was an indicator of impairment of investment in Rapid Medical and, therefore, assessed the recoverable amounts with reference to the higher of value-in-use ("**VIU**") and fair value less costs of disposal. Management determined VIU based on a discounted cash flow forecast prepared by an external valuer, which involved significant judgement in assessing terminal growth rate and discount rate.	Our audit procedures to assess impairment of investment in Rapid Medical included the following: • obtaining an understanding of and testing the design and implementation of the key internal controls related to the impairment assessment; • evaluating management's identification of the existence of impairment indicators of the interests in Rapid Medical with reference to the requirements of the prevailing accounting standards; • evaluating the competence, capabilities and objectivity of the external valuer engaged by management; • challenging the reasonableness of the key assumptions adopted in the preparation of the discounted cash flow forecast supporting the VIU by comparing the forecasted revenue and forecasted gross margins with historical data and available economic and industry forecasts;

Key audit matters (continued)

Assessing impairment of investment in Rapid Medical Ltd. ("Rapid Medical") which was accounted for as an associate

Refer to note 13 to the consolidated financial statements and the accounting policies on page 154 to 155.

The Key Audit Matter	How the matter was addressed in our audit
Based on the assessment, the Group recognised impairment losses of RMB30 million for the year ended 31 December 2023. We identified assessing impairment of the investment in Rapid Medical as a key audit matter because such assessment requires significant judgement and estimation, which increases the risk of error or potential management bias.	• involving our internal valuation specialists to assess the appropriateness of methodology used in the preparation of the discounted cash flow forecast with reference to the requirements of the prevailing accounting standards and the reasonableness of discount rate and terminal growth rate applied by benchmarking against those of comparable companies; • evaluating the reasonableness of the disclosures in the consolidated financial statements 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 responsibilities for the audit of the consolidated financial statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

KPMG
Certified Public Accountants

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

27 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023
(Expressed in Renminbi)

	Note	2023 RMB'000	2022 RMB'000
Revenue	3	**665,624**	547,350
Cost of sales		**(153,833)**	(154,350)
Gross profit		**511,791**	393,000
Other net income	4	**40,035**	32,921
Research and development costs		**(165,133)**	(123,270)
Distribution costs		**(110,738)**	(86,801)
Administrative expenses		**(56,133)**	(67,654)
Other operating costs		**—**	(26,481)
Profit from operations		**219,822**	121,715
Finance costs	5(a)	**(3,727)**	(99,422)
Share of losses of an associate		**(23,844)**	(26,619)
Impairment loss on investment in an associate	13(a)	**(30,200)**	—
Profit/(loss) before taxation	5	**162,051**	(4,326)
Income tax	6(a)	**(27,470)**	(20,352)
Profit/(loss) for the year		**134,581**	(24,678)
Attributable to:			
Equity shareholders of the Company		**145,548**	(21,765)
Non-controlling interests		**(10,967)**	(2,913)
Profit/(loss) for the year		**134,581**	(24,678)
Earnings/(loss) per share (RMB)	9		
Basic and diluted		**0.25**	(0.04)

The notes on pages 143 to 224 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 25(b).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023
(Expressed in Renminbi)

	2023 RMB'000	2022 RMB'000
Profit/(loss) for the year	**134,581**	(24,678)
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	**20,740**	30,285
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign subsidiaries	**(9,536)**	(42,060)
Other comprehensive income for the year	**11,204**	(11,775)
Total comprehensive income for the year	**145,785**	(36,453)
Attributable to:		
Equity shareholders of the Company	**156,752**	(33,540)
Non-controlling interests	**(10,967)**	(2,913)
Total comprehensive income for the year	**145,785**	(36,453)

The notes on pages 143 to 224 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in Renminbi)

	Note	31 December 2023 RMB'000	31 December 2022 RMB'000
Non-current assets			
Property, plant and equipment	10	**161,603**	193,566
Investment property	10	**12,925**	13,268
		174,528	206,834
Intangible assets	11	**151,384**	131,650
Interest in an associate	13	**103,692**	155,501
Deferred tax assets	22(b)	**11,119**	11,642
Other non-current assets	14	**187,374**	26,688
		628,097	532,315
Current assets			
Financial assets measured at fair value through profit or loss	15	**283,504**	266,053
Inventories	16	**200,963**	114,726
Trade and other receivables	17	**62,765**	35,256
Pledged deposit and time deposit	18	**64,137**	40,721
Cash and cash equivalents	18	**721,175**	827,929
		1,332,544	1,284,685
Current liabilities			
Trade and other payables	19	**213,076**	188,703
Contract liabilities	20	**8,056**	11,632
Lease liabilities	21	**23,786**	24,725
Derivative financial instruments		**—**	272
Income tax payables	22(a)	**4,331**	18,468
		249,249	243,800
Net current assets		**1,083,295**	1,040,885
Total assets less current liabilities		**1,711,392**	1,573,200

The notes on pages 143 to 224 form part of these financial statements.

	Note	**31 December 2023 RMB'000**	31 December 2022 RMB'000
Non-current liabilities			
Lease liabilities	21	**37,574**	60,519
Deferred income	23	**24,816**	19,136
Other non-current liabilities		**10,751**	7,894
		73,141	87,549
NET ASSETS		**1,638,251**	1,485,651
CAPITAL AND RESERVES	26		
Share capital		**76**	76
Reserves		**1,635,429**	1,472,727
Total equity attributable to equity shareholders of the Company		**1,635,505**	1,472,803
Non-controlling interests		**2,746**	12,848
TOTAL EQUITY		**1,638,251**	1,485,651

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

Chang Zhaohua
Chairman

Xie Zhiyong
Director

The notes on pages 143 to 224 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023
(Expressed in Renminbi)

		Attributable to equity shareholders of the Company								
	Note	Share capital RMB'000	Share premium RMB'000	Exchange reserve RMB'000	Capital reserve RMB'000	Statutory general reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total (deficit)/ equity 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	25(c)(ii)	2	276,138	—	—	—	—	276,140	—	276,140
Conversion of preferred shares into ordinary shares	25(c)(iii)	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	24	—	—	—	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 143 to 224 form part of these financial statements.

		Attributable to equity shareholders of the Company								
	Note	Share capital RMB'000	Share premium RMB'000	Exchange reserve RMB'000	Capital reserve RMB'000	Statutory general reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2023		76	1,377,791	(10,791)	(17,118)	38,810	84,035	1,472,803	12,848	1,485,651
Changes in equity for 2023										
Profit/(loss) for the year		–	–	–	–	–	145,548	145,548	(10,967)	134,581
Other comprehensive income		–	–	11,204	–	–	–	11,204	–	11,204
Total comprehensive income		–	–	11,204	–	–	145,548	156,752	(10,967)	145,785
Capital contributions from non-controlling interests		–	–	–	1,665	–	–	1,665	865	2,530
Appropriation of statutory general reserve		–	–	–	–	24,933	(24,933)	–	–	–
Equity-settled share-based transactions	24	–	–	–	5,943	–	–	5,943	–	5,943
Repurchase of shares under share award scheme	25(c)(iv)	–	–	–	(8,310)	–	–	(8,310)	–	(8,310)
Shares granted under share award scheme	24(d)	–	–	–	6,652	–	–	6,652	–	6,652
Balance at 31 December 2023		76	1,377,791	413	(11,168)	63,743	204,650	1,635,505	2,746	1,638,251

The notes on pages 143 to 224 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2023
(Expressed in Renminbi)

	Note	2023 RMB'000	2022 RMB'000
Operating activities			
Cash generated from operations	18(b)	**194,862**	234,074
Tax paid		**(41,084)**	(10,276)
Net cash generated from operating activities		**153,778**	223,798
Investing activities			
Payments for the purchase of property, plant and equipment		**(12,850)**	(32,272)
Payments for the purchase of intangible assets, including expenditures on capitalised development costs		**(29,325)**	(15,673)
Placement of pledged deposits		**(13,370)**	—
Placement of time deposits		**(10,000)**	(50,000)
Uplift of time deposits		**—**	10,092
Interest received		**1,399**	—
Payments for the purchase of financial assets measured at FVPL	26	**(492,938)**	(256,670)
Redemption of financial assets measured at FVPL	26	**484,353**	—
Payment for consideration and deposit for land use rights		**(160,428)**	—
Net cash used in investing activities		**(233,159)**	(344,523)
Financing activities			
Capital element of lease rentals paid		**(24,036)**	(25,634)
Interest element of lease rentals paid		**(3,460)**	(4,495)
Lease deposits refund		**—**	47
Capital contribution from shareholders		**—**	66,669
Shares issued upon completion of initial public offerings, net of transaction cost	25(c)	**—**	276,140
Capital contribution from non-controlling interests		**2,530**	16,810
Payment for repurchase of shares under share award scheme		**(8,310)**	—
Net cash (used in)/generated from financing activities		**(33,276)**	329,537
Net increase in cash and cash equivalents		**(112,657)**	208,812
Cash and cash equivalents at 1 January		**827,929**	593,287
Effect of foreign exchanges rates changes		**5,903**	25,830
Cash and cash equivalents at 31 December		**721,175**	827,929

The notes on pages 143 to 224 form part of these financial statements.

1 Material 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**"), 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. Material accounting policies adopted by MicroPort NeuroTech Limited ("**the Company**") and its subsidiaries ("**the Group**") are disclosed below.

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2023 comprise the Company and its subsidiaries and the Group's interest in an associate.

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 Material 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:

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

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

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

For each business combination, the Group can elect to measure any non-controlling interests ("**NCI**") either at fair value or at the NCI's proportionate share of the subsidiary's net identifiable assets. NCI are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. NCI in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between NCI and the equity shareholders of the Company. Loans from holders of NCI and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with Notes 1(q) and (r) depending on the nature of the liability.

1 Material 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.

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

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

(e) Associates and joint ventures

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over the financial and operating policies.

A joint venture is an arrangement in which the Group or the Company has joint control, whereby the Group or the Company has the rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

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

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

1 Material accounting policies (continued)

(f) Other investments in securities

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

Investments in 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 26(e). These investments are subsequently accounted for as follows, depending on their classification.

(i) Non-equity investments

Non-equity investments 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. Expected credit losses, interest income from the investment is calculated using the effective interest method (see Note 1(w)(iv)), foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

— 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. Expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses are recognised in profit or loss and computed in the same manner as if the financial asset was measured at amortised cost. The difference between the fair value and the amortised cost is recognised in OCI. When the investment is derecognised, the amount accumulated in OCI 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.

1 Material accounting policies (continued)

(f) Other investments in securities (continued)

(ii) Equity investments

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

(g) Derivative financial instruments

The Group holds derivative financial instruments to manage its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequently, they are measured at fair value with changes therein recognised 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).

1 Material accounting policies (continued)

(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 any accumulated impairment losses (see Note 1(l)(ii)).

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

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

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

—	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

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

(j) Intangible assets

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

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

(k) Leased assets

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

(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 leases that have a short lease term of 12 months or less and leases of low-value laptops and office furniture. When the Group enters into a lease in respect of a low-value item, the Group decides whether to capitalise the lease on a lease-by-lease basis. If not capitalised, the associated lease payments are recognised in profit or loss on a systematic basis over the lease term.

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

1 Material 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 adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Notes 1(i) and 1(l)).

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

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

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

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

1 Material accounting policies (continued)

(k) Leased assets (continued)

(ii) As a lessor

The Group 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. Otherwise, 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:

— financial assets measured at amortised cost (including cash and cash equivalents, time deposits and trade and other receivables, that are held for the collection of contractual cash flows which represent solely payments of principal and interest;

— contract assets (see Note 1(n)); and

— lease receivables.

1 Material 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

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

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

ECLs are measured on either of the following bases:

— 12-month ECLs: these are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months); and

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

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

— financial instruments that are determined to have low credit risk at the reporting date; and

— other financial instruments for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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

1 Material 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

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

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

— the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or

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 non-equity securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in OCI and accumulated in the fair value reserve (recycling) does not reduce the carrying amount of the financial asset in the statement of financial position (see note 1(f)(i)).

Credit-impaired financial assets

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

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

— significant financial difficulties of the debtor;

— a breach of contract, such as a default or being more than 90 days past due;

1 Material accounting policies (continued)

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

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

Credit-impaired financial assets (continued)

— the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;

— it is probable that the debtor will enter bankruptcy or other financial reorganisation; or

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

Write-off policy

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

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

(ii) Impairment of other non-current assets

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

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

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

1 Material accounting policies (continued)

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

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

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

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

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

(m) Inventories

Inventories are measured 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.

Net realisable value represents the estimated selling price less any estimated costs of completion and costs to be incurred in selling the property.

(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 terms in the contract. Contract assets are assessed for ECLs (see Note 1(l)(i)) and are reclassified to receivables when the right to the consideration 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 is also 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 is also recognised (see Note 1(o)).

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

1 Material accounting policies (continued)

(o) Trade and other receivables

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

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost (see Note 1(l)).

(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 other 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 (see Note 1(l)(i)).

(q) Preference share capital

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

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

1 Material accounting policies (continued)

(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 Material accounting policies (continued)

(t) Employee benefits

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

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

(ii) Share-based payments

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

(iii) Termination benefits

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

(u) Income tax

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

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

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

1 Material accounting policies (continued)

(u) Income tax (continued)

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

— temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;

— temporary differences related to investment in subsidiaries, associates and joint venture to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;

— taxable temporary differences arising on the initial recognition of goodwill; and

— those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development.

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

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

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

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

1 Material accounting policies (continued)

(v) Provisions and contingent liabilities

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

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

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

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

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

(w) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, 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.

1 Material accounting policies (continued)

(w) Revenue and other income (continued)

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

(i) Sale of medical devices

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

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 from operating leases is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. 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.

1 Material accounting policies (continued)

(w) Revenue and other income (continued)

(iii) Dividends

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

(iv) Interest income

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

(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

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

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

However, foreign currency differences arising from the translation of an investment in equity securities designated as at FVOCI are recognised in OCI (except on impairment, in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss).

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

1 Material accounting policies (continued)

(x) Translation of foreign currencies (continued)

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

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

(y) Borrowing costs

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

(z) Related parties

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group's parent.

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

- (i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).

1 Material accounting policies (continued)

(z) Related parties (continued)

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

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

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

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

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

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

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

(aa) Segment reporting

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

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

2 Accounting 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.

(b) Sources of estimation uncertainty

Notes 24 and 26(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.

2 Accounting judgements and estimates (continued)

(b) Sources of estimation uncertainty (continued)

(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.

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:

	2023 **RMB'000**	2022 RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
Sales of medical devices — point in time	**663,604**	545,867
Revenue from other sources		
Gross rentals	**2,020**	1,483
	665,624	547,350

3 Revenue and segment reporting (continued)

(a) Revenue (continued)

(i) Disaggregation of revenue (continued)

Revenue from each major customer which accounted for 10% or more of the Group's revenue during the year ended 2022 and 2023 is set out below:

	2023 RMB'000	2022 RMB'000
Customer A	**198,448**	147,508
Customer B	**145,078**	137,452
Customer C	**142,786**	67,624
Customer D	**106,322**	108,067

(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

	2023 RMB'000	2022 RMB'000
The PRC (place of domicile)	**633,931**	525,440
Outside the PRC	**31,693**	21,910
	665,624	547,350

3 Revenue and segment reporting (continued)

(b) Geographical information (continued)

Specified non-current assets

	31 December 2023 RMB'000	31 December 2022 RMB'000
The PRC (place of domicile)	**325,912**	338,484
Israel	**103,692**	155,501
	429,604	493,985

4 Other net income

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Fair value changes in financial assets measured at fair value *(Note 15)*	**5,567**	1,695
Government grants (i)	**18,607**	21,657
Interest income on financial assets measured at amortised cost	**16,574**	9,970
Net foreign exchange loss	**(642)**	(540)
Net loss on disposal of property, plant and equipment	**(133)**	(30)
Fair value change of derivative financial instruments	**—**	(272)
Others	**62**	441
	40,035	32,921

Note:

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

5 Profit/(loss) before taxation

Profit/(loss) before taxation is arrived at after charging/(crediting):

(a) Finance costs

	2023 RMB'000	2022 RMB'000
Interest on other financial liabilities *(Note 18(c))*	**–**	94,782
Interest on lease liabilities	**3,460**	4,495
Total interest expenses on financial liabilities not at fair value through profit or loss	**3,460**	99,277
Others	**267**	145
	3,727	99,422

(b) Staff costs#

	2023 RMB'000	2022 RMB'000
Contributions to defined contribution retirement plans *(Note)*	**13,860**	12,955
Equity-settled share-based payment expenses *(Note 24)*	**6,813**	12,141
Salaries, wages and other benefits	**160,196**	135,332
	180,869	160,428

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

	2023 RMB'000	2022 RMB'000
Listing expenses	**–**	22,659
Donations	**–**	3,822
	–	26,481

5 Profit/(loss) before taxation (continued)

(d) Other items

	2023 RMB'000	2022 RMB'000
Amortisation of intangible assets# *(Note 11)*	**15,452**	14,517
Depreciation charge# *(Note 10)*		
— owned property, plant and equipment and investment property	**18,479**	16,248
— right-of-use assets	**25,060**	27,067
Less: Capitalised into intangible assets	**(2,899)**	(1,131)
	56,092	56,701
Research and development expenditure	**199,665**	141,532
Less: Development costs capitalised into intangible assets *(Note 11)*	**(34,532)**	(18,262)
	165,133	123,270
Cost of inventories# *(Note 16(b))*	**204,074**	191,353
Auditors' remuneration		
— audit services	**2,700**	5,031
— non-audit services	**32**	143
	2,732	5,174

Cost of inventories includes RMB62,381,000 (2022: RMB52,318,000), 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:

	2023 RMB'000	2022 RMB'000
Current tax — PRC Corporate Income Tax ("CIT")		
Provision for the year	26,947	24,596
Deferred tax		
Origination and reversal of temporary differences	523	(4,244)
	27,470	20,352

(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 2023 and 2022 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 2023 and 2022. 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:

	2023 **RMB'000**	2022 RMB'000
Profit/(loss) before taxation	**162,051**	(4,326)
Notional tax on profit before taxation, calculated at the rates applicable to profit in the countries concerned	**49,376**	32,015
Effect of the preferential income tax rate *(Note 6(a)(iii))*	**(27,696)**	(12,381)
Effect of other non-deductible expenses	**11,861**	12,014
Effect of additional deduction on research and development expenses *(Note 6(a)(iii))*	**(17,799)**	(15,854)
Effect of tax losses not recognised	**11,728**	4,558
Actual tax expenses	**27,470**	20,352

(c) Pillar Two income taxes

Certain countries which the Group operates in, recently enacted or plan to enact new tax laws to implement the Pillar Two model rules with reference to the framework published by the Organisation of Economic Co-operation and Development ("**OECD**"). The new tax laws will take effect after 1 January 2024. When these laws take effect, the Group expects to be subject to a system of top-up taxes adjustments that results in the total amount of taxes payable on excess profit in each jurisdiction representing at least the minimum rate of 15%. As the new tax laws are not yet effective, the Group does not expect any current tax impact for the year ended 31 December 2023. The Group has applied the temporary mandatory exception from deferred tax accounting for the top-up tax and would account for the tax as current tax when incurred.

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 2023					
	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						
Zhaohua Chang *(a)*	–	–	–	–	–	–
Bo Peng *(b)*	–	–	–	–	–	–
Zhiyong Xie *(c)*	–	1,190	–	–	67	1,257
Yiqun Bruce Wang	–	1,268	–	–	42	1,310
Qingwei Sun *(d)*	–	–	–	–	–	–
Lin Wang	–	–	–	–	–	–
Xia Wu	–	–	–	–	–	–
Yi Xu	160	–	–	–	–	160
Haixiao Zhang	199	–	–	–	–	199
Siu Chi Hung	199	–	–	–	–	199
	558	2,458	–	–	109	3,125

7 Directors' emoluments (continued)

	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

Note:

These represent the estimated value of share-based transactions with the directors, the details of which are disclosed in Note 24. 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).

(a) Zhaohua Chang was appointed as a non-executive director and chairman of the Company on 3 November 2023.

(b) Bo Peng has resigned as a non-executive director, the chairman of the Company, and a director and the chairman of MP NeuroTech Shanghai due to retirement on 3 November 2023.

(c) Zhiyong Xie has been appointed as the chairman of MP NeuroTech Shanghai on 3 November 2023.

(d) Qingwei Sun has been appointed as a non-executive director and a director of MP NeuroTech Shanghai on 3 November 2023.

8 Individuals with highest emoluments

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

	2023 RMB'000	2022 RMB'000
Salaries and other benefits	**2,178**	2,522
Discretionary bonuses	**961**	2,181
Equity-settled share-based payments	**96**	55
	3,235	4,758

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

	2023 Number of individuals	2022 Number of individuals
HK$Nil to HK$1,000,000	**1**	—
HK$1,000,001 to HK$1,500,000	**2**	1
HK$1,500,001 to HK$2,000,000	**—**	1
HK$2,000,001 to HK$2,500,000	**—**	—
HK$2,500,001 to HK$3,000,000	**—**	1
HK$3,000,001 to HK$3,500,000	**—**	—

9 Earnings/(loss) per share

The calculation of the basic earnings/(loss) per share during the year is based on the earnings/(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 25(c) had been in effective on 1 January 2021, calculated as follows:

(i) Earnings/(loss) of the year attributable to ordinary equity shareholders of the Company

	2023 RMB'000	2022 RMB'000
Earnings/(loss) of the year attributable to ordinary equity shareholders of the Company	145,548	(21,765)

(ii) Weighted average number of ordinary shares

	2023 '000	2022 '000
Issued ordinary shares at 1 January for the purpose of basic earnings/(loss) per share	582,658	461,398
Issuance of ordinary shares	—	6,343
Conversion of preferred shares into ordinary shares	—	49,802
Weighted average number of ordinary shares at 31 December for the purpose of basic earnings/(loss) per share	582,658	517,543

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.

The calculation of diluted earnings per share amounts for the year ended 31 December 2023 had not included the share options issued by the Company, as they had an anti-dilutive effect on the basic earnings per share amounts.

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 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 and 1 January 2023	**14,973**	**68,283**	**56,701**	**6,218**	**1,476**	**133,058**	**3,624**	**284,333**	**15,527**	**299,860**
Transfer	**–**	**3,394**	**11,646**	**398**	**–**	**–**	**(15,438)**	**–**	**–**	**–**
Additions	**–**	**–**	**–**	**–**	**–**	**3,883**	**12,043**	**15,926**	**–**	**15,926**
Disposals	**–**	**(739)**	**(852)**	**(1,400)**	**(297)**	**(13,401)**	**–**	**(16,689)**	**–**	**(16,689)**
At 31 December 2023	**14,973**	**70,938**	**67,495**	**5,216**	**1,179**	**123,540**	**229**	**283,570**	**15,527**	**299,097**
Accumulated depreciation and amortisation:										
At 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 and 1 January 2023	**3,183**	**23,732**	**11,962**	**3,055**	**1,354**	**47,481**	**–**	**90,767**	**2,259**	**93,026**
Charge for the year	**313**	**11,167**	**5,679**	**927**	**50**	**25,060**	**–**	**43,196**	**343**	**43,539**
Written back on disposals	**–**	**(546)**	**(281)**	**(1,206)**	**(281)**	**(9,682)**	**–**	**(11,996)**	**–**	**(11,996)**
At 31 December 2023	**3,496**	**34,353**	**17,360**	**2,776**	**1,123**	**62,859**	**–**	**121,967**	**2,602**	**124,569**
Net book value:										
At 31 December 2022	11,790	44,551	44,739	3,163	122	85,577	3,624	193,566	13,268	206,834
At 31 December 2023	**11,477**	**36,585**	**50,135**	**2,440**	**56**	**60,681**	**229**	**161,603**	**12,925**	**174,528**

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

(b) Investment property

As at 31 December 2023, 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 2023 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 2023 RMB'000	31 December 2022 RMB'000
Properties leased for own use, carried at depreciated cost	**60,681**	85,577

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

	2023 RMB'000	2022 RMB'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Properties leased for own use	**25,060**	27,067
Interest on lease liabilities *(Note 5(a))*	**3,460**	4,495
Expense relating to short-term leases	**80**	15

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 26(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:

	2023 **RMB'000**	2022 RMB'000
Within 1 year	**1,141**	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 Medical Technology Co., Ltd. (上海神奕醫療科技有限公司 "**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 2022	149,803	907	150,710
Additions	18,262	520	18,782
At 31 December 2022 and 1 January 2023	**168,065**	**1,427**	**169,492**
Additions	**34,532**	**654**	**35,186**
At 31 December 2023	**202,597**	**2,081**	**204,678**
Accumulated amortisation:			
At 1 January 2022	22,757	568	23,325
Amortisation charge for the year	14,359	158	14,517
At 31 December 2022 and 1 January 2023	**37,116**	**726**	**37,842**
Amortisation charge for the year	**15,016**	**436**	**15,452**
At 31 December 2023	**52,132**	**1,162**	**53,294**
Net book value:			
At 31 December 2022	130,949	701	131,650
At 31 December 2023	**150,465**	**919**	**151,384**

Included in intangible assets were an amount of RMB17,910,000 and RMB52,442,000 that are not yet available for use as of 31 December 2022 and 2023, 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.

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 2022, the capitalised development costs not yet available for use is only related to Rebridge® Intracranial Visualized Stent ("**Rebridge**"). As of 31 December 2023, the capitalised development costs not yet available for use included Rebridge, Tubridge Plus® Flow-diverting Stent ("**Tubridge Plus**"), NuFairy™ Absorbable Coil Embolization System ("**NuFairy**") and Bridge-Max Rapamycin Target Eluting Vertebral Artery Stent System ("**Bridge-Max**").

In addition, the sales performance of the Company's commercialised product Neurohawk® Thrombectomy Device ("**Neurohawk**") this year is lower than expected. The Company identified it as an internal indicator of impairment and performed an impairment test in accordance with the Group's accounting policies set out in Note 1(l)(ii).

As of 31 December 2023, the Group did not identify any impairment indicators for NUMEN Products, for which an impairment assessment was performed as of 31 December 2022, 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 NUMEN Products as of 31 December 2023 was performed.

The recoverable amount of each product was determined based upon the fair value less costs of disposal 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 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.

(Expressed in Renminbi unless otherwise indicated)

11 Intangible assets (continued)

(a) Impairment test (continued)

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

Rebridge	**As at 31 December 2023**
Revenue from the commercialisation to the peak sales (% annualised compound growth rate)	35%
Revenue for the remaining useful life (% annualised compound growth rate)	-9%
Pre-tax discount rate	31.9%

Tubridge Plus	**As at 31 December 2023**
Revenue from the commercialisation to the peak sales (% annualised compound growth rate)	63%
Revenue for the remaining useful life (% annualised compound growth rate)	-12%
Pre-tax discount rate	33.2%

NuFairy	**As at 31 December 2023**
Revenue from the commercialisation to the peak sales (% annualised compound growth rate)	62%
Revenue for the remaining useful life (% annualised compound growth rate)	-10%
Pre-tax discount rate	33.5%

Bridge-Max	**As at 31 December 2023**
Revenue from the commercialisation to the peak sales (% annualised compound growth rate)	60%
Revenue for the remaining useful life (% annualised compound growth rate)	-6%
Pre-tax discount rate	30.5%

Neurohawk	**As at 31 December 2023**
Revenue from the commercialisation to the peak sales (% annualised compound growth rate)	24%
Revenue for the remaining useful life (% annualised compound growth rate)	-10%
Pre-tax discount rate	36.3%

(Expressed in Renminbi unless otherwise indicated)

11 Intangible assets (continued)

(b) Impact of possible changes in key assumptions

The recoverable amount of Rebridge is estimated to exceed its carrying amount at 31 December 2023 by approximately RMB13 million (2022: RMB36 million).

The recoverable amount of Tubridge Plus is estimated to exceed its carrying amount at 31 December 2023 by approximately RMB111 million.

The recoverable amount of NuFairy is estimated to exceed its carrying amount at 31 December 2023 by approximately RMB11 million.

The recoverable amount of Bridge-Max is estimated to exceed its carrying amount at 31 December 2023 by approximately RMB13 million.

The recoverable amount of Neurohawk is estimated to exceed its carrying amount at 31 December 2023 by approximately RMB5 million.

Except for Neurohawk, there was still sufficient headroom for all other products 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.

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

Neurohawk	**As at 31 December 2023**
Revenue from the commercialisation to the peak sales (% annualised compound growth rate)	**19%**
Revenue for the remaining useful life (% annualised compound growth rate)	**-15%**
Pre-tax discount rate	**42.4%**

(Expressed in Renminbi unless otherwise indicated)

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.

			Proportion of ownership interest			
Name of company	**Place of incorporation and business**	**Issued/ registered capital**	**Group's effective interest**	**Held by the Company**	**Held by a subsidiary**	**Principal activity**
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. ("**Shentu**") (神途醫療科技(上海)有限公司)	The PRC	RMB53,040,000/ RMB60,000,000	67.87%	—	67.87%	Manufacture, distribution, research and development of medical devices
Shendun Medical Technology (Shanghai) Co., Ltd. ("**Shendun**") (神遁醫療科技(上海)有限公司)	The PRC	RMB13,960,000/ RMB16,660,000	83.52%	—	83.52%	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
MicroPort NeuroTech Global B.V.	Netherland	USD3,000,000	100%	—	100%	Distribution of medical devices
NeuroFocus Medical Technology (Shanghai) Co., Ltd. (神聚醫療科技(上海)有限公司, "**Shanghai NeuroFocus**")	The PRC	RMB41,730,000/ RMB600,000,000	100%	—	100%	Property management

12 Investments in subsidiaries (continued)

The following table lists out the information relating to 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.

	2023		
	Shentu RMB'000	**Shendun RMB'000**	**Total RMB'000**
NCI percentage	**32.13%**	**16.48%**	
Current assets	**32,664**	**5,560**	
Non-current assets	**2,771**	**5,159**	
Current liabilities	**(18,952)**	**(24,982)**	
Non-current liabilities	**(620)**	**—**	
Net assets/(liabilities)	**15,863**	**(14,263)**	
Carrying amount of NCI	**5,097**	**(2,351)**	**2,746**
Revenue	**775**	**—**	
Loss for the year	**24,729**	**18,996**	
Total comprehensive income	**24,729**	**18,996**	
Loss allocated to NCI	**7,945**	**3,022**	**10,967**
Dividend paid to NCI	**—**	**—**	**—**
Cash flows from operating activities	**(15,452)**	**(3,062)**	
Cash flows from investing activities	**50**	**(5,133)**	
Cash flows from financing activities	**230**	**8,960**	

	2022 Shentu 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 2023, which is an unlisted corporate entity whose quoted market price is not available:

				Proportion of ownership interest			
Name of associate	Form of business structure	Place of incorporation	Particulars of issued and paid-up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal Activity
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 2023 RMB'000	31 December 2022 RMB'000
Revenue	**157,262**	108,110
Loss for the year	**(104,850)**	(114,870)
Other comprehensive income	**—**	—
Total comprehensive income	**(104,850)**	(114,870)

13 Interest in an associate (continued)

(a) Impairment test

The Company has identified certain impairment indicators of the investment in Rapid Medical and performed valuation assessments. The recoverable amount of the investment in Rapid Medical is the higher amount of the fair value less costs of disposals and the value in use.

Based on the result of impairment test, the carrying amount of the investment in Rapid Medical exceeded its recoverable amount by RMB135,426,000. Accordingly, an impairment loss of RMB30,200,000 was recognised in profit or loss and reduced the carrying amount of interest in associates. The recoverable amount is based on the value in use.

The Company has used the expected cash flow approach to develop the measurement of value in use. The expected cash flow approach has been measured by using all expectations about possible cash flows. The expected cash flow uses multiple, probability-weighted cash flow projections based on the different scenarios.

The key assumptions for the value-in-use calculation are as follows, which are based on either the past experience or external sources of information:

	As at 31 December 2023
Terminal growth rate	2.1%
Pre-tax discount rate	27.64%

14 Other non-current assets

	31 December 2023 RMB'000	31 December 2022 RMB'000
Consideration and deposit for land use rights *(Note (a))*	**160,428**	—
Lease deposits *(Note (b))*	**24,500**	23,555
Prepayments for property, plant and equipment	**2,098**	2,723
Others	**348**	410
	187,374	26,688

Notes:

(a) Shanghai NeuroFocus has entered into a land use rights acquisition contract with Pudong New Area Planning and Natural Resources Bureau with the consideration of RMB133,690,000 and the corresponding deposit of RMB26,738,000.

(b) 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 2022, 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 2023, the carrying amount of lease deposits paid to SH Investment is RMB24,500,000.

* The English name is for identification purpose only.

15 Financial assets measured at fair value through profit or loss

	31 December 2023 RMB'000	31 December 2022 RMB'000
Wealth management products	**283,504**	266,053

The wealth management products represented portfolios subscribed from certain segregated portfolio companies incorporated in the Cayman Islands. The expected yield rates ranged from 3.0% to 5.5% per annum. Investment objectives were to invest in cash or cash equivalents, national debt and other money market instruments. The wealth management products can be redeemed by the Company at any time without any lock-up period. Their fair values are within level 3 of the fair value hierarchy as disclosed in Note 26(e).

16 Inventories

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

	31 December 2023 RMB'000	31 December 2022 RMB'000
Raw materials	**132,854**	64,803
Work in progress	**27,608**	19,865
Finished goods	**40,501**	30,058
	200,963	114,726

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

	2023 RMB'000	2022 RMB'000
Costs of inventories sold	**146,964**	151,177
Write-down of the inventories	**5,735**	2,607
Cost of inventories directly recognised as research and development costs	**46,563**	33,687
Cost of inventories directly recognised as selling and marketing expenses	**4,812**	3,882
	204,074	191,353

17 Trade and other receivables

	31 December 2023 RMB'000	31 December 2022 RMB'000
Trade receivables	**10,564**	10,071
Other debtors	**23,289**	3,283
Deposits and prepayments	**28,912**	21,902
	62,765	35,256

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 2023 RMB'000	31 December 2022 RMB'000
Within 1 month	**6,743**	5,622
1 to 3 months	**3,477**	4,155
3 to 12 months	**344**	294
	10,564	10,071

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 26(a).

18 Pledged deposit and time deposit, cash and cash equivalents and other cashflow information

(a) Pledged deposit and time deposit and cash and cash equivalents

	31 December 2023 RMB'000	31 December 2022 RMB'000
Pledged deposit and time deposit		
Pledged deposit	**13,370**	—
Time deposit with original terms over 3 months	**50,767**	40,721
Total	**64,137**	40,721
Cash and cash equivalents		
Deposits with banks	**721,175**	827,929

As at 31 December 2022 and 2023, cash and cash equivalents of the Group held in banks and financial institutions in the PRC amounted to RMB539,663,000 and RMB534,297,000, 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 Pledged deposit and time deposit, cash and cash equivalents and other cashflow information (continued)

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

	Note	**2023** **RMB'000**	2022 RMB'000
Profit/(loss) before taxation		**162,051**	(4,326)
Adjustments for:			
Amortisation and depreciation	5(d)	**56,092**	56,701
Interest expenses	5(a)	**3,460**	99,277
Interest income on time deposits		**(1,445)**	(813)
Fair value changes in financial assets carried at fair value	15	**(5,567)**	(1,695)
Share of losses of an associate		**23,844**	26,619
Impairment loss on investment in an associate	13(a)	**30,200**	—
Loss on disposal of property, plant and equipment	4	**133**	30
Equity-settled share-based payments	24(f)	**6,743**	12,141
Others		**(1,886)**	(172)
Changes in working capital:			
Increase in inventories		**(86,237)**	(26,767)
Increase in trade and other receivables		**(26,487)**	(1,430)
Increase in trade and other payables		**29,000**	69,627
Increase in deferred income		**5,680**	1,012
Increase in other non-current liabilities		**2,857**	4,641
Decrease in contract liabilities		**(3,576)**	(771)
Cash generated from operations		**194,862**	234,074

18 Pledged deposit and time deposit, 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 *(Note 21)*
At 1 January 2023	85,244
Changes from financing cash flows:	
Capital element of lease payments	(24,036)
Interest element of lease payments	(3,460)
Total changes from financing cash flows	(27,496)
Exchange adjustments	–
Other changes:	
Increase in lease liabilities from entering into new leases during the year	3,884
Decrease in lease liabilities from derecognising existing leases during the year	(3,732)
Interest charge *(Note 5(a))*	3,460
	3,612
At 31 December 2023	61,360

18 Pledged deposit and time deposit, cash and cash equivalents and other cashflow information (continued)

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

	Lease liabilities RMB'000 *(Note 21)*	Other financial liabilities RMB'000	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 *(Note 5(a))*	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

(d) Total cash outflow for leases

	2023 RMB'000	2022 RMB'000
Within financing cash flows	**27,496**	30,129

All these amounts relate to the lease rentals paid.

19 Trade and other payables

	31 December 2023 RMB'000	31 December 2022 RMB'000
Trade payables due to		
— third party suppliers	**57,265**	31,748
— related parties	**11,832**	8,468
	69,097	40,216
Accrued expenses	**25,036**	22,583
Accrued payroll	**46,631**	42,333
Other payables	**72,312**	83,571
	213,076	188,703

As of the end of the reporting period, the ageing analysis of the trade payables based on invoice date is as follows:

	31 December 2023 RMB'000	31 December 2022 RMB'000
Within 1 month	**37,316**	35,093
Over 1 month but within 3 months	**18,389**	2,560
Over 3 months but within 6 months	**6,442**	368
Over 6 months but within 1 year	**2,292**	1,306
Over 1 year	**4,658**	889
	69,097	40,216

All of the above balances are expected to be settled within one year.

20 Contract liabilities

	31 December 2023 RMB'000	31 December 2022 RMB'000
Advanced receipts from customers for sales of medical devices	**8,056**	11,632

Movements in contract liabilities

	2023 RMB'000	2022 RMB'000
At 1 January	**11,632**	12,403
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	**(11,632)**	(12,403)
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	**8,056**	11,632
At 31 December	**8,056**	11,632

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 2023 RMB'000	31 December 2022 RMB'000
Within 1 year	**23,786**	24,725
After 1 year but within 2 years	**24,700**	24,691
After 2 years but within 5 years	**12,874**	35,828
	37,574	60,519
	61,360	85,244

22 Income tax in the consolidated statement of financial position

(a) Current taxation in the consolidated statement of financial position represents:

	31 December 2023 RMB'000	31 December 2022 RMB'000
At the beginning of the year	**18,468**	4,148
Provision for PRC CIT for the year *(Note 6(a))*	**26,947**	24,596
Tax paid	**(41,084)**	(10,276)
At the end of the year	**4,331**	18,468
Representing:		
Income tax payables	**4,331**	18,468

(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 2022	2,719	4,679	7,398
Credited to profit or loss	152	4,092	4,244
At 31 December 2022 and 1 January 2023	**2,871**	**8,771**	**11,642**
Credited to profit or loss	**759**	**(1,282)**	**(523)**
At 31 December 2023	**3,630**	**7,489**	**11,119**

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 2023		31 December 2022	
	RMB'000	**Expire year**	RMB'000	Expire year
Expire	**69,583**	**2024–2028**	22,672	2023–2027

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 2023, temporary differences relating to the undistributed profits of a PRC subsidiary amounted to RMB545,957,000 (2022: RMB320,380,000). Deferred tax liabilities of RMB54,596,000 (2022: RMB32,038,000) 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.

23 Deferred income

	Government subsidies for research and development projects RMB'000
At 1 January 2022	18,124
Additions	2,400
Government grant recognised as other income	(1,388)
At 31 December 2022 and 1 January 2023	**19,136**
Additions	**9,352**
Government grant recognised as other income	**(3,672)**
At 31 December 2023	**24,816**

24 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 scheme to 31 December 2023, 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.

(Expressed in Renminbi unless otherwise indicated)

24 Equity-settled share-based transaction (continued)

(a) Share options granted by the ultimate controlling party (continued)

(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 24 December 2018	568,864	2 years from the date of grant	10 years
— on 23 January 2019	224,020	4 years from the date of grant	10 years
— on 31 August 2021	1,350,000	7 years from the date of grant	10 years
— on 21 January 2022	449,982	1 years from the date of grant	10 years
— on 1 April 2022	449,982	1 years from the date of grant	10 years
— on 1 April 2022	560,460	2 years from the date of grant	10 years
— on 1 April 2022	560,460	4 years from the date of grant	10 years
— on 16 May 2022	450,036	1 years from the date of grant	10 years
— on 31 March 2023	75,496	2 years from the date of grant	10 years
Total share options granted	4,689,300		

24 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:

	2023		2022	
	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	25.78	4,457	30.63	2,414
Granted during the year	20.01	85	19.23	2,471
Exercised during the year	9.02	(109)	5.31	(361)
Expired during the year	21.86	(64)	—	—
Forfeited during the year	30.67	(120)	40.57	(67)
Outstanding at the end of the year	26.16	4,249	25.78	4,457
Exercisable at the end of the year	15.94	1,854	15.42	1,670

All the share options granted are exercisable by the grantees upon vesting and will expire in a period from December 2028 through May 2032. As at 31 December 2023, the weighted average remaining contractual life for the share options granted was 7.44 years (2022: 8.47 years).

(Expressed in Renminbi unless otherwise indicated)

24 Equity-settled share-based transaction (continued)

(a) Share options granted by the ultimate controlling party (continued)

(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.

	2023 HK$	2022 HK$
Fair value of share options and assumptions		
Fair value at measurement date	6.95	5.47 to 10.48
Share price	18.46	14.26 to 28.05
Exercise price	20.01	14.26 to 28.05
Expected volatility (expressed as weighted average volatility used in the modelling under binomial tree model)	53.84%	49.34% to 50.72%
Option life	10 years	10 years
Expected dividends yield	0.10%	0.10%
Risk-free interest rate	3.24%	1.80% to 3.00%

(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 shared-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 RMB70,000 for the year ended 31 December 2023 (2022: RMB nil), 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.

24 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 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 RMB320,000 for the year ended 31 December 2023 (2022: RMB448,000).

(d) Share awards granted by the Company

Pursuant to the share award scheme adopted by the Company approved by the Board in 2023, the Company may purchase its own shares and grant such shares to certain employees of the Group at nil consideration. For the year ended 31 December 2023, the Company granted 516,717 shares (2022: nil) with a fair value of HKD7,544,000 (equivalent to RMB6,652,000, 2022: nil) to the Group's executives and certain employees to settle the discretionary bonuses.

(Expressed in Renminbi unless otherwise indicated)

24 Equity-settled share-based transaction (continued)

(e) Share options granted by the Company

The Company has granted certain share options to the directors and employees of the Group. Each option gives the holder the right to subscribe for one ordinary share of the Company.

These share options are vested in instalments over an explicit vesting period of five years. 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 28 July 2023	1,176,000	5 years from the date of grant	10 years

Except 7,000 shares forfeited during the year, all the share options granted are exercisable by the grantees upon vesting and will expire in a period from July 2028 through July 2033.

(ii) 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.

	2023 HK$
Fair value of share options and assumptions	
Fair value at measurement date	6.93 to 6.96
Share price	13.52
Exercise price	13.52
Expected volatility (expressed as weighted average volatility used in the modelling under binomial tree model)	51.61%
Option life	10 years
Expected dividends yield	0.10%
Risk-free interest rate	3.71%

24 Equity-settled share-based transaction (continued)

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

	2023 RMB'000	2022 RMB'000
Cost of sales	400	665
Research and development costs	4,004	8,042
Selling and marketing expenses	2,107	2,776
Administrative expenses	302	658
Equity-settled share-based payment expenses recognised in the consolidated statement of profit or loss	6,813	12,141
Less: Recharge arrangement in connection with the share awards granted by the ultimate controlling party *(Note 24(b))*	(70)	—
Equity-settled share-based payment expenses recognised in equity	6,743	12,141

25 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 (deficit)/ equity RMB'000
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	25(c)(ii)	2	276,138	—	—	—	276,140
Conversion of preferred shares into ordinary shares	25(c)(iii)	14	1,101,653	—	290,286	—	1,391,953
Balance at 31 December 2022 and 1 January 2023		**76**	**1,377,791**	**27,014**	**91,045**	**(173,413)**	**1,322,513**
Changes in equity for 2023:							
Profit and total comprehensive income		–	–	20,740	–	12,479	33,219
Shares granted under share award scheme		–	–	–	(1,658)	–	(1,658)
Balance at 31 December 2023		**76**	**1,377,791**	**47,754**	**89,387**	**(160,934)**	**1,354,074**

(b) Dividends

The directors of the Company did not propose the payment of any dividend during the year ended 31 December 2023.

Dividends payable to equity shareholders of the Company attributable to the year:

	2023 RMB'000	2022 RMB'000
Final dividend proposed after the statement of financial position date of HKD0.11 per ordinary share	**58,000**	—

The final dividend proposed after the statement of financial position date has not been recognised as a liability at the statement of financial position date.

25 Capital and reserves (continued)

(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

		Ordinary share	
	Note	No. of share '000	RMB'000
Balance at 31 December 2021 and 1 January 2022		92,280	60
Effect of the share subdivision	25(c)(i)	369,118	—
Issuance of ordinary shares	25(c)(ii)	13,700	2
Conversion of preferred shares into ordinary shares	25(c)(iii)	107,560	14
Balance at 31 December 2022, 1 January 2023 and 31 December 2023		582,658	76

* The amount is less than 1,000.

(i) 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.

(ii) 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.

25 Capital and reserves (continued)

(c) Share capital (continued)

(iii) 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 OCI), respectively.

(iv) Purchase of own shares

During the year ended 31 December 2023, the Company purchased its own ordinary shares through the designated trustees under the share award scheme (Note 24(d)) as follows:

Month/year	**No. of shares repurchased**	**Highest price paid per share**	**Lowest price paid per share**	**Aggregate considerations paid**
		HKD	HKD	RMB'000
January and April 2023	517,000	20.20	13.72	8,310

Repurchased shares held at the end of reporting period under the share award scheme were classified as treasury shares and presented as a decrease in the capital reserve.

25 Capital and reserves (continued)

(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)).

(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.

25 Capital and reserves (continued)

(e) Capital management

The Group's objectives in the aspect of managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The 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 2022 and 2023 was RMB1,485,651,000 and RMB1,638,251,000, respectively and the debt-to-capital ratio is 5.7% and 3.7%, 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.

26 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 2023, the default risk of trade receivables is insignificant.

The management has assessed that during the year ended 31 December 2023, other receivables have not had a significant increase in credit risk since initial recognition. Thus, a 12-month expected credit loss approach that results from possible default event within 12 months of each reporting date is adopted by management. 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.

26 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 2023 Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Trade and other payables	**213,076**	**—**	**—**	**—**	**213,076**	**213,076**
Lease liabilities	**24,383**	**26,410**	**14,227**	**—**	**65,020**	**61,360**
	237,459	**26,410**	**14,227**	**—**	**278,096**	**274,436**

	As at 31 December 2022 Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Trade and other payables	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

26 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 2022 and 2023 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 2023		31 December 2022	
	Effective interest rate	Amount RMB'000	Effective interest rate	Amount RMB'000
Net fixed rate instruments:				
Pledged deposit	0.2%	13,370	—	—
Time deposits	1.45% – 3.45%	50,767	3.45%	40,721
Deposits with banks	1.25% – 5.15%	283,187	1.5% – 4.92%	299,890
Lease liabilities	4.75%	(61,360)	4.75%	(85,244)
		285,964		255,367
Net variable rate instruments:				
Deposits with banks	0.0001% – 1.8%	437,988	0.0001% – 2.025%	528,039
		437,988		528,039
		723,952		783,406

26 Financial risk management and fair values of financial instruments (continued)

(c) Interest rate risk (continued)

(ii) Sensitivity analysis

At 31 December 2023, it is estimated that a general increase of 100 basis points in interest rates, with all other variables held constant, would have increased the Group's profit after tax for the year and increased retained profits by approximately RMB6,779,000 (2022: increased profit by RMB4,410,000).

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 2022.

(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$.

26 Financial risk management and fair values of financial instruments (continued)

(d) Currency risk (continued)

(i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the year end date. Differences resulting from the translation of the financial statements of the entities into the Group's presentation currency are excluded.

	Exposure to foreign currencies (expressed in RMB)	
	31 December 2023	31 December 2022
	US$	US$
	RMB'000	RMB'000
Cash and cash equivalents	**3,237**	6,287
Trade and other receivables	**8,798**	7,535
Trade and other payables	**(24,612)**	(9,388)
Net exposure arising from recognised assets and liabilities	**(12,577)**	4,434

26 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 2023		31 December 2022	
	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%	311	3%	(110)
	-3%	(331)	-3%	117

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 2022.

26 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.

		Fair value measurements as at 31 December 2023 categorised into		
	Fair value at 31 December 2023 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)*	283,504	–	–	283,504

26 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)

	Fair value at 31 December 2022 RMB'000	Fair value measurements as at 31 December 2022 categorised into Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement				
Financial assets:				
— Wealth management products measured at FVPL *(Note 15)*	266,053	—	—	266,053
Financial liabilities:				
— Foreign currency forward contracts	(272)	—	(272)	—

During the years ended 31 December 2022 and 2023, 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	Net asset value	Expected rate of return of 3.0%– 5.5% *(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 statement issued by the administrators, which represents a fixed rate of return of 3.0%–5.5%. The fair value measurement is positively correlated to the expected rate of return. As at 31 December 2023, 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 increase/decrease the Group's profit by RMB37,000/RMB37,000.

26 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 2022 and 2023 in the balance of this Level 3 fair value measurement are as follows:

	Wealth management products RMB'000
At 1 January 2022	—
Purchase of wealth management products	256,670
Changes in fair value recognised in profit or loss	1,695
Exchange adjustments	7,688
At 31 December 2022 and 1 January 2023	266,053
Purchase of wealth management products	492,938
Redemption of wealth management products	(484,353)
Changes in fair value recognised in profit or loss	5,567
Exchange adjustments	3,299
At 31 December 2023	283,504

(ii) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2022 and 2023.

27 Commitments

Capital commitments in respect of property, plant and equipment and intangible assets outstanding at 31 December 2023 not provided for in the financial statements were as follows:

	31 December 2023 RMB'000	31 December 2022 RMB'000
Contracted for	**90,961**	4,373
Approved but not contracted for	**23,115**	253,801
	114,076	258,174

28 Material related party transactions

(a) Key management personnel remuneration

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

	2023 RMB'000	2022 RMB'000
Salaries and other benefits	**2,913**	5,784
Discretionary bonuses	**132**	5,676
Equity-settled share-based payment expenses	**102**	144
	3,147	11,604

28 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 2023 are as follows:

Name of party	Relationship
MPSC	Ultimate controlling party of the Group
MicroPort Product Innovation Inc	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)	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
Suzhou Micropet Health Technology Co., Ltd.* (蘇州微寵健康科技有限公司)	Subsidiary of MPSC
Shanghai Weizhuo Technology Co., Ltd.* (上海微琢科技有限公司)	Subsidiary of MPSC
Jiaxing Weizhuo Technology Co., Ltd.* (嘉興微琢科技有限公司)	Subsidiary of MPSC
Shanghai MicroPort Endovascular MedTech Co., Ltd. (上海微創心脈醫療科技(集團)股份有限公司)	Subsidiary of MPSC
MicroPort Urocare (JiaXing) Co., Ltd. (微創優通醫療科技(嘉興) 有限公司)	Subsidiary of MPSC
Shanghai MicroPort MedBot (Group) Co., Ltd. (上海微創醫療機械人 (集團) 股份有限公司)	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

(Expressed in Renminbi unless otherwise indicated)

28 Material related party transactions (continued)

(b) Related parties (continued)

Name of party	Relationship
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)* (上海良崮企業管理諮詢中心(有限合夥))	Entity controlled by key management personnel of the Group
Shanghai Qianzhi Enterprise Management Consulting Centre (Limited Partnership)* 上海潛執企業管理諮詢中心 (有限合夥)	Entity controlled by key management personnel of the Group
Shanghai Meijing Enterprise Management Consulting Centre (Limited Partnership)* 上海魅璟企業管理諮詢中心 (有限合夥)	Entity controlled by key management personnel of the Group
Shanghai Xuenao Enterprise Management Consulting Centre (Limited Partnership)* 上海學腦企業管理諮詢中心 (有限合夥)	Entity controlled by key management personnel of the Group
Suzhou ProSteri Medical Technology Co., Ltd.* (蘇州諾潔醫療技術有限公司)	Equity-accounted investee of MPSC
Zhejiang AccuPath Smart Manufacturing (Group) Co., Ltd. (浙江脈通智造科技 (集團) 有限公司, "**AccuPath**")	Equity-accounted investee of MPSC
AccuTarget MediPharma (Shanghai) Co., Ltd.* (上海導向醫療系統有限公司, "**AccuTarget**")	Equity-accounted investee of MPSC
Shanghai HuaRui Bank Co., Ltd.* (上海華瑞銀行股份有限公司, "**SHRB**")	Equity-accounted investee of MPSC
Shanghai Integrity Test Co., Ltd. (上海諾誠檢測有限公司)	Equity-accounted investee of MPSC
Rapid Medical	Equity-accounted investee of the Group

* English translation is for identification purpose only.

(c) Financing and leasing arrangement with related parties

In November 2018, the Group entered into lease contracts in respect of certain leasehold properties from AccuTarget. As at 31 December 2022 and 2023, the Group recorded lease liabilities due to AccuTarget in amount of RMB67,000 and nil.

In February 2020 and May 2021, MP NeuroTech Shanghai leased out its own properties to a related party and recognised rental income amounted to RMB1,435,000 and RMB1,978,000 for the years ended 31 December 2022 and 2023.

(d) Cash deposits placed in a related party

As at 31 December 2023, the Group has placed cash deposits amounted to RMB171,772,000 in SHRB with interest rate ranged of 1.8%–3.45% per annum.

28 Material related party transactions (continued)

(e) Other transactions with related parties

	2023 RMB'000	2022 RMB'000
Sales of goods to an equity-accounted investee of the Group	4,141	8,055
Repurchase of goods sold from an equity-accounted investee of the Group	4,883	—
Purchase of goods from an equity-accounted investee of the Group	522	—
Sales of materials to a subsidiary of MPSC	19	—
Service fee charged by subsidiaries of MPSC	10,303	7,673
Service fee charged by an equity-accounted investee of MPSC	2,166	1,192
Purchase of goods from subsidiaries of MPSC	7,820	8,508
Purchase of goods from an equity-accounted investee of MPSC	9,087	2,754
Purchase of equipment from subsidiaries of MPSC	619	2,299
Payment on behalf of the Group by subsidiaries of MPSC	10,763	6,323
Payment on behalf of related parties by the Group	372	454

(f) Related party balances

	31 December 2023 RMB'000	31 December 2022 RMB'000
Amounts due from related parties		
Trade related	1,902	2,682
Non-trade related	5,588	822
Amounts due to related parties		
Trade related	11,832	8,574
Non-trade related	7,047	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 28(c), 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 28(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.

29 Company-level statement of financial position

	31 December 2023 RMB'000	31 December 2022 RMB'000
Non-current assets		
Interest in subsidiaries	869,665	856,682
Current assets		
Cash and cash equivalents	231,843	285,505
Financial assets measured at fair value through profit or loss	283,504	266,053
Other receivables	55,861	—
	571,208	551,558
Current liabilities		
Other payables	86,799	85,727
	86,799	85,727
Net current assets	484,409	465,831
Total assets less current liabilities	1,354,074	1,322,513
Non-current liabilities		
NET ASSETS	1,354,074	1,322,513
CAPITAL AND RESERVES		
Share capital	76	76
Reserves	1,353,998	1,322,437
TOTAL EQUITY	1,354,074	1,322,513

30 Immediate and ultimate controlling parties

As at 31 December 2023, the directors consider the immediate parent to be MicroPort Scientific Investment LTD, which is incorporated in British Virgin Islands and does not produce financial statements available for public use.

As at 31 December 2023, 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.

(Expressed in Renminbi unless otherwise indicated)

31 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2023

Up to the date of issue of these financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2023 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

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

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

32 Non-adjusting events after the reporting period

Final dividend

Subsequent to the statement of financial position date, the Board has resolved to recommend the payment of a final dividend of HKD0.11 (tax inclusive) per share (the "**Share**") for the year ended 31 December 2023 to the shareholders whose names appear on the register of members of the Company on 3 July 2024 and also to recommend the offer to the shareholders the right to select as an alternative, to receive such final dividend wholly by allotment of new Shares credited as fully paid in lieu of cash (the "**Scrip Dividend Scheme**"), subject to the approval of the shareholders on the payment of final dividend at the Annual General Meeting and the granting by the Stock Exchange of the listing of, and permission to deal in, the Shares to be issued pursuant thereto. The final dividend proposed after the at the statement of financial position date has not been recognised as a liability at the at the statement of financial position date.

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