Application Proof of

# Shanghai HeartCare Medical Technology Corporation Limited
# 上海心瑋醫療科技股份有限公司

(the "**Company**")

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

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# Shanghai HeartCare Medical Technology Corporation Limited
# 上海心瑋醫療科技股份有限公司

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

**[REDACTED]**

| | | |
|---|---|---|
| **Number of [REDACTED] under the [REDACTED]** | **:** | **[REDACTED] H Shares (subject to the [REDACTED])** |
| **Number of [REDACTED]** | **:** | **[REDACTED] H Shares (subject to adjustment)** |
| **Number of [REDACTED]** | **:** | **[REDACTED] H Shares (subject to adjustment and the [REDACTED])** |
| **Maximum [REDACTED]** | **:** | **HK$[REDACTED] per H Share, plus brokerage of 1%, SFC transaction levy of 0.0027%, and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)** |
| **Nominal value** | **:** | **RMB[1.00] per H Share** |
| **Stock code** | **:** | **[●]** |

***Joint Sponsors,* [REDACTED]**

Goldman Sachs

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The [**REDACTED**], on behalf of the [**REDACTED**], may, with the consent of our Company, reduce the number of [**REDACTED**] and/or the indicative [**REDACTED**] range below that stated in this document (being HK$[**REDACTED**] per [**REDACTED**] to HK$[**REDACTED**] per [**REDACTED**]) at any time on or prior to the morning of the last date for lodging applications under the [**REDACTED**]. In such a case, notices of the reduction in the number of [**REDACTED**] and/or the indicative [**REDACTED**] range will be published on the websites of the Stock Exchange at **www.hkexnews.hk** and our Company at **www.strokemedical.com** as soon as practicable following the decision to make such reduction, but in any event not later than the morning of the day which is the last day for lodging applications under the [**REDACTED**]. For further information, please refer to the sections headed "Structure of the [**REDACTED**]" and "How to Apply for [**REDACTED**]" in this document.

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# EXPECTED TIMETABLE[(1)]

[**REDACTED**]

# EXPECTED TIMETABLE[(1)]

[**REDACTED**]

# EXPECTED TIMETABLE[(1)]

[**REDACTED**]

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*This summary aims to give you an overview of the information contained in this document and is qualified in its entirety by, and should be read in conjunction with, the more detailed information and financial information appearing elsewhere in this document. As this is a summary, it does not contain all the information that may be important to you, and we urge you to read this document in its entirety before making your investment decision. There are risks associated with any investment. In particular, we are a biotechnology company seeking to list on the Main Board of the Stock Exchange under Chapter 18A of the Listing Rules on the basis that we are unable to meet the requirements under Rule 8.05(1), (2) or (3) of the Listing Rules. There are unique challenges, risks and uncertainties associated with investing in the* [**REDACTED**]*, which are set out in the section headed "Risk Factors" in this document. Your investment decision should be made in light of these considerations.*

## OVERVIEW

We are a China-based neuro-interventional medical device pioneer with the aim of redefining the therapeutic and preventive paradigm of stroke. Leveraging our integrated capabilities in R&D, manufacturing and commercialization, we strive to reduce the mortality rate and improve prognosis of stroke in China and worldwide through the commercialization of our innovative product candidates.

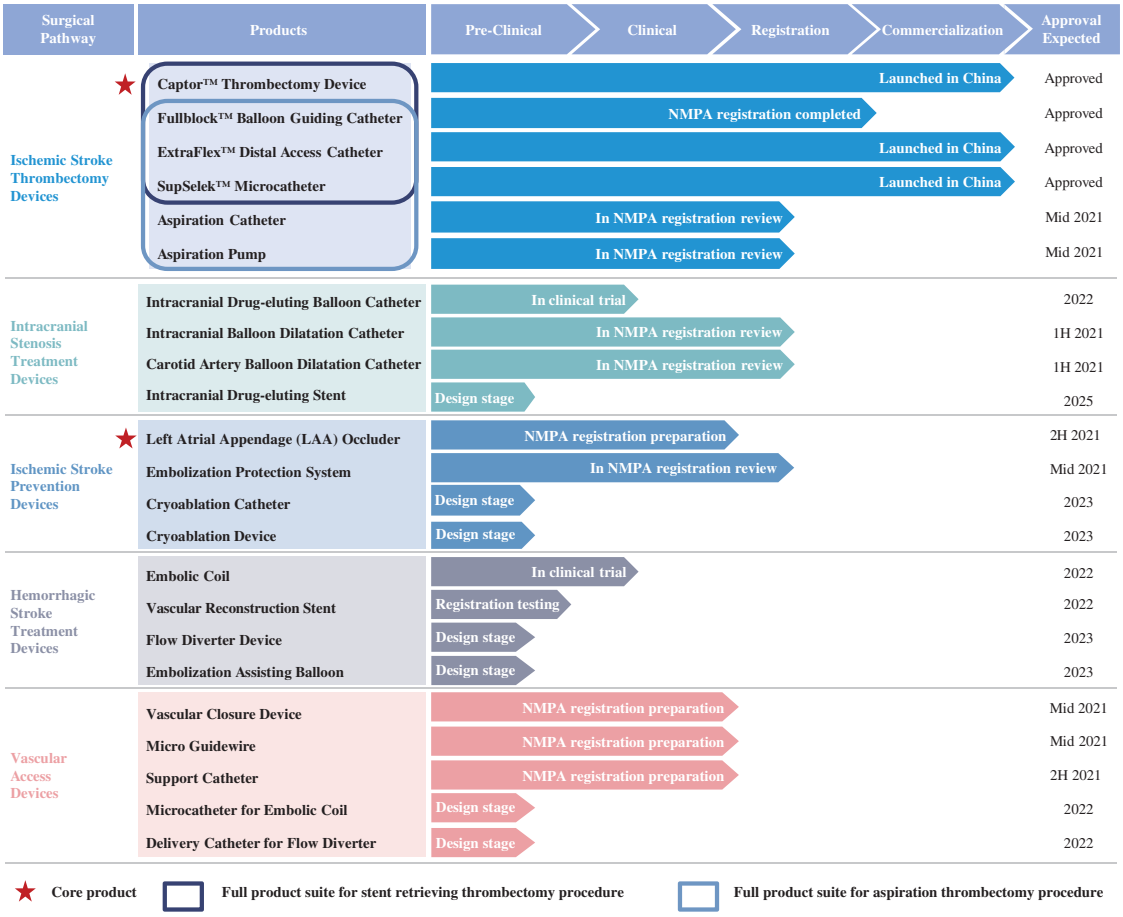
We have a broad portfolio of 23 commercialized products and product candidates covering the entirety of the massive, fast-growing and highly under-penetrated neuro-interventional market. Our portfolio extends from the treatment and prevention of ischemic stroke, including acute ischemic stroke and intracranial stenosis, to the treatment of hemorrhagic stroke. As of the Latest Practicable Date, we had obtained NMPA approvals for four ischemic stroke treatment devices forming a complete product suite for stent retrieving thrombectomy procedures. Additionally, we expect to commercialize nine currently late-stage product candidates in 2021 and 10 currently earlier-stage product candidates between 2022 and 2025, including the global-first sirolimus intracranial drug-eluting balloon catheter for intracranial stenosis treatment, thereby further expanding and diversifying our product offerings for the unmet and differentiated needs of stroke patients.

Stroke is a leading cause of death and disability globally. In China, stroke was the top cause of death in 2019 as the incidence rate of stroke recorded continued increase in recent years largely driven by the aging of the Chinese population. Neuro-interventional technology innovations in recent years are revolutionizing the therapeutic and preventive practices in the field of stroke, causing a fundamental shift from the traditional anticoagulant drug treatment and intravenous thrombolysis to the new neuro-interventional procedures with proven safety and significantly enhanced efficacy. Our innovative and comprehensive product portfolio, with one global-first and a number of domestic-first neuro-interventional devices, places us at the forefront of such revolution.

# SUMMARY

China has a large patient pool of stroke. The number of stroke patients in China reached 14.8 million in 2019, including 11.9 million ischemic stroke patients and 2.9 million hemorrhagic stroke patients, and the annual incidence of ischemic stroke reached 2.3 million in 2019, according to CIC. On the other hand, the penetration rate of neuro-interventional procedures in China was relatively low as compared to that of the developed countries. In the U.S., due to the American Heart Association (AHA) guideline's recognition in 2015 of thrombectomy as the first-line treatment for ischemic stroke and the technology advancements, the penetration rate of thrombectomy procedures increased rapidly from 1.4% in 2015 to 11.8% in 2019. By comparison, the penetration rate of thrombectomy procedures in China stood at a mere 1.7% in 2019 but is expected to increase to 42.9% in 2030, benefiting from a combination of technology innovation, favorable government policies and rising per capita income and healthcare expenditure. As a front-runner in the China neuro-interventional device market, we aim to capture such growth and solidify our leading market position.

The following diagram summarizes the development status of our in-house developed products and product candidates as of the Latest Practicable Date:



The following table sets out different applicable procedures for stroke subtypes and our corresponding products and product candidates:

| Applicable procedures for stroke subtypes | Our corresponding products and product candidates |
|---|---|
| *Ischemic stroke:* thrombectomy procedures for acute ischemic stroke | • We have obtained NMPA approvals for four products, namely our thrombectomy device, balloon guiding catheter, distal access catheter and microcatheter, which established us as the first and only domestic medical device company to provide a complete product suite for stent retrieving thrombectomy procedures in China as of the Latest Practicable Date.<br>• We are preparing for the registration submission of our aspiration catheter and pump and expect to receive NMPA approval in mid-2021, making us potentially the first domestic player to provide full product offerings for both stent retrieving and aspiration thrombectomy procedures. |
| *Ischemic stroke:* balloon/stent angioplasty procedures for intracranial stenosis | • Our intracranial DEB is in clinical trial as the global first sirolimus intracranial DEB with the potential of redefining the standard treatment procedures for intracranial stenosis.<br>• Our carotid artery balloon dilatation catheter and intracranial balloon dilatation catheter are in NMPA registration review. Both are expected to receive NMPA approval in the first half of 2021.<br>• Our intracranial drug-eluting stent is in design stage. |
| *Ischemic stroke:* LAA occlusion or cardiac ablation procedures for ischemic stroke prevention | • We are preparing for NMPA registration submission for our LAA occluder and our embolization protection system is in NMPA registration review. Both product candidates are expected to receive NMPA approval in 2021, upon which we may become the only domestic medical device company with products covering both the treatment and prevention of ischemic stroke.<br>• Our cryoablation catheter and device are in design stage. |
| *Hemorrhagic stroke:* aneurysm coiling and stenting for intracranial aneurysm | • Our embolic coil is in clinical trial and our vascular reconstruction stent is in pre-clinical registration testing stage.<br>• Our flow diverter device and embolization assisting balloon are in design stage. |

In addition, we are developing various vascular access devices for use in interventional procedures. We are preparing for NMPA registration submission for vascular closure device, micro guidewire and support catheter, while two other pipeline products are in design stage.

We have built integrated capabilities in R&D, manufacturing and commercialization. Our five technology platforms comprehensively cover our product development, manufacturing and quality control. According to CIC, the medical device industry integrates materials science,

mechanical manufacturing and electronic engineering, where most proprietary technologies are difficult to imitate and require intensive research and knowhow accumulation over an extended period of time. We believe that our technology platforms form a solid basis for the R&D of our broad pipeline of product candidates.

We have two manufacturing facilities both located in Shanghai. Our Zhangjiang manufacturing facility is in operation with an annual production capacity of 12,000 units of products. Our Lingang manufacturing facility is currently under construction. It is expected to commence operations in mid 2021 with a designed annual production capacity of over 100,000 units. Our technology platforms and manufacturing facilities enable us to conduct the entire manufacturing process in-house and respond quickly to product adjustments and upgrades based on clinical feedback.

We have built a strong in-house sales team of highly experienced sales personnel. We have also established an extensive distribution network comprising 27 distributors as of September 30, 2020 covering over 800 hospitals across over 20 provinces and municipalities in total in China. We believe that our advanced technology products, responsiveness to clinical feedback and our first-mover advantage will enable us to secure support from renowned KOLs and hospitals in the field of neuro-intervention and increase their recognition of and familiarity with our products. Our commercialized products can serve to raise our profile in the industry and activate our distribution network, thereby paving the way for the sales and distribution of our subsequent products once approved.

Leveraging our product portfolio that covers the complete product categories of medical devices for neuro-interventional procedures, our R&D capabilities covering key technologies and engineering techniques in the industry and our proven track record of successful commercialization of our products, we are well positioned to capture the strong growth potential of the under-penetrated neuro-interventional medical device market in China.

## COMPETITIVE STRENGTHS

We believe the following strengths contribute to our success and differentiate us from our competitors:

- Leading China-based neuro-interventional player aiming to redefine the standard of care for stroke

- The only domestic player in China that provides a full-set of commercialized and late-stage ischemic stroke thrombectomy devices backed up by our stroke prevention product pipeline

- Late-stage ischemic stroke stenosis treatment solutions with cutting-edge technology and differentiated value proposition

- Proven market of hemorrhagic stroke device calling for substitution of MNC products

- Targeted physician and hospital coverage and proven commercialization capabilities to maximize the commercialization outlook of our products

- Advanced infrastructure of R&D and manufacturing in widening the competitive advantage

- Professional management team with all-round industry experience supported by flagship investors

## BUSINESS STRATEGIES

We aim to become an undisputable leader in the global neuro-interventional medical device market. We plan to implement the following strategies to achieve this goal:

- Continue to grow sales of our product suite of stroke thrombectomy devices and rapidly advance our late-stage product candidates into commercialization

- Advance and supplement our product pipeline to further enrich our full-set product offering for stroke care

- Further enhance our integrated R&D infrastructure and manufacturing capabilities

- Selectively engage with potential partnership and global collaborations to capture market opportunities

## OUR CORE PRODUCTS

### Captor™ Thrombectomy Device

Captor™ thrombectomy device is used in the minimally invasive thrombectomy procedures to remove the thrombi, or blood clots, in intracranial vessels for patients with acute ischemic stroke (AIS) due to large artery occlusion. It can restore blood flow upon device deployment by capturing and retrieving the target thrombus from occluded blood vessels. The stent retrieving thrombectomy procedure is typically performed within eight hours after onset on AIS patients who are not eligible for intravenous thrombolysis (IVT) or are not responding to IVT treatment. It can also be conducted in combination with IVT in accordance with the patients' indications.

We submitted the registration application for Captor™ thrombectomy device to the NMPA in December 2019 and received the NMPA approval in August 2020, making it the first domestic thrombectomy stent retriever with multi-markers approved by NMPA, according to CIC. Sales started in December 2020.

We have completed a multi-center, randomized and non-inferiority clinical trial in China to evaluate the efficacy and safety of Captor™ thrombectomy device by comparing the safety and efficacy endpoints between patients undergoing stent retrieving thrombectomy procedures using the Captor™ thrombectomy device and using Medtronic Solitaire FR revascularization device. From March 2018 to July 2019, 253 eligible subjects in total were enrolled in the trial

and randomly assigned to the Captor group and Solitaire group, with 126 and 127 subjects in the respective group. Captor™ thrombectomy device demonstrated non-inferiority in respect of safety and efficacy as compared with the Medtronic Solitaire FR revascularization device. For a detailed description of the product structure, operation procedure and clinical trial results of our Captor™ thrombectomy device, see "Business – Our Products and Product Candidates – Ischemic Stroke Treatment Devices – Captor™ Thrombectomy Device (A Core Product)".

**LAA Occluder**

Our left atrial appendage (LAA) occluder is a stroke prevention device designed to be permanently implanted at the opening of the LAA of patients with non-valvular atrial fibrillation (AF) to prevent thrombus escaping from the LAA, thus causing embolization. It is a one-time surgical therapy with proven efficacy, in particular for the patient who is not suitable for long-term oral anticoagulation therapy and has a higher risk for bleeding complications. We completed the clinical trial in December 2020 and were preparing for registration submission as of the Latest Practicable Date. We expect to receive NMPA approval in 2021.

To prove the efficacy and safety of our LAA occluder for non-valvular AF patients who are not suitable for long-term warfarin anticoagulation therapy, we initiated a multi-centre and single-arm clinical trial in China in September 2017 and completed the clinical trial in December 2020. A total of 212 subjects were enrolled in the clinical trial. We completed the clinical trial procedures and had completed the seven-day, one-month, three-month, six-month and 12-month follow-ups with the enrolled subjects in May 2020. Our LAA occluder demonstrated good safety and efficacy results. For a detailed description of the product structure, operation procedure and clinical trial results of our LAA occluder, see "Business – Our Products and Product Candidates – Ischemic Stroke Prevention Devices – LAA Occluder (A Core Product)".

**RESEARCH AND DEVELOPMENT**

We have built integrated R&D capabilities leveraging the advanced technologies and engineering techniques for the development of neuro-interventional devices. As of the Latest Practicable Date, aside from the four NMPA-approved products, we had 19 product candidates in various development stages and we also plan to develop additional product candidates to further expand our product coverage leveraging our R&D infrastructure and integrated technology platforms. We incurred R&D expenses of RMB51.1 million and RMB20.0 million in 2019 and the nine months ended September 30, 2020, respectively.

Our R&D team possesses global and vast industry experience. Our R&D team is led by Dr. Li, our Chief Technology Officer, who has over 20 years of experience in the medical device industry and previously led R&D work at medical device MNCs. The R&D team consisted of 26 members as of the Latest Practicable Date. Our key R&D personnel are industry veterans with an average of over 10 years of experience in the medical device industry, having previously worked at leading industry players.

## SUMMARY OF KEY FINANCIAL INFORMATION

The summary historical data of financial information set forth below have been derived from, and should be read in conjunction with, our consolidated financial statements, including the accompanying notes, set forth in the Accountants' Report set out in Appendix I to this document, as well as the information set forth in "Financial Information" of this document. Our financial information was prepared in accordance with IFRS.

### Summary of Consolidated Statements of Profit or Loss and Other Comprehensive Income

| | For the year ended December 31, | For the nine months ended September 30, | | |
|---|---|---|---|---|
| | 2019 | 2019 | 2020 | |
| | *RMB'000* | *RMB'000 (unaudited)* | *RMB'000* | *% of Revenue* |
| **Revenue** | – | – | 7,293 | 100.0 |
| Cost of sales | – | – | (4,293) | (58.9) |
| **Gross profit** | – | – | 3,000 | 41.1 |
| Other income and gains | 3,108 | 82 | 3,383 | 46.4 |
| Other expenses | – | – | (1,439) | (19.7) |
| Research and development costs | (51,110) | (43,150) | (20,024) | (274.6) |
| Selling and distribution expenses | (1,039) | (383) | (6,950) | (95.3) |
| Administrative expenses | (26,395) | (18,981) | (40,571) | (556.3) |
| Finance costs | (62) | (48) | (882) | (12.1) |
| [**REDACTED**] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| **Loss before tax** | (75,498) | (62,480) | (67,745) | (928.9) |
| Income tax expense | – | – | – | – |
| **Loss and total comprehensive loss for the year/period** | (75,498) | (62,480) | (67,745) | (928.9) |

Our net loss increased from RMB62.5 million for the nine months ended September 30, 2019 to RMB67.7 million for the nine months ended September 30, 2020, primarily due to (i) a significant increase in our administrative expenses as a result of share-based payments to our management and staff and the increase in professional service fees in relation to our Series C financing; (ii) a significant increase in our selling and distribution expenses as a result of the

commercialization of our ExtraFlex™ distal access catheter and SupSelek™ microcatheter and the promotion of our subsequent products to pave the way for their sales and distribution once approved; and (iii) the incurrence of [**REDACTED**] in 2020.

**Summary of Consolidated Statements of Financial Position**

The table below sets forth selected information from our consolidated statements of financial position as of the dates indicated:

| | As of December 31, 2019 | As of September 30, 2020 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Total non-current assets | 27,014 | 104,598 |
| Total current assets | 64,269 | 271,231 |
| **Total assets** | 91,283 | 375,829 |
| Total non-current liabilities | 5,897 | 39,060 |
| Total current liabilities | 4,313 | 67,565 |
| **Net current assets** | 59,956 | 203,666 |
| **Total liabilities** | 10,210 | 106,625 |
| **Net assets** | 81,073 | 269,204 |

Our total assets increased from RMB91.3 million as of December 31, 2019 to RMB375.8 million as of September 30, 2020, primarily due to significant increases in our (i) other intangible assets from nil to RMB40.9 million, primarily representing the intellectual properties we acquired resulting from the acquisition of Nanjing SealMed; (ii) right of use assets from RMB1.2 million to RMB23.1 million, resulting from additional properties leased for our Lingang manufacturing facility, and (iii) cash and cash equivalents from RMB25.5 million to RMB247.6 million, primarily attributable to funds from our Series C and Series C+ financing.

Our total liabilities increased from RMB10.2 million as of December 31, 2019 to RMB106.6 million as of September 30, 2020, primarily due to significant increases in (i) trade and other payables from RMB2.5 million to RMB64.6 million, primarily because (a) we recorded restricted share repurchase obligations of RMB30.0 million in relation to certain equity interest granted in August 2020, and (b) RMB21.1 million of the acquisition consideration for Nanjing SealMed remained outstanding as of September 30, 2020; (ii) total lease liabilities from RMB1.2 million to RMB25.0 million, primarily due to the additional leased plant for our Lingang manufacturing facility; and (iii) deferred tax liabilities from nil to RMB10.2 million, primarily in relation to intellectual properties we acquired as a result of the acquisition of Nanjing SealMed.

**Summary of Consolidated Statement of Cash Flows**

The following table sets forth our cash flows for the periods indicated:

| | For the year ended December 31, | For the nine months ended September 30, | |
|---|---|---|---|
| | 2019 | 2019 | 2020 |
| | *RMB'000* | *RMB'000 (unaudited)* | *RMB'000* |
| Cash outflow from operating activities before movements in working capital | (28,327) | (22,458) | (32,042) |
| Changes in working capital | (3,964) | (11,435) | (6,840) |
| Net cash used in operating activities | (32,291) | (33,893) | (38,882) |
| Net cash from/(used in) investing activities | (45,293) | (302) | 17,566 |
| Net cash from/(used in) financing activities | 94,499 | 94,774 | 243,403 |
| Net increase in cash and cash equivalents | 16,915 | 60,579 | 222,087 |
| Cash and cash equivalents at beginning of the year | 8,633 | 8,633 | 25,548 |
| Cash and cash equivalents at end of the year/period | 25,548 | 69,212 | 247,635 |

We generated negative cash flow from operating activities throughout the Track Record Period. For 2019 and the nine months ended September 30, 2020, our net cash used in operating activities amounted to RMB32.3 million and RMB38.9 million, respectively, primarily due to the significant R&D expenses and administrative expenses we incurred during the relevant periods. For details, please refer to the section headed "Financial Information – Liquidity and Capital Resources – Net Cash Used in Operating Activities" in this document.

Our primary uses of cash are to fund the development of our product candidates, our clinical trials, our payment for the purchase of plant and equipment, administrative expenses and other recurring expenses. Since inception, we mainly relied on capital contributions by our shareholders and equity financing as the major sources of liquidity. We also generate cash from our sales revenue of existing commercialized medical device products. Our management monitors and maintains a level of cash and cash equivalents deemed adequate to finance our operations and mitigate the effects of fluctuations in cash flows. As our business develops and expands, we expect to generate more net cash from our operating activities, through increasing sales revenue of the existing commercialized products and by launching new products. As of September 30, 2020, we had cash and cash equivalents of RMB247.6 million. Our Directors are of the opinion that, taking into account of the financial resources available to us, including the

future operating cash flows, cash and cash equivalents and estimated net [**REDACTED**] from the [**REDACTED**], we have sufficient working capital to cover at least 125% of our costs, including R&D costs, selling and distribution costs, administrative expenses, finance costs and other expenses (including any production costs) for at least the next 12 months from the date of this document. For details, see "Financial Information – Working Capital". Even without taking into account the estimated net [**REDACTED**] from the [**REDACTED**], by taking into account of our cash and cash equivalents of RMB247.6 million as of September 30, 2020 and our past and expected cash burn rate, our Directors believe that we can remain financially viable with sufficient cash to fund our operations for at least 18 months from September 30, 2020. Our cash burn rate refers to the amount of cash operating costs, payment for property, plant and equipment, and lease payments. We will continue to monitor our working capital closely and expect to raise our next round of financing, if needed, with a minimum buffer of 12 months.

**Key Financial Ratio**

The table below sets forth the current ratio of our Group as of the dates indicated:

| | As of December 31, 2019 | As of September 30, 2020 |
|---|---|---|
| Current ratio[(1)] | 14.9 | 4.0 |

*Note:*

(1) Calculated as total current assets divided by total current liabilities as of the same date.

For detailed discussion of our key financial ratio, please refer to the section headed "Financial information – Key Financial Ratio".

**[REDACTED] STATISTICS**

The statistics in the following table are based on the assumptions that: (i) the [**REDACTED**] is completed and [**REDACTED**] are issued and sold in the [**REDACTED**]; (ii) the [**REDACTED**] is not exercised and without taking into account any [**REDACTED**] which may be issued upon exercised of any options which may be granted under the [**REDACTED**] Share Option Plans; and (iii) [**REDACTED**] Shares are in issue upon completion of the [**REDACTED**]:

| | Based on an [REDACTED] of HK$[REDACTED] per Share | Based on an [REDACTED] of HK$[REDACTED] per Share |
|---|---|---|
| Market capitalization of our H Shares[(1)] | [HK$[REDACTED]] | [HK$[REDACTED]] |
| Unaudited pro forma adjusted consolidated net tangible assets per Share[(2)] | [REDACTED] | [REDACTED] |

(1) The calculation of the market capitalization of our H Shares is based on the assumption that [**REDACTED**] H Shares will be in issue and outstanding immediately following the completion of the [**REDACTED**].

(2) The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on [**REDACTED**] Shares immediately following the completion of the [**REDACTED**] and does not take into account of any Shares which may be issued upon the exercise of the [**REDACTED**]. The unaudited pro forma adjusted consolidated net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of HK$1.00 to RMB0.8364 prevailing on January 21, 2021.

## OUR CUSTOMERS

Our customers are distributors in China who purchase our products and sell them to hospitals. We only started generating revenue after the commercialization of our ExtraFlex™ distal access catheter and SupSelek™ microcatheter in the first quarter of 2020. For the nine months ended September 30, 2020, revenue generated from our five largest customers amounted to RMB5.6 million, representing 76.7% of our total revenue for the same period; revenue generated from our largest customer amounted to RMB2.7 million, representing 37.2% of our total revenue for the same period.

## OUR SUPPLIERS AND RAW MATERIALS

During the Track Record Period, our suppliers mainly comprised of clinical trial service providers and raw material suppliers. For 2019 and the nine months ended September 30, 2020, purchases from our five largest suppliers amounted to RMB7.7 million and RMB11.9 million, respectively, representing 49.3% and 57.3% of our total purchases for the same periods, respectively; purchases from our largest supplier amounted to RMB4.7 million and RMB8.0 million, respectively, representing 29.9% and 38.7% of our total purchases for the same periods, respectively.

## RELATIONSHIP WITH OUR SINGLE LARGEST SHAREHOLDER

Mr. Wang directly holds, and is deemed to control through Xinwei Investment, Kaiyuan Investment, Weiyu Shanghai and Weiyun Shanghai, a total of 11,340,728 Unlisted Shares, in aggregate representing 35.18% of the issued share capital of our Company as of the Latest Practicable Date, which will represent [**REDACTED**]% of the issued share capital of our Company immediately upon the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised). Accordingly, each of Mr. Wang, Xinwei Investment, Kaiyuan Investment, Weiyu Shanghai and Weiyun Shanghai is our single largest Shareholder upon [**REDACTED**]. For details of our single largest shareholders, see the section headed "Relationship with our Single Largest Shareholder".

## OUR PRE-[REDACTED] INVESTORS

Since the establishment of our Company, we have undergone several rounds of pre-[**REDACTED**] investment and transfer of Shares among Pre-[**REDACTED**] Investors. Our broad and diverse base of Pre-[**REDACTED**] Investors consists of sophisticated investors focusing on the biotech and/or healthcare industries. For further details of the identity and background of the Pre-[**REDACTED**] Investors, see "History, Development and Corporate Structure – Pre-[**REDACTED**] Investments – Information about Our Pre-[**REDACTED**] Investors".

## DIVIDEND

No dividend has been paid or declared by our Company since its date of incorporation and up to the end of the Track Record Period. We currently expect to retain all future earnings for use in the operation and expansion of our business, and do not have any dividend policy to declare or any dividends to pay in the near future.

## RISK FACTORS

We believe that there are certain risks involved in our operations, many of which are beyond our control. These risks are set out in "Risk Factors" in this document. Some of the major risks we face include:

- We have incurred net losses since our inception and may incur net losses for the foreseeable future, and you may lose substantially all your investments in us given the high risks involved in the medical device business.

- Our sales mainly rely on our commercialized products.

- Clinical product development involves a lengthy and expensive process with an uncertain outcome, and unsuccessful clinical trials or procedures relating to products under development could have a material adverse effect on our prospects.

- Our future growth depends substantially on the success of our product candidates. If we are unable to successfully complete clinical development, obtain regulatory approval and commercialize our product candidates, or experience significant delays in doing so, our business will be materially harmed.

- If we fail to increase our production capacity as planned, our business prospects could be materially and 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.

- All material aspects of the research, development and commercialization of our products are heavily regulated.

- Undesirable adverse events caused by our products and product candidates could interrupt, delay or halt clinical trials, delay or prevent regulatory approval, limit the commercial profile of an approved label, or result in significant negative consequences following any regulatory approval.

- If we are unable to obtain and maintain patent protection for our products and product candidates 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.

- We will need to obtain additional financing to fund our operations and we had net cash outflows from our operating activities during the Track Record Period. If we are unable to obtain that financing, we may be unable to complete the development and commercialization of our product candidates.

- Our operations and business plans may be adversely affected by the COVID-19 pandemic.

**FUTURE PLANS AND [REDACTED]**

We estimate that we will receive net [**REDACTED**] from the [**REDACTED**] of approximately HK$[**REDACTED**] after deducting the [**REDACTED**] payable by us in the [**REDACTED**], assuming no [**REDACTED**] is exercised and an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**], being the mid-point of the indicative [**REDACTED**] range of HK$[**REDACTED**] to HK$[**REDACTED**] per [**REDACTED**] in this document. We intend to use the net [**REDACTED**] we will receive from the [**REDACTED**] for the following purposes, subject to changes in light of our evolving business needs and changing market conditions:

- approximately [**REDACTED**] of the net [**REDACTED**], or approximately HK$[**REDACTED**], is expected to be allocated to our Core Products as follows:

  (i) approximately [**REDACTED**] of the net [**REDACTED**], or approximately HK$[**REDACTED**], to fund ongoing R&D, manufacturing and marketing of Captor™ thrombectomy device in China;

  (ii) approximately [**REDACTED**] of the net [**REDACTED**], or approximately HK$[**REDACTED**], to fund R&D, planned manufacturing and marketing of LAA occluder in China;

- approximately [**REDACTED**] of the net [**REDACTED**], or approximately HK$[**REDACTED**], is expected to be allocated to other product candidates in our pipeline;

- approximately [**REDACTED**] of the net [**REDACTED**], or approximately HK$[**REDACTED**], to fund improvements to our R&D capacities and our continued expansion of product portfolio through internal research;

- approximately [**REDACTED**] of the net [**REDACTED**], or approximately HK$[**REDACTED**], is expected to be used for working capital and general corporate purposes.

For further details, see "Future Plans and [**REDACTED**]" section in this document.

[**REDACTED**]

Assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**], being the mid-point of the indicative [**REDACTED**] range, the [**REDACTED**] in connection with the [**REDACTED**], consisting primarily of [**REDACTED**] commission and other expenses, are estimated to be approximately RMB[**REDACTED**], of which [**REDACTED**] and approximately RMB[**REDACTED**] were charged to profit or loss for the year ended December 31, 2019 and the nine months ended September 30, 2020, respectively. We expect the remaining [**REDACTED**] of approximately RMB[**REDACTED**] will be charged to profit or loss after the Track Record Period, and approximately RMB[**REDACTED**] will be deducted from the share premium. The [**REDACTED**] are expected to represent approximately [**REDACTED**] of the gross [**REDACTED**] of the [**REDACTED**], assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] (being the mid-point of the indicative [**REDACTED**] range) and the [**REDACTED**] is not exercised. The [**REDACTED**] above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

## OUTBREAK OF THE COVID-19 PANDEMIC

Since early 2020, a growing number of countries and regions around the world have encountered an outbreak of Novel Coronavirus Pneumonia or COVID-19, a highly contagious disease known to cause respiratory illness. On March 11, 2020, the World Health Organization announced the COVID-19 outbreak a pandemic. The spread of COVID-19 continues to affect Mainland China, where we conduct our business and engage in substantial pre-clinical studies and clinical trials.

Although the pandemic caused delays in various aspects of our operations, including the patient enrollment process, data entry for certain of our clinical trials in China and the supply of raw materials in the early 2020, we consider the effect of the COVID-19 pandemic on our business to be relatively limited for the rest of 2020 and the beginning of 2021, for the reasons as follows:

- Mass lockdown measures were lifted in low-risk cities in early March 2020. Social distancing measures have been gradually lifted and hospitals have resumed full services. According to CIC, the negative impact on the neuro-interventional medical device industry caused by COVID-19 pandemic in 2020 is expected to be limited.

- We have employed various measures to mitigate the impact of and manage the risks incurred by the COVID-19 pandemic on our ongoing clinical trials, including engaging in frequent communications with our principal investigators to identify and address any issues that may arise, complying with social-distancing measures such as holding virtual meetings, and offering personal protection equipment to our enrolled patients. There has not been any material disruption of our ongoing clinical trials of intracranial drug-eluting balloon catheter and embolic coil. The COVID-19 pandemic has not caused any early termination of our clinical trials or necessitated removal of any patients enrolled in the clinical trials.

- We have not experienced any material difficulties in procuring our major raw materials and have not experienced significant fluctuations in the prices of our supplies. During the Track Record Period, there had been no material breach of procurement agreements with our suppliers.

- We have not experienced and currently do not expect any material regulatory delays in respect of our clinical trials or any long-term impact on our operation or deviation from our overall development plans.

- As of the Latest Practicable Date, we had not experienced any material impact from COVID-19 on the progress, status or filing update of our ongoing research and clinical activities.

It is difficult to predict the impact that COVID-19 will have on our business or our industry. Our business, including our existing and future clinical and pre-clinical trials, as well as our ability to continue to manage it effectively, could be impacted by the current pandemic or future continuance or reoccurrence of COVID-19 in numerous ways. For details, please refer to "Risk Factors – Risks Relating to Our Operations – Our operations and business plans may be adversely affected by the COVID-19 pandemic" in this document.

## RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, since September 30, 2020 and up to the date of this document, there has been no material adverse change in our financial or trading position and there has been no event which would materially affect the information shown in our consolidated financial statements included in the Accountants' Report in Appendix I to this document.

*In this document, unless the context otherwise requires, the following terms shall have the meanings set out below. Certain other terms are explained in the section headed "Glossary of Technical Terms" in this document.*

[**REDACTED**]

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| "Articles of Association" or "Articles" | the articles of association of the Company adopted on January 6, 2021, which will become effective upon the [**REDACTED**], as amended from time to time, a summary of which is set out in Appendix V to this document; |
| "associates" | has the meaning ascribed to it under the Listing Rules; |
| "Bello" | Ningbo Meishan Bonded Area Bello Equity Investment Partnership (LP) (寧波梅山保税港區倍樂股權投資合夥企業(有限合夥)), one of our Pre-[**REDACTED**] investors and a limited partnership established in the PRC on March 7, 2017 with Mr. Li Yunfei (李雲飛), the father-in-law of Mr. Ding Kui, our non-executive Director, as its general partner; |
| "Board" or "Board of Directors" | the board of Directors of our Company; |
| "Business Day" or "business day" | any day (other than a Saturday, Sunday or public holiday in Hong Kong and any day on which tropical cyclone warning no. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong) on which banks in Hong Kong are generally open for normal banking business; |
| "CAGR" | compound annual growth rate; |

[**REDACTED**]

[**REDACTED**]

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| "China" or the "PRC" | the People's Republic of China, but for the purpose of this document and for geographical reference only and except where the context requires, references in this document to "China" and the "PRC" do not include Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan; |
| "CIC" | China Insights Industry Consultancy Limited, our industry consultant, which is an Independent Third Party; |
| "CICC Pucheng" | CICC Pucheng Investment Corporation Limited (中金浦成投資有限公司), one of our Pre-[**REDACTED**] Investors and a limited liability company established in the PRC on April 10, 2012, which was wholly owned by China International Capital Corporation Limited (中國國際金融股份有限公司), an Independent Third Party of our Company; |
| "close associate(s)" | has the meaning ascribed to it under the Listing Rules; |
| "CNIPA" | the China National Intellectual Property Administration (國家知識產權局); |
| "Companies Ordinance" | the Companies Ordinance (Chapter 622 of the laws of Hong Kong), as amended, supplemented or otherwise modified from time to time; |
| "Companies (Winding Up and Miscellaneous Provisions) Ordinance" | the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the laws of Hong Kong), as amended, supplemented or otherwise modified from time to time; |

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| "Company" or "our Company" | Shanghai HeartCare Medical Technology Corporation Limited (上海心瑋醫療科技股份有限公司), a joint stock company incorporated in the PRC with limited liability on December 3, 2020, or, where the context requires, its predecessors (as the case may be); |
| "Connected Person(s)" or "connected person(s)" | has the meaning ascribed to it under the Listing Rules; |
| "core connected person(s)" | has the meaning ascribed to it under the Listing Rules; |
| "CSRC" | China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the PRC national securities markets; |
| "Dadao" | Horgos Dadao Venture Capital Corporation Limited (霍爾果斯達到創業投資有限公司), one of our Pre-[**REDACTED**] Investors and a limited liability company established in the PRC on February 28, 2017 wholly owned by Tianjin Haida Entrepreneurship Investment Management Corporation Limited (天津海達創業投資管理有限公司), an Independent Third Party of our Company; |
| "Director(s)" or "our Directors" | the director(s) of our Company; |
| "document" | this document being issued in connection with the [**REDACTED**]; |
| "Domestic Shares" | ordinary share(s) issued by our Company, with a nominal value of RMB1.00 each, which are subscribed for and paid for in RMB by domestic investors and are not listed on any stock exchange; |
| "EIT Law" | the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得税法), as amended, supplemented or otherwise modified from time to time; |
| "Elbrus" | Elbrus Investment Pte. Ltd., one of our Pre-[**REDACTED**] Investors and a limited liability company incorporated in Singapore on June 16, 2015, indirectly owned as to 100% by Temasek Holdings (Private) Limited, an Independent Third Party of our Company; |

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| "Futuo Biotech" | Shanghai Futuo Biotech Development Corporation Limited (上海復拓生物科技發展有限公司), one of our Pre-[**REDACTED**] Investors and a limited liability company incorporated in the PRC on October 24, 2017, a non-wholly owned subsidiary of Shanghai Fosun Pharmaceutical (Group) Corporation Limited (上海復星醫藥(集團)股份有限公司), a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 2196.hk) and Shanghai Stock Exchange (stock code: 600196.sh), an Independent Third Party of our Company; |
| | [**REDACTED**] |
| "Grandyangtze Jiyuan" | Zhangjiagang Grandyangtze Jiyuan Investment Partnership (LP) (張家港國弘紀元投資合夥企業 (有限合夥)), one of our Pre-[**REDACTED**] Investors and a limited partnership established in the PRC on August 31, 2018 with Mr. Li Chunyi (李春義), and Shanghai Grand Yangtze Capital Corporation Limited (上海長江國弘投資管理有限公司) as its general partners, both being Independent Third Parties of our Company; |
| | [**REDACTED**] |
| "Group", "the Group", "our Group", "we" or "us" | our Company and all of our subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, the businesses operated by such subsidiaries or their predecessors (as the case may be); |
| "Hidea" | Hangzhou Hidea Mingde Venture Capital Partnership (LP) (杭州海達明德創業投資合夥企業(有限合夥)), one of our Pre-[**REDACTED**] Investors and a limited partnership established in the PRC on July 4, 2017 with Dadao as its general partner; |
| "HK$", "Hong Kong dollars" or "HK dollars" | Hong Kong dollars, the lawful currency of Hong Kong; |
| "HKFRS" | Hong Kong Financial Reporting Standards; |

[**REDACTED**]

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| "Hong Kong" | the Hong Kong Special Administrative Region of the PRC; |

[**REDACTED**]

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| "Huajinjintian" | Tianjin Huajinjintian Medical Healthcare Venture Capital Partnership (LP) (天津華金錦天醫藥醫療創業投資合夥企業(有限合夥)), one of our Pre-[**REDACTED**] Investors and a limited partnership established in the PRC on December 30, 2016 with Tibet Chongshi Equity Investment Funds Management Corporation Limited (西藏崇石股權投資基金有限公司), an Independent Third Party of our Company, as its general partner; |
| "H Share(s)" | each, to be subscribed for and traded in Hong Kong dollars overseas listed foreign shares in our ordinary share capital with a nominal value of RMB1.00 and [**REDACTED**] on the Stock Exchange; |

[**REDACTED**]

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| "Huipu" | Hangzhou Huipu Direct Equity Investment Partnership (LP) (杭州匯普直方股權投資合夥企業(有限合夥)), one of our Pre-[**REDACTED**] Investors and a limited partnership established in the PRC on June 28, 2017 with Zhongsheng Huipu (Tianjin) Investment Management Corporation Limited (中盛匯普(天津)投資管理有限公司) and Hangzhou Haidabicheng Entrepreneurship Investment Management Partnership (LP) (杭州海達必成創業投資管理合夥企業(有限合夥)) as its general partners and owned by the aforesaid parties as to 70% and 10% respectively and Mr. Dong Shihai (董世海) as to 20%, all of which are Independent Third Parties of our Company; |
| "Independent Third Party(ies)" | an individual or a company which, to the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, is not a connected person of the Company within the meaning of the Listing Rules; |

[**REDACTED**]

[**REDACTED**]

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| "Kaiyuan Investment" | Ningbo Meishan Bonded Port Area Kaiyuan Investment Management Partnership (LP) (寧波梅山保税港區楷遠投資管理合夥企業(有限合夥)), a limited partnership in the PRC established on December 4, 2017 with Shanghai Zandaqian as its general partner, being one of our single largest Shareholders upon [**REDACTED**]; |
| "Lake Bleu" | LBC Sunshine Healthcare Fund II L.P., one of our Pre-[**REDACTED**] Investors and an exempted limited partnership incorporated in Cayman Islands on September 25, 2020 with LBC GP II Limited, a Cayman Islands exempted company and an Independent Third Party of our Company as its general partner; |
| "Latest Practicable Date" | January 20, 2021, being the latest practicable date for the purpose of ascertaining certain information in this document prior to its publication; |

[**REDACTED**]

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| "Listing Rules" | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time; |
| "LYFE Columbia" | LYFE Columbia River Limited, one of our Pre-[**REDACTED**] Investors and a limited liability company incorporated in Hong Kong on May 18, 2020, ultimately controlled by LYFE Capital Management Limited; |
| "LYFE Ohio" | LYFE Ohio River Limited, one of our Pre-[**REDACTED**] Investors and a limited liability company incorporated in Cayman Islands on March 6, 2020, ultimately controlled by LYFE Capital Management 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 GEM of the Stock Exchange; |
| "Mandatory Provisions" | the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas (到境外上市公司章程必備條款), as promulgated by the State Council Securities Commission and the State Restructuring Commission on August 27, 1994 and became effective on the same date, as the same may be amended and supplemented or otherwise modified from time to time; |
| "MOFCOM" | Ministry of Commerce of the PRC (中華人民共和國商務部) or its predecessor, the Ministry of Foreign Trade and Economic Cooperation of the PRC (中華人民共和國對外貿易經濟合作部); |
| "Mr. Wang" | Mr. Wang Guohui (王國輝), our executive Director, chairman of the Board, the chief executive officer, and one of our single largest Shareholders upon [**REDACTED**]; |
| "Nanjing SealMed" | Nanjing SealMed Medical Technology Corporation Limited (南京思脈德醫療科技有限公司), a limited liability company established in the PRC on November 16, 2017, being our non-wholly owned subsidiary owned as to 55.88% by our Company and 44.12% by Ms. Hu Xiaoping (胡小萍) as of the Latest Practicable Date; |
| "NDRC" | the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會); |

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| "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); |

[**REDACTED**]

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| "PBOC" | the People's Bank of China (中國人民銀行), the central bank of the PRC; |
| "PRC Company Law" | the Company Law of the PRC (中華人民共和國公司法), as amended and adopted by the Standing Committee of the Tenth National People's Congress on October 27, 2005 and effective on January 1, 2006, which was lasted amended and became effective on October 26, 2018, as amended, supplemented or otherwise modified from time to time; |
| "PRC Legal Advisor" | Tian Yuan Law Firm, our legal advisor as to PRC laws; |

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| "PRC Securities Law" | the Securities Law of the PRC (中華人民共和國證券法), as enacted by the 6th meeting of the 9th Standing Committee of the NPC on December 29, 1998 and became effective on July 1, 1999, which was lasted amended and became effective on March 1, 2020, as amended, supplemented or otherwise modified from time to time; |
| "Pre-[**REDACTED**] Investor(s)" | Speed, Sinena, Bello, Futuo Biotech, Tongchuangsuwei, Hidea, Huipu, Dadao, Sharewin Heike, Grandyangtze Jiyuan, SDIC Unity Capital, Huajinjintian, LYFE Columbia, Sherpa Zhuhai, SherpaStrokemed, LYFE Ohio, CICC Pucheng, Mr. Ren Yi, Elbrus, Raritan River, Lake Bleu and SherpaStrokecure, details of whose investments in our Company are set out in the section headed "History, Development and Corporate Structure" in this document; |
| | [**REDACTED**] |
| "QIBs" | a qualified institutional buyer within the meaning of Rule 144A; |
| "Raritan River" | Raritan River Limited, one of our Pre-[**REDACTED**] Investors and a limited liability company incorporated in Cayman Islands, ultimately controlled by LYFE Capital Management Limited; |
| | [**REDACTED**] |
| "RMB" or "Renminbi" | Renminbi, the lawful currency of the PRC; |
| | [**REDACTED**] |

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| "SAFE" | the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局); |
| "SAIC" | the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局); |
| "SAT" | State Administration of Taxation of the PRC (中華人民共和國國家税務總局); |
| "SDIC Unity Capital" | SDIC Unity Capital National Emerging Industry Venture Capital Guiding Fund (LP) (國投創合國家新興產業創業投資引導基金(有限合夥)), one of our Pre-[**REDACTED**] Investors and a limited partnership established in the PRC on September 13, 2016, with SDIC Unity Capital Funds Management Corporation Limited (國投創合基金管理有限公司), an Independent Third Party of our Company, as its general partner; |
| "Securities and Futures Ordinance" or "SFO" | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time; |
| "SFC" | the Securities and Futures Commission of Hong Kong; |
| "Shanghai MDRC" | the Shanghai Municipality Development and Reform Commission (上海市發展和改革委員會); |
| "Shanghai Zandaqian" | Shanghai Zandaqian Enterprise Management Consulting Center (上海贊大乾企業管理諮詢中心), a sole proprietorship established on June 18, 2020, wholly owned by Mr. Wang; |
| "Share(s)" | shares in the share capital of our Company, with a nominal value of RMB1.00 each, comprising our Unlisted Shares and our H Shares; |
| "Shareholders" | holders of our Shares; |
| "Sharewin Heike" | Jiangsu Sharewin Heike Healthcare Investment Fund (LP) (江蘇盛宇黑科醫療健康投資基金(有限合夥)), one of our Pre-[**REDACTED**] Investors and a limited partnership established in the PRC on June 4, 2019 with Shanghai Yukang Equity Investment Funds (LP) (上海宇康股權投資中心(有限合夥)), an Independent Third Party of our Company, as its general partner; |

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| "Sherpa Zhuhai" | Zhuhai Sherpa Phase I Equity Investment Partnership (LP) (珠海夏爾巴一期股權投資合夥企業(有限合夥)), one of our Pre-[**REDACTED**] Investors and a limited partnership established in the PRC on May 14, 2018 with Zhuhai Sherpa Phase I Medical Investment Management Partnership (LP) (珠海夏爾巴一期醫療投資管理合夥企業(有限合夥)), an Independent Third Party of our Company, as its general partner; |
| "SherpaStrokemed" | SherpaStrokemed Company Limited, one of our Pre-[**REDACTED**] Investors and a limited liability company incorporated in Hong Kong on May 29, 2020, ultimately owned by a group of limited partners, all being our Independent Third Parties; |
| "Sherpa Strokecure" | SherpaStrokecure Limited, one of our Pre-[**REDACTED**] Investors and a limited liability company incorporated in Hong Kong on October 16, 2020, indirectly owned by a limited partnership which is in turn wholly owned by a sole limited partner, an Independent Third Party of our Company; |
| "Sinena" | Ningbo Meishan Bonded Area Sinena Investment Partnership (LP) (寧波梅山保稅港區新勝意納投資合夥企業(有限合夥)), one of our Pre-[**REDACTED**] Investors and a limited partnership established in the PRC on October 20, 2016 owned as to 99.9% by Ms. Dong Yaling (董亞玲) and 0.1% by Shanghai Qiaoqian Assets Management Corporation Limited (上海巧千資產管理有限公司), each of which is an Independent Third Party of our Company; |
| Sophisticated Investors | has the meaning ascribed to it under Guidance Letter HKEX-GL92-18 issued by the Stock Exchange; |
| "Special Regulations" | Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (國務院關於股份有限公司境外募集股份上市的特別規定), promulgated by the State Council on August 4, 1994; |

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| "Speed" | Ningbo Meishan Bonded Area Speed Investment Partnership (LP) (寧波梅山保稅港區斯彼德投資合夥企業(有限合夥)), one of our Pre-[**REDACTED**] Investors and a limited partnership established in the PRC on October 17, 2016, owned as to 99.9% by Mr. Bao Jing (保京) and 0.1% by Shanghai Qiaoqian Assets Management Corporation Limited (上海巧千資產管理有限公司), which is owned in turn by Ms. Wu Jing (吳靜) and Mr. Zhang Qingliang (張清亮), each of which is an Independent Third Party of our Company; |
| | [**REDACTED**] |
| "State Council" | State Council of the PRC (中華人民共和國國務院); |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited; |
| "subsidiary(ies)" | has the meaning ascribed thereto in section 15 of the Companies Ordinance; |
| "substantial shareholder(s)" | has the meaning ascribed to it under the Listing Rules; |
| "Supervisor(s)" | supervisor(s) of our Company; |
| "Takeovers Code" | The Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time; |
| "the Sino-foreign Joint Venture Law" | the Sino-foreign Joint Venture Law of the PRC (中華人民共和國中外合資經營企業法); |
| "Tongchuangsuwei" | Ningbo Tongchuangsuwei Investment Partnership (LP) (寧波同創速維投資合夥企業(有限合夥)), one of our Pre-[**REDACTED**] Investors and a limited partnership established in the PRC on July 6, 2018 with Mr. Chai Yanpeng (柴燕鵬), the spouse of Ms. Zhang Kun, our executive Director and deputy general manager, as its general partner; |
| "Track Record Period" | the period comprising the year ended December 31, 2019 and the nine months ended September 30, 2020; |
| | [**REDACTED**] |

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| "United States" or "U.S." | the United States of America, its territories, its possessions and all areas subject to its jurisdiction; |
| "Unlisted Shares" | ordinary share(s) issued by our Company, with a nominal value of RMB1.00 each, which are subscribed for and paid for in currency other than RMB by foreign investors and are not listed on any stock exchange, and Domestic Shares; |
| "USD", "U.S. dollars" or "US$" | United States dollars, the lawful currency of the United States; |

[**REDACTED**]

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| "VAT" | Value Added Tax; |
| "Weiyun Shanghai" | Shanghai Weiyun Enterprise Management Consulting Partnership (LP) (上海瑋逭企業管理諮詢合夥企業(有限合夥)), a limited partnership in the PRC established as an employee shareholding platform on August 28, 2020, being one of our single largest Shareholders upon [**REDACTED**]; |
| "Weiming Medical" | Weiming Medical Devices (Shanghai) Corporation Limited (瑋銘醫療器械(上海)有限公司), a limited liability company established in the PRC on September 11, 2019, a wholly-owned subsidiary of our Company; |
| "Weiyu Shanghai" | Shanghai Weiyu Enterprise Management Consulting Partnership (LP) (上海瑋鈺企業管理諮詢合夥企業(有限合夥)), a limited partnership in the PRC established as an employee shareholding platform on August 28, 2020, being one of our single largest Shareholders upon [**REDACTED**]; |

[**REDACTED**]

[**REDACTED**]

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| "Xinwei Investment" | Ningbo Meishan Bonded Port Area Xinwei Investment Management Partnership (LP) (寧波梅山保税港區心瑋投資管理合夥企業(有限合夥)), a limited partnership in the PRC established as an employee shareholding platform on September 6, 2017, being one of our single largest Shareholders upon [**REDACTED**]; |

[**REDACTED**]

Certain amounts and percentage figures included in this document have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

For ease of reference, the names of the PRC laws and regulations, governmental authorities, institutions, natural persons or other entities (including certain of our subsidiaries) have been included in the document in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail. English translations of official Chinese names are for identification purpose only.

# GLOSSARY OF TECHNICAL TERMS

*This glossary contains explanations of certain technical terms used in this document in connection with our Company and our business. Such terminology and meanings may not correspond to standard industry meanings or usages of those terms.*

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| "AHA guidelines" | guidelines and scientific statements regularly released by the American Heart Association for preventing and treating heart disease and stroke |
| "AIS" or "acute ischemic stroke" | acute ischemic stroke, one subtype of ischemic intracranial vascular diseases, which is caused by thrombotic or embolic occlusion of an intracranial artery |
| "all-cause mortality" | all of the deaths that occur in a population, regardless of the cause, which is measured in clinical trials and used as an indicator of the safety or hazard of an intervention |
| "aneurysm coiling procedure" | an interventional procedure for aneurysm treatment, which is performed to block blood flow into an aneurysm by fulfilling it with wire coils, thus isolating the aneurysm from the normal circulation without blocking off any small arteries nearby or narrowing the main vessel |
| "anticoagulant treatment" | a treatment of thrombus through a medicine that helps to prevent clots from forming in the vessel |
| "artery stenosis" | a narrowing of the blood vessels that deliver oxygen-rich blood from the heart to the tissues of the body |
| "aspiration thrombectomy" | a type of thrombectomy that retrieves the thrombus through pushing a large soft aspiration catheter into the occluded vessel and applying direct aspiration |
| "carotid artery" | the major blood vessels in the neck that supply blood to the brain, neck and face |
| "catheter" | a thin tube made from medical grade materials that can be inserted in the body to treat diseases or perform a surgical procedure |
| "intracranial stenosis" | refers to a narrowing of an artery inside the brain |

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| "intracranial aneurysm" | an intracranial vascular disorder in which weakness in the wall of an intracranial artery or vein causes a localized dilation or ballooning of the blood vessel |
| "CHA2DS2-VASc score" | clinical prediction rules for estimating the risk of stroke in patients with non-rheumatic atrial fibrillation. A high score corresponds to a greater risk of stroke, while a low score corresponds to a lower risk of stroke |
| "CRO" | contract research organization, a company that provides support to the pharmaceutical, biotechnology, and medical device industries in the form of research services outsourced on a contract basis |
| "CTA" | computed tomographic angiography, a computed tomography technique used to visualize arterial and venous vessels throughout the body. Using contrast injected into the blood vessels, images are created to look for blockages, aneurysms (dilations of walls), dissections (tearing of walls), and stenosis (narrowing of vessel) |
| "drug-eluting balloon" or "DEB" | conventional semi-compliant angioplasty balloons covered with drug which is released into the vessel wall during inflation of the balloon, usually at nominal pressures with a specific minimal inflation time |
| "DSA" | digital subtraction angiography, a fluoroscopy technique used in interventional radiology to clearly visualize blood vessels in a bony or dense soft tissue environment |
| "embolization" | a procedure that uses particles, such as tiny gelatin sponges or beads, to block a blood vessel; may be used to stop bleeding or to block the flow of blood to a tumor or abnormal area of tissue |
| "embolization protection system" | a medical device developed to help prevent embolization during endovascular procedures |
| "FAS" | full analysis set |
| "femoral artery" | a large blood vessel in the thigh and the main arterial supply to the thigh and leg |

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| "GCS score" | the Glasgow Coma Scale, a neurological scale which aims to give a reliable and objective way of recording the state of a person's consciousness for initial as well as subsequent assessment. A person is assessed against the criteria of the scale, and the resulting points give a person's score between 3 (indicating deep unconsciousness) and either 14 (original scale) or 15 (more widely used, modified or revised scale). |
| "GMP" | good manufacturing practices, the aspect of quality assurance that ensures that medicinal products are consistently produced and controlled to the quality standards appropriate to their intended use and as required by the product specification |
| "HAS-BLED score" | a scoring system developed to assess 1-year risk of major bleeding in patients taking anticoagulants with atrial fibrillation. A calculated HAS-BLED score is between 0 and 9 and based on seven parameters (hypertension, abnormal renal and liver function, stroke, bleeding, labile INR, elderly, drugs or alcohol) with a weighted value of 0-2 |
| "hemorrhagic stroke" | a condition where a blood vessel ruptures within the brain (intracerebral hemorrhage) or into the space surrounding the brain (subarachnoid hemorrhage) |
| "intravenous thrombolysis" or "IVT" | a treatment of thrombus through the injection of clot-busting drugs through an intravenous line |
| "ischemic stroke" | a condition where blood vessels become blocked, usually from a clot formed from fat and cholesterol, which causes blood to not reach the brain, and neurons to suffer from a lack of nutrients and oxygen |
| "KOLs" | acronym for Key Opinion Leaders; refers to renowned physicians that influence their peers' medical practice |
| "left atrial appendage occlusion" or "LAAO" | also known as left atrial appendage closure; refers to a treatment to close off the left atrial appendage and thereby reduce the risk of left atrial appendage blood clots from entering the bloodstream and causing a stroke in patients with atrial fibrillation |

# GLOSSARY OF TECHNICAL TERMS

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| "mm" | millimeter, a unit of measure for length |
| "MRA" | magnetic resonance angiography, a group of techniques based on magnetic resonance imaging to image blood vessels. MRA is used to generate images of arteries (and less commonly veins) in order to evaluate them for stenosis, occlusions, aneurysms or other abnormalities |
| "mRS score" | the modified Rankin Scale, a commonly used scale for measuring the degree of disability or dependance in the daily activities of people who have suffered a stroke or other causes of neurological disability. The scale runs from 0-6, running from fully independent to death |
| "mTICI" | the modified treatment in cerebral infarction. The mTICI score ranges from 0-3, where 0 means no perfusion and 3 means complete antegrade reperfusion of the previously occluded target artery ischemic territory, with absence of visualized occlusion in all distal branches |
| "NIHSS score" | the National Institutes of Health Stroke Scale, a tool used by healthcare providers to objective quantify the impairment caused by a stroke. The NIHSS is composed of 11 items, each of which scores a specific ability between a 0 and 4. For each item, a score of 0 typically indicates normal function in that specific ability, while a higher score is indicative of some level of impairment. The maximum possible score is 42, with the minimum score being a 0 |
| "neuro-interventional medical devices" | medical devices for treatment of intracranial vascular diseases using interventional endovascular technique |
| "neuro-interventional procedure" | an interventional procedure using endovascular surgery technology to diagnose and treat intracranial vascular diseases |
| "intracranial vascular disease" | a disease including any abnormality of the blood vessels within the skull or at the base of the skull or abnormality with supplying blood to such areas |
| "non-inferiority clinical trial" | a clinical trial aims to demonstrate that the test product is not worse than the comparator by more than a small pre-specified amount |

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| "PPS" | per protocol set |
| "rapamycin" or "sirolimus" | a macrolide compound that is used to coat balloons or stents to treat stenosis |
| "single-arm clinical trial" | a clinical trial of a medical device, where a sample of human patients with the targeted medical condition are given the experimental therapy and then followed over time to observe their response |
| "SMO" | site management organization, an organization that provides clinical trial related services to medical device companies having adequate infrastructure and staff to meet the requirements of the clinical trial protocol |
| "sq.m." | square meter, a unit of area |
| "stent retrieving thrombectomy" | a mechanical thrombectomy using a cylindrical device that consists of a self-expanding stent mounted on a wire to retrieve the thrombus |
| "thrombectomy" | a type of minimally-invasive therapy in which blood clot is removed from arteries using imaging techniques guiding medical devices through patients' arteries to the blood clot |
| "thrombus" | a blood clot which can lodge in a blood vessel and block the flow of blood in that location depriving tissues of normal blood flow and oxygen |
| "transesophageal Doppler echocardiography" | an alternative way to perform an echocardiogram. A specialized probe containing an ultrasound transducer at its tip is passed into the patient's esophagus. In addition to use by cardiologists in outpatient and inpatient settings, it can be performed to evaluate, diagnose, and treat patients in the perioperative period |

# FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements that state our intentions, beliefs, expectations or predictions for the future that are, by their nature, subject to significant known or unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are contained principally in the sections headed "Summary," "Risk Factors," "Future Plans and [**REDACTED**]," "Financial Information," "Industry Overview" and "Business". These forward-looking statements include statements relating to:

- our ability to complete the development and obtain the relevant requisite regulatory approvals of our product candidates;
- our ability to successfully commercialize our approved products in a timely manner;
- our strategies, plans, objectives and goals and our ability to successfully implement the same;
- our future operations, financial condition and performance and business prospects;
- our dividend policy;
- projects under development;
- our ability to attract and retain senior management and key employees;
- our future capital needs and capital expenditure plans;
- future developments, trends and conditions in the pharmaceutical industry in the PRC and other countries;
- market opportunities and competitive landscape for our products, and the actions and developments of our competitors;
- the regulatory environment and industry outlook in general for the industries discussed herein;
- our expectations with respect to our ability to require and maintain regulatory licenses or permits;
- general political and economic conditions, government actions or non-actions, capital markets developments, healthcare systems and industries in the PRC and other countries;

- exchange rate fluctuations and developing legal system, in each case pertaining to the PRC and other countries and the industries and markets in which we operate;

- outlook of regulations and restrictions, including tariffs and environmental regulations; and

- other statements in this document that are not historical fact.

The words "aim", "anticipate", "believe", "could", "continue", "expect", "estimate", "going forward", "intend", "may", "plan", "predict", "project", "potential", "seek", "will", "would", the negative of these terms and similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. Such statements reflect the current views of our management with respect to future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this document. Actual results may differ materially from information contained in the forward-looking statement, and should one or more of these risks or uncertainties materialize, or should the underlying assumptions prove to be incorrect, our business, results of operations and financial condition may be adversely affected and may vary materially from those described herein as anticipated, believed or expected. Accordingly, such statements are not guarantees of future performance and you should not place undue reliance on such forward-looking information. Moreover, the inclusion of forward-looking statements should not be regarded as representations by us that our plans and objectives will be achieved or realized. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this document might not occur. All forward-looking statements contained in this document are qualified by reference to the cautionary statements set out in this section.

*An investment in our Shares involves significant risks. You should carefully consider all of the information in this document, including the risks and uncertainties described below, as well as our financial statements and the related notes, and the "Financial Information" section, before deciding to invest in our Shares. The following is a description of what we consider to be our material risks. Any of the following risks could have a material adverse effect on our business, financial condition, results of operations and growth prospects. In any such an event, the market price of our Shares could decline, and you may lose all or part of your investment. Additional risks and uncertainties not presently known to us or that we currently deem immaterial also may impair our business operations.*

*These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in the section headed "Forward-Looking Statements" in this document.*

## RISKS RELATING TO OUR BUSINESS

### Risks Relating to Our Products and Product Candidates

***We have incurred net losses since our inception and may incur net losses for the foreseeable future, and you may lose substantially all your investments in us given the high risks involved in the medical device business.***

Investment in medical device development is highly speculative. It entails substantial upfront capital expenditures and significant risk that a product candidate will fail to gain regulatory approval or become commercially viable. We continue to incur significant expenses related to our ongoing operations. As a result, we incurred losses during the Track Record Period. We incurred net losses of RMB75.5 million and RMB67.7 million for the year ended December 31, 2019 and the nine months ended September 30, 2020, respectively. Substantially all of our operating losses were resulted from costs incurred in connection with R&D activities and administration.

We may continue to incur losses for the foreseeable future, and the losses may increase as we expand our development of, and seek regulatory approvals for, our product candidates, and commercialize our products. Typically, it takes many years to develop one new product from the time it is designed to when it is available for commercial sales. In addition, we will start incurring costs associated with being a public company in Hong Kong after the [**REDACTED**]. We will also incur costs in support of our growth. The size of our future net losses will depend, in part, on the number and scope of our product development programs and the associated costs of those programs, the cost of commercializing any approved products, our ability to generate revenues and the timing and amount of milestones and other payments we

make or receive with arrangements with third parties. If any of our product candidates fails in clinical trials or does not gain regulatory approval, or if approved, fails to achieve market acceptance, we may never become profitable. Even if we achieve profitability in the future, we may not be able to sustain profitability in subsequent periods. Our failure to become and remain profitable would decrease the value of our Company and could impair our ability to raise capital, maintain our R&D efforts, expand our business or continue our operations.

***Our sales mainly rely on our commercialized products.***

During the Track Record Period, all our revenue was derived from the sales of our ExtraFlex™ distal access catheter and SupSelek™ microcatheter. We also commenced commercial sale of our Captor™ thrombectomy device in December 2020. However, we cannot assure you that demand for our commercialized products will continue to grow as anticipated. There is also no assurance that we will be able to maintain our sales and profit margin for these products, which may be adversely affected by many factors outside of our control, including downward pricing pressure caused by changes in market competition, expiration of patent protection, introduction of substitute products marketed by our competitors, disruptions in manufacturing or sales, issues with respect to product quality or severe adverse events incurred after the procedure, coverage of medical insurance and disputes over intellectual property or other matters with third parties. If we are unable to maintain the sales volumes, pricing levels or profit margins of our commercialized products, our business, financial condition and results of operations may be materially and adversely affected. Moreover, there is no guarantee that we may be able to develop or acquire new products that would diversify our product portfolio and reduce our dependance on our commercialized products, or to do so in a timely or competitive manner.

***Our future growth depends substantially on the success of our product candidates. If we are unable to successfully complete clinical development, obtain regulatory approval and commercialize our product candidates, or experience significant delays in doing so, our business will be materially harmed.***

Our business substantially depends on the successful development, regulatory approval and commercialization of our product candidates for the treatment of patients with stroke, which are still in clinical development or design stage, and other product candidates we may develop in the future. We have invested a significant portion of our efforts and financial resources in the development of our existing product candidates. We incurred net losses of RMB75.5 million and RMB67.7 million for the year ended December 31, 2019 and the nine months ended September 30, 2020, because the expenses we incurred exceeded the gross profit generated from the sales of our commercialized products. We commenced commercial sales of our products and started to generate revenue in the first quarter of 2020. Our R&D costs for the nine months ended September 30, 2020 amounted to RMB20.0 million, whereas our revenue was RMB7.3 million for the same period. Whether we can generate profit from our

operating activities largely depends on the successful commercialization of our product candidates. The success of our product candidates will depend on several factors, including but not limited to:

- successful enrollment in, and completion of, clinical trials, as well as completion of preclinical studies;
- favorable safety and efficacy data from our clinical trials and other studies;
- receipt of regulatory approvals;
- establishing commercial manufacturing capabilities, either by building facilities ourselves or making arrangements with third-party manufacturers;
- the performance by any third parties we may retain in a manner that complies with our protocols and applicable laws and that protects the integrity of the resulting data;
- obtaining and maintaining patent, trade secret and other intellectual property protection and regulatory exclusivity;
- ensuring we do not infringe, misappropriate or otherwise violate the patent, trade secret or other intellectual property rights of third parties;
- successfully launching our product candidates, if and when approved;
- obtaining favorable governmental and private medical reimbursement for our products, if and when approved;
- competition with other interventional procedural products; and
- continued acceptable safety profile following regulatory approval.

If we do not achieve one or more of these factors in a timely manner or at all, we could experience significant delays or be unable to obtain approval for and/or to successfully commercialize our product candidates, which would materially harm our business and we may not be able to generate sufficient revenues and cash flows to continue our operations.

***If we do not introduce new products in a timely manner, our products may become obsolete and our operating results may suffer.***

The neuro-interventional device industry is characterized by technological changes, frequent new product introductions, and evolving industry standards. Without the timely introduction of new and improved products, our products could become technologically obsolete or more susceptible to competition and our revenue and operating results would suffer. Even if we develop new or improved products, our ability to market them could be limited by

the need for regulatory clearance, restrictions imposed on approved indications, entrenched patterns of clinical practice, uncertainty over third-party reimbursement, or other factors. We devote significant financial and other resources to our R&D activities. We incurred R&D costs of RMB51.1 million and RMB20.0 million for the year ended December 31, 2019 and the nine months ended September 30, 2020. The R&D process is lengthy and entails considerable uncertainty. Products we are currently developing may not complete the development process or obtain the regulatory or other approvals required to market such products in a timely manner or at all.

Technical innovations often require substantial time and investment before we can determine their commercial viability. We may not have the financial resources necessary to fund all of these projects. In addition, even if we are able to successfully develop new or improved products, they may not produce revenue in excess of the costs of development or achieve the desired financial return, and they may be rendered obsolete or less competitive by changing customer preferences or the introduction by our competitors of products with newer technologies or features or other factors.

***Clinical product development involves a lengthy and expensive process with an uncertain outcome, and unsuccessful clinical trials or procedures relating to products under development could have a material adverse effect on our prospects.***

Clinical testing is expensive and can take multiple years to complete, and its outcome is inherently uncertain. There can be no assurance that these trials or procedures will be completed in a timely or cost-effective manner or result in a commercially viable product or expanded indication. Failure to successfully complete these trials or procedures in a timely and cost-effective manner could have a material adverse effect on our prospects. Clinical trials or procedures may experience significant setbacks even after earlier trials have shown promising results.

Failure can occur at any time during the clinical trial process. The results of preclinical studies and early clinical trials of our product candidates may not be predictive of the results of later-stage clinical trials, and initial or interim results of a trial may not be predictive of the final results. Product candidates in later stages of clinical trials may fail to show the desired safety and efficacy traits despite having progressed through preclinical studies and initial clinical trials. In addition, there can be significant variability in safety and/or efficacy results between different trials of the same product candidate due to numerous factors, including changes in trial procedures set forth in protocols, differences in the size and type of the patient populations, including differences in physical conditions, and the rate of dropout among clinical trial participants. In the case of any trials we conduct, results may differ from earlier trials due to the larger number of clinical trial sites.

***If we encounter difficulties enrolling patients in our clinical trials, our clinical development activities could be delayed or otherwise adversely affected.***

The timely completion of clinical trials in accordance with their protocols depends, among other things, on our ability to enroll a sufficient number of patients who remain in the trial until its conclusion. We may experience difficulties in patient enrollment in our clinical trials for a variety of reasons, including the size and nature of the patient population and the patient eligibility criteria defined in the protocol.

Our clinical trials will likely compete with other clinical trials for product candidates that are in the same therapeutic areas as our product candidates. This competition will reduce the number and types of patients available to us, because some patients who might have opted to enroll in our trials may instead opt to enroll in a trial being conducted by one of our competitors. Because the number of qualified clinical investigators and clinical trial sites is limited, we expect to conduct some of our clinical trials at the same clinical trial sites that some of our competitors use, which will reduce the number of patients who are available for our clinical trials at such clinical trial sites. Even if we are able to enroll a sufficient number of patients in our clinical trials, delays in patient enrollment may result in increased costs or may affect the timing or outcome of the planned clinical trials, which could prevent completion of these trials and adversely affect our ability to advance the development of our product candidates.

***If clinical trials of our product candidates fail to demonstrate safety and efficacy to the satisfaction of regulatory authorities or do not otherwise produce positive results, we may incur additional costs or experience delays in completing, or ultimately be unable to complete, the development and commercialization of our product candidates.***

Before obtaining regulatory approval for the sale of our product candidates, we must conduct extensive clinical trials to demonstrate the safety and efficacy of our product candidates in humans. We may experience numerous unexpected events during, or as a result of, clinical trials that could delay or prevent our ability to receive regulatory approval or commercialize our product candidates, including but not limited to:

- regulators, institutional review boards, or IRBs, or ethics committees may not authorize us or our investigators to commence a clinical trial or conduct a clinical trial at a prospective trial site;

- our inability to reach agreements on acceptable terms with prospective CROs and hospitals as trial centers, the terms of which can be subject to extensive negotiation and may vary significantly among different CROs and hospitals as trial centers;

- manufacturing issues, including problems with manufacturing, supply quality, or obtaining sufficient quantities of a product candidate for use in a clinical trial;

- clinical trials of our product candidates may produce negative or inconclusive results, and we may decide, or regulators may require us, to conduct additional clinical trials or abandon product development programs;

- the number of patients required for clinical trials of our product candidates may be larger than we anticipate, enrollment may be insufficient or slower than we anticipate or patients may drop out at a higher rate than we anticipate;

- our third-party contractors may fail to comply with regulatory requirements or meet their contractual obligations to us in a timely manner, or at all;

- we might have to suspend or terminate clinical trials of our product candidates for various reasons, including a finding of a lack of clinical response or other unexpected characteristics or a finding that participants are being exposed to unacceptable health risks;

- regulators, IRBs or ethics committees may require that we or our investigators suspend or terminate clinical research or not rely on the results of clinical research for various reasons, including non-compliance with regulatory requirements;

- the cost of clinical trials of our product candidates may be greater than we anticipate; and

- the supply or quality of our product candidates, companion diagnostics or other materials necessary to conduct clinical trials of our product candidates may be insufficient or inadequate.

If we are required to conduct additional clinical trials or other testing of our product candidates beyond those that we currently contemplate, if we are unable to successfully complete clinical trials of our product candidates or other testing, if the results of these trials or tests are not positive or are only modestly positive or if they raise safety concerns, we may (i) be delayed in obtaining regulatory approval for our product candidates; (ii) not obtain regulatory approval at all; (iii) obtain approval for indications that are not as broad as intended; (iv) have the product removed from the market after obtaining regulatory approval; (v) be subject to additional post-marketing testing requirements; (vi) be subject to restrictions on how the product is distributed or used; or (vii) be unable to obtain reimbursement for use of the product.

If we experience delays in the completion of, or the termination of, a clinical trial of any of our product candidates, the commercial prospects of that product candidate will be harmed, and our ability to generate product sales revenues from any of those product candidates will be delayed. In addition, any delays in completing our clinical trials will increase our costs, slow down our product candidate development and approval process, and jeopardize our ability to commence product sales and generate related revenues for that candidate. Any of these occurrences may harm our business, financial condition and prospects significantly.

***We may not be successful in developing, enhancing or adapting to new technologies and methodologies.***

We must keep pace with new technologies and methodologies to maintain our competitive position. We must continue to invest significant amounts of human and capital resources to develop or acquire technologies that will allow us to enhance the scope and quality of our clinical trials. We intend to continue to enhance our technical capabilities in research, development and manufacturing, which are capital-and-time-intensive. We cannot assure you that we will be able to develop, enhance or adapt to new technologies and methodologies, successfully identify new technological opportunities, develop and bring new or enhanced products to market, obtain sufficient or any patent or other intellectual property protection for such new or enhanced products, or obtain the necessary regulatory approvals in a timely and cost-effective manner, or, if such products are introduced, that those products will achieve market acceptance. Any failure to do so could harm our business and prospects.

**Risks Relating to Commercialization and Distribution of Our Products**

***We face substantial competition, which may result in others discovering, developing or commercializing competing products before or more successfully than we do.***

The development and commercialization of new products is highly competitive. We face competition from major neuro-interventional medical devices producers worldwide. A number of companies in the global market currently market and sell neuro-interventional medical devices or are pursuing the development of such products for the treatment and prevention of stroke for which we are commercializing our products or developing our product candidates. Potential competitors also include academic institutions, government agencies and other public and private research organizations that conduct research, seek patent protection and establish collaborative arrangements for research, development, manufacturing and commercialization.

Our commercial opportunities could be reduced or eliminated if our competitors develop and commercialize products that are safer, more effective, have fewer severe adverse events, are more convenient or are less expensive than any products that we commercialize or may develop. Our competitors may also be applying for marketing approvals in China or other countries for medical device products with the same intended use as our products and product candidates. The ability of the relevant authorities, such as NMPA, to concurrently review multiple marketing applications for the same type of innovative medical device may be limited. When our product and its competing products are subject to the NMPA's concurrent review, the NMPA's schedule may be affected, and the registration process of our product may be prolonged. Moreover, our competitors may obtain approval from the NMPA, FDA or other comparable regulatory authorities for their products more rapidly than we obtain approval for ours, which could result in our competitors establishing a strong market position before we are able to enter the market and/or slow our regulatory approval.

Many of the companies against which we are competing have significantly greater financial resources and expertize in R&D, manufacturing, preclinical testing, conducting clinical trials, obtaining regulatory approvals and marketing approved products than we do. Mergers and acquisitions in the medical device industries may result in even more resources being concentrated among a small number of our competitors. Smaller and other early-stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies. These third parties compete with us in recruiting and retaining qualified scientific and management personnel, establishing clinical trial sites and patient registration for clinical trials, as well as in acquiring technologies complementary to, or necessary for, our programs. Our business and results of operations will suffer if we fail to compete effectively.

***We have relatively limited experience in sales and marketing activities, and we may not be able to build, expand or integrate our in-house sales and marketing force successfully.***

We started marketing our approved products in the first quarter of 2020. We have relatively limited experience in launching and commercializing our product candidates and sales and marketing of our products. For example, we have limited experience in building a commercial team, conducting a comprehensive market analysis, obtaining licenses and approvals, or managing distributors and sales force for our product candidates. As a result, our ability to successfully commercialize our product candidates may involve more inherent risks, take longer and cost more than it would if we were a company with sufficient experience launching product candidates.

The success of our sales and marketing efforts depends on our ability to attract, motivate and retain qualified and professional employees in our sales and marketing team who have, among other things, the sufficient expertize in neurovascular diseases areas and are able to communicate effectively with medical professionals. Furthermore, since we expect to launch new products in the near future, we expect to hire additional employees with relevant medical device experience and knowledge to support our sales and marketing efforts. However, competition for experienced sales and marketing personnel is intense. If we are unable to attract, motivate and retain a sufficient number of qualified sales and marketing personnel to support our business, our business and results of operations may be negatively affected.

***If physicians and hospitals are not receptive to our products, our results of operations may be negatively affected.***

Physicians and hospitals play important roles in recommending and deciding what products to be used. Physician and hospital receptiveness to our products depends on our ability to convince them as to the distinctive characteristics, advantages, safety and cost effectiveness of our products as compared to our competitors' products, as well as to provide demonstrations on the proper application of our products. If our products and product candidates (upon commercialization) are not widely accepted by physician and hospital communities, our sales of our currently commercialized neuro-interventional medical devices may decline, and we may not be able to effectively market our product candidates upon commercialization.

We currently have limited approved products which are commercialized and used in hospitals. Physicians face a learning process to become proficient in the use of some of our products and product candidates, which may take longer than expected and therefore affect our ability to sell our products. Encouraging physicians to dedicate the time and energy necessary to become proficient in the use of our products remains challenging, and we may not be successful in these efforts. If physicians are not properly trained, they may misuse or ineffectively use our products. This may also result in unsatisfactory patient outcomes, patient injury, negative publicity or lawsuits against us, any of which could have a significant adverse effect on our reputation, business, financial condition, results of operations and prospects. We also rely on trained physicians to advocate the benefits of our products in the marketplace. If we do not receive support from such physicians, other physicians and hospitals may not use our products, and our results of operations may be adversely affected.

***Failure to achieve broad market acceptance could have a material adverse impact on our business and results of operations.***

The commercial success of our products depends upon the degree of market acceptance each of such products achieves. Neuro-interventional procedures are recently developed and introduced to the market. As alternatives, traditional anticoagulant drug injection and intravenous thrombolysis are also effective treatments for ischemic stroke. Our products for neuro-interventional procedures are relatively innovative and may not gain board acceptance in the marketplace as anticipated. In addition, physicians, patients and third-party payors may prefer other novel products to ours. If our products do not achieve an adequate level of acceptance, we may not be able to generate significant product sales revenues and to achieve profitability. The degree of market acceptance of our products and product candidates (if approved for commercial sale) will depend on a number of factors, including:

- the clinical indications for which our product candidates are approved;
- physicians, hospitals, diseases treatment centers and patients considering our products and product candidates (upon commercialization) as a safe and effective treatment;
- the potential and perceived advantages and disadvantages of our products, product candidates (upon commercialization) and relevant treatments compared to alternative products and treatments;
- the prevalence and severity of any adverse effects or complications;
- limitations or warnings contained in the labeling approved by regulatory authorities;
- the timing of market introduction of our products and product candidates (upon commercialization) as well as competitive products;
- the cost of treatment in relation to alternative treatments;

- the availability of adequate coverage, reimbursement and pricing by third-party payors and government authorities;

- the willingness of patients to pay out-of-pocket in the absence of coverage and reimbursement by third-party payors and government authorities; and/or

- the effectiveness of our sales and marketing efforts.

If any products that we commercialize fail to achieve market acceptance among physicians, patients, hospitals, or others in the industry or if we fail to maintain good relationships with them, we will not be able to generate significant revenue. Even if our products achieve market acceptance, we may not be able to maintain that market acceptance over time if new products or technologies introduced are more favorably received and more cost effective than our products.

***If we fail to maintain an effective distribution channel for our products, our business and sales of the relevant products could be adversely affected.***

We rely solely on third-party distributors to distribute our products. Our ability to maintain and grow our business will depend on our ability to maintain effective distribution channels that ensure timely distribution of our products to the relevant markets where we generate market demand through our sales and marketing activities. However, we have relatively limited control over our distributors, who may fail to distribute our products in the manner we contemplate. Our distribution agreements as of September 30 2020 expire on December 31, 2020, we expect our distribution agreements to be signed or renewed after which to generally have a term up to one year. If PRC price controls or other factors substantially reduce the margins our distributors can obtain through the resale of our products to hospitals and medical institutions, our distributors may terminate their relationships with us.

We started marketing our products and our cooperation with distributors in March 2020. As of September 30, 2020, we had a total of 27 distributors. For the nine months ended September 30, 2020, the aggregate sales to our five largest distributors were RMB5.6 million, representing 76.7% of our revenue. Sales to our largest distributor for the same period was RMB2.7 million, representing 37.2% of our revenue. While we believe alternative distributors are readily available in China, if the distribution of our products is interrupted, our sales volumes and business prospects could be adversely affected.

***Downward change in pricing of our products may have a material adverse effect on our business and results of operations.***

In line with market practice, we sell all of our products to distributors who resell our products to hospitals. We sell products to our distributors at the price determined by us from time to time. When determining the price of our products sold to distributors, we consider factors such as prices of competing products, our costs and differences in features between our products and competing products. For details, see "Business – Sales, Distribution and Marketing – Sales to Distributors – Pricing." Hospitals may gain more bargaining power depending on the availability of alternative products, demands of patients and the preference of physicians. If hospitals lower retail prices of our products and therefore reduce the profitability of our distributors, our distributors may have less incentive to purchase and promote our products, and we may need to lower the order price we set for our distributors.

As of the Latest Practicable Date, there was no price guidance set on stroke treatment and prevention devices by the PRC government. If the PRC government issues price guidance for stroke treatment and prevention devices, the price of our products and therefore our business and results of operations may be negatively affected. We may also face downward pricing pressure if our products are included in the medical insurance reimbursement list.

***Our sales may be affected by the level of medical insurance reimbursement patients using our products.***

Our ability to sell our products is related to the availability of governmental and private health insurance in China for treatments using our products. In the absence of medical insurance coverage for the use of our products, patients may choose alternative treatment methods, and hospitals may recommend such alternative treatments, which would reduce demand for our products and our sales which could in turn materially and adversely affect our business, financial condition and results of operation. Moreover, we may need to lower the prices of our products in order to have them included in the medical insurance reimbursement list, and such price cut and reimbursement may not necessarily lead to increase in our sales and our results of operations may be adversely affected.

**Risks Relating to Manufacture and Supply of Our Products**

***Damage to, destruction of or interruption of production at our manufacturing facilities, or delays in completing our new manufacturing facilities could delay our development plans or commercialization efforts.***

Our principal manufacturing facilities are located at our headquarter in Zhangjiang, Shanghai, China. As of the Latest Practicable Date, we leased an aggregate area of approximately 1,784.1 sq.m. for manufacturing facilities in Zhangjiang, Shanghai; our new manufacturing facilities under construction at Lingang production base with approximately 6,255.75 sq.m was expected to be completed in mid 2021. Our facilities may be harmed or rendered inoperable by physical damage from fire, floods, earthquakes, typhoons, tornadoes,

power loss, telecommunications failures, break-ins and similar events. If our manufacturing facilities or the equipment are damaged or destroyed, we may not be able to quickly or inexpensively replace our manufacturing capacity or replace it at all. In the event of a temporary or protracted loss of the facilities or equipment, we might not be able to transfer manufacturing to a third party. Even if we could transfer manufacturing to a third party, the shift would likely be expensive and time-consuming, particularly since the new facility would need to comply with the necessary regulatory requirements and we would need regulatory agency approval before selling any products manufactured at that facility. Such an event could delay our clinical trials or reduce our product sales. Any interruption in manufacturing operations at our manufacturing facilities could result in our inability to satisfy the demands of our clinical trials or commercialization. Any disruption that impedes our ability to manufacture our products or product candidates in a timely manner could materially harm our business, financial condition and operating results.

We have purchased insurance for our assets. However, our insurance coverage may not reimburse us, or may not be sufficient to reimburse us, for any expenses or losses we may suffer. We may be unable to meet our requirements for our products and product candidates if there were a catastrophic event or failure of our manufacturing facilities or processes.

***If we fail to increase our production capacity as planned, our business prospects could be materially and adversely affected.***

To produce our products in the quantities that we believe will be required to meet anticipated market demand for our products, we may need to increase, or scale up, the production capacity and the utilization rate. Our utilization rate for our commercialized products, in the nine months ended September 30, 2020 was 40.1%. Advances in manufacturing techniques may render our facilities and equipment inadequate or obsolete, and therefore we may also need to develop advanced manufacturing techniques and process controls in order to fully utilize our facilities. Also, we may need to employ more workers to enhance our production capacity. If we are unable to do so, or if the process to do so is delayed, or if the cost of this scale up is not economically feasible for us or we cannot find a third-party supplier, we may not be able to supply our products in a sufficient quantity to meet future demand, which would limit our development and commercialization activities and our opportunities for growth.

We are expanding our production output by adding new manufacturing facilities located at Lingang production base in Shanghai, China. New manufacturing facilities are intended to be used for manufacturing our commercialized products and product candidates. Changes in the manufacturing process or procedure, including a change in the location where the product is manufactured, require prior review by regulatory authorities and/or approval of the manufacturing process and procedures in accordance with applicable requirements. This review may be costly and time consuming and could delay or prevent the launch of a product. The new facility will also be subject to pre-approval inspection. In addition, we have to demonstrate that the products made at the new facility are equivalent to the products made at

the former facility and thus satisfying the relevant product requirements, which are costly and time consuming. Regulatory authorities may also require clinical testing as a way to prove equivalency, which would result in additional costs and delay.

Our ability to successfully implement our expansion plan is subject to a number of risks, including our ability to obtain the requisite permits, licenses and approvals for the construction and operation of the new production lines, the risk of construction delays, as well as our ability to timely recruit sufficient qualified staff to support the increase in production capacity. Consequently, there can be no assurance that we will be able to increase our overall production capacity or develop advanced manufacturing techniques and process controls in the manner we contemplate, or at all. In the event we fail to increase our production capacity or develop advanced manufacturing techniques and process controls, we may not capture the expected growth in demand for our products, or to successfully commercialize new products, each of which could materially and adversely affect our business prospects. Moreover, our plans to increase our production capacity require significant capital investment, and the actual costs of our expansion plan may exceed our original estimates, which could materially and adversely affect the realization of expected return on our expenditures.

There can be no assurance that our existing and future production facilities will produce products in sufficient volumes in the event of any significant change in market demand. In such event, we may have to engage third parties to produce a portion of such products. Consequently, we are exposed to the risks of increased pricing for our sub-contracted production and that the third parties may not manufacture products meeting our specifications or in sufficient volumes to meet market demand. As a result, our sales volumes and margins for the relevant products could be materially and 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.***

The manufacture of many of our products is highly complex and subject to strict quality controls, due in part to rigorous regulatory requirements. In addition, quality is extremely important due to the serious and costly consequences of a product failure. Problems can arise during the manufacturing process for a number of reasons, including equipment malfunction, failure to follow protocols and procedures, raw material problems, software problems, or human error. Furthermore, if contaminants are discovered in our supply of our products or product candidates or in the manufacturing facilities, such manufacturing facilities may need to be closed for an extended period of time to investigate and remedy the contamination. Stability failures and other issues relating to the manufacture of our products or product candidates could occur in the future. Although closely managed, disruptions can occur during implementation of new equipment and systems to replace aging equipment, as well as during production line transfers and expansions. As we expand into new markets, we may face unanticipated surges in demands for our products which could strain our production capacity. If these problems arise or if we otherwise fail to meet our internal quality standards or those of the NMPA or other applicable regulatory body, which include detailed record-keeping

requirements, our reputation could be damaged, we could become subject to a safety alert or a recall, we could incur product liability and other costs, product approvals could be delayed, and our business could otherwise be adversely affected.

In addition, our manufacturing and warehousing facilities, as well as those of our suppliers and logistics partners, could be materially damaged by earthquakes, hurricanes, volcanoes, fires, and other natural disasters or catastrophic circumstances, which could have a material adverse effect on our business.

***Fluctuations in prices of our raw materials may have a material adverse effect on us.***

We rely on our suppliers for our business, which exposes us to risks associated with fluctuations in prices of raw materials, and reductions in the availability of raw materials may disrupt our operations. Raw materials we use for our manufacturing process primarily include braided tubes, nickel-titanium alloy materials and sterilization packaging bags. During the Track Record Period, our principal raw materials were generally available and sufficient for our demands, and the price of our principal raw materials from our suppliers was not affected by outbreak of COVID-19. However, we cannot assure you that this will continue to be the case in the future. The prices of braided tubes, nickel-titanium alloy materials or other raw materials may be affected by a number of factors, including market supply and demand, the PRC or international environmental and regulatory requirements, natural disasters and the PRC and global economic conditions. A significant increase in the costs of raw materials may increase our cost of sales and negatively affect our profit margins and, more generally, our business, financial conditions, results of operation and prospects.

***We may experience supply interruptions that could harm our ability to manufacture products.***

We purchase certain materials and components used in the manufacture of our products from external suppliers, and we purchase certain supplies from fixed sources for reasons of quality assurance, cost effectiveness, availability, or constraints resulting from regulatory requirements. We also imported materials from foreign suppliers. Our main suppliers of nickel-titanium alloy materials and braided tubes, which are essential for manufacturing our products, are located in the United States.

General economic conditions could adversely affect the financial viability of our suppliers, resulting in their inability to provide materials and components used in the manufacture of our products. While we work closely with suppliers to monitor their financial viability, assure continuity of supply, and maintain high quality and reliability, these efforts may not be successful. In addition, due to the rigorous regulations and requirements of the NMPA and/or foreign regulatory authorities regarding the manufacture of our products (including the need for approval of any change in supply arrangements), we may have difficulty establishing additional or replacement sources in a timely manner or at all if the need arises. Certain suppliers may also elect to no longer service medical device companies due to the high amount of requirements and regulation. Although we consider alternative supplier

options, we typically do not pursue regulatory qualifications of alternative sources due to the strength of our existing supplier relationships and the time and expense associated with our internal validation process. A change in suppliers could require significant effort or investment in circumstances where the items supplied are integral to product performance or incorporate unique technology, and the loss of any existing supply contract could have a material adverse effect on us. A reduction in, or lack of availability of, raw materials or interruptions in the supply chain may also impact our profitability to the extent that we are required to pay higher prices for, or are unable to secure adequate supplies of, the necessary raw materials.

***Failure to maintain and predict inventory levels in line with the level of demand for our products could cause us to lose sales or face excess inventory risks and holding costs, either of which could have a material adverse effect on our business, financial condition and results of operations.***

To operate our business successfully and meet our customers' demands and expectations, we must maintain a certain level of inventory for our products to ensure immediate delivery when required. Furthermore, we are required to maintain an appropriate level of inventory of our raw materials for our commercial production. We started to generate revenue in our commercialized products in March 2020. Our inventory turnover days from March 1, 2020 to September 30, 2020 were 172 days. However, we maintain our inventory levels based on our internal forecasts which are inherently uncertain. If our forecast demand is lower than actual demand, we may not be able to maintain an adequate inventory level of our products or produce our products in a timely manner, and may lose sales and market share to our competitors. On the other hand, we may be exposed to increased inventory risks due to accumulated excess inventory of our products or raw materials. Excess inventory levels may increase our inventory holding costs, risk of inventory obsolescence or write-offs.

In addition, we actively monitor our inventory level and track the flow of our products. However, there is no guarantee that the inventory information we collect is complete and accurate or that such information would allow us to effectively manage our inventory level. If we fail to maintain and predict inventory levels in line with the level of demand for our products, our business, financial condition and results of operations will be materially and adversely affected.

**Risks Relating to Extensive Government Regulations**

***All material aspects of the research, development and commercialization of our products are heavily regulated.***

All jurisdictions in which we conduct our research, development and commercialization activities regulate these activities in great depth and detail. We focus our activities in the major market of China and may expand our market overseas. These geopolitical areas all have strict regulation on medical devices, and in doing so they employ broadly similar regulatory strategies, including regulation of product development, approval, manufacturing, sales and

marketing and distribution of medical devices. However, there are differences in the regulatory regimes in different regions, which makes regulatory compliance more complex and costly for companies like us that plan to operate in each of these regions.

The process of obtaining regulatory approvals and compliance with appropriate laws and regulations require substantial time and financial resources. Failure to comply with the applicable requirements at any time during the product development process, approval process, or after approval, may subject an applicant to administrative or judicial sanctions. These sanctions could include a regulator's refusal to approve pending applications, withdrawal of an approval, license revocation, a clinical hold, voluntary or mandatory product recalls, product seizures, total or partial suspension of production or distribution, injunctions, fines, refusals of government contracts, restitution, disgorgement or civil or criminal penalties. The failure to comply with these regulations could have a material adverse effect on our business, financial condition and prospects.

***Changes in regulatory requirements and guidance may also occur, and we may need to amend clinical trial protocols submitted to applicable regulatory authorities to reflect these changes. Amendments may require us to resubmit clinical trial protocols to IRBs or ethics committees for reexamination, which may impact the costs, timing or successful completion of a clinical trial.***

The process to develop, obtain regulatory approval for and commercialize medical device product candidates is long, complex and costly both inside and outside China. Even if our product candidates were to successfully obtain approval from the regulatory authorities, any approval might significantly limit the approved indications for use, or require that precautions, contraindications or warnings be included on the product labeling, or require expensive and time-consuming post-approval clinical trials or surveillance as conditions of approval. Following an approval for commercial sale of our product candidates, certain changes to the product, such as changes in manufacturing processes and additional labeling claims, may be subject to additional review and approval by the NMPA, FDA and/or comparable regulatory authorities. Regulatory approvals for any of our product candidates may also be withdrawn. If we are unable to obtain regulatory approval for our product candidates in one or more jurisdictions, or any approval contains significant limitations, our target market will be reduced and our ability to realize the full market potential of our product candidates will be harmed. Furthermore, we may not be able to obtain sufficient funding or generate sufficient revenue and cash flows to continue the development of any other product candidate in the future.

***Undesirable adverse events caused by our products and product candidates could interrupt, delay or halt clinical trials, delay or prevent regulatory approval, limit the commercial profile of an approved label, or result in significant negative consequences following any regulatory approval.***

Undesirable adverse events caused by our products or product candidates could cause us or regulatory authorities to interrupt, delay or halt clinical trials and could result in a more restrictive label or the delay or denial of regulatory approval by the NMPA, FDA or other comparable regulatory authority, or could result in limitations or withdrawal following

approvals. If results of our trials reveal a high and unacceptable severity or prevalence of adverse events, our trials could be suspended or terminated and the NMPA, FDA or other comparable regulatory authorities could order us to cease further development of, or deny approval of, our product candidates.

Adverse events have been reported in our clinical trials which could affect patient recruitment or the ability of enroled subjects to complete the trial, and could result in potential product liability claims. Any of these occurrences may harm our reputation, business, financial condition and prospects significantly. In this document and from time to time, we disclose clinical results for our product candidates, including the occurrence of adverse events and serious adverse events. Each such document speaks only as of the date of the data cutoff used in such document, and we undertake no duty to update such information unless required by applicable law.

***Our products and any future products will be subject to ongoing regulatory obligations and continued regulatory review, which may result in significant additional expense and we may be subject to penalties if we fail to comply with regulatory requirements or experience unanticipated problems with our products and/or product candidates.***

Our products and any additional product candidates that are approved by the regulators are and will be subject to ongoing regulatory requirements with respect to manufacturing, labeling, packaging, storage, advertising, promotion, sampling, record-keeping, conduct of post-market studies, submission of safety, efficacy, and other post-market information, and other requirements of regulatory authorities in China, the United States and/or other countries.

Manufacturers and manufacturers' facilities are required to comply with extensive regulatory requirements from the NMPA, FDA and/or other comparable authorities. As such, we are and will be subject to continual review and inspections by the regulators in order to assess our compliance with applicable laws and requirements and adherence to commitments we made in any application materials with the NMPA or other authorities. Accordingly, we must continue to devote time, money and effort in all areas of regulatory compliance.

***The regulatory approvals for our products and any approvals that we receive for our product candidates are and may be subject to limitations on the indicated uses for which our product may be marketed. The approvals we obtain may also be subject to other conditions which may require potentially costly post-marketing testing and surveillance to monitor the safety and efficacy of our products or product candidates. Such limitations and conditions could adversely affect the commercial potential of our products.***

The NMPA or comparable regulatory authorities may seek to impose a consent decree or withdraw marketing approval if we fail to maintain compliance with these ongoing regulatory requirements or if problems occur after the product reaches the market. Later discovery of previously unknown problems with our products or product candidates or with our manufacturing processes may result in revisions to the approved labeling or requirements to

add new safety information; imposition of post-market studies or clinical studies to assess new safety risks; or imposition of distribution restrictions or other restrictions. Other potential consequences include, among other things:

- restrictions on the marketing or manufacturing of our products, withdrawal of the product from the market, or voluntary or mandatory product recalls;
- fines, untitled or warning letters, or holds on clinical trials;
- refusal by the NMPA or comparable regulatory authorities to approve pending applications or supplements to approved applications filed by us or suspension or revocation of license approvals or withdrawal of approvals;
- product seizure or detention, or refusal to permit the import or export of our products and product candidates; and/or
- injunctions or the imposition of civil or criminal penalties.

The NMPA and other regulatory authorities strictly regulate the marketing, labeling, advertising and promotion of products placed on the market. Products may be promoted only for their approved indications and for use in accordance with the provisions of the approved label. The NMPA and other regulatory authorities actively enforce the laws and regulations prohibiting the promotion of off-label uses, and a company that is found to have improperly promoted off-label uses may be subject to significant liability. The policies of the NMPA and other regulatory authorities may change and additional government regulations may be enacted that could prevent, limit or delay regulatory approval of our product candidates. We cannot predict the likelihood, nature or extent of governmental policies or regulations that may arise from future legislation or administrative actions in China or abroad, where the regulatory environment is constantly evolving. If we are slow or unable to adapt to changes in existing requirements or the adoption of new requirements or policies, or if we are unable to maintain regulatory compliance, we may lose any regulatory approval that we have obtained and we may not achieve or sustain profitability.

***If our current and new products are not produced in compliance with the quality standards required under applicable laws, our business and reputation could be harmed, and our revenue and profitability could be materially and adversely affected.***

Our production and manufacturing processes are required to meet certain quality standards. We have established internal quality control policies and adopted standardized operating procedures in order to prevent quality issues with respect to our products and operation processes. For further details of our internal quality control policies, see "Business – Quality Control." Despite our quality control policies and procedures, we cannot eliminate

the risk of product defects or failure. Quality defects may fail to be detected or remediated as a result of a number of factors, many of which are outside of our control, including:

- manufacturing errors;
- technical or mechanical malfunctions in the manufacture process;
- human error or malfeasance by our quality control personnel;
- tampering by third parties; and/or
- quality issues with the raw materials we produce or purchase.

In addition, failure to detect quality defects in our products or to prevent such defective products from being delivered to end-users could result in patient injury or death, product recalls or withdrawals, license revocation or regulatory fines, product liabilities or other problems that could seriously harm our reputation and business, expose us to liability, and materially and adversely affect our revenue and profitability.

***Recently enacted and future legislation may increase the difficulty and cost for us to obtain regulatory approval of and commercialize our product candidates and affect the prices we may obtain.***

In China, the United States and some other jurisdictions, a number of legislative and regulatory changes and proposed changes regarding healthcare could prevent or delay regulatory approval of our product candidates, restrict or regulate post-approval activities and affect our ability to profitably sell our products and any product candidates for which we obtain regulatory approval. In recent years, there have been and will likely continue to be efforts to enact administrative or legislative changes to healthcare laws and policies, including measures which may result in more rigorous coverage criteria and downward pressure on the price that we receive for any approved product. Any reduction in reimbursement from government programs may result in a similar reduction in payments from private payors. The implementation of cost containment measures or other healthcare reforms may prevent us from being able to generate revenue, attain profitability, or commercialize our products.

Legislative and regulatory proposals have been made to expand post-approval requirements and restrict sales and promotional activities for medical devices. We cannot be sure whether additional legislative changes will be enacted, or whether NMPA regulations, guidance or interpretations will be changed, or what the impact of such changes on the regulatory approvals of our product candidates, if any, may be. The revised draft amendment to the Regulations on the Supervision and Administration of Medical Devices was (the "**Draft Amendment**") passed but has not yet been officially promulgated, the requirements of clinical trial, sales and regulation would be changed. The impact of these more specific requirements and whether it will adversely affect the registration of our products with NMPA is yet to be observed.

### Risks Relating to Our Intellectual Property Rights

***If we are unable to obtain and maintain patent protection for our products and product candidates 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.***

Our success depends in large part on our ability to protect our proprietary technology, products and product candidates from competition by obtaining, maintaining and enforcing our intellectual property rights, including patent rights. We seek to protect the technology, products and product candidates that we consider commercially important by filing patent applications in the PRC and other countries, relying on trade secrets or medical regulatory protection or employing a combination of these methods. This process is expensive and time-consuming, and we may not be able to file and prosecute all necessary or desirable patent applications at a reasonable cost or in a timely manner. We may also fail to identify patentable aspects of our R&D output before it is too late to obtain patent protection. As a result, we may not be able to prevent competitors from developing and commercializing competitive products in all such fields and territories.

Patents may be invalidated and patent applications may not be granted for a number of reasons, including known or unknown prior deficiencies in the patent application or the lack of novelty of the underlying invention or technology. We may also fail to identify patentable aspects of our R&D output in time to obtain patent protection. Although we enter into non-disclosure and confidentiality agreements or include such provisions in our relevant agreements with parties who have access to confidential or patentable aspects of our R&D output, such as our employees, consultants, advisors and other third parties, any of these parties may breach such agreements and disclose such output before a patent application is filed, jeopardizing our ability to seek patent protection. In addition, publications of discoveries in the scientific literature often lag behind the actual discoveries. Patent applications in China and other jurisdictions are typically not published until 18 months after filing, or in some cases, not at all. Under the Patent Law of the PRC (中華人民共和國專利法) promulgated by the Standing Committee of the NPC, as amended, patent applications are maintained in confidence until their publication at the end of 18 months from the filing date. The publication of discoveries in the scientific or patent literature frequently occurs substantially later than the date on which the underlying discoveries were made and the date on which patent applications were filed. Therefore, we cannot be certain that we were the first to make the inventions claimed in our patents or pending patent applications or that we were the first to file for patent protection of such inventions.

Furthermore, the PRC and, recently, the United States have adopted the "first-to-file" system under which whoever first files a patent application will be awarded the patent if all other patentability requirements are met. Under the first-to-file system, even after reasonable investigation we may be unable to determine with certainty whether any of our products, processes, technologies, inventions, improvement and other related matters have infringed upon the intellectual property rights of others, because such third party may have filed a patent application without our knowledge while we are still developing that product, and the term of

patent protection starts from the date the patent was filed, instead of the date it was issued. Therefore, the validity of issued patents, patentability of pending patent applications and applicability of any of them to our programs may be lower in priority than third-party patents issued on a later date if the application for such patents was filed prior to ours and the technologies underlying such patents are the same or substantially similar to ours. In addition, we may be involved in claims and disputes of intellectual property infringement in other jurisdictions. In addition, under PRC patent law, any organization or individual that applies for a patent in a foreign country for an invention or utility model accomplished in China is required to report to the CNIPA, for confidentiality examination. Otherwise, if an application is later filed in China, the patent right will not be granted.

The coverage claimed in a patent application can be significantly reduced before the patent is issued, and its scope can be reinterpreted after issuance. Even if patent applications we license or own currently or in the future are to be issued as patents, they may not be issued in a form that will provide us with any meaningful protection, prevent competitors or other third parties from competing with us, or otherwise provide us with any competitive advantage. In addition, the patent position of medical device companies generally is highly uncertain, involves complex legal and factual questions, and has been the subject of much litigation in recent years. As a result, the issuance, scope, validity, enforceability and commercial value of our patent rights are highly uncertain.

The issuance of a patent is not conclusive as to its inventorship, scope, validity or enforceability, and our patents may be challenged in the courts or patent offices in the PRC and other countries. We may be subject to a third-party preissuance submission of prior art to the CNIPA or other related intellectual property offices, or become involved in post-grant proceedings such as opposition, derivation, revocation and re-examination, or inter partes review, or interference proceedings or similar proceedings in foreign jurisdictions challenging our patent rights or the patent rights of others. An adverse determination in any such submission, proceeding or litigation could reduce the scope of, or invalidate, our patent rights, allow third parties to commercialize our technology, products or product candidates and compete directly with us without payment to us, or result in our inability to manufacture or commercialize products and product candidates without infringing, misappropriating or otherwise violating third-party patent rights. Moreover, we may have to participate in interference proceedings declared by the CNIPA or other related intellectual property offices to determine priority of invention or in post-grant challenge proceedings, such as oppositions in a foreign patent office, that challenge the priority of our invention or other features of patentability of our patents and patent applications. Such challenges may result in loss of patent rights, loss of exclusivity, or in patent claims being narrowed, invalidated, or held unenforceable, which could limit our ability to stop others from using or commercializing similar or identical technology and products, or limit the duration of the patent protection of our technology, products and product candidates. Such proceedings also may result in substantial costs and require significant time from our scientists, experts and management, even if the eventual outcome is favorable to us. Consequently, we do not know whether any of

our technologies, products or product candidates will be protectable or remain protected by valid and enforceable patents. Our competitors or other third parties may be able to circumvent our patents by developing similar or alternative technologies or products in a non-infringing manner.

Furthermore, although various extensions may be available, the life of a patent and the protection it affords is limited. We may face competition for any approved product candidates even if we successfully obtain patent protection once the patent life has expired for the product. The issued patents and pending patent applications, if issued, for our products and product candidates are expected to expire on various dates as described in "Business – Intellectual Property Rights" of this document. Upon the expiration of our issued patents or patents that may issue from our pending patent applications, we will not be able to assert such patent rights against potential competitors and our business and results of operations may be adversely affected.

Given the amount of time required for the development, testing and regulatory review of new product candidates, patents protecting such product candidates might expire before or shortly after such product candidates are commercialized. As a result, our patents and patent applications may not provide us with sufficient rights to exclude others from commercializing products similar or identical to ours. Moreover, some of our patents and patent applications may in the future be co-owned with third parties. If we are unable to obtain an exclusive license to any such third-party co-owners' interest in such patents or patent applications, such co-owners may be able to license their rights to other third parties, including our competitors, and our competitors could market competing products and technology. In addition, we may need the cooperation of any such co-owners of our patents in order to enforce such patents against third parties, and such cooperation may not be provided to us. Any of the foregoing could have a material adverse effect on our competitive position, business, financial conditions, results of operations and prospects.

***We may not be able to protect our intellectual property rights.***

Filing, prosecuting, maintaining and defending patents on products and product candidates in all countries throughout the world could be prohibitively expensive for us, and our intellectual property rights in some countries can have a different scope and strength from those in some other countries. In addition, the laws of certain countries do not protect intellectual property rights to the same extent as the laws of certain other countries do. Consequently, we may not be able to prevent third parties from practicing our inventions in all countries, or from selling or importing medical products made using our inventions in and into certain jurisdictions. Competitors may use our technologies in jurisdictions where we have not obtained patent protection to develop their own products and further, may export otherwise infringing products to certain jurisdictions where we have patent protection but where enforcement rights are not as strong as those in certain other countries. These products may compete with our products and product candidates and our patent rights or other intellectual property rights may not be effective or adequate to prevent them from competing.

As of the Latest Practicable Date, we owned 28 patents as well as 60 pending patent applications, any of which may be the subject of a governmental or third-party objection, which could prevent the maintenance or issuance of the same. If we are unsuccessful in obtaining trademark protection for our primary brands, we may be required to change our brand names, which could materially adversely affect our business. Moreover, as our products mature, our reliance on our trademarks to differentiate us from our competitors will increase, and as a result, if we are unable to prevent third parties from adopting, registering or using trademarks and trade dress that infringe, dilute or otherwise violate our trademark rights, our business could be materially adversely affected.

Many companies have encountered significant problems in protecting and defending intellectual property rights in certain jurisdictions, including China. The legal systems of some countries do not favor the enforcement of patents, trade secrets and other intellectual property, particularly those relating to products, which could make it difficult in those jurisdictions for us to stop the infringement or misappropriation of our patents or other intellectual property rights, or the marketing of competing products in violation of our proprietary rights.

We may not prevail in any lawsuits that we initiate and the damages or other remedies awarded, if any, may not be commercially meaningful. Accordingly, our efforts to enforce our intellectual property rights around the world may be inadequate to obtain a significant commercial advantage from the intellectual property that we develop.

***We may become involved in lawsuits to protect or enforce our intellectual property, which could be expensive, time consuming and unsuccessful. Our patent rights relating to our products and product candidates could be found invalid or unenforceable if being challenged in court or before the CNIPA or courts or related intellectual property agencies in other jurisdictions.***

Competitors may infringe our patent rights or misappropriate or otherwise violate our intellectual property rights. To counter infringement or unauthorized use, litigation may be necessary in the future to enforce or defend our intellectual property rights, to protect our trade secrets or to determine the validity and scope of our own intellectual property rights or the proprietary rights of others. This can be expensive and time consuming. Any claims that we assert against perceived infringers could also provoke these parties to assert counterclaims against us alleging that we infringe their intellectual property rights. Many of our current and potential competitors have the ability to dedicate substantially greater resources to enforce and/or defend their intellectual property rights than we can. Accordingly, despite our efforts, we may not be able to prevent third parties from infringing upon or misappropriating our intellectual property. An adverse result in any litigation proceeding could put our patents, as well as any patents that may issue in the future from our pending patent applications, at risk of being invalidated, held unenforceable or interpreted narrowly. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, some of our confidential information could be compromised by disclosure during this type of litigation.

Defendant counterclaims alleging invalidity or unenforceability are commonplace, a third party can assert invalidity or unenforceability of a patent on numerous grounds. Third parties may also raise similar claims before administrative bodies in China or abroad, even outside the context of litigation. Such proceedings could result in revocation or amendment to our patents in such a way that they no longer cover and protect our products or product candidates. The outcome following legal assertions of invalidity and unenforceability is unpredictable. With respect to the validity of our patents, for example, we, our patent counsel, and the patent examiner could be unaware of invalidating prior art during prosecution. If a defendant were to prevail on a legal assertion of invalidity and/or unenforceability, we would lose at least part, and perhaps all, of the patent protection on our products or product candidates. Such a loss of patent protection could have a material adverse impact on our business.

***If third parties claim that we infringe upon their intellectual property rights, we may incur liabilities and financial penalties and may have to redesign or discontinue selling the affected product.***

The medical device industry is litigious with respect to patents and other intellectual property rights. Companies operating in our industry routinely seek patent protection for their product designs, and many of our principal competitors have large patent portfolios. Companies in the medical device industry have used intellectual property litigation to gain a competitive advantage. Whether a product infringes a patent involves an analysis of complex legal and factual issues, the determination of which is often uncertain. We face the risk of claims that we have infringed on third parties' intellectual property rights in the countries where we operate, principally China. For example, we are aware of certain patents granted in China to our competitors relating to thrombectomy devices. Some of such patents have very broad claims. A third party may allege that certain features of our thrombectomy products fall within such broad claims and initiate legal proceedings against us. In addition, a number of our employees have previously worked for one or more of our competitors. There can be no assurance that such employees have not used, or will not use in the future, their previous employers' proprietary know-how or trade secrets in their work for us, which could result in litigation against us. Prior to developing major new products, we evaluate existing intellectual property rights. However, our competitors may also have filed for patent protection which is not as yet a matter of public knowledge or claim trademark rights that have not been revealed through our searches of relevant public records. Our efforts to identify and avoid infringing on third parties' intellectual property rights may not always be successful. Any claims of patent or other intellectual property infringement, even those without merit, could:

- be expensive and time consuming to defend;
- result in us being required to pay significant damages to third parties;
- cause us to cease making or selling products that incorporate the challenged intellectual property;
- require us to redesign, reengineer or rebrand our products, if feasible;

- require us to enter into royalty or licensing agreements in order to obtain the right to use a third party's intellectual property, which agreements may not be available on terms acceptable to us or at all;

- divert the attention of our management; or

- result in hospitals and physicians terminating, deferring or limiting their purchase of the affected products until resolution of the litigation.

In addition, new patents obtained by our competitors could threaten a product's continued life in the market even after it has already been introduced.

***Obtaining and maintaining our patent protection depends on compliance with various procedural, document submission, fee payment, and other requirements imposed by governmental patent agencies, and our patent protection could be reduced or eliminated for non-compliance with these requirements.***

Periodic maintenance fees on any issued patent are due to be paid to the CNIPA and other patent agencies in several stages over the lifetime of the patent. The CNIPA and various governmental patent agencies require compliance with a number of procedural, documentary, fee payment, and other similar provisions during the patent application process. Although an inadvertent lapse can in many cases be cured by payment of a late fee or by other means in accordance with the applicable rules, non-compliance can result in abandonment or lapse of the patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. Non-compliance events that could result in abandonment or lapse of a patent or patent application include failure to respond to official actions within prescribed time limits, non-payment of fees, and failure to properly legalize and submit formal documents. In any such event, our competitors might be able to enter the market, which would have a material adverse effect on our business.

***Changes in patent law could diminish the value of patents in general, thereby impairing our ability to protect our product candidates.***

Depending on decisions by the NPC and the CNIPA, the laws and regulations governing patents could change in unpredictable ways that would weaken our ability to obtain new patents or to enforce our existing patents and patents that we might obtain in the future. There could also be changes in the laws of other jurisdictions that may impact the value of our patent rights or our other intellectual property rights. For example, the United States has enacted and is currently implementing wide-ranging patent reform legislation. Recent United States Supreme Court rulings have narrowed the scope of patent protection available in certain circumstances and weakened the rights of patent owners in certain situations. In addition to increasing uncertainty with regard to our ability to obtain patents in the future, this combination of events has created uncertainty with respect to the value of patents once obtained, if any.

***If we are unable to protect the confidentiality of our trade secrets, our business and competitive position would be harmed. We may be subject to claims that our employees have wrongfully used or disclosed alleged trade secrets of their former employers.***

In addition to our issued patent and pending patent applications, we rely on trade secrets, including unpatented know-how, technology and other proprietary information, to maintain our competitive position and to protect our products and product candidates. We seek to protect these trade secrets, in part, by entering into non-disclosure and confidentiality agreements or include such undertakings in the agreement with parties that have access to them, such as our employees, collaborators and other third parties. We also enter into confidentiality agreements with our R&D personnel that includes undertakings regarding assignment of inventions and discoveries. However, any of these parties may breach such agreements and disclose our proprietary information, and we may not be able to obtain adequate remedies for such breaches. Enforcing a claim that a party illegally disclosed or misappropriated a trade secret can be difficult, expensive and time-consuming, and the outcome is unpredictable. If any of our trade secrets were lawfully obtained or independently developed by a competitor, we would have no right to prevent them from using that technology or information to compete with us and our competitive position would be harmed.

Furthermore, a number of our employees, including our senior management, were previously employed at other medical device companies, including our competitors or potential competitors. Some of these employees, including each member of our senior management, may have had executed proprietary rights, non-disclosure and non-competition agreements in connection with such previous employment. Although we have internal policies in place governing the use of proprietary information or know-hows, we may be subject to claims that we or these employees have used or disclosed intellectual property, including trade secrets or other proprietary information, of any such employee's former employer. We are not aware of any material threatened or pending claims related to these matters or concerning the agreements with our senior management, but in the future litigation may be necessary to defend against such claims. If we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel. Even if we are successful in defending against such claims, litigation could result in substantial costs and be a distraction to management.

In addition, while we typically require our employees involved in the development of intellectual property to execute agreements assigning such intellectual property to us, we may be unsuccessful in executing such an agreement with each party who in fact develops intellectual property that we regard as our own, which may result in claims by or against us related to the ownership of such intellectual property. If we fail in prosecuting or defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights. Even if we are successful in prosecuting or defending against such claims, litigation could result in substantial costs and be a distraction to our management and scientific personnel.

## RISKS RELATING TO OUR FINANCIAL POSITION AND NEED FOR ADDITIONAL CAPITAL

***We will need to obtain additional financing to fund our operations and we had net cash outflows from our operating activities during the Track Record Period. If we are unable to obtain that financing, we may be unable to complete the development and commercialization of our product candidates.***

Our product candidates will require completion of clinical development, regulatory review, significant marketing efforts and substantial investment before they can provide us with product sales revenue. Our operations have consumed substantial amounts of cash since inception. Our operating activities used net cash of RMB32.3 million and RMB38.9 million for the year ended December 31, 2019 and the nine months ended September 30, 2020, respectively. We cannot assure you that we will be able to generate positive cash flows from operating activities in the future. Our liquidity and financial condition may be materially and adversely affected by negative net cash flows, and we cannot assure you that we will have sufficient cash from other sources to fund our operations. If we resort to other financing activities to generate additional cash, we will incur financing costs and we cannot guarantee that we will be able to obtain the financing on terms acceptable to us, or at all, and if we raise finance by issuing further equity securities, your interest in our Company may be diluted. If we continue to have negative operating cash flows in the future, our liquidity and financial condition may be materially and adversely affected.

We expect to continue to spend substantial amounts on R&D, advancing the clinical development of our product candidates, commercializing our products and launching and commercializing any product candidates for which we receive regulatory approval, including building our own commercial organization to address China and other markets. Our existing cash and cash equivalents may not be sufficient to enable us to complete all development or commercially launch all of our current product candidates for the anticipated indications and to invest in additional programs. Accordingly, we will require further funding through public or private offerings, debt financing, collaboration and licensing arrangements or other sources. We cannot assure you that our financial resources will be adequate to support our operations. Our future funding requirements will depend on many factors, including:

- the progress, timing, scope and costs of our clinical trials, including the ability to timely enroll patients in our planned and potential future clinical trials;
- the outcome, timing and cost of regulatory approvals of our product candidates;
- the number and characteristics of product candidates that we may develop;
- the cost of filing, prosecuting, defending and enforcing any patent claims and other intellectual property rights;

- selling and marketing costs associated with our products and any existing or future product candidates that may be approved, including the cost and timing of expanding our marketing and sales capabilities;

- the terms and timing of any potential future collaborations, licensing or other arrangements that we may establish;

- cash requirements of any future acquisitions and/or the development of other product candidates;

- the cost and timing of development and completion of commercial-scale internal or outsourced, if any, manufacturing activities; and/or

- our headcount growth and associated costs.

Adequate additional funding may not be available to us on acceptable terms, or at all. If we are unable to raise capital when needed or on attractive terms, we would be forced to delay, reduce or eliminate our R&D programs or future commercialization efforts.

***We have historically received government grants and subsidies for our R&D activities and we may not receive such grants or subsidies in the future.***

We have historically received government grants for compensation of expenditure arising from research and clinical trials activities, awards for the development of new medical devices and capital expenditure incurred on certain projects. For the years ended December 31, 2019 and the nine months ended September 30, 2020, we received government grants of RMB9.3 million and RMB2.7 million, respectively, of which RMB2.8 million and RMB3.1 million, was recognized in our profit or loss as other income, respectively. For further details of our government grants, please refer to the paragraphs headed "Financial Information – Discussion of Certain Selected Items from the Consolidated Statements of Financial Position – Government Grants" in this document. Our eligibility for government grants is dependent on a variety of factors, including the assessment of our improvement on existing technologies, relevant government policies, the availability of funding at different granting authorities and the R&D progress made by other peer companies.

In addition, the policies according to which we historically received government grants may be halted by the relevant government entities at their sole discretion. There is no assurance that we will continue to receive such government grants or receive similar level of government grants, or at all, in the future.

***Raising additional capital may cause dilution to our Shareholders, restrict our operations or require us to relinquish rights to our technologies or product candidates.***

We may seek additional funding through a combination of equity offerings, debt financings, collaborations and licensing arrangements. To the extent that we raise additional capital through the sale of equity or convertible debt securities, your ownership interest will be diluted, and the terms may include liquidation or other preferences that adversely affect your rights as a holder of our Shares. The incurrence of additional indebtedness or the issuance of certain equity securities could result in increased fixed payment obligations and could also result in certain additional restrictive covenants, such as limitations on our ability to incur additional debt or issue additional equity, limitations on our ability to acquire or license intellectual property rights and other operating restrictions that could adversely impact our ability to conduct our business. In addition, issuance of additional equity securities, or the possibility of such issuance, may cause the market price of our Shares to decline. In the event that we enter into collaborations or licensing arrangements in order to raise capital, we may be required to accept unfavorable terms, including relinquishing or licensing to a third party on unfavorable terms our rights to technologies or product candidates that we otherwise would seek to develop or commercialize ourselves or potentially reserve for future potential arrangements when we might be able to achieve more favorable terms.

***Share-based payments may cause shareholding dilution to our existing Shareholders and have a material and adverse effect on our financial performance.***

We adopted the share award scheme for the benefit of our directors and employees to incentivize and reward the eligible persons who have contributed to the success of our Company. In 2019 and the nine months ended September 30, 2020, we incurred equity-settled share award expenses for our employees of RMB45.1 million and RMB29.2 million, respectively. To further incentivize our employees and consultants to contribute to us, we may grant additional share-based compensation in the future. Issuance of additional Shares with respect to such share-based payment may dilute the shareholding percentage of our existing Shareholders. Expenses incurred with respect to such share-based payment may also increase our operating expenses and therefore have a material and adverse effect on our financial performance.

## RISKS RELATING TO OUR OPERATIONS

***We have a limited operating history, which may make it difficult to evaluate our current business and predict our future performance.***

We were formed in June 2016. Our operations to date have focused on business planning, raising capital, establishing our intellectual property portfolio, conducting preclinical studies and clinical trials of our product candidates and the commercialization of our products. Other than our commercialized products, which were successively launched in 2020, we have not yet manufactured commercial scale products. We have only generated revenues from the sales of our commercialized products during the Track Record Period. Our limited operating history,

particularly in light of the rapidly evolving stroke treatment and prevention field, may make it difficult to evaluate our current business and reliably predict our future performance. We may encounter unforeseen expenses, difficulties, complications, delays and other known and unknown factors. If we do not address these risks and difficulties successfully, our business will suffer.

***Our operations and business plans may be adversely affected by the COVID-19 pandemic.***

Since early 2020, a growing number of countries and regions around the world have encountered an outbreak of COVID-19 or Novel Coronavirus Pneumonia, a highly contagious disease known to cause respiratory illness. On March 11, 2020, the World Health Organization announced the COVID-19 outbreak a pandemic. The spread of COVID-19 continues to affect Mainland China, where we conduct our business and engage in substantial pre-clinical studies and clinical trials. It is difficult to predict the impact that COVID-19 will have on our business or our industry. Our business, including our existing and future clinical and pre-clinical trials, as well as our ability to continue to manage it effectively, could be impacted by the current pandemic or future continuance or reoccurrence of COVID-19 in numerous ways, including but not limited to: (i) delay in subjects enrollment for our clinical trials; (ii) delay or interruption of the supply of the resources for our clinical trials due to the travel restrictions or other disease containment measures of affected cities; (iii) requirements for us to quarantine certain of our employees or facilities or take extra security precautions for our operations, which may result in higher costs; (iv) lowered demand by hospitals for our products, as many patients rescheduled their visits to hospitals to avoid cross-infections; (v) diversion of medical resources required for our clinical trials for the treatment of patients with COVID-19; (vi) temporary closure or flexible working hours of competent regulatory authorities, such as drug administration and registration authorities, which may delay regulatory submissions and required approvals of our product candidates, and could cause us to incur additional costs and affect our ability to carry out our operations as planned.

The full effects of the current COVID-19 pandemic or future outbreaks on our business or our industry will depend on a number of factors outside our control, including the extent to which the current pandemic continues to spread, particularly in China, and the level of the medical resources needed to treat COVID-19 patients in China and other countries, as well as the impact of COVID-19 on our employees, subject participating in our clinical trials, the personnel necessary to continue our clinical trials and our CROs, and such effects could be material.

***Our future success depends on our ability to retain key personnel in our R&D team, sales and marketing team and executives and to attract, retain and motivate qualified personnel.***

Our business and growth depend on the continued service of our senior management and personnel in our R&D team to develop product candidates and our sales and marketing team to promote our products. Although we have formal employment agreements with each of our employees, these agreements do not prevent them from terminating their employment with us

at any time. We do not maintain key person insurance for any of our executives or other employees. The loss of the services of any of these persons could impede the achievement of our research, development and commercialization objectives.

The loss of the services of our executive officers or other key employees could impede the achievement of our research, development and commercialization objectives and seriously harm our ability to successfully implement our business strategy.

Furthermore, replacing executive officers or key employees may be difficult and may take an extended period of time because of the limited number of individuals in our industry with the breadth of skills and experience required to successfully develop, gain regulatory approval of and commercialize products. Competition to hire from this limited pool is intense, and we may be unable to hire, train, retain or motivate these key personnel on acceptable terms given the competition among numerous medical device companies for similar personnel.

We also experience competition for the hiring of R&D and clinical personnel from universities and research institutions. If we are unable to continue to attract and retain high quality personnel, our ability to pursue our growth strategy will be limited.

***If we engage in acquisitions or strategic partnerships, this may increase our capital requirements, dilute our Shareholders, cause us to incur debt or assume contingent liabilities, and subject us to other risks.***

From time to time, we may evaluate various acquisitions and strategic partnerships, including licensing or acquiring complementary products, intellectual property rights, technologies or businesses. Any completed, in-process or potential acquisition or strategic partnership may entail numerous risks, including:

- increased operating expenses and cash requirements;
- the assumption of additional indebtedness or contingent or unforeseen liabilities;
- the issuance of our equity securities;
- assimilation of operations, intellectual property and products of an acquired company, including difficulties associated with integrating new personnel;
- the diversion of our management's attention from our existing product programs and initiatives in pursuing such a strategic merger or acquisition;
- retention of key employees, the loss of key personnel, and uncertainties in our ability to maintain key business relationships;

- risks and uncertainties associated with the other party to such a transaction, including the prospects of that party and their existing products and product candidates and regulatory approvals; and/or

- our inability to generate revenue from acquired technology and/or products sufficient to meet our objectives in undertaking the acquisition or even to offset the associated acquisition and maintenance costs.

In addition, if we undertake acquisitions, we may issue dilutive securities, assume or incur debt obligations, incur large one-time expenses and acquire intangible assets that could result in significant future amortization expense.

***Product liability claims or lawsuits could cause us to incur substantial liabilities.***

We face an inherent risk of product liability as a result of the commercialization of our products in China and the clinical testing and any future commercialization of our product candidates. For example, we may be sued if our products or product candidates cause or are perceived to cause injury or are found to be otherwise unsuitable during clinical testing, manufacturing, marketing or sale. Any such product liability claims may include allegations of defects in manufacturing, defects in design, a failure to warn of dangers inherent in the medical device product, negligence, strict liability or a breach of warranties. Claims could also be asserted under applicable consumer protection acts. If we cannot successfully defend ourselves against or obtain indemnification from our collaborators for product liability claims, we may incur substantial liabilities or be required to limit commercialization of our products and product candidates. Even successful defense would require significant financial and management resources. Regardless of the merits or eventual outcome, liability claims may result in:

- decreased demand for our products;

- injury to our reputation;

- withdrawal of clinical trial participants and inability to continue clinical trials;

- initiation of investigations by regulators;

- costs to defend the related litigation;

- a diversion of management's time and our resources;

- substantial monetary awards to trial participants or patients, product recalls, withdrawals or labeling, marketing or promotional restrictions;

- loss of revenue;

- exhaustion of any available insurance and our capital resources;
- the inability to commercialize any product candidate; and/or
- a decline in our Share price.

If we are unable to obtain sufficient product liability insurance at an acceptable cost, potential product liability claims could prevent or inhibit the commercialization of our products and product candidates. We currently do not hold any product liability insurance coverage, and we may be unable to acquire such insurance at a reasonable cost or in an amount adequate to satisfy any liability that may arise, or we may not be able to obtain additional or replacement insurance at a reasonable cost, if at all. Our insurance policies may also have various exclusions, and we may be subject to a product liability claim for which we have no coverage. We may have to pay any amounts awarded by a court or negotiated in a settlement that exceed our coverage limitations or that are not covered by our insurance, and we may not have, or be able to obtain, sufficient capital to pay such amounts. Even if our agreements with any future collaborators entitle us to indemnification against losses, such indemnification may not be available or adequate should any claim arise.

***If we become subject to litigation, legal or contractual disputes, governmental investigations or administrative proceedings, our management's attention may be diverted and we may incur substantial costs and liabilities.***

We may from time to time become subject to various litigation, legal or contractual disputes, investigations or administrative proceedings arising in the ordinary course of our business, including but not limited to various disputes with or claims from our suppliers, customers, contractors, business partners and other third parties that we engage for our business operations. On-going or threatened litigation, legal or contractual disputes, investigations or administrative proceedings may divert our management's attention and consume their time and our other resources. In addition, any similar claims, disputes or legal proceedings involving us or our employees may result in damages or liabilities, as well as legal and other costs and may cause a distraction to our management. Furthermore, any litigation, legal or contractual disputes, investigations or administrative proceedings which are initially not of material importance may escalate and become important to us, due to a variety of factors, such as the facts and circumstances of the cases, the likelihood of loss, the monetary amount at stake and the parties involved. If any verdict or award is rendered against us or if we settle with any third parties, we could be required to pay significant monetary damages, assume other liabilities and even to suspend or terminate the related business projects. In addition, negative publicity arising from litigation, legal or contractual disputes, investigations or administrative proceedings may damage our reputation and adversely affect the image of our brands and products. Consequently, our business, financial condition and results of operations may be materially and adversely affected.

***We may be subject, directly or indirectly, to applicable anti-kickback, false claims laws, physician payment transparency laws, fraud and abuse laws or similar healthcare and security laws and regulations in China and other jurisdictions, which could expose us to criminal sanctions, civil penalties, contractual damages, reputational harm and diminished profits and future earnings.***

Healthcare providers, physicians and others play a primary role in the recommendation and prescription of any products for which we obtain regulatory approval. Our operations are subject to various applicable anti-kickback, false claims laws, physician payment transparency laws, fraud and abuse laws or similar healthcare and security laws and regulations in China, including, without limitation, criminal law of the PRC, Regulations on the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》) and the Administrative Measures for the Registration of Medical Devices (《醫療器械註冊管理辦法》). These laws may impact, among other things, our proposed sales, marketing and education programs. In addition, we may be subject to patient privacy regulation. Violations of fraud and abuse laws may be punishable by criminal and/or civil sanctions, including penalties, fines and/or exclusion or suspension from governmental healthcare programs and debarment from contracting with the PRC government.

Neither the PRC government nor the PRC courts have provided definitive guidance on the applicability of fraud and abuse laws to our business. Law enforcement authorities are increasingly focused on enforcing these laws, and some of our practices may be challenged under these laws. Efforts to ensure that our business arrangements with third parties comply with applicable healthcare laws and regulations will involve substantial costs. Governmental authorities could conclude that our business practices may not comply with current or future statutes, regulations or case law involving applicable fraud and abuse or other healthcare laws and regulations. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could have a significant impact on our business, including the imposition of civil, criminal and administrative penalties, damages, disgorgement, monetary fines, possible exclusion from participation in governmental healthcare programs, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of our operations, any of which could adversely affect our ability to operate our business and our results of operations. In addition, we are subject to equivalents of each of the healthcare laws described above in other jurisdictions, among others, some of which may be broader in scope and may apply to healthcare services reimbursed by any source, not just governmental payors, including private insurers. There are ambiguities as to what is required to comply with these requirements, and if we fail to comply with an applicable law requirement, we could be subject to penalties.

If any of the physicians or other providers or entities with whom we do business are found to be not in compliance with applicable laws, they may be subject to criminal, civil or administrative sanctions, including exclusions from government funded healthcare programs, which may also adversely affect our business.

***If we fail to comply with applicable anti-bribery laws, our reputation may be harmed and we could be subject to penalties and significant expenses that have a material adverse effect on our business, financial condition and results of operations.***

We are subject to the anti-bribery laws of various jurisdictions, particularly in China. As our business expands, the applicability of the applicable anti-bribery laws to our operations has increased. Our procedures and controls to monitor compliance with anti-bribery law may fail to protect us from reckless or criminal acts committed by our employees or agents. If we fail to comply with the applicable anti-bribery laws due to either our own deliberate or inadvertent acts or those of others, our reputation could be harmed and we could incur criminal or civil penalties, other sanctions and/or significant expenses, which could have a material adverse effect on our business, including our financial condition, results of operations, cash flows and prospects.

***If we fail to comply with environmental, health and safety laws and regulations, we could become subject to fines or penalties or incur costs that could have a material adverse effect on the success of our business.***

We are subject to numerous environmental, health and safety laws and regulations, including those governing laboratory procedures and the handling, use, storage, treatment and disposal of hazardous materials and wastes. Our operations involve the use of hazardous and flammable materials, including chemicals. Our operations also produce hazardous waste. We generally contract with third parties for the disposal of these materials and wastes. We cannot eliminate the risk of contamination or injury from these materials. In the event of contamination or injury resulting from our use of hazardous materials, we could be held liable for any resulting damages, and any liability could exceed our resources. We could also incur significant costs associated with civil or criminal fines and penalties.

Although we maintain employment injury insurance to cover us for costs and expenses we may incur due to injuries to our employees resulting from the use of or exposure to hazardous materials, this insurance may not provide adequate coverage against potential liabilities. We do not maintain insurance for environmental liability or toxic tort claims that may be asserted against us in connection with our storage, use or disposal of biological or hazardous materials.

In addition, we may be required to incur substantial costs to comply with current or future environmental, health and safety laws and regulations. These current or future laws and regulations may impair our research, development or production efforts. Failure to comply with these laws and regulations also may result in substantial fines, penalties or other sanctions.

***Our internal computer systems may fail or suffer security breaches.***

Despite the implementation of security measures, our internal computer systems are vulnerable to damage from computer viruses and unauthorized access. Although to our knowledge we have not experienced any material system failure or security breach to date, if such an event were to occur and cause interruptions in our operations, it could result in a material disruption of our development programs and our business operations.

In the ordinary course of our business, we collect and store sensitive data, including, among other things, legally protected patient health information, personally identifiable information about our employees, intellectual property, and proprietary business information. We manage and maintain our applications and data utilizing on-site systems and outsourced vendors. These applications and data encompass a wide variety of business critical information including R&D information, commercial information and business and financial information. Because information systems, networks and other technologies are critical to many of our operating activities, shutdowns or service disruptions at our Company or vendors that provide information systems, networks, or other services to us pose increasing risks. Such disruptions may be caused by events such as computer hacking, phishing attacks, ransomware, dissemination of computer viruses, worms and other destructive or disruptive software, denial of service attacks and other malicious activity, as well as power outages, natural disasters (including extreme weather), terrorist attacks or other similar events. Such events could have an adverse impact on us and our business, including loss of data and damage to equipment and data. In addition, system redundancy may be ineffective or inadequate, and our disaster recovery planning may not be sufficient to cover all eventualities. Significant events could result in a disruption of our operations, damage to our reputation or a loss of revenues. In addition, we may not have adequate insurance coverage to compensate for any losses associated with such events.

We could be subject to risks caused by misappropriation, misuse, leakage, falsification or intentional or accidental release or loss of information maintained in the information systems and networks of our Company and our vendors, including personal information of our employees and patients, and company and vendor confidential data. In addition, outside parties may attempt to penetrate our systems or those of our vendors or fraudulently induce our personnel or the personnel of our vendors to disclose sensitive information in order to gain access to our data and/or systems. Like other companies, we have on occasion experienced, and will continue to experience, threats to our data and systems, including malicious codes and viruses, phishing, and other cyber-attacks. The number and complexity of these threats continue to increase over time. If a material breach of our information technology systems or those of our vendors occurs, the market perception of the effectiveness of our security measures could be harmed and our reputation and credibility could be damaged. We could be required to expend significant amounts of money and other resources to repair or replace information systems or networks. In addition, we could be subject to regulatory actions and/or claims made by individuals and groups in private litigation involving privacy issues related to data collection and use practices and other data privacy laws and regulations, including claims for misuse or inappropriate disclosure of data, as well as unfair or deceptive practices.

Although we develop and maintain systems and controls designed to prevent these events from occurring, and we have a process to identify and mitigate threats, the development and maintenance of these systems, controls and processes is costly and requires ongoing monitoring and updating as technologies change and efforts to overcome security measures become increasingly sophisticated. Moreover, despite our efforts, the possibility of these events occurring cannot be eliminated entirely.

***If we or parties on whom we rely fail to maintain the necessary licenses for the development, production, sales and distribution of our products, our ability to conduct our business could be materially impaired.***

We are required to obtain, maintain and renew various permits, licenses and certificates to develop, produce, promote and sell our products. Third parties, such as research institutions, distributors and suppliers on whom we may rely to develop, produce, promote, sell and distribute our products, may be subject to similar requirements. We and third parties on whom we rely may be also subject to regular inspections, examinations, inquiries or audits by regulatory authorities, and an adverse outcome of such inspections, examinations, inquiries or audits may result in the loss or non-renewal of the relevant permits, licenses and certificates. Moreover, the criteria used in reviewing applications for, or renewals of permits, licenses and certificates may change from time to time, and there can be no assurance that we or the third parties on whom we rely will be able to meet new criteria that may be imposed to obtain or renew the necessary permits, licenses and certificates. Many of such permits, licenses and certificates are material to the operation of our business, and if we or parties on whom we rely fail to maintain or renew material permits, licenses and certificates, our ability to conduct our business could be materially impaired. Furthermore, if the interpretation or implementation of existing laws and regulations change, or new regulations come into effect, requiring us or parties on whom we rely to obtain any additional permits, licenses or certificates that were previously not required to operate our business, there can be no assurance that we or parties on whom we rely will successfully obtain such permits, licenses or certificates.

***Business disruptions could seriously harm our future revenue and financial condition and increase our costs and expenses.***

Our operations, and those of our distributors, suppliers and other business partners, could be subject to natural or man-made disasters, health epidemic, or business interruptions, for which we are predominantly self-insured. The occurrence of any of these business disruptions could seriously harm our and our partners' operations and financial condition and increase our and their costs and expenses. Our ability to obtain supplies of our products and product candidates could be disrupted if the operations of these suppliers are affected by a man-made or natural disaster, health epidemic, or other business interruption. Damage or extended periods of interruption to our corporate, development, research or manufacturing facilities due to fire, natural disaster, health epidemic, power loss, communications failure, unauthorized entry or other events could cause us to cease or delay development or commercialization of some or all of our product candidates.

For example, the recent outbreak of COVID-19 could significantly affect our industry and cause temporary suspension of projects and shortage of labor and raw materials, which would severely disrupt our operations and have a material adverse effect on our business, financial condition and results of operations. Our operations could also be disrupted if any of our employees or employees of our distributors, suppliers and other business partners were suspected of contracting or contracted COVID-19, since this could require us and our distributors, suppliers and other business partners to quarantine some or all of these employees and disinfect facilities used for operations.

Although we maintain insurance policies that cover losses arising from accidents and natural disasters in respect of our machinery, equipment and other fixed assets in our research and manufacturing facilities, our insurance might not cover all losses under such circumstances and our business may be seriously harmed by such delays and interruption.

***Our insurance coverage may not completely cover the risks related to our business and operations.***

Our operations are subject to hazards and risks associated with our research and manufacturing operations, which may cause significant harm to persons or damage to properties. We maintain different types of insurance policies, including social insurance for all of our employees, property insurance and insurance for clinical trials. For details, see "Business – Insurance." However, there is no assurance that our insurance policies will be adequate to cover all losses incurred. Losses incurred and associated liabilities may have a material adverse effect on our results of operation if such losses or liabilities are not covered by our insurance policies.

***Negative publicity and allegations involving us, our Shareholders, Directors, officers, employees and business partners may affect our reputation and, as a result, our business, financial condition and results of operations may be negatively affected.***

We, our Shareholders, Directors, officers, employees and business partners may be subject to negative media coverage and publicity from time to time. Such negative coverage in the media and publicity could threaten the perception of our reputation. In addition, to the extent our employees and business partners were incompliant with any laws or regulations, we may also suffer negative publicity or harm to our reputation. As a result, we may be required to spend significant time and incur substantial costs in response to allegations and negative publicity, and may not be able to diffuse them to the satisfaction of our investors and customers.

## RISKS RELATED TO DOING BUSINESS IN CHINA

***The medical device industry in China is highly regulated and such regulations are subject to change which may affect approval and commercialization of our product candidates.***

We conduct operations in China. The medical device industry in China is subject to comprehensive government regulation and supervision, encompassing the approval, registration, manufacturing, packaging, licensing and marketing of new devices. In recent years, the regulatory framework in China regarding the medical device industry has undergone significant changes, and we expect that it will continue to undergo significant changes. Any such changes or amendments may result in increased compliance costs on our business or cause delays in or prevent the successful development or commercialization of our product candidates in China and reduce the benefits we believe are available to us from developing and manufacturing neuro-interventional medical devices in China.

***The political relationships between China and other countries may affect our business operations.***

During the Track Record Period, we purchased raw materials for our products from certain overseas suppliers in the United States. We may also engage in cross-border sales of our products between the United States and China in the future. Our business is therefore subject to constantly changing international economic, regulatory, social and political conditions, and local conditions in those foreign countries and regions. Tensions and political concerns between China and the relevant foreign countries or regions may adversely affect our business, financial condition, results of operations, cash flows and prospects.

China's political relationships with those foreign countries and regions may affect the prospects of our relationship with third parties. There can be no assurance that our existing or potential service providers or collaboration partners will not alter their perception of us or their preferences as a result of adverse changes to the state of political relationships between China and the relevant foreign countries or regions.

Furthermore, we rely on certain overseas suppliers to obtain raw materials for our products. In the event that China and/or the United States impose import tariffs, trade restrictions or other trade barriers affecting the importation of such components or raw materials, we may not be able to obtain a steady supply of necessary components or raw materials at competitive prices, and our business and operations may be materially and adversely affected.

Our products may be subject to punitive tariffs or other trade barriers, if we engage in cross-border sales between the United States and China. Although as of the Latest Practicable Date, none of our products or product candidates was subject to any punitive tariff due to the

trade tension between the United States and China, the governments may impose such tariff or even restrict the sales of our products in the future. Any increase in the tariff or trade restrictions will increase our costs and may adversely affect our sales of products in the global market.

***Changes in the political and economic policies of the PRC government may materially and adversely affect our business, financial condition and results of operations and may result in our inability to sustain our growth and expansion strategies.***

Due to our extensive operations in China, our business, results of operations, financial condition and prospects may be influenced to a significant degree by economic, political, legal and social conditions in China. China's economy differs from the economies of developed countries in many respects, including with respect to the amount of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources.

While the PRC economy has experienced significant growth over the past 30 years, growth has been uneven across different regions and among various economic sectors of China. The PRC government has implemented various measures to encourage economic development and guide the allocation of resources. Some of these measures may benefit the overall PRC economy, but may have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations that are currently applicable to us. In addition, in the past the PRC government implemented certain measures, including interest rate increases, to control the pace of economic growth. These measures may cause decreased economic activity in China, which may adversely affect our business and results of operation. More generally, if the business environment in China deteriorates from the perspective of domestic or international investment, our business in China may also be adversely affected.

***There are uncertainties regarding the interpretation and enforcement of PRC laws, rules and regulations.***

All of our operations are conducted in China, and are governed by PRC laws, rules and regulations. The PRC legal system is a civil law system based on written statutes. Unlike the common law system, prior court decisions may be cited for reference but have limited precedential value.

In 1979, the PRC government began to promulgate a comprehensive system of laws, rules and regulations governing economic matters in general. The overall effect of legislation over the past three decades has significantly enhanced the protections afforded to various forms of foreign investment in China. However, China has not developed a fully integrated legal system, and recently enacted laws, rules and regulations may not sufficiently cover all aspects of economic activities in China or may be subject to significant degrees of interpretation by PRC regulatory agencies. In particular, because these laws, rules and regulations are relatively new and often give the relevant regulator significant discretion in how to enforce them, and because of the limited number of published decisions and the non-binding nature of such decisions, the

interpretation and enforcement of these laws, rules and regulations involve uncertainties and can be inconsistent and unpredictable. In addition, the PRC legal system is based in part on government policies and internal rules, some of which are not published on a timely basis or at all, and which may have a retroactive effect. As a result, we may not be aware of our violation of these policies and rules until after the occurrence of the violation.

Additionally, the reform of the medical device approval system in 2017 may face implementation challenges. The timing and full impact of such reforms is uncertain and could prevent us from commercializing our product candidates in a timely manner. In addition, any administrative and court proceedings in China may be protracted, resulting in substantial costs and diversion of resources and management attention. Since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy than in more developed legal systems. These uncertainties may impede our ability to enforce the contracts we have entered into and could materially and adversely affect our business, financial condition and results of operations.

***You may experience difficulties in effecting service of legal process and enforcing judgments against us and our management.***

We are incorporated under the laws of the PRC, and all of our assets are located in the PRC. In addition, a majority of our Directors, Supervisors and senior management personnel reside within the PRC, and substantially all of their assets are located within the PRC. As a result, it may not be possible to effect service of process within the United States or elsewhere outside the PRC upon our Directors, Supervisors and senior management personnel, including with respect to matters arising under the United States federal securities laws or applicable state securities laws.

On July 14, 2006, the Supreme People's Court of the PRC and the government of Hong Kong Special Administrative Region entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned* (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) (the "**Arrangement**"). Under the Arrangement, where any designated PRC court or any designated Hong Kong court has made an enforceable final judgment requiring payment of money in a civil or commercial case under a choice of court agreement in writing, any party concerned may apply to the relevant PRC court or Hong Kong court for recognition and enforcement of the judgment. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a PRC court is expressly selected as the court having sole jurisdiction for the dispute. Therefore, it is not possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in dispute have not agreed to enter into a choice of court agreement in writing. Although the Arrangement became effective on August 1, 2008, the outcome and effectiveness of any action brought under the Arrangement

remain uncertain. In addition, the PRC has not entered into a treaty for the reciprocal recognition and enforcement of court judgments with the United States, the United Kingdom, Japan and most other western countries, and Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. As a result, recognition and enforcement in the PRC or Hong Kong of judgment of a court in the United States or any other jurisdictions mentioned above in relation to any matter that is not subject to a binding arbitration provision may be difficult or impossible.

***We are a PRC enterprise and we are subject to PRC tax on our global income, and the dividends payable to investors and gains on the sale of our Shares by our investors are subject to PRC tax.***

As a PRC-incorporated company, under applicable PRC tax laws, we are subject to a tax of 25% on our global income. Under applicable PRC tax laws, regulations and statutory documents, non-PRC resident individuals and enterprises are subject to different tax obligations with respect to dividends received from us or gains realized upon the sale or other disposition of our Shares.

Non-PRC individuals are generally subject to PRC individual income tax under the Individual Income Tax Law of the PRC (中華人民共和國個人所得税法) with respect to PRC source income or gains at a rate of 20% unless specifically exempted by the tax authority of the State Council or reduced or eliminated by an applicable tax treaty. We are required to withhold related tax from dividend payments. Pursuant to applicable regulations, domestic non-foreign-invested enterprises issuing shares in Hong Kong may generally, when distributing dividends, withhold individual income tax at the rate of 10%. However, withholding tax on distributions paid by us to non-PRC individuals may be imposed at other rates pursuant to applicable tax treaties (and up to 20% if no tax treaty is applicable) if the identity of the individual holder of H shares and the tax rate applicable thereto are known to us. There is uncertainty as to whether gains realized upon disposition of H shares by non-PRC individuals are subject to PRC individual income tax.

Non-PRC resident enterprises that do not have establishments or premises in the PRC, or that have establishments or premises in the PRC but their income is not related to such establishments or premises are subject to PRC EIT at the rate of 10% on dividends received from PRC companies and gains realized upon disposition of equity interests in the PRC companies pursuant to the EIT Law and other applicable PRC tax regulations and statutory documents, which may be reduced or eliminated under special arrangements or applicable treaties between the PRC and the jurisdiction where the nonresident enterprise resides. Pursuant to applicable regulations, we intend to withhold tax at a rate of 10% from dividends paid to non-PRC resident enterprise holders of our Shares (including [**REDACTED**]). Non-PRC resident enterprises that are entitled to be taxed at a reduced rate under an applicable income tax treaty will be required to apply to the PRC tax authorities for a refund of any amount withheld in excess of the applicable treaty rate, and payment of such refund will be

subject to the PRC tax authorities' verification. As of the Latest Practicable Date, there were no specific rules on how to levy tax on gains realized by nonresident enterprise holders of H shares through the sale or transfer by other means of H shares.

***Payment of dividends is subject to restrictions under PRC law and regulations.***

Under PRC law and regulations, we may only pay dividends out of distributable profits. Distributable profits are our after-tax profits, less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. As a result, we may not have sufficient or any distributable profit to enable us to make dividend distributions to our Shareholders, including in periods for which our financial statements indicate we are profitable. Any distributable profit not distributed in a given year is retained and available for distribution in subsequent years.

Moreover, our operating subsidiaries in the PRC may not have distributable profit as determined under PRC GAAP. Accordingly, we may not receive sufficient distributions from our subsidiaries for us to pay dividends. Failure by our operating subsidiaries and joint ventures to pay us dividends could adversely impact our ability to make dividend distributions to our Shareholders and our cash flow, including periods in which we are profitable.

***Restrictions on currency exchange may limit our ability to utilize our revenue effectively.***

The PRC government imposes controls on the convertibility of RMB into foreign currencies and, in certain cases, the remittance of currency out of China. We cannot assure you that we will have sufficient foreign exchange to meet our foreign exchange requirements. The RMB is currently convertible under the "current account," which includes dividends, trade and service-related foreign exchange transactions, but not under the "capital account," which includes foreign direct investment and loans, including loans we may secure from our onshore subsidiaries. Currently, we may purchase foreign currency for settlement of "current account transactions," including payment of dividends to us, without the approval of SAFE by complying with certain procedural requirements. However, the relevant PRC governmental authorities may limit or eliminate our ability to purchase foreign currencies in the future for current account transactions. Any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to Shareholders or to satisfy other foreign exchange requirements. Foreign exchange transactions under the capital account remain subject to limitations and require approvals from, or registration with, SAFE and other relevant PRC governmental authorities. This could affect our ability to obtain foreign currency through debt or equity financing.

***Governmental control of currency conversion, and restrictions on the remittance of Renminbi into and out of China, may adversely affect the value of your investment.***

The Renminbi is not currently a freely convertible currency, as the PRC Government imposes controls on the convertibility of Renminbi into foreign currencies and in certain cases, the remittance of currency out of China. A substantial majority of our future revenue is

expected to be denominated in Renminbi and we will need to convert Renminbi into foreign currencies for the payment of dividends, if any, to holders of our H Shares. Shortages in the availability of foreign currency may restrict our ability to remit sufficient foreign currency to pay dividends or other payments, or otherwise satisfy our foreign currency denominated obligations.

Under China's current foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from SAFE, but we are required to present relevant documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within China that have the licenses to carry out foreign exchange business. Approval from appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC Government may also at its discretion restrict access in the future to foreign currencies for current account transactions. Since 2015, in response to China's declining foreign currency reserves, the PRC Government has placed increasingly stringent restrictions on the convertibility of the Renminbi into foreign currencies. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders. Further, there is no assurance that new regulations will not be promulgated in the future that would have the effect of further restricting the remittance of Renminbi into or out of China.

## RISKS RELATED TO THE [REDACTED]

***There has been no prior public market for our Shares and there can be no assurance that an active market would develop, and the price and trading volume of our Shares may be volatile.***

Prior to this [**REDACTED**], there has been no public market for our Shares. The [**REDACTED**] for our [**REDACTED**] was the result of negotiations among us and the [**REDACTED**] (for themselves and on behalf of the [**REDACTED**]) and the [**REDACTED**] may differ significantly from the market price for our Shares following this [**REDACTED**]. We have applied for [**REDACTED**] of and permission to deal in our [**REDACTED**] on the Stock Exchange. On April 30, 2018, Stock Exchange adopted new rules under Chapter 18A of Listing Rules, or Chapter 18A. Chapter 18A permits for the first time [**REDACTED**] on the Stock Exchange of pre-revenue, loss making Biotech Companies such as us. As required by Chapter 18A, our stock marker [●]-B includes the letter "B" to denote we are a Biotech Company [**REDACTED**] pursuant to Chapter 18A.

A [**REDACTED**] on the Stock Exchange, however, does not guarantee that an active and liquid trading market for the Shares will develop, or if it does develop, that it will be sustained following the [**REDACTED**], or that the market price of the Shares will not decline following the [**REDACTED**]. In addition, the trading price and trading volume of the Shares may be subject to significant volatility in responses to various factors, including:

- our financial results;
- unexpected business interruptions resulting from natural disasters or power shortages;
- major changes in our key personnel or senior management;
- changes in laws and regulations in China;
- our inability to compete effectively in the market;
- our inability to obtain or maintain regulatory approval for our operations;
- fluctuations in stock market prices and volume;
- changes in analysts' estimates of our financial performance;
- political, economic, financial and social developments in China and Hong Kong and in the global economy; and
- involvement in material litigation.

Biotech Companies listed under Chapter 18A are generally viewed as being early stage and significantly riskier than those companies traditionally listed on the Stock Exchange. The trading market for Biotech Companies (including the depth and liquidity for that market) may take time to develop and could be subject to significant and adverse changes. Our shares and the shares of other Biotech Companies could be subject to significant volatility unrelated to company specific performance or corporate developments. For example, adverse announcements by another unrelated Chapter 18A Biotech Company could adversely impact the trading price for the Shares. Moreover, shares of other companies listed on the Stock Exchange with significant operations and assets in China have experienced price volatility in the past, and it is possible that our Shares may be subject to changes in price not directly related to our performance.

***The price and trading volume of our Shares may be volatile, which could lead to substantial losses to investors.***

The price and trading volume of our Shares may be subject to significant volatility in response to various factors beyond our control, including the general market conditions of the securities in Hong Kong and elsewhere in the world. In particular, the business and performance and the market price of the shares of other companies engaging in similar business may affect the price and trading volume of our Shares. In addition to market and industry factors, the price and trading volume of our Shares may be highly volatile for specific business reasons, such as the results of clinical trials of our product candidates, the results of our applications for approval of our product candidates, regulatory developments affecting our

industry, healthcare, health insurance and other related matters, fluctuations in our revenue, earnings, cash flows, investments and expenditures, relationships with our suppliers, movements or activities of key personnel, or actions taken by competitors.

***There will be a gap of several days between pricing and trading of our Shares, and the price of our Shares when trading begins could be lower than the* [REDACTED].**

The [**REDACTED**] to the public of our Shares sold in the [**REDACTED**] is expected to be determined on the [**REDACTED**]. However, the Shares will not commence [**REDACTED**] on the Hong Kong Stock Exchange until they are delivered, which is expected to be not more than five Business Days after the [**REDACTED**]. As a result, investors may not be able to sell or otherwise deal in the Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of the Shares when trading begins could be lower than the [**REDACTED**] as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time trading begins.

***Future sales or perceived sales of a substantial number of our Shares in the public market following the* [REDACTED] *could materially and adversely affect the price of our Shares and our ability to raise additional capital in the future, and may result in dilution of your shareholding.***

Prior to the [**REDACTED**], there has not been a public market for our Shares. Future sales or perceived sales by our existing Shareholders of our Shares after the [**REDACTED**] could result in a significant decrease in the prevailing market price of our Shares. Only a limited number of the Shares currently outstanding will be available for sale or issuance immediately after the [**REDACTED**] due to contractual and regulatory restrictions on disposal and new issuance. Nevertheless, after these restrictions lapse or if they are waived, future sales of significant amounts of our Shares in the public market or the perception that these sales may occur could significantly decrease the prevailing market price of our Shares and our ability to raise equity capital in the future.

***We cannot assure you that we will declare and distribute any amount of dividends in the future.***

There can be no assurance that we will declare and pay dividends because the declaration, payment and amount of dividends are subject to the discretion of our Directors, depending on, among other considerations, our operations, earnings, cash flows and financial position, operating and capital expenditure requirements, our strategic plans and prospects for business development, our constitutional documents and applicable law. For more details on our dividend policy, please refer to the paragraphs headed "Financial Information – Dividend" in this document.

***We cannot make fundamental changes to our business without the consent of the Stock Exchange.***

On April 30, 2018, the Hong Kong Stock Exchange adopted new rules under Chapter 18A of its Rules Governing the Listing of Securities on the Stock Exchange. Under these rules, without the prior consent of the Stock Exchange, we will not be able to effect any acquisition, disposal or other transaction or arrangement or a series of acquisitions, disposals or other transactions or arrangements, which would result in a fundamental change in our principal business activities as set forth in this document. As a result, we may be unable to take advantage of certain strategic transactions that we might otherwise choose to pursue in the absence of Chapter 18A. Were any of our competitors that are not listed on the Stock Exchange to take advantage of such opportunities in our place, we may be placed at a competitive disadvantage, which could have a material adverse effect on our business, financial condition and results of operations.

***We have significant discretion as to how we will use the net* [REDACTED] *of the* [REDACTED]*, and you may not necessarily agree with how we use them.***

Our management may spend the net [**REDACTED**] from the [**REDACTED**] in ways with which you may not agree or which do not yield a favorable return to our shareholders. We plan to use the net [**REDACTED**] from the [**REDACTED**] to fund:

- ongoing and planned R&D and commercialization of our product pipeline,
- the expansion of our product portfolio through internal research, and
- general working capital.

For details, see "Future Plans and [**REDACTED**]."

However, our management will have discretion as to the actual application of our net [**REDACTED**]. You are entrusting your funds to our management, whose judgment you must depend on, for the specific uses we will make of the net [**REDACTED**] from this [**REDACTED**].

***Facts, forecasts and statistics in this document relating to the neuro-interventional device industry may not be fully reliable.***

Facts, forecasts and statistics in this document relating to the neuro-interventional device industry in and outside China are obtained from various sources that we believe are reliable, including official government publications as well as a report prepared by China Insights Consultancy that we commissioned. However, we cannot guarantee the quality or reliability of these sources. Neither we, the [**REDACTED**], the [**REDACTED**], the [**REDACTED**] nor our or their respective affiliates or advisers have verified the facts, forecasts and statistics nor ascertained the underlying economic assumptions relied upon in those facts, forecasts and statistics obtained from these sources. Due to possibly flawed or ineffective collection methods or discrepancies between published information and factual information and other problems, the industry statistics in this document may be inaccurate and you should not place undue

reliance on it. We make no representation as to the accuracy of such facts, forecasts and statistics obtained from various sources. Moreover, these facts, forecasts and statistics involve risk and uncertainties and are subject to change based on various factors and should not be unduly relied upon.

***You should read the entire document carefully, and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding us or the* [REDACTED].**

Subsequent to the date of this document but prior to the completion of the [**REDACTED**], there may be press and media coverage regarding us and the [**REDACTED**], which may contain, among other things, certain financial information, projections, valuations and other forward-looking information about us and the [**REDACTED**]. We have not authorized the disclosure of any such information in the press or media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us. To the extent such statements are inconsistent with, or conflict with, the information contained in this document, we disclaim responsibility for them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this document only and should not rely on any other information.

You should rely solely upon the information contained in this document, the [**REDACTED**] and any formal announcements made by us in Hong Kong in making your investment decision regarding our Shares. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding our Shares, the [**REDACTED**] or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such data or publication. Accordingly, prospective investors should not rely on any such information, reports or publications in making their decisions as to whether to invest in our [**REDACTED**]. By applying to purchase our Shares in the [**REDACTED**], you will be deemed to have agreed that you will not rely on any information other than that contained in this document and the [**REDACTED**].

# WAIVERS AND EXEMPTION FROM STRICT COMPLIANCE WITH THE LISTING RULES AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

In preparation for the [**REDACTED**], we have sought the following waivers and exemptions from strict compliance with the relevant provisions of the Listing Rules and the Companies (Winding up and Miscellaneous Provisions) Ordinance:

## WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rules 8.12 and 19A.15 of the Listing Rules, an issuer must have sufficient management presence in Hong Kong. This normally means that at least two of its executive directors must be ordinarily resident in Hong Kong.

We do not have sufficient management presence in Hong Kong for the purposes of satisfying the requirements under Rule 8.12 and Rule 19A.15 of the Listing Rules. Our Group's management, business operations and assets are primarily based outside Hong Kong. The principal management headquarters and senior management of the Group are primarily based in the PRC, where the Group's management is best able to attend to its functions. Our Directors consider that the appointment of executive Directors who will be ordinarily resident in Hong Kong would not be beneficial to, or appropriate for, the Group and therefore would not be in the best interests of our Company and the Shareholders as a whole. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements under Rule 8.12 and Rule 19A.15 of the Listing Rules. We will ensure that there is an effective channel of communication between us and the Stock Exchange by way of the following arrangements:

(a) We have appointed two authorized representatives in accordance with Rule 3.05 of the Listing Rules. The appointed authorized representatives, Mr. Wang, our executive Director, chairman of the Board and chief executive officer, and Mr. Zhang Han ("**Mr. Zhang**"), our chief financial officer and joint company secretary, will act as our principal channel of communication with the Stock Exchange. Each of the authorized representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and email. Each of our authorized representatives is authorized to communicate on our behalf with the Stock Exchange. We have also appointed Mr. AU-YEUNG Wai Ki ("**Mr. AU-YEUNG**"), our joint company secretary who is ordinarily resident in Hong Kong, as an alternate authorized representative. Our Company [has been] registered as a non-Hong Kong Company under Part 16 of the Companies Ordinance and Mr. AU-YEUNG has also been authorized to accept service of legal process and notices in Hong Kong on behalf of our Company. As and when the Stock Exchange wishes to contact our Directors on any matter, each of the authorized representatives and the alternate authorized representative has the means to contact all of our Directors (including the independent non-executive Directors) promptly at all times;

(b) we have provided the Stock Exchange with the contact details of each Director (including their respective mobile phone number, office telephone number, fax number and e-mail address) to facilitate communication with the Stock Exchange. Each of our Directors who is not ordinarily resident in Hong Kong possesses or is able to apply for valid travel documents to visit Hong Kong and is able to meet with the Stock Exchange within a reasonable period;

(c) we have appointed Somerley Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules, who will have access at all times to the authorized representatives, the alternate authorized representative, the Directors and senior management and other officers of our Company, and will act as an additional channel of communication between the Stock Exchange and us; and

(d) meetings between the Stock Exchange and our Directors could be arranged through our authorized representatives, the alternate authorized representative or the compliance advisor, or directly with our Directors within a reasonable time frame. Our Company will promptly inform the Stock Exchange of any changes of our authorized representatives, alternate authorized representative and/or the compliance advisor.

## WAIVER IN RELATION TO CONTINUING CONNECTED TRANSACTION

As the non-exempt continuing connected transaction set forth in the section headed "Continuing Connected Transaction" in this document is expected to be carried out continuously, our Directors consider that strict compliance with the announcement and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules will be impractical, and such requirements will lead to unnecessary administrative costs and create an onerous burden on us, which would not be beneficial to the Shareholders as a whole. Accordingly, we have applied to the Stock Exchange, and the Stock Exchange [has granted] us, pursuant to Rule 14A.04 and Rule 14A.105 of the Listing Rules, waivers from strict compliance with announcement and independent shareholders' approval requirements in respect of such transaction. Further information is set forth in the section headed "Continuing Connected Transaction" in this document.

## WAIVER IN RELATION TO JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, our company secretary must be an individual who by virtue of his academic or professional qualifications or relevant experience is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary. The Stock Exchange considers the following academic or professional qualifications to be acceptable:

- a member of The Hong Kong Institute of Chartered Secretaries;
- a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); or
- a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

We have appointed Mr. AU-YEUNG as one of the joint company secretaries. Mr. AU-YEUNG is a certified public accountant in Hong Kong, a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants and therefore meets the qualification requirements under Note 1 to Rule 3.28 of the Listing Rules and is in compliance with Rule 8.17 of the Listing Rules.

We have appointed Mr. Zhang as our joint company secretary. Mr. Zhang has been the chief financial officer of our Company since November 25, 2020 and is in charge of the overall financial management of our Company. Whilst Mr. Zhang does not possess the formal qualifications required of a company secretary under Rule 3.28 of the Listing Rules, considering Mr. Zhang's background and experience as disclosed in the section headed "Directors, Supervisors and Senior Management", our Directors is of the view that Mr. Zhang is capable of discharging his duties as a joint company secretary of our Company, and appointing Mr. Zhang to act as a joint company secretary would be in the best interest of our Company. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules such that Mr. Zhang may be appointed as a joint company secretary of our Company.

The waiver was granted for a three year period on the condition that Mr. AU-YEUNG, as joint company secretary, will work closely with, and provide assistance to, Mr. Zhang in discharging of his duties as a joint company secretary and in gaining the relevant experience as required under Rule 3.28 of the Listing Rules. Such waiver will be revoked immediately if there are material breaches of the Listing Rules. If Mr. AU-YEUNG ceases to provide assistance and guidance to Mr. Zhang during this period or upon the expiry of the three-year period after the Listing, whichever occurs first, the waiver will be immediately withdrawn. In addition, Mr. Zhang will comply with the annual professional training requirement under Rule

3.29 of the Listing Rules and will enhance his knowledge of the Listing Rules during the three-year period from the Listing Date. Our Company will further ensure that Mr. Zhang has access to the relevant training and support that would enhance his understanding of the Listing Rules and the duties of a company secretary of an issuer listed on the Stock Exchange. At the end of the three-year period, the qualifications and experience of Mr. Zhang and the need for on-going assistance of Mr. AU-YEUNG will be further evaluated by our Company. We will liaise with the Stock Exchange to enable it to assess whether Mr. Zhang, having benefited from the assistance of Mr. AU-YEUNG for the preceding three years, will have acquired the skills necessary to carry out the duties of company secretary and the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules so that a further waiver will not be necessary.

Please refer to the section headed "Directors, Supervisors and Senior Management" in this document for further information regarding the biographies of Mr. AU-YEUNG and Mr. Zhang.

## EXEMPTION FROM STRICT COMPLIANCE WITH SECTION 342(1) IN RELATION TO PARAGRAPH 27 OF PART I AND PARAGRAPH 31 OF PART II OF THE THIRD SCHEDULE TO THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance provides that all prospectuses are required to include the matters specified in Part I of the Third Schedule thereto and the reports specified in Part II of the Third Schedule thereto. According to paragraph 27 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, our Company is required to include in this document a statement as to the gross trading income or sales turnover (as may be appropriate) of our Company during each of the three financial years immediately preceding the issue of this document, including an explanation of the method used for the computation of such income or turnover, and a reasonable breakdown between the more important trading activities.

According to paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, our Company is required to include in this document a report by our auditor with respect to profits and losses and assets and liabilities of our Company in respect of each of the three financial years immediately preceding the issue of this document.

Pursuant to Section 342A(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the SFC may issue, subject to such conditions (if any) as the SFC thinks fit, a certificate of exemption from compliance with any or all of the requirements of the relevant provisions under the Companies (Winding Up and Miscellaneous Provisions)

Ordinance if, having regard to the circumstances, the SFC considers that the exemption will not prejudice the interest of the investing public and compliance with any or all of such requirements would be irrelevant or unduly burdensome, or is otherwise unnecessary or inappropriate.

Rule 4.04(1) of the Listing Rules requires that the consolidated results of the Group in respect of each of the three financial years immediately preceding the issue of the document be included in the Accountant's Report to this document.

The Listing Rules require that an eligible biotech company as defined under Chapter 18A of the Listing Rules must have been in operation in its current line of business for at least two financial years prior to listing under substantially the same management. Rule 18A.06 of the Listing Rules requires that an eligible biotech company must comply with Rule 4.04 of the Listing Rules modified so that references to "three financial years" or "three years" in Rule 4.04 shall instead reference to "two financial years" or "two years", as the case may be. Further, pursuant to Rule 8.06 of the Listing Rules, the latest financial period reported on by the Reporting Accountants for a new applicant must not have ended more than six months from the date of the listing document.

In compliance with the abovementioned requirements under the Listing Rules, the accountant's report of our Company set out in Appendix I to this document is currently prepared to cover the two financial years ended December 31, 2020.

As such, the Joint Sponsors have applied on behalf of our Company to the SFC for a certificate of exemption from strict compliance with paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance regarding the inclusion of the accountant's report covering the full three financial years immediately preceding the issue of this document on the following grounds:

(a) our Company is primarily engaged in the R&D, manufacturing and commercialization of neuro-interventional medical devices, and falls within the scope of biotech company as defined under Chapter 18A of the Listing Rules;

(b) the Accountant's Report for each of [the two financial years ended December 31, 2019 and 2020] has been prepared and is set out in Appendix I to the document in accordance with Rule 18A.06 of the Listing Rules;

(c) notwithstanding that the financial results set out in this document are only for [the two financial years ended December 31, 2019 and 2020] in accordance with Chapter 18A of the Listing Rules, other information required to be disclosed under the Listing Rules and requirements under the Companies (Winding Up and Miscellaneous Provisions) Ordinance has been adequately disclosed in this document pursuant to the relevant requirements;

(d) given that our Company is only required to disclose its financial results for the two financial years ended December 31, 2019 and 2020 in accordance with Chapter 18A of the Listing Rules and preparation of the financial results for the year ended December 31, 2018 would require additional work to be performed by our Company and its auditors, strict compliance with section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to the requirements of paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance would be unduly burdensome for our Company; and

(e) the Accountant's Report covering the two financial years ended December 31, 2019 and 2020, together with other disclosure in this document, has already provided the potential investors with adequate and reasonable up-to-date information in the circumstances to form a view on the track record of our Company, and all information which is necessary for the investing public to make an informed assessment of the business, assets and liabilities, financial position, management and prospects has been included in this document. Therefore, the exemption would not prejudice the interest of the investing public.

A certificate of exemption [has been] granted by the SFC under section 342A of the Companies (Winding up and Miscellaneous Provisions) Ordinance in relation to paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule of the Companies (Winding Up and Miscellaneous Provisions) Ordinance on the condition that the particulars of the exemption being set forth in this document and that this document will be issued on or before [**REDACTED**].

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

## DIRECTORS

| Name | Address | Nationality |
|---|---|---|
| **Executive Directors** | | |
| Mr. WANG Guohui (王國輝) | No. 328, Bibo Road<br>Zhangjiang Town<br>Pudong District<br>Shanghai<br>PRC | Chinese |
| Ms. ZHANG Kun (張坤) | No. 801, Unit 2, Building 9<br>Yayunxinxinjiayuan, Linlanyuan<br>1 Xindian Road<br>Chaoyang District<br>Beijing<br>PRC | Chinese |
| **Non-executive Directors** | | |
| Mr. DING Kui (丁魁) | Room 201, No. 13, Lane 1888<br>Langu Road<br>Pudong District<br>Shanghai<br>PRC | Chinese |
| Mr. LIU Yanbin (劉彥斌) | No. 0803, Building 3<br>Fuzeyuan, Yihai Garden<br>Fengtai District<br>Beijing<br>PRC | Chinese |
| Mr. CHEN Gang (陳剛) | Room 201, No. 11, Lane 2466<br>Jinxiu Road<br>Pudong District<br>Shanghai<br>PRC | Chinese |
| Mr. OUYANG Xiangyu (歐陽翔宇) | No. 401, Unit 5, Building 27<br>Wanquanxinxinjiayuan, Wanliu<br>Haidian District<br>Beijing<br>PRC | Chinese |

| Name | Address | Nationality |
|---|---|---|
| **Independent Non-executive Directors** | | |
| Mr. GUO Shaomu (郭少牧) | 28/F, Block 31, Baguio Villa<br>No. 550, Victoria Road<br>Pok Fu Lam<br>Hong Kong | Chinese |
| Mr. FENG Xiangqian (馮向前) | C1501, Phase II, Huarunchengrunfu<br>Northeast of the intersection of<br>Tonggu Road and Kefa Road<br>Nanshan District<br>Shenzhen<br>Guangdong Province<br>PRC | Chinese |
| Mr. GONG Ping (龔平) | Room 503, No. 44 Lane 1818<br>Changning Road<br>Changning District<br>Shanghai<br>PRC | Chinese |

**SUPERVISORS**

| Name | Address | Nationality |
|---|---|---|
| Mr. ZHOU Baolei (周寶磊) | Room 601, No. 79<br>Lane 176<br>Jinggu Road<br>Minhang District<br>Shanghai<br>PRC | Chinese |
| Mr. MEI Jianghua (梅江華) | No. 1996<br>Zhangyang Road<br>Pudong New District<br>Shanghai<br>PRC | Chinese |
| Mr. XING Tingyu (邢庭瑀) | Room 206, No. 17<br>Lane 930, Pusan Road<br>Pudong New District<br>Shanghai<br>PRC | Chinese |

Please see the section headed "Directors, Supervisors and Senior Management" for further details.

## PARTIES INVOLVED IN THE [REDACTED]

**Joint Sponsors**

**Goldman Sachs (Asia) L.L.C.**
68/F, Cheung Kong Center
2 Queen's Road
Central
Hong Kong

**China International Capital Corporation Hong Kong Securities Limited**
29/F, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

[**REDACTED**]

**Legal Advisors to the Company**

*as to Hong Kong and U.S. laws:*
**Herbert Smith Freehills**
23/F, Gloucester Tower
15 Queen's Road
Central
Hong Kong

*as to PRC law:*
**Tian Yuan Law Firm**
10/F, Tower B
China Pacific Insurance Plaza
28 Fengsheng Lane
Xicheng District
Beijing
PRC

| | |
|---|---|
| **Legal Advisors to the Joint Sponsors and the [REDACTED]** | *as to Hong Kong and U.S. laws:*<br>**O'Melveny & Myers**<br>31/F, AIA Central<br>1 Connaught Road<br>Central<br>Hong Kong<br><br>*as to PRC law:*<br>**Commerce & Finance Law Offices**<br>6/F, NCI Tower<br>A12 Jianguomenwai Avenue<br>Chaoyang District<br>Beijing<br>PRC |
| **Auditor and Reporting Accountants** | **Ernst & Young**<br>*Certified Public Accountants*<br>22/F, CITIC Tower<br>1 Tim Mei Avenue<br>Central<br>Hong Kong |
| **Industry Consultant** | **China Insights Industry Consultancy Limited**<br>10/F, Block B, Jing'an International Center<br>88 Puji Road<br>Jing'an District<br>Shanghai<br>PRC |
| **Compliance Advisor** | **Somerley Capital Limited**<br>20/F China Building<br>29 Queen's Road Central<br>Central<br>Hong Kong |

**[REDACTED]**

# CORPORATE INFORMATION

| | |
|---|---|
| **Registered Office in the PRC** | Room 201, Building 4<br>590 Ruiqing Avenue<br>Zhangjiang High Technology Park East<br>Shanghai<br>PRC |
| **Headquarter in the PRC** | 2/F, Building 9 South<br>590 Ruiqing Avenue<br>Zhangjiang High Technology Park East<br>Shanghai<br>PRC |
| **Principal Place of Business in Hong Kong** | Room 1903-4<br>Floor 19, Hong Kong Trade Centre<br>161 Des Voeux Road Central<br>Hong Kong |
| **Company's Website** | **www.strokemedical.com**<br>*(Information contained in this website does not form part of this document)* |
| **Joint Company Secretaries** | Mr. Zhang Han (張涵)<br>Room 603, Building 5<br>1288 Xietu Road<br>Shanghai<br>PRC<br><br>Mr. AU-YEUNG Wai Ki, Joseph (歐陽偉基)<br>Room 1903-4<br>Floor 19, Hong Kong Trade Centre<br>161 Des Voeux Road Central<br>Hong Kong<br>(*Certified public accountant in Hong Kong, member of the Hong Kong Institute of Certified Public Accountants and fellow member of the Association of Chartered Certified Accountants*) |

# CORPORATE INFORMATION

**Authorized Representatives**

Mr. Wang Guohui (王國輝)
328 Bibo Road
Zhangjiang Town
Pudong District
Shanghai
PRC

Mr. Zhang Han (張涵)
Room 603, Building 5
1288 Xietu Road
Shanghai
PRC

*Alternate to authorized representatives*
Mr. AU-YEUNG Wai Ki, Joseph (歐陽偉基)
Room 1903-4
Floor 19, Hong Kong Trade Centre
161 Des Voeux Road Central
Hong Kong

**Board Committees**

*Audit Committee*
Mr. Gong Ping (龔平) *(Chairman)*
Mr. Feng Xiangqian (馮向前)
Mr. Ding Kui (丁魁)

*Remuneration Committee*
Mr. Guo Shaomu (郭少牧) *(Chairman)*
Mr. Gong Ping (龔平)
Mr. Wang Guohui (王國輝)

*Nomination Committee*
Mr. Wang Guohui (王國輝) *(Chairman)*
Mr. Guo Shaomu (郭少牧)
Mr. Feng Xiangqian (馮向前)

**Compliance Advisor**

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

[**REDACTED**]

**Principal Bank**

**China Merchants Bank Co., Ltd.**
**Shanghai Zhangjiang Sub-Branch**
1/F, 88 Keyuan Road
Shanghai
PRC

*This section contains information relating to our markets. Certain facts, statistics and data presented in this section and elsewhere in this document have been derived, in part, from various publicly available government and official sources, industry statistics and publications. We also commissioned an independent industry consultant, China Insights Consultancy, to prepare an industry research report ("CIC Report")[1] upon which this Industry Overview section is based. Unless otherwise indicated, all historical and forecast statistical information, including trends, sales, market share and growth is from the CIC Report.*

*While we have taken all reasonable care to ensure that the relevant official facts and statistics are accurately reproduced from these sources, such facts and statistics have not been independently verified by us, the Joint Sponsors, the* [**REDACTED**]*, the* [**REDACTED**]*, the* [**REDACTED**]*, the* [**REDACTED**] *or any other parties involved in the* [**REDACTED**] *(save for China Insights Consultancy) or their respective directors, officers, employees, advisers, or agents. Although we have no reason to believe that such information is false or misleading in any material respect, or that any fact has been omitted that would render such information false or misleading in any material respect, we make no representation as to the accuracy or completeness of such information, which may not be consistent with other information available. Accordingly, you should not place undue reliance on such information or statistics. Our Directors confirm that, after making reasonable enquiries, there is no adverse change in the market information since the date of the CIC Report that would qualify, contradict or have a material impact on the information in this section.*

## OVERVIEW OF STROKE TREATMENT AND PREVENTION

### Overview of Stroke

Stroke is the most common life-threatening intracranial vascular disease, including all disorders in which an area of the brain is temporarily or permanently affected by ischemia or bleeding and one or more of the cerebral blood vessels are involved in the pathological process.

1 We commissioned CIC, a market research and consulting company and an Independent Third Party, to conduct research and analysis of, and to produce a report on the stroke prevention and treatment endovascular medical device market in China for the period from 2015 to 2030. The CIC Report has been prepared by CIC independent of the influence of our Group and other interested parties. We have agreed to pay CIC a total fee of RMB720,800 for the preparation and use of the CIC Report, and we believe that such fees are consistent with the market rate. CIC is a consulting firm founded in Hong Kong and provides professional industry consulting services across multiple industries. CIC's services include industry consultancy services, commercial due diligence and strategic consulting.

In compiling and preparing the report, CIC conducted both primary and secondary research using a variety of resources. Primary research involved interviewing key industry experts and leading industry participants. Secondary research involved analyzing data from various publicly available data sources, including but not limited to the National Bureau of Statistics, National Medical Products Administration, Food and Drug Association, National Health Commission of the PRC, the International Monetary Fund, World Health Organization. The market projections in the CIC report are based on the following key assumptions: (i) the overall social, economic and political environment in China is expected to remain stable during the forecast period; (ii) China's economic and industrial development is likely to maintain a steady growth trend over the next decade; (iii) increasing number of procedures, growing acceptance of domestic products, increasing amount of R&D expenditures, increasing patient affordability, etc.; (iv) the stroke prevention and treatment endovascular medical devices would not be covered by the centralized procurement of medical appliances in the forecast period, taking into account that the penetration of the each stroke prevention and treatment endovascular procedure is not over 50%; (v) the negative impact caused by COVID-19 outbreak in 2020 on the industry is expected to be limited, taking into account the impact of the COVID-19 outbreak and estimating market growth for 2020 in a conservative manner based on the industry and economic recovery in China since the second quarter of 2020; and, (vi) there is no extreme force majeure or industry regulation in which the market may be affected dramatically or fundamentally.

Restrictions in blood flow may occur from vessel narrowing (stenosis), clot formation (thrombosis), blockage (embolism) or blood vessel rupture (hemorrhage). There are two major categories of stroke: ischemic stroke and hemorrhagic stroke. Ischemic stroke occurs when a vessel supplying blood to the brain is obstructed; and intracranial stenosis, a narrowing of an artery inside the brain, may lead to acute ischemic strokes. Hemorrhagic stroke is bleeding that suddenly interferes with the brain's function and this bleeding can occur either within the brain or between the brain and the skull.

Stroke has a high incidence rate and is the leading cause of death in China, and the number of stroke patients in China ranked the first in the world in 2019. The number of stroke patients in China reached 14.8 million in 2019, including 11.9 million ischemic stroke patients and 2.9 million hemorrhagic stroke patients, and the annual incidence of ischemic stroke reached up to 2.3 million in 2019, according to CIC.

***Ischemic Stroke***

Ischemic stroke occurs when blood vessels become blocked, usually from a clot formed from fat and cholesterol, causing blood to not reach the brain and neurons to suffer from a lack of nutrients and oxygen. Ischemic stroke is the most common stroke which accounted for approximately 73% of all strokes in 2019.

Acute ischemic stroke, or AIS, caused by thrombotic or embolic occlusion of a cerebral artery, is characterized by the sudden loss of blood circulation to an area in the brain, resulting in a corresponding loss of neurologic function. AIS accounts for more than 90% of the incidence of ischemic strokes.

***Ischemic Stroke Stenosis***

Ischemic stroke stenosis, or intracranial stenosis, is a narrowing of an artery inside the brain, which causes decreased blood flow to the area of the brain that the affected vessels supply. Intracranial stenosis occurs when blood flow is restricted by narrowed arteries of plaque buildup, namely atherosclerosis, in the small twisting vessels deep within the brain, which may lead to strokes.

Without treatment, intracranial stenosis can greatly increase a person's chance of suffering from transient ischemic attacks (TIAs). There are three ways in which intracranial stenosis can result in a stroke: (i) the plaque can grow larger, severely narrowing the artery and reducing blood flow to the brain and it can eventually completely block the artery; (ii) the plaque can roughen and deform the artery wall, causing blood clots to form and blocking blood flow to the brain; (iii) the plaque can rupture and break away, traveling downstream to lodge in a smaller artery and blocking blood flow to the brain.

### *Ischemic Stroke Prevention*

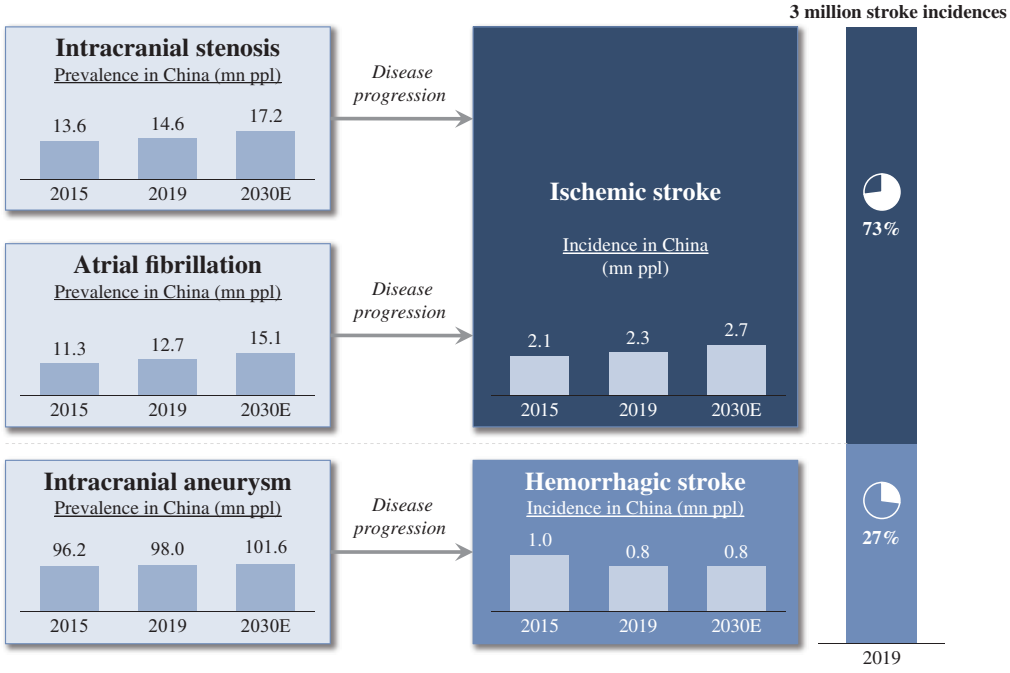
14% to 30% of strokes are cardiogenic and a blood clot escaping from the heart could travel to the brain and cut off the blood supply to cause a stroke. People with atrial fibrillation are five times more likely to get a stroke than other people. Atrial fibrillation, or AF, is a quivering or irregular heartbeat (arrhythmia) that can lead to blood clots, stroke, heart failure and other heart-related complications. When one has AF, his atria, namely the upper chambers of the heart, does not always squeeze strongly enough to push the blood into the ventricles. Blood can pool in the atria and form into clots, which are likely to travel from the heart to the brain. Identifying and treating AF patients could effectively reduce the risk for them to experience strokes.

### *Hemorrhagic Stroke*

A hemorrhagic stroke is bleeding (hemorrhage) that suddenly interferes with the brain's function. This bleeding can occur either within the brain or between the brain and the skull. Hemorrhagic strokes accounted for about 27% of all strokes in 2019, and are divided into two categories depending on the site and cause of the bleeding. Intracerebral hemorrhage (ICH) is when the bleeding occurs inside of the brain and Subarachnoid hemorrhage (SAH) is when the bleeding occurs between the brain and the membranes that cover it.

The below diagram illustrates the disease progression of stroke subtypes:

**Disease progression of stroke subtypes**




*Source: China Insights Consultancy*

## Treatment of Stroke

Intravenous thrombolysis (IVT), open surgery and neuro-interventional procedure are the main treatments for intracranial vascular diseases. IVT is a method using thrombolytic drugs to treat thrombosis and it is usually applied within six hours since the onset of symptoms. Open surgery for intracranial vascular diseases is the traditional type of surgery in which an incision is made using a scalpel. By opening the skull, surgeons can find the lesions visually and conduct operations on them directly. Open surgeries are usually applied for hemorrhagic stroke caused by vascular malformations and some massive hemorrhage situations.

Neuro-interventional procedure is a minimally invasive procedure used to cure stroke with the help of radiology and advanced image-guidance technology, such as DSA. It is a cutting-edge catheter based method rapidly growing to treat stroke, applicable for ischemic stroke, intracranial stenosis and most types of intracranial aneurysms. Neuro-interventional procedure has a number of advantages as compared with the IVT treatment and open surgery: (i) it has a relatively long treatment time window up to 24 hours; (ii) drugs can be delivered to the lesions directly in proper dosage through neuro-interventional medical devices such as balloons and stents, reducing side effects for patients; and (iii) it is a minimally invasive approach without creating large wounds, reducing the risk of infection and allowing patients to recover sooner after the procedures. Besides, neuro-interventional procedure could be used independent of IVT when patients have conditions like large aneurysm, history of intracranial hemorrhage, recent incidence of stroke and any other exclusion criteria for IVT that do not affect neuro-interventional procedures.

There are several major types of interventional procedures for stroke treatment and prevention according to different indications of the patients:

*Ischemic stroke neuro-interventional procedures,* which mainly include stent retrieving thrombectomy, aspiration thrombectomy, and the combination of the two thrombectomy procedures for acute ischemic stroke (AIS);

*Ischemic stroke stenosis neuro-interventional procedures,* which mainly include balloon/stent angioplasty procedure that compresses the plaque and widens the lumen of the artery using a balloon or a stent.

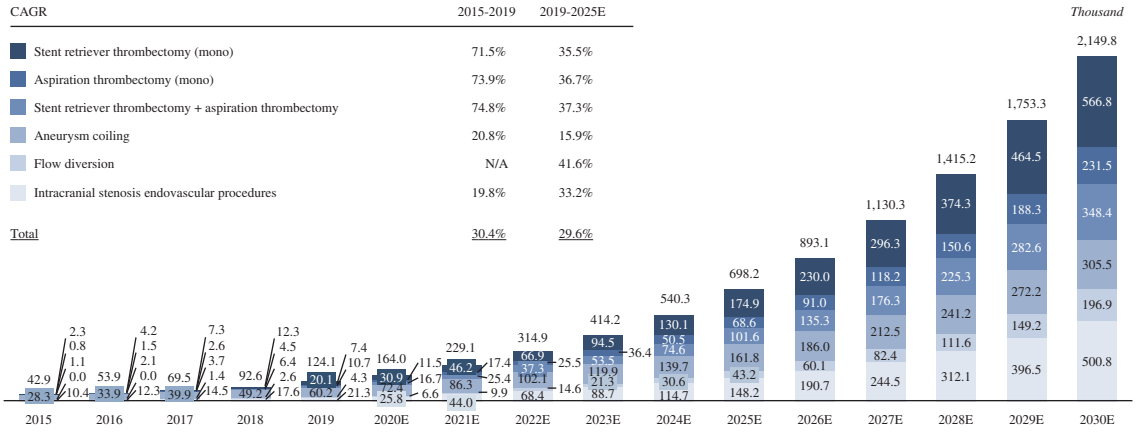
*Ischemic stroke preventive endovascular procedures,* which mainly include cardio-interventional left atrial appendage (LAA) occlusion and catheter ablation procedures for AF patients.

*Hemorrhagic stroke neuro-interventional procedures,* which mainly include aneurysm coiling and flow diversion for intracranial aneurysms.

## CHINA NEURO-INTERVENTIONAL MEDICAL DEVICE MARKET

The number of neuro-interventional procedures in China increased from 42.9 thousand in 2015 to 124.1 thousand in 2019 at a CAGR of 30.4% and is estimated to further increase to 2.1 million in 2030, at a CAGR of 29.6% from 2019 to 2030. The chart below sets forth the number of neuro-interventional procedures in China by type of procedures:

**Number of neuro-interventional procedures in China, by type of procedures, 2015-2030E**




*Source: China Insights Consultancy*

The penetration rate of neuro-interventional procedures in China, measured by the number of procedures as a percentage of the number of patients eligible for such procedures, is expected to increase from 2.3% in 2019 to 35.8% in 2030. The chart below sets forth the number of patients eligible, the penetration rate and the number of neuro-interventional procedures by procedure type in China for the years indicated:

**Penetration of neuro-interventional procedures, by procedure type, 2015-2030E**

2015 2019 2030E

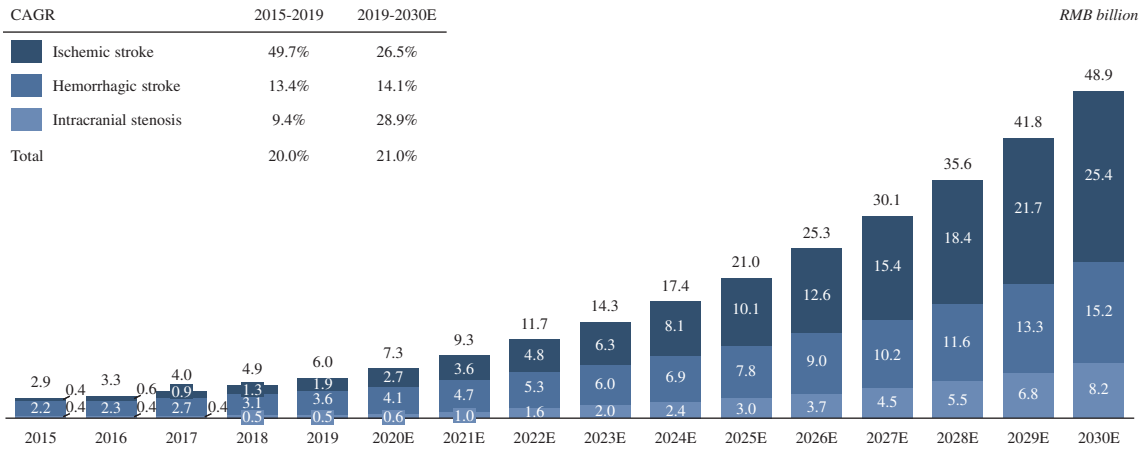
| Procedure type | # of eligible patients (million people) | Penetration rate* (%) | # of procedures (thousand) |
|---|---|---|---|
| Stent retrieving thrombectomy | 2.1 → 2.3 → 2.7 | 0.11% → 0.89% → 21.21% | 2.3 → 20.1 → 566.8 |
| Aspiration thrombectomy | 2.1 → 2.3 → 2.7 | 0.04% → 0.33% → 8.66% | 0.8 → 7.4 → 231.5 |
| Stent retrieving thrombectomy + aspiration thrombectomy | 2.1 → 2.3 → 2.7 | 0.06% → 0.47% → 13.04% | 1.1 → 10.7 → 348.4 |
| Aneurysm coiling | 1.0 → 0.8 → 0.8 | 2.86% → 7.2% → 40.89% | 28.3 → 60.2 → 305.5 |
| Flow diversion | 1.0 → 0.8 → 0.8 | 0.04% → 0.51% → 26.35% | N/A → 4.3 → 196.9 |
| Balloon/stent angioplasty procedures | 2.0 → 2.2 → 2.6 | 0.51% → 0.97% → 4.46% | 10.4 → 21.3 → 115.3 |
| Drug-eluting balloon procedure | 2.0 → 2.2 → 2.6 | N/A → N/A → 8.36% | N/A → N/A → 216.2 |
| Drug-eluting stenting | 2.0 → 2.2 → 2.6 | N/A → N/A → 6.55% | N/A → N/A → 169.3 |

**Note:* The penetration rate of each procedure is the number of procedures divided by the number of eligible patients.

*Source: China Insights Consultancy*

The market size of China neuro-international medical device market increased from RMB2.9 billion in 2015 to RMB6.0 billion in 2019 at a CAGR of 20.0% and is expected to further increase to RMB48.9 billion in 2030 at a CAGR of 21.0% from 2019 to 2030. The below chart sets forth the market size for neuro-interventional medical device in China:

**Market size of China neuro-interventional medical device market, in terms of sales value*, 2015-2030E**




*Note:* *by ex-factory price

*Source: China Insights Consultancy*

## Growth Drivers and Future Trends

The China neuro-interventional medical device market is expected to grow significantly in the future due to the following factors:

*Increasing prevalence of stroke*: Stroke is an age-related disease with an increased prevalence for the elderly group. Considering the trend of population aging in China, it is expected that an increasing number of people in China will suffer from stroke in the future.

*Increasing number and penetration of neuro-interventional procedures*: With more innovative neuro-interventional procedures developed for various indications, doctors and patients will have a wider range of choices, resulting in an increasing number of neuro-interventional procedures. Despite the currently limited number of physicians capable of performing the procedures, more physicians will be trained to meet the large patient demand, allowing the neuro-interventional procedures to become a common clinical practice.

*Growing popularity of domestic products to promote substitution of imported products:* As more domestic players increase their investment and launch new products, domestic devices of high quality and more affordable prices are expected to gain more recognition and competitiveness against the imported ones. Moreover, the Measures for Management of Medical Consumables in Medical Institutions (Trial Implementation) 《醫療機構醫用耗材管理辦法(試行)》 issued in September 2019 requires medical institutions to take pricing as an important reference factor in the procurement process. In 2019, the top five players in the

neuro-interventional market in China were all international companies, taking up a market share of 81.2% in aggregate, however, the domestic neuro-interventional medical device companies are expected to account for a market share of 57.0% in aggregate in 2030.

*Continuous product upgrades and innovation:* Neuro-interventional procedure devices are typically high-end products, representing technological advances, transforming the way of clinical care with innovation, for example, smaller incisions could reduce surgical trauma and shorten recovery time for patients. The emergence and iteration of neuro-interventional medical devices will promote the development of China neuro-interventional medical device market.

*Favorable policies promoting treatments for stroke*: The PRC government implemented a series of policies in recent medical reforms to support the development and innovation of medical devices, such as "Healthy China 2030" and "13th Five-year Special Plan for Medical Device Technology Innovations", which will accelerate the innovation and upgrade of the medical device industry and further drive the growth of the medical device market. Additionally, multidisciplinary collaboration for the combined treatment of cardiovascular and cerebrovascular diseases are important for the development of stroke treatment and prevention. Although the concept of simultaneous treatment of heart and brain has been strongly supported by the PRC government and hospitals, the clinical practice is still in a primary stage. It is expected that the concept of simultaneous treatment of heart and brain diseases is to be greatly popularized in the future, further promoting the stroke treatment and prevention endovascular procedures as well as the medical devices used for them.

**Entry Barriers**

The entry barriers of China neuro-interventional medical device market include:

*Product development capabilities:* Multi-disciplinary expertize in material and mechanical engineering, product design and manufacturing are necessary in the development of neuro-interventional devices.

*Registration and regulatory requirements:* In China, Class III neuro-interventional medical devices generally require product registration testing and clinical trials if they are not exempted from clinical trials under the catalog published by the NMPA. Rigorous registration standards on safety and efficacy are implemented to regulate the development and commercialization of these medical devices. Further, the product development and registration process may take up to five years and neuro-interventional medical device manufacturers need to obtain manufacturing licenses and to maintain strict compliance with GMP requirements and other various regulations in China.

*Manufacturing and quality management capabilities:* Medical device manufacturing is a complex process, especially for complicated devices. Experienced technicians with high productivity, advanced and highly automated facilities as well as the economies of scale

contribute to the high entry barriers for the neuro-interventional medical device industry. Meanwhile, a stringent quality control system is required to ensure product safety and efficacy. It is difficult for new entrants to establish such system due to lack of resources and experience.

*End-user recognition:* Products that have been proven safe and effective are easier to gain trust from and be used more frequently by physicians and hospitals. However, it typically takes years of efforts for a brand to establish solid relationships with physicians and hospitals, especially with KOLs and top-tier hospitals.

*Distribution channel:* Distributorship sales model is important for players in China neuro-interventional medical device market. Gaining recognition from target hospitals, offering customized after-sales services and obtaining licenses and record-filing proof from regulatory authorities may all be important for sales of Class III neuro-interventional medical devices. The entry barrier is formed due to the significant amount of time and funds needed to establish a network of qualified distributors.

*Product portfolio and solutions:* Different procedures require various types and specifications of neuro-interventional medical devices. A comprehensive product portfolio can eliminate compatibility concerns by providing one-stop and tailor-made solutions. This consequently involves synergies for R&D, manufacturing and commercialization activities, and growing economies of scale, with which new entrants are difficult to compete.

## CHINA ISCHEMIC STROKE NEURO-INTERVENTIONAL DEVICE MARKET

### Prevalence of Ischemic Stroke in China

The overall prevalence of ischemic stroke in China was 11.9 million cases in 2019. The incidence of ischemic stroke in China increased from 2.1 million in 2015 to 2.3 million cases in 2019 at a CAGR of 2.1%, and is estimated to further increase to 2.7 million in 2030 at a CAGR of 1.5% from 2019 to 2030.

### Treatment of Ischemic Stroke

Stent retrieving thrombectomy serves as the first-line neuro-interventional treatment for ischemic stroke, with Level I recommendation and Level A evidence recognized by Chinese Medical Association. Five stent retriever trials with positive clinical results in 2015 demonstrated a much higher recanalization rate as well as a low rate of mortality at three months and most of the trials also proved that stent retrieving thrombectomy rarely cause symptomatic ICH. Stent retrieving thrombectomy was newly recommended as the first-line treatment for AIS within 6 hours of symptom onset and receiving IVT within 4.5 hours of onset, according to AHA guideline in 2015.

Stent retrieving thrombectomy is a minimally invasive procedure in which interventional devices are used to remove a blood clot from a patient's cerebral artery. Using fluoroscopy or continuous x-ray, the physician pushes the devices into the patient's arteries through a set of

catheters to the clot and then extracts the clot from the patient's artery. Medical devices used in stent retrieving thrombectomy procedures generally include stent retrievers and balloon guiding catheters, as well as general access devices such as microcatheters, distal access catheters and micro guidewires.

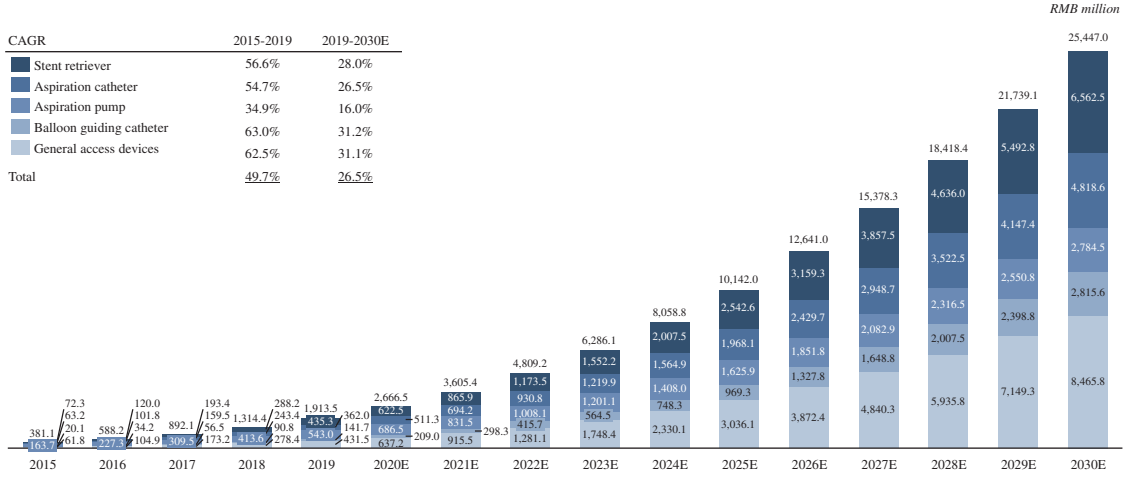
Aspiration thrombectomy is experiencing fast development in recent years with great efficacy. It is a type of neuro-interventional therapy using the negative pressure to suck out the blood clot in a patient's intracranial vessel through an aspiration catheter. It can be performed alone or in combination with other therapies such as stent retrieving thrombectomy procedures. Medical devices used in aspiration thrombectomy procedures generally include aspiration catheters and aspiration pumps as well as general access devices such as microcatheters, distal access catheters and micro guidewires.

**China Ischemic Stroke Neuro-Interventional Device Market**

The number of ischemic stroke treatment procedures in China increased from 4.3 thousand in 2015 to 38.2 thousand in 2019 and is estimated to further increase to 1.1 million in 2030, at a CAGR of 36.2% from 2019 to 2030. The penetration rate of neuro-interventional procedures in China, measured by the number of thrombectomy procedures conducted as a percentage of the number of eligible patients, is expected to increase from 1.7% in 2019 to 42.9% in 2030.

The market size of China ischemic stroke neuro-interventional device market increased from RMB381.1 million in 2015 to RMB1.9 billion in 2019 at a CAGR of 49.7% and is expected to further increase to RMB25.4 billion in 2030 at a CAGR of 26.5% from 2019 to 2030. The below chart sets forth the market size for ischemic stroke neuro-interventional devices in China:

**Market size of China ischemic stroke neuro-interventional device market, in terms of sales value*, 2015-2030E**




*Note:* *by ex-factory price

*Source: China Insights Consultancy*

## Growth Drivers and Future Trends

The China ischemic stroke neuro-interventional device market is expected to grow significantly in the future due to the following factors:

*Increasing incidence of ischemic stroke in China:* Ischemic stroke is the most common type of stroke. Stimulated by the aging population, unhealthy lifestyles and diet changes, the incidence of ischemic stroke in China is expected to increase steadily. Further, the incidence of ischemic stroke in younger generation is increasing, which also contributes to the growing incidence of ischemic stroke.

*Prolonged treatment time window for thrombectomy:* The 2018 Guidelines for the Early Management of Patients With Acute Ischemic Stroke published by Chinese Medical Association proposes that thrombectomy can be considered for patients with ischemic stroke within six to 24 hours onset, while previous guidelines did not recommend thrombectomy for patients admitted 6 hours after the onset of stroke. This update enables thrombectomy to be applied to more patients, especially those who have missed the optimal treatment period for IVT treatment.

*Wider selection for thrombectomy procedures:* While stent retrieving thrombectomy is experiencing fast development, aspiration thrombectomy provides another option for the treatment of ischemic stroke, which further contributes to the penetration of neuro-interventional procedures among ischemic stroke patients. With the joint progress of stent retriever technology and aspiration technology, thrombectomy will be more broadly used, and the combination of stent retrieving thrombectomy with aspiration thrombectomy is expected to gain more popularity.

*Trend of import substitution:* Medical devices for stent retrieving thrombectomy are relatively mature in terms of successful recanalization rate and postoperative complication rate. Currently, no domestic brands of aspiration thrombectomy devices is approved for commercialization, indicating huge market potential. With domestic companies actively developing new technologies, domestic devices are expected to take up a larger market share in the future.

*National policy support for stroke prevention and treatment:* The National Health Commission formulates the Work Plan for Comprehensive Prevention and Treatment of Stroke (《脑卒中綜合防治工作方案》), taking the construction of stroke prevention and treatment system as the key promotion area. It lays emphasis on the research of neuro-interventional devices and the screening and intervention for high-risk types of stroke, which is to promote the neuro-interventional medical device market and the transformation from disease treatment to health management.

## Competitive Landscape

As of the Latest Practicable Date, there were nine marketed stent retrievers in China, which were manufactured by four international companies and two domestic companies, the details of which were set forth below:

**Registered stent retriever by NMPA, as of the Latest Practicable Date**

| Company | Product name | NMPA approval date |
|---|---|---|
| Stryker/Concentric | Trevo ProVue | 2015/12/7 |
| Minitech | RECO Stent Retriever | 2018/5/8 |
| Johnson & Johnson | ReVive SE Thrombectomy Device | 2018/11/6 |
| Medtronic | Solitaire 2 Revascularization Device | 2019/9/2 |
| Medtronic | Solitaire Platinum Revascularization Device | 2019/9/29 |
| Stryker | Trevo XP ProVue Retriever | 2020/1/2 |
| Johnson & Johnson | EmboTrap Revascularization System | 2020/4/10 |
| Our Company | Captor™ Thrombectomy Device | 2020/8/12 |
| Tonbridge Medical | ThromBite Clot Retriever Device | 2020/9/7 |

*Source: NMPA; China Insights Consultancy*

As of the Latest Practicable Date, there was only one neuro-interventional aspiration catheter marketed in China, the details of which were set forth below:

**Registered aspiration catheter by NMPA, as of the Latest Practicable Date**

| Company | Product name | NMPA approval date |
|---|---|---|
| Penumbra | Penumbra System MAX | 2018/5/2 |

*Source: NMPA; China Insights Consultancy*

## CHINA INTRACRANIAL STENOSIS NEURO-INTERVENTIONAL DEVICE MARKET

### Prevalence of Intracranial stenosis in China

30% to 50% of ischemic stroke cases are related to intracranial stenosis. The prevalence of intracranial stenosis in China increased from 13.6 million in 2015 to 14.6 million cases in 2019, and is estimated to further increase to 17.2 million in 2030.

### Treatment of Intracranial stenosis

Treatments options for intracranial stenosis vary according to the severity of the stenosis and whether the patient is experiencing stroke-like symptoms. Patients are first treated with medication and are encouraged to make lifestyle changes to reduce their risk of stroke. Procedure treatment for intracranial stenosis is usually recommended when stenosis of an artery is greater than 50% and it is to prevent stroke by removing or reducing the plaque buildup and enlarging the artery lumen to allow more blood flow to the brain.

Balloon/stent angioplasty procedure is an important procedure treatment for intracranial stenosis, and it is a minimally invasive endovascular procedure that compresses the plaque and widens the lumen of the artery, using a balloon dilatation catheter or a carotid stent. A set of access devices including microcatheter, distal access catheter and micro guidewire, are also used in balloon/stent angioplasty procedures for intracranial stenosis.

Drug-coated/eluting device is a stent or a balloon catheter carrying anti-proliferative drug, which is placed in the narrowed or diseased artery to release the drug to the artery wall. The purpose is to prevent fibrosis and thrombi, especially in the case of restenosis where a stent has been deployed. Most of the drug-coated or drug-eluting devices, including drug-eluting balloon (DEB) and drug-eluting stent (DES), are currently used in coronary or peripheral arteries. They are expected to be the future direction of intracranial stenosis treatment due to great efficiency and safety in current application.

DES includes a stent and a polymer coating that binds the drug to the stent. The drug is an anti-proliferative drug which is released from the stent to the vessel wall. An assisting balloon on DES supports the stent to expand and the stent will be left in the vessel to keep its function. DES can deal with acute elastic retraction after balloon extension and the release of the anti-proliferative drug is relatively more controllable.

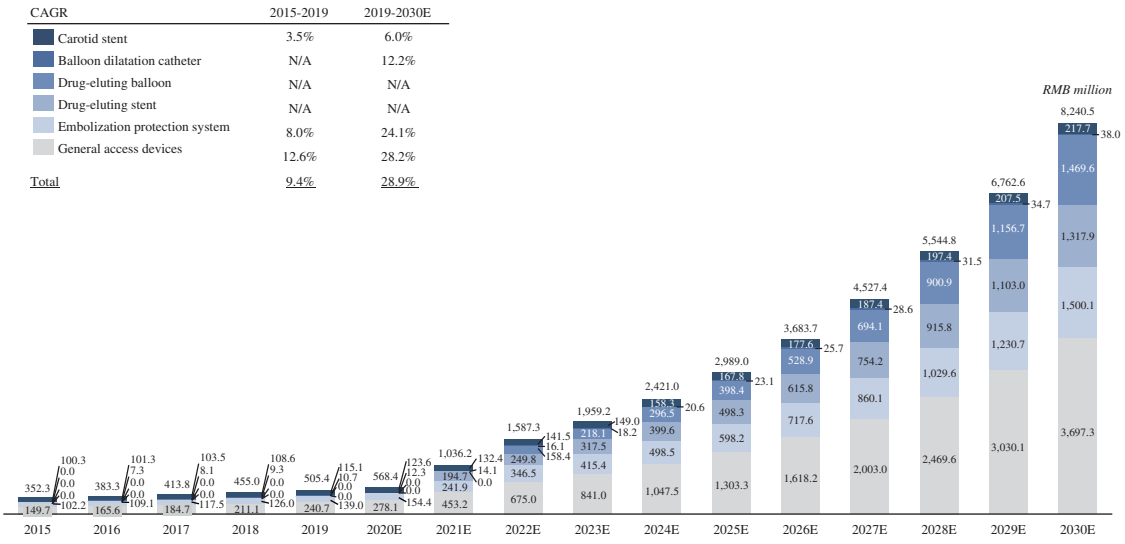
DEB uses a catheter with a balloon covered with anti-proliferative drug which is released to the vessel after inflation of the balloon. The balloon must extend beyond the lesion at both proximal and distal edges to wholly cover the lesion. It generally takes approximately 60 seconds for the drug to diffuse through the vessel wall and take effect on the cells. DEB allows homogeneous anti-proliferative drug coverage of the whole lesion surface and does not use a metal frame, creating minor damage to the vessel wall. No residual foreign body is left in the vessel, resulting in less late adverse material-tissue reaction.

## China Intracranial Stenosis Neuro-Interventional Device Market

The number of intracranial stenosis neuro-interventional procedures in China increased from 10.4 thousand in 2015 to 21.3 thousand in 2019 and is estimated to further increase to 500.8 thousand in 2030, at a CAGR of 33.2% from 2019 to 2030. The penetration rate of intracranial stenosis neuro-interventional procedures in China, measured by the number of procedures as a percentage of the number of patients eligible for such procedures, is expected to increase from 1.0% in 2019 to 19.4% in 2030.

The market size of the China intracranial stenosis neuro-interventional device market increased from RMB352.3 million in 2015 to RMB505.4 million in 2019 at a CAGR of 9.4% and is expected to further increase to RMB8.2 billion in 2030 at a CAGR of 28.9% from 2019 to 2030. The below chart sets forth the market size for intracranial stenosis medical devices in China:

**Market size of China intracranial stenosis neuro-interventional device market, in terms of sales value*, 2015-2030E**




*Note:* *by ex-factory price

*Source: China Insights Consultancy*

## Growth Drivers and Future Trends

The China intracranial stenosis neuro-interventional device market is expected to grow significantly in the future due to the following factors:

*Increasing prevalence of intracranial stenosis in China*: There are approximately 700 thousand new stroke patients related to intracranial stenosis every year in China. Intracranial stenosis is commonly seen among people aged above 40, with several risk factors such as smoking and hypertension. The aging population in China will contribute to an increasing prevalence of intracranial stenosis. In addition, the young generation in China are now facing higher risk of intracranial stenosis, indicating further increase of the intracranial stenosis neuro-interventional device market.

*Trend of import substitution*: The market of intracranial stenosis neuro-interventional devices is currently dominated by foreign products, while domestic companies still have the potential to take more market shares and realize import substitution through the innovation of medical devices. DEB is one of the key research direction of future intracranial stenosis treatment and there is no intracranial DEB product, neither imported or domestic, on the market at present. This leaves a chance for the domestic companies to take initiative, and the Company is potentially the first to provide intracranial DEB around the world.

*Increasing patient affordability*: Expenditures of neuro-interventional procedures are relatively high. Aside from the trend of import substitution, innovative products in the future are expected to be more affordable to intracranial stenosis patients with the continuous approval of intracranial stenosis neuro-interventional devices, would provide more accessible treatment for patients with poor economic conditions.

**Competitive Landscape**

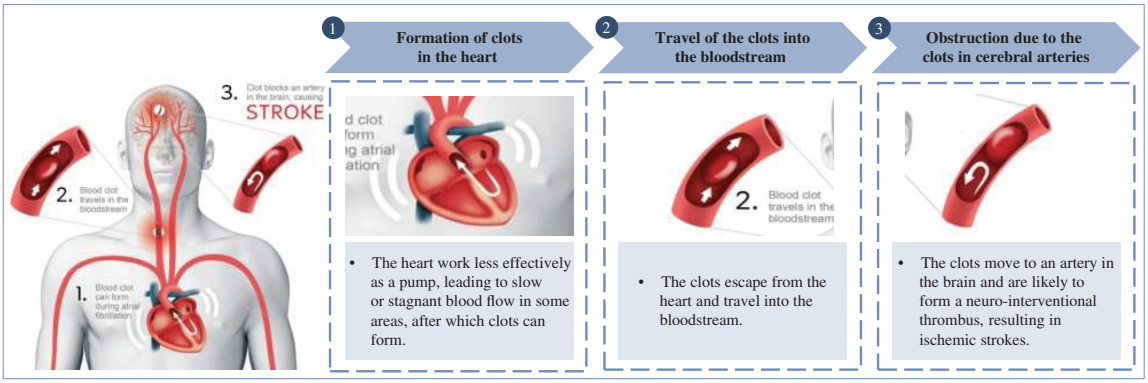
There was one marketed neuro-interventional balloon dilatation catheter manufactured by Sinomed in China as of the Latest Practicable Date.

Currently, no intracranial DES or DEB devices haven been approved worldwide. DEB is an emerging technique and has become a key research direction for domestic companies. The Company is expected to be the first company worldwide to provide intracranial DEB.

## CHINA ISCHEMIC STROKE PREVENTIVE ENDOVASCULAR DEVICE MARKET

### Prevention of Ischemic Stroke

AF is a condition that can potentially lead to stroke. Identifying and treating AF patients could effectively reduce the risk for them to experience strokes. The below diagram illustrates the disease progression from AF to stroke:




The prevalence of AF in China increased from 11.3 million in 2015 to 12.7 million in 2019 at a CAGR of 3.0%, and is estimated to increase to 15.1 million in 2030 at a CAGR of 1.5% from 2019 to 2030.

Treatments for AF include medication and procedure treatment. The treatment options depend on various factors including the type of AF, medical conditions of patients and possible side effects. The main procedure treatment for AF includes left atrial appendage occlusion (LAAO) and catheter ablation.

The purpose of LAAO is to prevent cardiogenic stroke caused by clots escaping from LAA, which is the main cause of AF and consequent vascular occlusion. LAAO is a procedure which closes off the opening of the LAA, in which blood cannot be squeezed out effectively when suffering from AF, thus reducing the risk of cerebral stroke. It may be an alternative to oral anticoagulant for patients with high bleeding risk or an additional treatment, while most patients still need to take anticoagulant after the procedure for about 45 days, achieving the best effect of therapy.

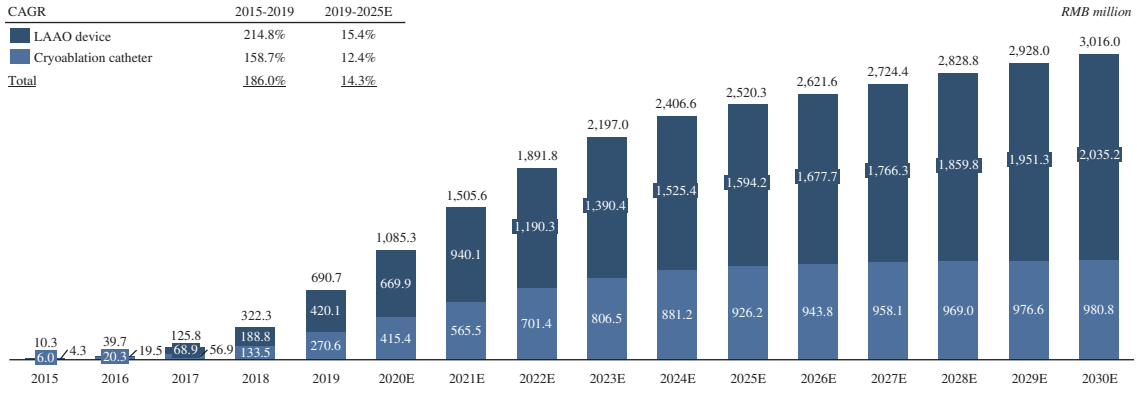
Cardiac ablation is a procedure to destroy tissues in the heart which allow incorrect electrical signals to cause an abnormal heart rhythm. Diagnostic catheters are threaded through blood vessels to the heart where they are used to map the heart's electrical signals. Ablation catheters transmit heat or cold energy to destroy the tissues.

## China Ischemic Stroke Preventive Endovascular Device Market

The number of ischemic stroke preventive endovascular procedures in China increased from 0.3 thousand in 2015 to 29.2 thousand in 2019 and is estimated to further increase to 290.7 thousand in 2030, at a CAGR of 23.2% from 2019 to 2030. The penetration rate of ischemic stroke preventive endovascular procedures in China, measured by the number of procedures as a percentage of the number of patients eligible for such procedures, is expected to increase from 0.2% in 2019 to 1.9% in 2030.

The size of the China ischemic stroke preventive endovascular device market increased from RMB10.3 million in 2015 to RMB690.7 million in 2019 at a CAGR of 186.0% and is expected to further increase to RMB3.0 billion in 2030 at a CAGR of 14.3% from 2019 to 2030. The below chart sets forth the market size for ischemic stroke prevention devices in China:

**Market size of China intracranial stroke preventive endovascular device market, in terms of sales value*, 2015-2030E**




*Note:* *by ex-factory price

*Source: China Insights Consultancy*

## Growth Drivers and Future Trends

The China ischemic stroke preventive endovascular device market is expected to grow significantly in the future due to the following factors:

*Increase in the awareness of stroke prevention from healthy people*: Public education and academic activities have been carried out to raise public awareness of stroke, and October 29 was designated as the World Stroke Day by the World Stroke Organization (WSO) in 2008. With more public education events being held regularly across the country, awareness will be raised among residents in China.

*Increase in the awareness of stroke prevention from institutions*: The PRC government launched the Stroke Screening and Intervention for High-risk Population 《腦卒中高危人群篩查和干預試點項目》 program in 2011, in which 6 million people across 31 provinces were screened for vascular risk factors by 2016, and follow-up visits have been conducted on nearly one million high-risk individuals. In 2017, the State Council of China released a national, medium-to-long term plan on the prevention and treatment of non-communicable diseases, with an aim to reduce mortality related to cerebrovascular diseases by 15% by 2025, through an emphasis on promoting healthy lifestyles, public education, early screening for chronic diseases, and the development of national platforms for quality control of health care.

*Increase in trained physicians*: In 2015, nine ministries of the PRC government, including the National Health and Family Planning Commission, jointly released national guidelines for a pilot project that would standardize the training for a specialist, which would move forward the training for stroke physicians.

*Import substitution by domestic products promoting reduction in market price and increase in sales volume*: The market of LAAO device and cryoablation catheter is mainly dominated by foreign products. With more domestic products approved, there will be a trend of import substitution, which is expected to reduce the market price and increase the sales volume of ischemic stroke preventive endovascular devices.

*Continuous increase in per capita disposable income*: The average disposable income of Chinese residents has witnessed a steady growth over the past years, and more people can afford the LAAO and cryoablation products.

## Competitive Landscape

### *LAAO Device*

As of the Latest Practicable Date, there were three domestic and three international LAAO device marketed in China, which were manufactured by five producers, the details of which were set forth below:

**Registered LAAO device by NMPA, as of the Latest Practicable Date**

| Company | Product name | NMPA approval date |
|---|---|---|
| St. Jude Medical | AMPLATZER Cardiac Plug | 2015/9/29 |
| LifeTech Scientific | Lambre™ LAA Closure System (左心耳封堵器系統) | 2017/6/2 |
| Boston Scientific | Left Atrial Appendage Closure Technology | 2018/1/12 |
| PushMed | LACbes Left Atrial Appendage Occluder (左心耳封堵器系統) | 2019/5/5 |
| St. Jude Medical | AMPLATZER Amulet Left Appendage Occluder | 2020/5/9 |
| SHSMA | MemoLefort™ Left Atrial Appendage Occluder System (左心耳封堵器系統) | 2020/6/9 |

*Source: China Insights Consultancy*

## THE CHINA HEMORRHAGIC STROKE NEURO-INTERVENTIONAL DEVICE MARKET

Hemorrhagic strokes accounted for about 27% of all strokes in 2019. Intracranial aneurysm is an abnormal dilatation on the arterial wall of the cerebral vessels, usually near a bifurcation point of a vessel segment and it is most prevalent among people aged from 35 to 60. The incidence of hemorrhagic stroke in China was 0.8 million in 2019 and is estimated to remain at 0.8 million in 2030. The prevalence of intracranial aneurysm in China increased from 96.2 million in 2015 to 98.0 million in 2019, and is estimated to increase to 101.6 million in 2030.

## Treatment of Hemorrhagic Stroke

Neuro-interventional procedures are widely applied to treat hemorrhagic stroke, especially for patients with intracranial aneurysms. Aneurysm coiling is a minimally invasive procedure to treat an aneurysm by filling it with materials that close off the lesion to reduces the risk of bleeding. The goal of aneurysm coiling is to isolate an aneurysm from the normal circulation without blocking off any small arteries nearby or narrowing the main vessel. Coiling can treat most types of aneurysm.

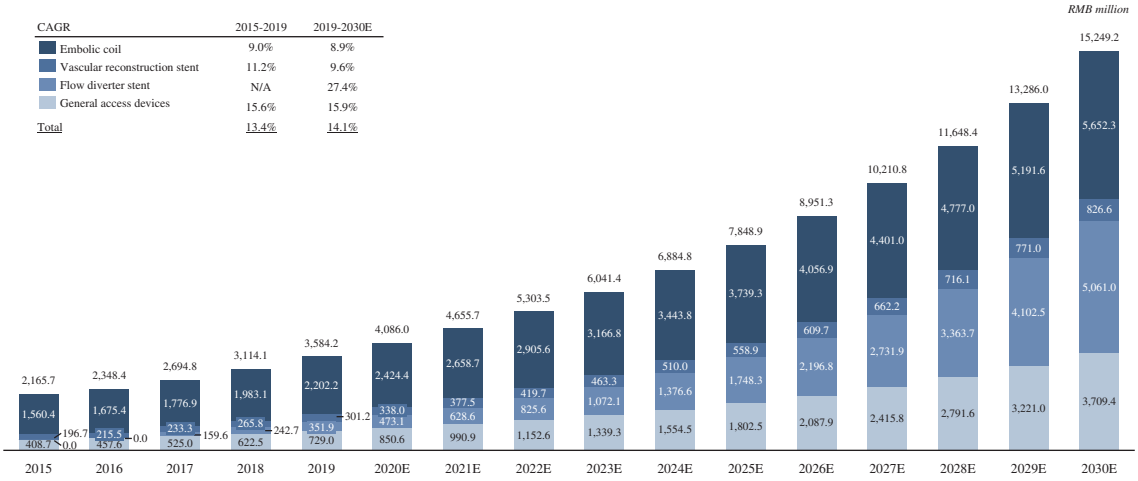
Flow diversion is also a minimally invasive procedure to treat aneurysm. It uses an endovascular stent to reinforce the wall of the vessel next to the aneurysm, maintaining the normal blood flow. The use of flow diverter stent, also known as a flow diverter, in flow diversion procedure is a relatively new approach in China in recent years. More experiments worldwide are carried out to prove its superiority. The most significant advantage compared to aneurysm coiling is that flow diversion reduces the risk of rupture effectively as it avoids entering the aneurysm, and it is more suitable and effective when the neck of aneurysm is wider.

## Hemorrhagic Stroke Neuro-Interventional Device Market

The number of hemorrhagic stroke neuro-interventional procedures in China increased from 28.3 thousand in 2015 to 64.5 thousand in 2019 and is estimated to further increase to 502.4 thousand in 2030, at a CAGR of 20.5% from 2019 to 2030. The penetration rate of hemorrhagic stroke neuro-interventional procedures in China, measured by the number of procedures as a percentage of the number of patients eligible for such procedures, is expected to increase from 7.7% in 2019 to 67.2% in 2030.

The market size of China hemorrhagic stroke neuro-interventional medical device market increased from RMB2.2 billion in 2015 to RMB3.6 billion in 2019 at a CAGR of 13.4% and is expected to further increase to RMB15.2 billion in 2030 at a CAGR of 14.1% from 2019 to 2030. The below chart sets forth the market size for hemorrhagic stroke neuro-interventional devices in China:

**Market size of China hemorrhagic stroke neuro-interventional device market, in terms of sales value*, 2015-2030E**




*Note:* *by ex-factory price

*Source: China Insights Consultancy*

## Growth Drivers and Future Trends

The China hemorrhagic stroke neuro-interventional device market is expected to grow significantly in the future due to the following factors:

*Increasing affordability of aneurysm patients:* The average disposable income of Chinese residents has been increasing steadily over the past years, and the demand of patients for high-quality medical treatment has been increasing continuously. Compared with traditional thoracotomy, the neuro-interventional procedures have various advantages including less trauma and lower surgical risks, and are therefore expected to be gain more popularity among patients.

*Wider application of flow diverter devices:* Traditional coil embolization treatment is insufficient for specific intracranial aneurysms because of limited applications and new devices such as flow diverter stents have been introduced to the market. With more flow diverter devices being developed and getting approved, flow diverter stents are expected to be more frequently applied in aneurysm treatments, and the market size of flow diverter devices will increase rapidly.

*Increase in the number of skilled neurology physicians:* Aneurysm embolization has high requirements for neurology physicians. Currently, there are only limited number of neurology physicians capable of performing flow diversion procedures in China, and the number of flow diversion procedures performed in China in 2019 was approximately four thousand cases. The penetration of flow diversion is expected to grow in China with improved skills of neurology physicians.

*Innovation of domestic medical devices:* Despite the fact that imported devices account for approximately 90% of the market, domestic devices are constantly emerging to compete with imported embolic coils. Domestic embolic coils have stable release, stable filling or basket formation and good trafficability. Domestic devices including embolic coils and more expensive devices such as vascular reconstruction stent and flow diverter stent are expected to take up a larger market share in the future.

## Competitive Landscape

### *Embolic coil*

The top five companies, including four international and one domestic producers, had a market share of 25.7%, 23.5%, 22.3%, 15.3% and 9.0% in the embolic coil device market in China in terms of sales revenue based on ex-factory price in 2019, while the other producers had a market share of 4.2% collectively.

### *Vascular Reconstruction Stent*

As of the Latest Practicable Date, there were six marketed vascular reconstruction stent products in China, which were manufactured by four international companies, the details of which were set forth below:

**Registered vascular reconstruction stent by NMPA, as of the Latest Practicable Date**

| Company | Product name | NMPA approval date |
|---|---|---|
| Johnson & Johnson | ENTERPRISE Vascular Reconstruction Device and Delivery System | 2017/2/13 |
| BALT EXTRUSION | Self-expanding intracranial stent | 2017/2/23 |
| Stryker | Neuroform EZ Stent System | 2017/2/28 |
| MicroVention | LVIS Intraluminal Support Device | 2017/12/4 |
| Johnson & Johnson | ENTERPRISE 2 Vascular Reconstruction Device and Delivery System | 2018/9/17 |
| MicroVention | LVIS Jr. Intracranial Support Device | 2019/3/25 |

*Source: China Insights Consultancy*

## OUR HISTORY

### Overview

We are a China-based neuro-interventional medical device pioneer with the aim of redefining the therapeutic and preventive paradigm of stroke. Throughout the years, we have been focusing on R&D, manufacturing and commercialization of innovative product candidates globally. For further detail, please refer to the section headed "Business" in this document.

Our Company was founded in the PRC as a limited liability company on June 16, 2016 with a registered capital of RMB2 million by Mr. Wang, our executive Director, Mr. Ding Kui (丁魁), our non-executive Director and Ms. Hong Jiaqi (洪家琪), an Independent Third Party. For further details of Mr. Wang and Mr. Ding Kui, please refer to the section headed "Directors, Supervisors and Senior Management". After a series of share transfers and capital injections, our Company was converted into a joint-stock limited liability company and renamed as "Shanghai HeartCare Medical Technology Corporation Limited (上海心瑋醫療科技股份有限公司)" on December 3, 2020. In December 2020, the registered capital of our Company was increased to RMB32,232,558 and there has been no change of share capital since then.

## MILESTONES OF DEVELOPMENT

The following table sets forth the key milestones of our business development:

| Year | Key Milestones and Achievements |
|---|---|
| June 2016 | We were established as a limited liability company in the PRC under the name of "Shanghai Care Medical Technology Corporation Limited (上海心瑋醫療科技有限公司)". |
| December 2019 | We obtained NMPA registration certificates for our ExtraFlex™ distal access catheter and SupSelek™ microcatheter. |
| August 2020 | We obtained NMPA registration certificate for our Captor™ thrombectomy device, being the first domestic multi-markers thrombectomy stent retriever in the PRC. |
| December 2020 | We commercialized our Captor™ thrombectomy device as the first domestic multi-markers thrombectomy stent retriever in the PRC. |
| December 2020 | We obtained NMPA registration certificate for our Fullblock™ balloon guiding catheter. |
| January 2021 | We completed the clinical trial for our LAA occluder. |

## OUR HISTORY DEVELOPMENT

### Our Company

Our Company was established in the PRC as a limited liability company on June 16, 2016 with an initial registered capital of RMB2 million, which was held as to 50%, 25% and 25% by Ms. Hong Jiaqi, Mr. Wang and Mr. Ding Kui, respectively. In February 2017, Ms. Hong Jiaqi transferred 15% of the equity interest in our Company to Ms. Zhang Kun (張坤), our executive Director, with a consideration of RMB0.3 million after arm's length negotiation with reference to the then paid-up registered capital and the prospects of our Company, which was fully paid up in cash on October 28, 2016.

Within a series of investments as set out in the sub-section below headed "Pre-[**REDACTED**] Investments" and the establishment of our employee shareholding platforms for our employee incentive scheme as set out in the sub-section below headed "Employee Incentive Scheme", in November 2018, Kaiyuan Investment, a limited partnership established in the PRC with Shanghai Zandaqian, a sole proprietorship wholly owned by Mr. Wang, as its general partner, acquired 3% and 7% of the equity interest in our Company from Mr. Ding Kui and Ms. Hong Jiaqi with a consideration of RMB0.504 million and RMB1.176 million, respectively, based on the then paid-up registered capital, which was fully paid up on August 20, 2019. In July 2019, Mr. Wang acquired the entire shares held by Ms. Hong Jiaqi with a consideration of approximately RMB1.1 million based on the then paid-up registered capital, which was fully settled on July 17, 2019.

Save for disclosed in the sub-sections below headed "Pre-[**REDACTED**] Investments" and "Employee Incentive Scheme", there has been no other change in the shareholding structure of our Company during the Track Record Period.

Please refer to the sub-section below headed "Corporate Structure – Corporate Structure Immediately Before Completion of the [**REDACTED**]" for the shareholding structure of our Company as of the Latest Practicable Date.

### Our Subsidiaries

#### *Weiming Medical*

Weiming Medical is a limited liability company wholly owned by our Company since its establishment in the PRC on September 11, 2019 focusing on manufacturing and sales of medical devices. Its registered capital was increased from RMB10 million at the time of establishment to RMB40 million on September 23, 2020.

*Nanjing SealMed*

Nanjing SealMed is a limited liability company established in the PRC on November 16, 2017 with a registered capital of RMB10 million focusing on R&D of medical devices. It was then held as to 55% and 45% by Ms. Wu Yuting (吳妤婷), an Independent Third Party, and Ms. Hu Xiaoping (胡小萍), the spouse of Dr. Li Zhigang, a director of our Company between June 2020 and November 2020, respectively.

On September 12, 2019, Ms. Wu Yuting transferred 4% equity interest in Nanjing SealMed to Shanghai Prosperico Venture Capital Center (LP) (上海景數創業投資中心(有限合夥)) ("**Prosperico Ventures**"), a professional private equity investor, for a consideration of RMB0.4 million based on its then paid-up registered capital, which was fully settled on July 31, 2019. Subsequently, Prosperico Ventures entered into a share transfer agreement in July 2019 with Nanjing SealMed and Ms. Wu Shuting with a consideration of RMB3.0 million, which was fully settled in August 2019. After the aforesaid acquisition, the paid-up registered capital was increased by RMB0.2 million and the remaining consideration of RMB2.8 million was contributed as capital reserve of Nanjing SealMed. Upon completion of the above acquisition of Prosperico Ventures, Nanjing SealMed was held as to 50%, 44.1176% and 5.8824% by Ms. Wu Yuting, Ms. Hu Xiaoping and Prosperico Ventures.

In September, 2020, our Company acquired the entire equity interest of Ms. Wu Yuting and Prosperico Ventures in Nanjing SealMed and it became our non-wholly owned subsidiary. For further details, please refer to the sub-section below headed "Acquisition During the Track Record Period".

## ACQUISITION DURING THE TRACK RECORD PERIOD

In order to effectively consolidate research resources, expand product portfolio and develop a better platform for the research of our medical devices, in September, 2020, our Company acquired the entire equity interest of Ms. Wu Yuting and Prosperico Ventures in Nanjing SealMed with a total consideration of RMB25.146 million, which was based on independent valuation after arm's length negotiation and fully settled on October 30, 2020. Upon completion of the acquisition, Nanjing SealMed became a non-wholly owned subsidiary of our Company.

Our PRC Legal Advisors have confirmed that all the required consents, approvals, authorization or filings in relation to the acquisition described above have been made or obtained and the acquisition has been properly and legally completed and settled.

## EMPLOYEE INCENTIVE SCHEME

In recognition of the contributions of our employees and to incentivize them to further promote our development, Xinwei Investment, Weiyu Shanghai and Weiyun Shanghai, our employee shareholding platforms, were established as limited partnerships in the PRC, details of which are set forth as the following:

### Xinwei Investment

Xinwei Investment was established as a limited partnership with Mr. Wang acting as its general partner in the PRC on September 6, 2017. In November 2017, Xinwei investment acquired 14.9995% of the equity interest in our Company by capital injection at a consideration of RMB0.4152 million, which was fully paid up in January 2019, based on the then paid-up registered capital of our Company. As of the Latest Practicable Date, Xinwei Investment holds 6.9369% of the equity interest in our Company.

### Weiyu Shanghai

Weiyu Shanghai was established as a limited partnership with Shanghai Zandaqian, a sole proprietorship wholly owned by Mr. Wang, acting as its general partner in the PRC on August 28, 2020. In September 2020, Weiyu Shanghai acquired 4.2722% of the equity interest in our Company by capital injection at a consideration of RMB15 million with reference to our net asset, which was fully paid up on September 25, 2020. As of the Latest Practicable Date, Weiyu Shanghai holds 3.7112% of the equity interest in our Company.

### Weiyun Shanghai

Weiyun Shanghai was established as a limited partnership with Shanghai Zandaqian, a sole proprietorship wholly owned by Mr. Wang, acting as its general partner in the PRC on August 28, 2020. In September 2020, Weiyun Shanghai acquired 10% of the equity interest in our Company by capital injection at a consideration of RMB30 million with reference to our net asset, which was fully paid up on September 25, 2020. As of the Latest Practicable Date, Weiyun Shanghai holds 8.6869% of the equity interest in our Company.

## PRE-[REDACTED] INVESTMENTS

### Overview

We underwent the following rounds of Pre-[**REDACTED**] investments and transfer of Shares among Pre-[**REDACTED**] investors:

### 1. Angel Financing

On April 22, 2017, Speed, Sinena and Bello acquired 6.0011%, 3.9993% and 4.9981% equity interest of our Company with a consideration of RMB6 million, RMB4 million and RMB5 million, respectively, by capital injection, which was fully paid up in cash on December 7, 2017.

**2. Series A Financing**

In July 2018, Futuo Biotech acquired 10.7143% of the equity interest in our Company at a consideration of RMB30 million by capital injection, which was fully paid up in cash on May 2, 2018.

In April 2019, Futuo Biotech acquired 5.9524% of the equity interest in our Company at a consideration of RMB20 million by capital injection, which was fully paid up in cash on January 29, 2019.

**3. Transfer of Shares in January 2019**

On January 22, 2019, Mr. Ding Kui and Ms. Hong Jiaqi transferred 3% and 9% of their equity interest in our Company to Tongchuangsuwei, at a consideration of RMB7.5 million and RMB22.5 million, respectively, which was fully settled in cash on December 25, 2019.

**4. Series B Financing**

On September 30, 2019, Hidea, Huipu, Dadao, Sharewin Heike, and Grandyangtze Jiyuan acquired 3.2833%, 1.6667%, 0.05%, 4.1667% and 3.3333% equity interest in our Company, each at a consideration of RMB19.7 million, RMB10 million, RMB0.3 million, RMB25 million and RMB20 million, respectively, by capital injection. All aforesaid consideration was fully paid up in cash on September 16, 2019.

**5. Transfer of Shares in May 2020**

On May 14, 2020, SDIC Unity Capital and Huajinjintian acquired 8.7719% and 5.8114% equity interest of our Company from Futuo Biotech at a consideration of RMB50 million and approximately RMB33 million, respectively, which was fully settled in cash on May 6, 2020. Upon completion of the aforesaid share transfer, Futuo Biotech ceased to be a shareholder of our Company.

**6. Transfer of Shares in July 2020 and Series C Financing**

On July 24, 2020, Speed, Sinena, Bello, Hidea, Huipu and Grandyangtze Jiyuan transferred a total of 5.8747%, 2.8839% and 1.9226% equity interest in our Company to LYFE Columbia, Sherpa Zhuhai and SherpaStrokemed at a consideration of approximately RMB67 million, RMB33 million and RMB22 million in aggregate, respectively. All the aforesaid consideration was fully settled in cash on September 6, 2020. Upon completion of the aforesaid share transfer, Bello ceased to be a shareholder of our Company.

On the same date, LYFE Columbia, Sherpa Zhuhai and SherpaStrokemed acquired 5%, 2.4545% and 1.6364% equity interest of our Company by capital injection at a consideration of then equivalent RMB66 million in USD, RMB32.4 million and RMB21.6 million, respectively. All the aforesaid consideration was fully paid up in cash on September 4, 2020.

### 7. Series C+ Financing

On September 16, 2020, LYFE Columbia, Sherpa Zhuhai and SherpaStrokemed further acquired 2.5063%, 1.0253% and 1.0253% equity interest of our Company at an approximate consideration of the then equivalent RMB44 million in USD, RMB18 million and RMB18 million, respectively by capital injection. All the aforesaid consideration was fully paid up in cash on September 27, 2020.

### 8. Transfer of Shares in October 2020

On October 29, 2020, LYFE Ohio acquired an total of 2.2314% equity interest in our Company with a total consideration of the then equivalent RMB65.5 million in USD from Mr. Ding Kui, Ms. Zhang Kun and Kaiyuan Investment. On the same date, CICC Pucheng acquired an entire of 0.6814% equity interest in our Company with a total consideration of RMB20 million from Xinwei Investment and Kaiyuan Investment. Meanwhile, Tongchuangsuwei transferred 0.3407% and 0.6814% of the equity interest in our Company with a consideration of RMB10 million and RMB20 million, to Mr. Ren Yi (任毅) and Sharewin Heike, respectively. All the aforesaid consideration was fully settled in cash on December 14, 2020.

### 9. Crossover Financing

On December 9, 2020, Elbrus, Raritan River, Lake Bleu and SherpaStrokecure acquired and LYFE Ohio further acquired 5.0505%, 4.0404%, 2.0202%, 0.9091% and 1.1111% equity interest of the Company by capital injection at a consideration of approximately RMB171 million, RMB137 million, RMB68 million, RMB31 million and RMB38 million, respectively. All the aforesaid consideration was fully paid up in cash on December 24, 2020.

Our PRC Legal Advisers have confirmed that all the required consents, approvals, authorization or filings in relation to the changes of our shareholding described above have been made and obtained and the aforesaid changes of our shareholding have been properly and legally completed and settled.

## Principal Terms of the Pre-[REDACTED] Investments

The below table summarizes the principal terms of the investments and transfer of Shares as set out in the above sub-section headed "Overview":

| | Angel Financing | Series A Financing | Transfer of Shares in January 2019 | Series B Financing | Transfer of Shares in May 2020 | Transfer of Shares in July 2020 and Series C Financing | Series C+ Financing | Transfer of Shares in October 2020 | Crossover Financing |
|---|---|---|---|---|---|---|---|---|---|
| **Cost per Share (in RMB)[1]** | 9.6 | 16.6 | 14.8 | 29.0 | 27.6 | 55.3 and 57.8 | 62.7 | 104.8 | 104.8 |
| **Corresponding post-money valuation of our Company (in RMB)[2]** | 100,000,000.00 | 300,000,000.00 | N/A | 600,000,000.00 | N/A | 1,322,075,800.00 | 1,580,000,000 | N/A | 3,379,018,500 |
| **Date of the agreements** | March 21, 2017 | April 20, 2018 | December 20, 2018 | September 2, 2019 | April 14, 2020 | June 30, 2020 | August 25, 2020 | October 23, 2020 | October 23, 2020 |
| **Approximate amount of total consideration (in RMB)** | 15 million | 50 million | 30 million | 75 million | 83 million | 242 million | 80 million | 116 million | 444 million |
| **Date of on which the investment was fully settled** | December 7, 2017 | May 2, 2018 and January 29, 2019 | December 25, 2018 | September 16, 2019 | May 6, 2020 | September 6 and September 4, 2020 | September 27, 2020 | December 14, 2020 | December 24, 2020 |
| | [**REDACTED**] | | | | | | | | |
| **Lock-up** | Subject to a lock-up period of 12 months following the [**REDACTED**] pursuant to the PRC Company Law | | | | | | | | |
| **Basis of determination of the consideration** | The consideration for each round of Pre-[**REDACTED**] Investments was determined based on arm's length negotiation after taking into consideration the timing of the Pre-[**REDACTED**] Investments and the status of our business operations and clinical trials. | | | | | | | | |
| **Uses of proceeds and whether they have been fully utilized** | We utilized the proceeds for the principal business of our Group as approved by the Board, including, but not limited to, R&D activities, commercialization and manufacturing of our core products, the growth and expansion of our Company's business and general working capital purposes in accordance with the budget approved by the Board. As of the Latest Practicable Date, approximately 22% of the net [**REDACTED**] from the Pre-[**REDACTED**] Investments has been utilized. | | | | | | | | |
| **Strategic benefit from the Pre-[REDACTED] Investments to our Group** | At the time of the Pre-[**REDACTED**] Investments, our Directors were of the view that our Group could benefit from the additional capital that would be provided by the Pre-[**REDACTED**] Investors' investments in our Group and the Pre-[**REDACTED**] Investors' knowledge and experience. | | | | | | | | |

*Notes:*

(1) The cost per share is adjusted with reference to the conversions of capital reserve to registered capital of our Company in January 2018 as set out in the section headed "Appendix VI – Statutory and General Information – A. Further Information About Our Company – 2. Changes in Share Capital" and the conversion of our Company from a limited liability company to a joint-stock limited liability company in December 2020.

(2) The fluctuation of the corresponding post-money valuation was mainly resulted from the progress of the research and development of our products, the general market prospects and our business plan.

(3) The discount to the [**REDACTED**] is calculated based on the [**REDACTED**] of RMB[**REDACTED**] per Share, being the mid-point of the [**REDACTED**] range.

The table below sets out the details of the shareholding of our Pre-[**REDACTED**] Investors:

| **Shareholders** | **Number of Shares** | **Shareholding as of the Latest Practicable Date** | **Shareholding upon the completion of the [REDACTED] (assuming the [REDACTED] is not exercised)** | **Shareholding upon the completion of the [REDACTED] (assuming the [REDACTED] is fully exercised)** |
|---|---|---|---|---|
| LYFE Columbia | 3,051,972 | 9.47% | [**REDACTED**] | [**REDACTED**] |
| SDIC Unity Capital | 1,812,440 | 5.62% | [**REDACTED**] | [**REDACTED**] |
| Tongchuangsuwei | 1,738,660 | 5.39% | [**REDACTED**] | [**REDACTED**] |
| Elbrus | 1,627,907 | 5.05% | [**REDACTED**] | [**REDACTED**] |
| Sherpa Zhuhai | 1,440,824 | 4.47% | [**REDACTED**] | [**REDACTED**] |
| Raritan River | 1,302,326 | 4.04% | [**REDACTED**] | [**REDACTED**] |
| Huajinjintian | 1,200,724 | 3.73% | [**REDACTED**] | [**REDACTED**] |
| SherpaStrokemed | 1,056,244 | 3.28% | [**REDACTED**] | [**REDACTED**] |
| Sharewin Heike | 1,051,708 | 3.26% | [**REDACTED**] | [**REDACTED**] |
| LYFE Ohio | 982,931 | 3.05% | [**REDACTED**] | [**REDACTED**] |
| Lake Bleu | 651,163 | 2.02% | [**REDACTED**] | [**REDACTED**] |
| Sinena | 408,828 | 1.27% | [**REDACTED**] | [**REDACTED**] |
| Grandyangtze Jiyuan | 344,344 | 1.07% | [**REDACTED**] | [**REDACTED**] |
| Sherpa Strokecure | 293,023 | 0.91% | [**REDACTED**] | [**REDACTED**] |
| Hidea | 282,380 | 0.88% | [**REDACTED**] | [**REDACTED**] |
| Speed | 251,972 | 0.78% | [**REDACTED**] | [**REDACTED**] |
| CICC Pucheng | 190,792 | 0.59% | [**REDACTED**] | [**REDACTED**] |
| Huipu | 137,732 | 0.43% | [**REDACTED**] | [**REDACTED**] |
| Mr. Ren Yi | 95,396 | 0.30% | [**REDACTED**] | [**REDACTED**] |
| Dadao | 10,332 | 0.03% | [**REDACTED**] | [**REDACTED**] |
| Bello | 0 | 0% | [**REDACTED**] | [**REDACTED**] |
| Futuo Biotech | 0 | 0% | [**REDACTED**] | [**REDACTED**] |
| **Total** | 17,931,698 | 55.63% | [**REDACTED**] | [**REDACTED**] |

## Special Rights of Pre-[REDACTED] Investors

The Pre-[**REDACTED**] investors were granted certain special rights, including, among others, tag-alone rights, pre-emptive rights, redemption rights, information rights, anti-dilution rights and rights to be consented prior to certain corporate actions. All special rights ceased to be exercisable immediately upon the submission of the application for the [**REDACTED**] unless such application is withdrawn, rejected, or returned. None of the special rights shall survive the [**REDACTED**].

## Compliance with Interim Guidance and Guidance Letters

On the basis that the special rights granted to the [**REDACTED**] Investors ceased to be exercisable immediately upon submission of the [**REDACTED**] application unless the [**REDACTED**] application is withdrawn, rejected, or returned, and none of the special rights shall survive the [**REDACTED**], the Joint Sponsors confirm that the investments by the [**REDACTED**] Investors are in compliance with the Guidance Letter HKEX-GL29-12 issued on January 2012 and updated in March 2017 by the Stock Exchange and the Guidance Letter HKEX-GL43-12 issued in October 2012 and updated in July 2013 and in March 2017 by the Stock Exchange.

## Information about Our Pre-[REDACTED] Investors

Our Pre-[**REDACTED**] Investors include certain Sophisticated Investors such as SDIC Unity Capital and Sherpa Zhuhai. The background information of our Pre-[**REDACTED**] Investors is set out below:

### *1. Speed*

Speed is a limited partnership established in the PRC owned by Mr. Bao Jing (保京) as to 99.9% and Shanghai Qiaoqian Assets Management Corporation Limited (上海巧千資產管理有限公司, the "**Shanghai Qiaoqian**") as to 0.1%. Shanghai Qiaoqian, which acts as its general partner, is owned by Ms. Wu Jing (吳靜) as to 77.5% and Mr. Zhang Qingliang (張清亮) as to 22.5%. Each of Mr. Bao Jing, Ms. Wu Jing and Mr. Zhang Qingliang is an Independent Third Party of our Company.

### *2. Sinena*

Sinena is a limited partnership established in the PRC owned by Ms. Dong Yaling (董亞玲) as to 99.9% and Shanghai Qiaoqian as to 0.1%. Ms. Dong Yaling is an Independent Third Party of our Company.

***3. Bello***

Bello is a limited partnership established in the PRC owned by Ms. Qiao Yinling (喬銀玲), Ms. Li Jun (李俊) and Mr. Li Yunfei (李雲飛) as to 71.41%, 25.74% and 2.86%, respectively. Mr. Li Yunfei acts as the general partner of Bellow. Ms. Li Jun and Mr. Li Yunfei is the spouse and father-in-law of Mr. Ding Kui, our non-executive Director, respectively. Ms. Qiao Yinling is an Independent Third Party of our Company.

***4. Futuo Biotech***

Futuo Biotech is a limited liability company established in the PRC on October 24, 2017. Futuo is a non-wholly owned subsidiary of Shanghai Fosun Pharmaceutical (Group) Corporation Limited (上海復星醫藥(集團)股份有限公司), a company focusing on pharmaceutical manufacturing and R&D whose shares are listed on the Main Board of the Stock Exchange (stock code: 2196.hk) and Shanghai Stock Exchange (stock code: 600196.sh).

***5. Tongchuangsuwei***

Tongchuangsuwei is a limited partnership established in the PRC which Mr. Chai Yanpeng (柴燕鵬), the spouse of Ms. Zhang Kun, our executive Director and deputy general manager, acts as its general partner. Tongchuangsuwei is held as to 30%, 25%, 25% and 20% by Mr. Chai Yanpeng, Mr. Huang Bo (黃博), Mr. Tan Furong (譚富榮) and Mr. Wang Xiting (王西亭). Mr. Huang Bo (黃博), Mr. Tan Furong (譚富榮) and Mr. Wang Xiting (王西亭) are all Independent Third Parties of our Company.

***6. Hidea***

Hidea is a limited partnership established in the PRC with Dadao as its general partner. Hidea is held by a group of investment companies and individuals and ultimately controlled by Mr. Wang Wengang (王文剛). Each of its shareholders and Mr. Wang Wengang is an Independent Third Party of our Company. Hidea is an established fund specializing on investments in the biopharmaceutical sector, whose investment portfolio includes, among others, Hainan Huayi Taikang Pharmaceutical Corporation Limited (海南華泰益康藥業有限公司), Beijing Langyan Life Technology Holding Company Limited (北京朗研生命科技控股有限公司) and Zhejiang Baichen Medical Technology Corporation Limited (浙江佰辰醫療科技有限公司).

***7. Huipu***

Huipu a limited partnership established in the PRC owned by Zhongshenghuipu (Tianjin) Investment Management Corporation Limited (中盛匯普(天津)投資管理有限公司) as to 70%, Hangzhou Haidabicheng Entrepreneurship Investment Management Partnership (LP) (杭州海達必成創業投資管理合夥企業(有限合夥)) as to 10%, both acting as its general partner, and Mr. Dong Shihai (董世海) as to 20%. Huipu was ultimately controlled by Mr. Tao Jianguo (陶建國), an Independent Third Party and it also invested in Beijing Sunshine Nuohe Pharmaceutical Research Corporation Limited (北京陽光諾和藥物研究股份有限公司), a company focusing on the R&D of pharmaceuticals.

***8. Dadao***

Dadao is a limited liability company established in the PRC wholly owned by Tianjin Haida Entrepreneurship Investment Management Corporation Limited (天津海達創業投資管理有限公司), which is ultimately controlled by Mr. Wang Wengang. Dadao is an established investment institution specializing in biopharmaceutical sector, whose investment portfolio includes, among others, Shanghai Panoramic Medical Image Technology Corporation Limited (上海全景醫學影像科技股份有限公司), Guangzhou Hengnuokang Medical Technology Corporation Limited (廣州市恒諾康醫藥科技有限公司) and Zhejiang Baichen Medical Technology Corporation Limited (浙江佰辰醫療科技有限公司).

***9. Sharewin Heike***

Sharewin Heike is a limited partnership established in the PRC with Shanghai Yukang Equity Investment Funds (LP) (上海宇康股權投資中心(有限合夥)) as its general partner. Sharewin Heike is a dedicated healthcare fund held by a group of professional investment funds, state-owned companies and individuals.

***10. Grandyangtze Jiyuan***

Grandyangtze Jiyuan is a limited partnership established in the PRC owned by a group of professional investment institutions and individuals managed by Mr. Li Chunyi (李春義) and Shanghai Yangtze Guohong Investment Management Corporation Limited (上海長江國弘投資管理有限公司), each of which is an Independent Third Party of our Company, as its general partners. Grandyangtze Jiyuan is an established investment institution focusing on healthcare, advanced manufacturing and technology sectors.

***11. SDIC Unity Capital***

SDIC Unity Capital is a limited partnership established in the PRC with SDIC Unity Capital Funds Management Corporation Limited (國投創合基金管理有限公司) as its general partner focusing on the investment of emerging industries. SDIC Unity Capital manages committed capital of around RMB17.85 billion and has invested in over 80 venture capital companies. Apart from investment in our Company, SDIC Unity Capital also invested in other healthcare companies such as Lepu Biotech Corporation Limited (樂普生物科技股份有限公司) and RemeGen Corporation Limited (榮昌生物製藥(煙台)股份有限公司, a company listed on the Main Board of the Stock Exchange (stock code: 9995.hk).

***12. Huajinjintian***

Huajinjintian is a limited partnership established in the PRC with Tibet Chongshi Equity Investment Funds Management Corporation Limited (西藏崇石股權投資基金管理有限公司) as its general partner. Huajinjintian is a dedicated healthcare fund held by a group of professional investment institutions and a pharmaceutical company.

### *13. LYFE Columbia, LYFE Ohio and Raritan River*

LYFE Columbia is a limited liability company incorporated in Hong Kong on May 18, 2020. LYFE Ohio is a limited liability company incorporated in the Cayman Islands on March 6, 2020. Raritan River is a limited liability company incorporated in the Cayman Islands and is a special purpose vehicle for a group of professional investors including the Canada Pension Plan Investment Board, an assets management company owned by the Government of Canada. Each of LYFE Columbia, LYFE Ohio and Raritan River is controlled by LYFE Capital Management Limited, which is in turn ultimately controlled by Mr. Zhao Jin (趙晉) and Mr. Yu Zhengkun (余征坤), both being our Independent Third Parties.

### *14. Sherpa Zhuhai*

Sherpa Zhuhai is a is a limited partnership established in the PRC with Zhuhai Sherpa Phase I Medical Investment Management Partnership (LP) (珠海夏爾巴一期醫療投資管理合夥企業(有限合夥)) as its general partner. The general partner of Zhuhai Sherpa Phase I Medical Investment Management Partnership (LP) is Zhuhai Sherpa Equity Investment Management Corporation Limited (珠海夏爾巴股權投資管理有限公司), which is ultimately controlled and owned as to 56% by Mr. Ouyang Xiangyu, our non-executive Director, and as to 44% by a group of individual shareholders, each of which is an Independent Third Party of our Company. Sherpa Zhuhai is a dedicated healthcare fund held by a group of professional investment institutions with more than RMB1,650 million assets under management. Apart from our Company, Sherpa Zhuhai also invested in various companies in healthcare industry such as Bliss Biopharmaceutical (Hangzhou) Co. Ltd. (百力司康生物醫藥(杭州)有限公司) and Faith Medical Technology (Suzhou) Co., Ltd. (信念醫藥科技(蘇州)有限公司).

### *15. SherpaStrokemed and Sherpa Strokecure*

SherpaStrokemed is a limited liability company incorporated in Hong Kong on May 29, 2020, and is indirectly wholly-owned by a limited partnership, which is in turn wholly-owned by a group of limited partners. Sherpa Strokecure is a limited liability company incorporated in Hong Kong on October 16, 2020, and is indirectly wholly-owned by a limited partnership, which is in turn owned by a sole limited partner. Each of the limited partnerships is ultimately controlled by Mr. Cai Daqing (蔡大慶) and all of the limited partners and Mr. Cai Daqing are our Independent Third Parties.

### *16. CICC Pucheng*

CICC Pucheng is a limited liability company established in the PRC, which is wholly owned by China International Capital Corporation Limited, a company listed on the Main Board of the Stock Exchange (stock code: 3908.hk) and Shanghai Stock Exchange (stock code: 601995.sh). CICC Pucheng is an established investment company focusing on various industries including technology, finance and healthcare.

### *17. Mr. Ren Yi*

Mr. Ren Yi currently served as an investor director in Shanghai Boao Investment Management Company Limited (上海博翱投資管理有限公司) and is an individual investor. He worked in several established funds and financial intuitions, and has been involved in investments within the healthcare industry.

### *18. Elbrus*

Elbrus is an indirect wholly-owned subsidiary of Temasek Holdings (Private) Limited (the "**Temasek**"). Incorporated in 1974, Temasek is an investment company with a net portfolio of USD306 billion as at March 31, 2020, with two thirds underlying exposure in Asia. Its investments in the life sciences sector include WuXi AppTec, a company listed on the Main Board of the Stock Exchange (stock code: 2359.hk), Celltrion, Inc., a company listed on the Korea Exchange (stock code: 068270), Thermo Fisher Scientific Inc., a company listed on the New York Stock Exchange (stock code: TMO), Aerogen, Dr. Agarwal's Healthcare, Hangzhou Tigermed, a company listed on the Main Board of the Stock Exchange (stock code: 3347.HK), Orchard Therapeutics, a company listed on NASDAQ (stock code: ORTX) and Surgery Partners, a company listed on NASDAQ (stock code: SGRY).

### *19. Lake Bleu*

Lake Bleu is managed by Lake Bleu Capital (Hong Kong) Limited. Lake Bleu is an exempted limited partnership registered in the Cayman Islands and it specializes in investing in late-stage healthcare companies in Asia/Greater China. Its investment scope includes pharmaceuticals, biotech, medical devices, and healthcare services. LBC GP II Limited, an exempted company incorporated in the Cayman Islands, acts as the general partner of the Lake Bleu.

## Public float

Following the completion of the [**REDACTED**], our Unlisted Shares that will and will not be converted into H Shares for each Shareholders are set forth as below:

| Shareholders | Number of Shares | Number of Shares that will be converted into H Shares following the completion of the [REDACTED] | Percentage of number of Shares that will be converted into H Shares in the Unlisted Share held by each Shareholder | Number of Shares that will not be converted into H Shares following the completion of the [REDACTED] | Percentage of number of Shares that will not be converted into H Shares in the Unlisted Share held by each Shareholder |
|---|---|---|---|---|---|
| Mr. Wang | 3,831,380 | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| LYFE Columbia | 3,051,972 | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| Weiyun Shanghai | 2,800,000 | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| Xinwei Investment | 2,235,940 | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| SDIC Unity Capital | 1,812,440 | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| Tongchuangsuwei | 1,738,660 | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| Elbrus | 1,627,907 | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| Mr. Ding Kui | 1,565,816 | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| Sherpa Zhuhai | 1,440,824 | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| Ms. Zhang Kun | 1,394,316 | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| Raritan River | 1,302,326 | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| Kaiyuan Investment | 1,277,192 | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| Huajinjintian | 1,200,724 | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| Weiyu Shanghai | 1,196,216 | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| SherpaStrokemed | 1,056,244 | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| Sharewin Heike | 1,051,708 | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| LYFE Ohio | 982,931 | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| Lake Bleu | 651,163 | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| Sinena | 408,828 | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| Grandyangtze Jiyuan | 344,344 | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| Sherpa Strokecure | 293,023 | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| Hidea | 282,380 | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| Speed | 251,972 | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| CICC Pucheng | 190,792 | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| Huipu | 137,732 | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| Mr. Ren Yi | 95,396 | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| Dadao | 10,332 | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| **Total** | 32,232,558 | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |

The 7,268,604 Shares held by our Shareholders as of the Latest Practicable Date, representing approximately 22.55% of our total issued Shares as of the Latest Practicable Date, or approximately [**REDACTED**]% of our total issued Shares upon [**REDACTED**] (assuming the [**REDACTED**] is not exercised), or approximately [**REDACTED**]% of our total issued Shares upon exercise of the [**REDACTED**] in full, will not be considered as part of the public float as the Shares are Unlisted Shares which will not be converted into H Shares and listed following the completion of the [**REDACTED**].

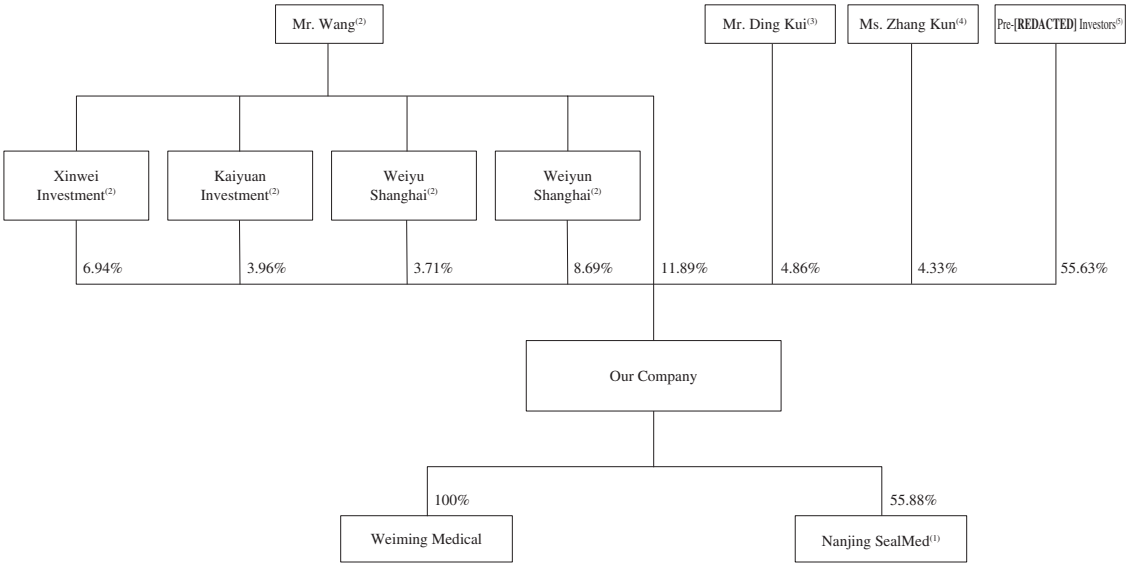
The 8,238,913 Shares held by Speed, Sinena, Hidea, Huipu, Dadao, Sharewin Heike, Grandyangtze Jiyuan, SDIC Unity Capital, Huajinjintian, SherpaStrokemed, Sherpa Strokecure, CICC Pucheng, Mr. Ren Yi, Elbrus, Lake Bleu representing approximately 25.56% of our total issued Shares as of the Latest Practicable Date, or [**REDACTED**]% of our total issued Shares upon [**REDACTED**] (assuming the [**REDACTED**] is not exercised), or [**REDACTED**]% of our total issued Shares upon exercise of the [**REDACTED**] in full, are Unlisted Shares which will be converted into H Shares and listed following the completion of the [**REDACTED**]. As these entities will not be core connected persons of the Company upon [**REDACTED**], are not accustomed to take instructions from core connected persons in relation to the acquisition, disposal, voting or other disposition of their Shares and their acquisition of Shares were not financed directly or indirectly by core connected persons, the Shares held by them will be counted towards the public float for the purpose of Rule 8.08 of the Listing Rule after [**REDACTED**]. The 16,725,041 Shares held by Mr. Wang, Xinwei Investment, Kaiyuan Investment, Weiyu Shanghai, Weiyun Shanghai, Mr. Ding Kui, Ms. Zhang Kun, Tongchuangsuwei, Sherpa Zhuhai, LYFE Columbia, LYFE Ohio and Raritan River are Unlisted Shares which will be converted into H Shares and listed following the completion of the [**REDACTED**]. As these entities and individuals will be core connected persons of the Company upon [**REDACTED**], the Shares held by them will not be counted towards the public float for the purpose of Rule 8.08 of the Listing Rule after [**REDACTED**].

Immediately upon completion of the [**REDACTED**], assuming that (i) [**REDACTED**] H Shares are issued and sold in the [**REDACTED**]; (ii) the [**REDACTED**] is not exercised; and (iii) [**REDACTED**] Shares are issued and outstanding upon completion of the [**REDACTED**], based on an [**REDACTED**] of HK$[**REDACTED**] per Share (being the low-end of the indicative [**REDACTED**] range), the Company will have a market capitalization of at least HK$375 million held by public.

## CORPORATE STRUCTURE

### Corporate Structure Immediately Before Completion of The [REDACTED]

The following chart sets forth the shareholding and corporate structure of the Group as of the Latest Practicable Date:




(1) The remaining equity interest was held as to 44.12% by Ms. Hu Xiaoping, the spouse of Dr. Li Zhigang, a director of our Company between June 2020 and November 2020.

(2) Mr. Wang acts as the general partner of Xinwei Investment and Kaiyuan Investment and wholly owned Shanghai Zandaqian, a sole proprietorship acting as the general manager of Weiyu Shanghai and Weiyun Shanghai. For further details of Kaiyuan Investment, please refer to the sub-section above headed "Our History Development – Our Company". For further details of Xinwei Investment, Weiyu Shanghai and Weiyun Shanghai, please refer to the sub-section headed "Employee Incentive Scheme".

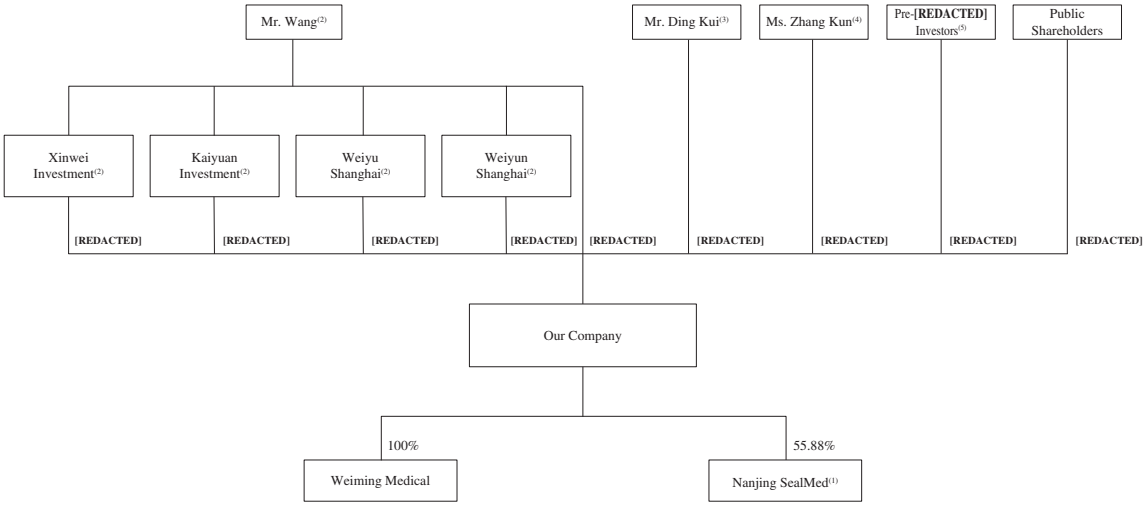
(3) Mr. Ding is our non-executive Director. For further details of his biography, please refer to the section headed "Director, Supervisors and Senior Management".

(4) Ms. Zhang Kun is our executive Director and deputy general manager. For further details of her biography, please refer to the section headed "Director, Supervisors and Senior Management".

(5) For further details of our Pre-[**REDACTED**] Investors, please refer to the sub-section headed "Pre-[**REDACTED**] Investment – Information about Our Pre-[**REDACTED**] Investors".

## Corporate Structure Immediately After Completion of The [REDACTED]

The following chart sets forth the shareholding and corporate structure of the Group immediately after the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised):




(1) The remaining equity interest was held as to 44.12% by Ms. Hu Xiaoping, the spouse of Dr. Li Zhigang, a director of our Company between June 2020 and November 2020.

(2) Mr. Wang acts as the general partner of Xinwei Investment and Kaiyuan Investment and wholly owned Shanghai Zandaqian, a sole proprietorship acting as the general manager of Weiyu Shanghai and Weiyun Shanghai. For further details of Kaiyuan Investment, please refer to the sub-section above headed "Our History Development – Our Company". For further details of Xinwei Investment, Weiyu Shanghai and Weiyun Shanghai, please refer to the sub-section headed "Employee Incentive Scheme".

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(4) Ms. Zhang Kun is our executive Director and deputy general manager. For further details of her biography, please refer to the section headed "Director, Supervisors and Senior Management".

(5) For further details of our Pre-[**REDACTED**] Investors, please refer to the sub-section headed "Pre-[**REDACTED**] Investment – Information about Our Pre-[**REDACTED**] Investors".

## OVERVIEW

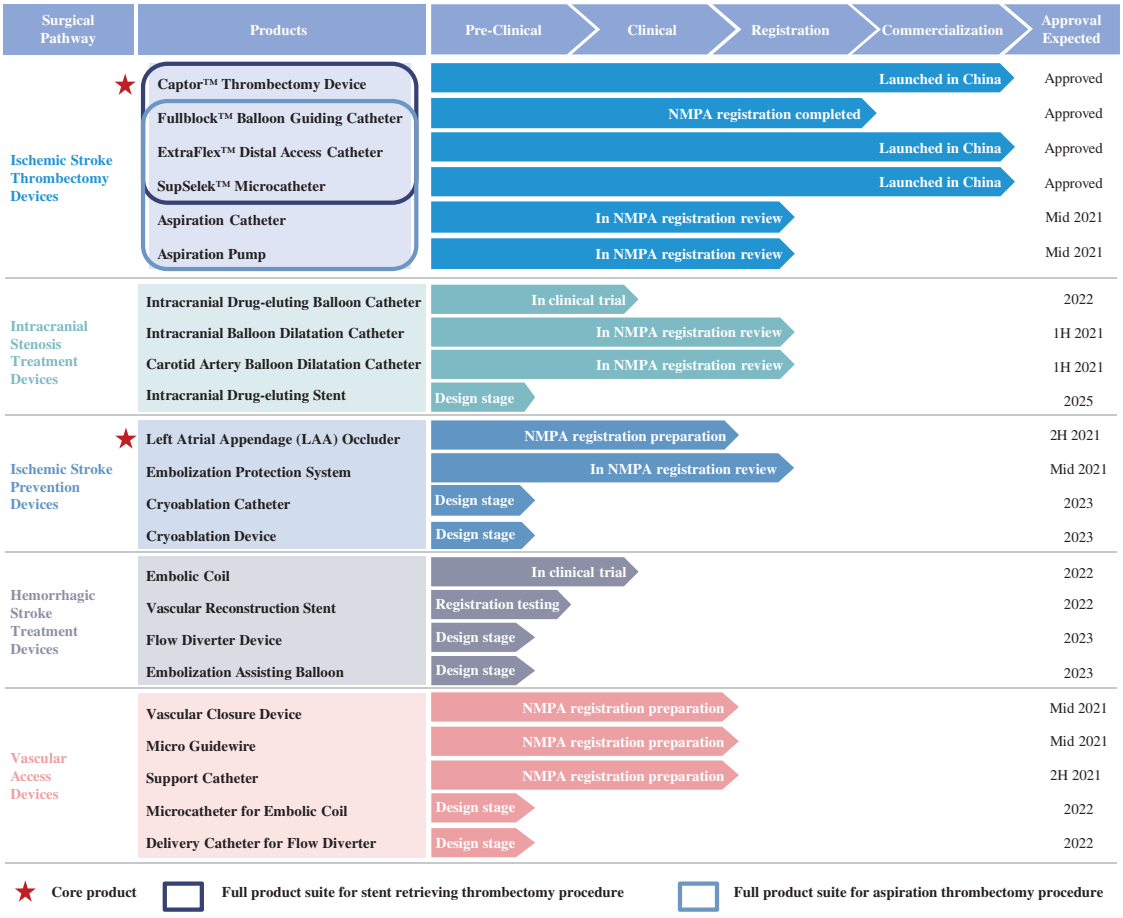
We are a China-based neuro-interventional medical device pioneer with the aim of redefining the therapeutic and preventive paradigm of stroke. Leveraging our integrated capabilities in R&D, manufacturing and commercialization, we strive to reduce the mortality rate and improve prognosis of stroke in China and worldwide through the commercialization of our innovative product candidates.

We have a broad portfolio of 23 commercialized products and product candidates covering the entirety of the massive, fast-growing and highly under-penetrated neuro-interventional market. Our portfolio extends from the treatment and prevention of ischemic stroke, including acute ischemic stroke and intracranial stenosis, to the treatment of hemorrhagic stroke. As of the Latest Practicable Date, we had obtained NMPA approvals for four ischemic stroke treatment devices forming a complete product suite for stent retrieving thrombectomy procedures. Additionally, we expect to commercialize nine currently late-stage product candidates in 2021 and 10 currently earlier-stage product candidates between 2022 and 2025, including the global-first sirolimus intracranial drug-eluting balloon catheter for intracranial stenosis treatment, thereby further expanding and diversifying our product offerings for the unmet and differentiated needs of stroke patients.

Stroke is a leading cause of death and disability globally. In China, stroke was the top cause of death in 2019 as the incidence rate of stroke recorded continued increase in recent years largely driven by the aging of the Chinese population. Neuro-interventional technology innovations in recent years are revolutionizing the therapeutic and preventive practices in the field of stroke, causing a fundamental shift from the traditional anticoagulant drug treatment and intravenous thrombolysis to the new neuro-interventional procedures with proven safety and significantly enhanced efficacy. Our innovative and comprehensive product portfolio, with one global-first and a number of domestic-first neuro-interventional devices, places us at the forefront of such revolution.

China has a large patient pool of stroke. The number of stroke patients in China reached 14.8 million in 2019, including 11.9 million ischemic stroke patients and 2.9 million hemorrhagic stroke patients, and the annual incidence of ischemic stroke reached 2.3 million in 2019, according to CIC. On the other hand, the penetration rate of neuro-interventional procedures in China was relatively low as compared to that of the developed countries. In the U.S., due to the AHA guideline's recognition in 2015 of thrombectomy as the first-line treatment for ischemic stroke and the technology advancements, the penetration rate of thrombectomy procedures increased rapidly from 1.4% in 2015 to 11.8% in 2019. By comparison, the penetration rate of thrombectomy procedures in China stood at a mere 1.7% in 2019 but is expected to increase to 42.9% in 2030, benefiting from a combination of technology innovation, favorable government policies and rising per capita income and healthcare expenditure. As a front-runner in the China neuro-interventional device market, we aim to capture such growth and solidify our leading market position.

The following diagram summarizes the development status of our in-house developed products and product candidates as of the Latest Practicable Date:



The following table sets out different applicable procedures for stroke subtypes and our corresponding products and product candidates:

| **Applicable procedures for stroke subtypes** | **Our corresponding products and product candidates** |
|---|---|
| *Ischemic stroke:* thrombectomy procedures for acute ischemic stroke | • We have obtained NMPA approvals for four products, namely our thrombectomy device, balloon guiding catheter, distal access catheter and microcatheter, which established us as the first and only domestic medical device company to provide a complete product suite for stent retrieving thrombectomy procedures in China as of the Latest Practicable Date.<br>• We are preparing for the registration submission of our aspiration catheter and pump and expect to receive NMPA approval in mid-2021, making us potentially the first domestic player to provide full product offerings for both stent retrieving and aspiration thrombectomy procedures. |
| *Ischemic stroke:* balloon/stent angioplasty procedures for intracranial stenosis | • Our intracranial DEB is in clinical trial as the global first sirolimus intracranial DEB with the potential of redefining the standard treatment procedures for intracranial stenosis.<br>• Our carotid artery balloon dilatation catheter and intracranial balloon dilatation catheter are in NMPA registration review. Both are expected to receive NMPA approval in the first half of 2021.<br>• Our intracranial drug-eluting stent is in design stage. |
| *Ischemic stroke:* LAA occlusion or cardiac ablation procedures for ischemic stroke prevention | • We are preparing for NMPA registration submission for our LAA occluder and our embolization protection system is in NMPA registration review. Both product candidates are expected to receive NMPA approval in 2021, upon which we may become the only domestic medical device company with products covering both the treatment and prevention of ischemic stroke.<br>• Our cryoablation catheter and device are in design stage. |
| *Hemorrhagic stroke:* aneurysm coiling and stenting for intracranial aneurysm | • Our embolic coil is in clinical trial and our vascular reconstruction stent is in pre-clinical registration testing stage.<br>• Our flow diverter device and embolization assisting balloon are in design stage. |

In addition, we are developing various vascular access devices for use in interventional procedures. We are preparing for NMPA registration submission for vascular closure device, micro guidewire and support catheter, while two other pipeline products are in design stage.

We have built integrated capabilities in R&D, manufacturing and commercialization. Our technology platforms comprehensively cover our product development, manufacturing and quality control. According to CIC, the medical device industry integrates materials science, mechanical manufacturing and electronic engineering, where most proprietary technologies are difficult to imitate and require intensive research and knowhow accumulation over an extended period of time. We believe that our technology platforms form a solid basis for the R&D of our broad pipeline of product candidates.

We have two manufacturing facilities both located in Shanghai. Our Zhangjiang manufacturing facility is in operation with an annual production capacity of 12,000 units of products in 2020. Our Lingang manufacturing facility is currently under construction. It is expected to commence operations in mid 2021 with a designed annual production capacity of over 100,000 units. Our technology platforms and manufacturing facilities enable us to conduct the manufacturing process in-house and respond quickly to product adjustments and upgrades based on clinical feedback.

We have built a strong in-house sales team of highly experienced sales personnel. We have also established an extensive distribution network comprising 27 distributors as of September 30, 2020 covering over 800 hospitals across over 20 provinces and municipalities in total in China. We believe that our advanced technology products, responsiveness to clinical feedback and our first-mover advantage will enable us to secure support from renowned KOLs and hospitals in the field of neuro-intervention and increase their recognition of and familiarity with our products. Our commercialized products can serve to raise our profile in the industry and activate our distribution network, thereby paving the way for the sales and distribution of our subsequent products once approved.

Leveraging our product portfolio that covers the complete product categories of medical devices for neuro-interventional procedures, our R&D capabilities covering key technologies and engineering techniques in the industry and our proven track record of successful commercialization of our products, we are well positioned to capture the strong growth potential of the under-penetrated neuro-interventional medical device market in China.

## COMPETITIVE STRENGTHS

We believe the following strengths contribute to our success and differentiate us from our competitors:

### Leading China-based neuro-interventional player aiming to redefine the standard of care for stroke

We are a leading China-based developer of neuro-interventional devices for stroke treatment and prevention, with a comprehensive portfolio of four NMPA-approved products and 19 product candidates as of the Latest Practicable Date, addressing major aspects of unmet medical needs in the large, fast-growing and highly under-penetrated neuro-interventional medical device market. Our robust pipeline of product candidates covers the areas of ischemic

stroke thrombectomy, intracranial stenosis treatment, ischemic stroke prevention and hemorrhagic stroke treatment. We enjoy a significant first-mover advantage and are well positioned to achieve a leading position in the neuro-interventional medical device market in China.

China has a large and growing patient pool of stroke. The number of stroke patients in China is expected to increase from 14.8 million in 2019 to 20.1 million in 2030 at a CAGR of 2.8%. On the other hand, the penetration rate of neuro-interventional procedures in China was relatively low as compared with that of developed countries. The number of thrombectomy procedures accounted for a mere 1.7% of the number of patients eligible for such procedures in China in 2019, which was significantly lower than 11.8% in the U.S. in that same year. As technology innovations revolutionize the therapeutic and preventive practices in the field of stroke globally, the neuro-interventional device market in China is expected to see extraordinary growth in the coming years, driven by a combination of technology innovation, favorable government policies and rising per capita income and healthcare expenditure. Leveraging our comprehensive product portfolio and first-mover advantage, we aim to capture such growth.

The neuro-interventional medical device market poses high entry barriers, as multiple medical devices are required in a neuro-interventional procedure and multi-disciplinary expertise in materials science, engineering, product design and manufacturing is critical for the development of these medical devices. We believe that our strong R&D capabilities as evidenced by our fast development of commercialized products distinguish us from our competitors. Our R&D capabilities and China market focus also allow us to develop products more tailored for the specific needs and preferences of domestic patients and physicians.

Leveraging our advanced R&D platforms and integrated clinical development, manufacturing and commercialization capabilities, we have developed a comprehensive portfolio of product candidates at various development stages in different product categories in the neuro-interventional space. We expect successive R&D milestone achievements and product commercialization in the near future that will strengthen our long-term business growth. Our experience in developing and commercializing our late-stage product candidates will generate insights in optimizing our portfolio strategy, commercialization plan and technical design for our earlier-stage product candidates. We believe our product development strategies can help us realize synergies among our different product categories, capture the fast growth in the neuro-interventional medical device market and cement our leading market position.

**The only domestic player in China that provides a full-set of commercialized and late-stage ischemic stroke thrombectomy devices backed up by our stroke prevention product pipeline**

We are a pioneer in the ischemic stroke thrombectomy device market in China with commercialized and pipeline products for both stent retrieving thrombectomy and aspiration thrombectomy procedures. Ischemic stroke is the most prevalent subtype of stroke, accounting

for approximately 73% of all strokes in China in 2019, according to CIC. Going forward, the numbers of incidences and deaths are expected to continue to increase in China along with the aging of the population. Replacing the traditional intravenous thrombolysis, stent retrieving thrombectomy was recognized as the new gold standard for acute ischemic stroke worldwide in 2015 and has since become the first-line treatment for ischemic stroke. Additionally, the efficacy of aspiration thrombectomy gained more recognition in recent years and the combined use of stent retriever and aspiration devices has become more common in thrombectomy procedures on patients with complex symptoms for better treatment and prognosis. Although only 38.2 thousand ischemic stroke thrombectomy procedures were conducted in China in 2019, it is estimated that 1.1 million such procedures will be conducted in 2030, representing a CAGR of 36.2%.

We have obtained NMPA approvals for four products in China successively in 2019 and 2020, making us the first and only domestic player that provides a full suite of stent retrieving thrombectomy devices as of the Latest Practicable Date, according to CIC. Among these, our Captor™ thrombectomy device is the first domestic thrombectomy stent retriever with multi-markers[1], while our Fullblock™ balloon guiding catheter is the first domestic product of its kind approved by NMPA in China. The use of balloon guiding catheters in thrombectomy procedures has clinically proven benefits, which include superior revascularization results, shorter procedure time and improved clinical outcomes for patients. In addition, our aspiration catheter and pump are in NMPA registration review. According to CIC, we may become the first domestic player to provide full product offerings for both stent retrieving and aspiration thrombectomy procedures. Combining our stent retrieving and aspiration thrombectomy devices, we will provide coverage of the full procedure cycle through the provision of all necessary tools and supplies involved in a standard thrombectomy procedure, aiming to offer seamless treatment solutions with better prognosis. Being a one-stop solution provider for physicians and patients, we can offer them surgical flexibility to address multiple levels of complexities in an ischemic stroke situation free from worries about device compatibility issues that may arise from switching brands, thereby gaining a competitive edge in the ischemic stroke device market.

Beyond ischemic stroke treatment, the ischemic stroke prevention device market in China also harbors significant growth potential. According to CIC, 14% to 30% of strokes are cardiogenic, while patients with atrial fibrillation are five times more likely to suffer from stroke. Aside from medication, left atrial appendage occlusion (LAAO) and catheter ablation are the primary ischemic stroke prevention procedures. According to CIC, the number of atrial fibrillation patients reached 12.7 million in 2019, while the number of ischemic stroke preventive endovascular procedures conducted in 2019 was 29.2 thousand, however, it is expected to increase to 290.7 thousand in 2030 at a CAGR of 23.2% from 2019 to 2030.

We believe our first mover advantages are further enhanced by our ischemic stroke prevention product pipeline. Both of our LAA occluder and embolization protection systems are expected to receive NMPA approval in 2021 and we are also developing our cryoablation catheter and devices. We have strategically designed our portfolio to cover both the ischemic

*Note:*

1 Designed with proximal and distal markers as well as multiple markers on the stent body

stroke treatment and prevention, which allows us to provide one-stop solutions to stroke patients and enables us to identify and capture the right set of patients in the prevention market that are more susceptible to stroke, which is a major obstacle for LAA single-product players. We believe our comprehensive product portfolio design can offer diversified product combinations for patients, allow us to implement a flexible pricing strategy and help us enhance our brand image and customer loyalty.

**Late-stage ischemic stroke stenosis treatment solutions with cutting-edge technology and differentiated value proposition**

Ischemic stroke stenosis is a chronic disease pervasive in east Asia. According to CIC, the prevalence of intracranial atherosclerotic stenosis (ICAS) accounts for approximately 30% to 50% ischemic stroke cases in China and other countries in Asia, and the prevalence rate of intracranial stenosis is 10% to 15% in Asia. Currently the primary treatment for intracranial stenosis is long-term intake of anti-coagulant, which may cause severe adverse effects when used improperly. Naked stent and balloon used in angioplasty procedures, with increased popularity in recent years, falls short of countering the refractory tendency of the disease and has a relatively high incidence of restenosis. Drug-coated balloon is currently used in cardiac and peripheral interventional procedures with proven safety and efficacy, but not yet applied in neurovascular treatment. Intracranial drug-coated balloon, based on solid scientific reasoning and studies, is expected to be the next-generation solution for the treatment of intracranial stenosis and may become the new gold standard, as the drug-coated balloon is able to provide a larger anti-proliferative drug coverage of the lesion and has no residual foreign body in the patient's vessel.

Our sirolimus coating drug-eluting balloon catheter in clinical stage incorporates our innovative coating technology and is expected to be the global-first sirolimus intracranial DEB. This product candidate is to be used in widely adopted angioplasty procedures with balloon devices in intracranial stenosis treatment, with the coating of sirolimus on the surface of the balloon, whose efficacy has been proven in artery stent surgery. The manufacturing and application of sirolimus coating intracranial DEB poses high technology barriers, as the intracranial vessels have complicated and delicate structures and sirolimus, the ideal candidate for stenosis neuro-interventional procedures, proves very difficult to be coated onto the surface of the balloon. Overcoming the difficulty of coating sirolimus on the surface of the balloon using our balloon molding and coating technologies, the product candidate is potentially disruptive in the technology of delivering sirolimus. It has the potential of replacing the existing intracranial stenosis treatment devices with superior efficacy, safety and better results on the refractory tendency in the disease.

According to CIC, the number of intracranial stenosis neuro-interventional procedures conducted in China was 21.3 thousand in 2019 and is expected to increase to 500.8 thousand in 2030 at a CAGR of 33.2% from 2019 to 2030 and the penetration rate of such procedures is expected to increase from 1.0% in 2019 to 19.4% in 2030. As the front-runner in the provision of the next generation treatment solution, we aim to revolutionize intracranial stenosis therapy, redefine its therapeutic paradigm and become the indisputable leader in such market.

In addition, as of the Latest Practicable Date, we had two pipeline products in NMPA registration review: carotid artery balloon dilatation catheter and intracranial balloon dilatation catheter. Both are expected to receive NMPA approval in the first half of 2021; another pipeline product, intracranial drug-eluting stent, was in design stage.

**Proven market of hemorrhagic stroke device calling for substitution of MNC products**

The hemorrhagic stroke device market in China has a relatively low penetration rate as compared to the more developed U.S. market. According to CIC, the penetration rate of hemorrhagic stroke neuro-interventional procedures is expected to increase from 7.7% in 2019 to 67.2% in 2030. The number of aneurysm embolization procedures conducted in 2019 was 64.5 thousand and is expected to increase to 502.4 thousand in 2030 at a CAGR of 20.5% from 2019 to 2030. In the China hemorrhagic stroke device market, there is a clear trend of substitution of MNC products by domestic products. Aside from our embolic coil, which is currently in clinical trial, we are dedicated to building a full-suite hemorrhagic stroke device candidate portfolio that are estimated to be commercialized successively from 2022 to 2025 to further boost mid-term growth. Our vascular reconstruction stent is expected to be approved by NMPA in 2022. As of the Latest Practicable Date, we also had two other pipeline products, flow diverter device and embolization assisting balloon, in design stage.

We believe that our hemorrhagic stroke devices will provide additional and more affordable choices to physicians and patients for the substitution of MNC products and will contribute to our brand recognition as a comprehensive stroke surgical device solution provider in China.

**Targeted physician and hospital coverage and proven commercialization capabilities to maximize the commercialization outlook of our products**

We have cultivated strong commercialization capabilities by building an experienced sales and marketing team and by leveraging our clinical resources. Our sales and marketing team is led by industry veterans in the medical device industry. We also work closely with our distributors and have a sales network covering more than 800 hospitals across over 20 provinces and municipalities in total in China. We have established an extensive distribution network comprising 27 distributors as of September 30, 2020. Through the marketing of our full product suite of stroke thrombectomy devices, we believe we have made solid progress in establishing our brand recognition and laid down a foundation of sales network for our to-be-commercialized product candidates.

We work closely with renowned physicians and hospitals in the industry. For example, we worked closely with a leading specialist in neurology to conduct clinical trials for our Captor™ thrombectomy device. We are also working with an Academician of the Chinese Academy of Engineering who is a specialist in cardiology to conduct clinical trials for our Lagger LAA occluder. The collaborations in clinical trials enable us to obtain practical feedback and insights from frontline clinicians. It helps us understand the clinical needs and translate such

needs into the further development of our portfolio strategy and adjustment to or upgrade of our product candidates, in order to improve the functionality and competitiveness of our products upon commercialization and increase the market awareness of our products as well.

We adopt different approaches tailored for different procedures in covering hospitals and doctors holistically in order to maximize effectiveness. As thrombectomy is conducted in a vast number of hospitals of different levels in China in order to provide timely treatment for acute ischemic stroke patients, our specialized and localized sales team work together with our distributors to achieve wide coverage in both top-tier cities and lower-tier cities to secure our first-mover advantages on a nationwide scale. As the first domestic player to provide a full product suite of stent retrieving thrombectomy devices, we offer hospitals and physicians with one-stop ischemic stroke treatment solutions and believe that the synergies of our product suite give us more opportunities and flexibilities in promoting and marketing our products. We believe such approach can help increase the market awareness of our products, enhance our hospital penetration and improve the physician recognition for our products. On the other hand, ischemic stroke prevention surgeries are concentrated in top-tier hospitals, which we focus on and involve in our clinical trials for the promotion of our product candidate LAA occluder. Additionally, with the commercialization of our thrombectomy devices, we can better identify the patients in the prevention market that are more susceptible to ischemic stroke and provide tailor-made one-stop solutions to them.

In addition, we focus on academic promotion to increase the market awareness of our products. We are actively involved in academic events and industry conferences, which we believe are key opportunities for us to present our products to industry participants and to enhance our market recognition. We conduct product demonstrations during industry conferences, and believe that through participation in such industry events, we are able to maintain good working relationships with KOLs and build their recognition of, and familiarity with, our products.

We believe that our preemptive commercialization efforts, good working relationships with KOLs, physicians and hospitals, our established distributor network and the extensive marketing experience of our sales and marketing team will continue to boost the sales of our commercialized products and greatly benefit the future commercialization of our product candidates once approved.

**Advanced infrastructure of R&D and manufacturing in widening the competitive advantage**

We have established five technology platforms for the development, manufacturing and quality control of our products:

- *Stent forming and processing platform* with high-precision laser cutting and welding, high-precision electrochemical polishing and the surface treatment technology, forming a series of comprehensive processing technologies for cutting

the stent, weld and shape different materials and polish the surface of the stent body. Such technologies can help us ensure stable product quality and quickly respond to the various needs of the market;

- *Catheter technology development and manufacturing platform* with winding/braiding, molding and coating technologies, which allow us to develop a variety of different winding/braiding combination designs, thereby developing a more flexible neuro-interventional catheter with high pushability.

- *Balloon technology development and manufacturing platform* with balloon molding and assembly, balloon laser welding and drug coating and eluting technology. Our sirolimus coating technology is for the effective coating of the drug onto the surface of the balloon, thereby reducing the loss of the drug during the delivery process and improving the exchange rate between the drug and vessel wall;

- *Braiding technology development and manufacturing platform* with multi-gear and high-density braiding technology and coating technology, which are core techniques for the development of various mesh-shaped medical devices, such as embolization protection system and aneurysm embolization devices; in particular, the high-density weaving of a variety of different materials and wire diameters is one of the most complex and advanced braiding technologies;

- *Interventional products quality platform* capable of multiple product quality tests such as push evaluation, coating evaluation, human body simulation assessment and drug eluting evaluation to ensure the quality and reliability of our products and product candidates.

Our R&D and manufacturing of stroke interventional devices were recognized as a Major Strategic and Innovative Industrial Project in Shanghai (上海市戰略新興產業重大項目) by Shanghai municipal government in 2018. Leveraging our advanced technology platforms, we have developed a variety of products candidates based on advanced product design and cutting-edge engineering techniques, including a global-first and a number of domestic-first product candidates. According to CIC, medical device industry integrates materials, mechanical manufacturing and electronic engineering, where most proprietary technologies are difficult to imitate and require intensive research and knowhow accumulation over an extended period of time. We believe that our technology platforms give us a significant competitive edge over our followers.

Our technology platforms and manufacturing facilities with comprehensive manufacturing capabilities enable us to carry out the production process in-house using our own staff and equipment, which increases efficiency, reduces costs, enhances knowhow protection and ensures the full implementation of our strict quality control, which is of paramount importance for neuro-intervention devices. Further, in-house production allows us to act nimbler on, and respond quicker to, requests of product adjustments and upgrades based on the customer feedback that we collect.

**Professional management team with all-round industry experience supported by flagship investors**

We are led by an all-round and seasoned management team with comprehensive and complementary skillsets covering the full spectrum of the product lifespan from R&D and clinical development to manufacturing and commercialization. Mr. Wang, our Chief Executive Officer and Chairman of our Board, has over 16 years of experience in the field of neurovascular and cardiovascular devices development and commercialization and previously served at MicroPort and AngioCare. Mr. Wang is a member of the National Surgical Implant Cardiovascular Standardization Committee (全國外科植入物心血管標準化委員會) and has led the drafting and amendment of a number of industry standards. Dr. Li, our Chief Technology Officer, has over 20 years of experience in the medical device industry and previously led R&D work at medical device MNCs including Medtronic plc and Johnson & Johnson. Mr. Wei, our Vice President of Sales Department, has approximately 20 years of sales and marketing experience in the pharmaceutical and medical device industries and was previously the national sales manager of Medtronic plc in China. Ms. Zhang, our Vice President of Clinical Development and Marketing, has over 20 years of experience in the medical device industry and was previously the manager of the sales department at MicroPort. Mr. Zhang, our Chief Financial Officer, was previously the deputy general manager of medical health group of the investment banking division at Sinolink Securities Corporation Limited. Our key R&D personnel have an average of over 10 years of experience in the medical device industry.

We also benefit from the strong support of our investors. Our flagship investor base includes established investors that specialized in healthcare and life-science innovation such as Lake Bleu, LYFE and Sherpa, as well as leading investment funds such as Temasek and SDIC Unity Capital.

## BUSINESS STRATEGIES

We aim to become an undisputable leader in the global neuro-interventional medical device market. We plan to implement the following strategies to achieve this goal:

**Continue to grow sales of our product suite of stroke thrombectomy devices and rapidly advance our late-stage product candidates into commercialization**

We intend to solidify our first-mover advantage in the stroke thrombectomy devices market in China by expanding the coverage of our product suite and increasing the sales volume of stroke thrombectomy devices. According to CIC, the sales of stroke thrombectomy devices has substantial growth potential. The number of ischemic stroke thrombectomy procedures conducted in China is estimated to increase from 38.2 thousand in 2019 to 1.1 million in 2030 at a CAGR of 36.2%, indicating significant unmet demand for stroke thrombectomy devices.

We plan to enhance sales efforts to increase the penetration in hospitals to which we currently sell our products and to expand our sales network to cover more hospitals at different levels, aiming to cover substantially all provinces, including major cities and lower-tier cities, across China. We intend to provide product demonstrations to physicians and increase our product awareness in among hospitals, physicians and patients.

We plan to file for the NMPA registration for and commercialize nine late-stage product candidates in 2021, including our aspiration catheter and pump, LAA occluder, embolization protection system, carotid artery balloon dilatation catheter and intracranial balloon dilatation catheter, vascular closure device, support catheter and micro guidewire. We plan to leverage our experience in successfully commercializing our stroke thrombectomy devices in China to launch our other product candidates in the Chinese market in the future. We will benefit from our established network with and direct access to KOLs, hospitals and physicians to introduce our new products. We believe that our existing brand and reputation for stroke thrombectomy devices will facilitate the commercialization of our other product candidates upon approval.

We also intend to build up our professional and localized sales and marketing team by hiring additional experienced sales managers and local sales personnel, building specialized and dedicated sales teams for each of our product categories. We also aim to strengthen our sales network for our near-commercial stage products by expediting our market access efforts and increasing penetration in hospitals. We intend to further deepen our relationship with KOLs in our target fields and continue to actively participate in academic promotion.

Additionally, we expect to further expand the distribution network for both our existing and future commercialized products by cooperating with additional distributors who have proven sales records in high-growth regions in China. We plan to coordinate our sales and marketing team to provide support and training to these distributors and build a specialized, localized and flat sales network.

**Advance and supplement our product pipeline to further enrich our full-set product offering for stroke care**

We plan to advance our existing pipeline products and develop additional product candidates to further expand our product coverage, both horizontally encompassing all four types of neurovascular diseases and vertically increasing the number of products and product candidates of each product category.

We intend to develop and market a comprehensive, diversified and robust product portfolio of ischemic stroke treatment and prevention products in the near future. We expect to obtain NMPA approvals for and commercialize our global first-in-class intracranial DEB in 2022, our cryoablation catheter and device in 2023 and a number of vascular access devices successively in 2022.

We also plan to expand our product offering for the treatment of hemorrhagic stroke. We plan to obtain NMPA approvals for and commercialize four product candidates including our embolic coil, vascular reconstruction stent, embolization assisting balloon and flow diverter successively in 2022 and 2023.

In addition, we will continue to develop our other pre-clinical product candidates with the aim of advancing a number of additional product candidates into clinical trials or commercialization each year. We will also continue to strategically identify opportunities and develop new devices with substantial clinical benefits and market potential. In the long term, we expect to bring 10 product candidates for the treatment of neurovascular diseases into our pipeline every year. To that end, we will continue to focus our in-house development efforts and invest in technological innovation to strengthen our R&D capabilities to develop new products and enhance our competitiveness.

**Further enhance our integrated R&D infrastructure and manufacturing capabilities**

As a leading domestic player with a comprehensive product portfolio in the neuro-interventional medical device market in China, we strive to maintain and enhance our R&D infrastructure and integrated technology platforms to diversify our product offering, fuel our long-term growth and solidify our leading position in the market.

We plan to further grow our in-house R&D team by attracting and retaining high-caliber talents. Our R&D team will strengthen communication with reputable KOLs, physicians and hospitals, as well as leading scientists, researchers and industry practitioners in the relevant fields. We can therefore deepen our understanding of the latest technology trends, identify the opportunities in the relevant markets with high growth potential and adjust our product development decisions and strategies, thereby improving our products and product candidates based on the latest clinical needs and ensuring that our innovative product development can keep abreast with market demands.

**Selectively engage with potential partnership and global collaborations to capture market opportunities**

We will seek collaboration opportunities worldwide and selectively enter into strategic partnerships or licensing transactions to improve our stroke prevention and treatment solutions and to enhance our clinical strengths and market advantages. We may continue to pursue strategic acquisitions of, or investments in, promising R&D projects, intellectual property portfolios or smaller companies that are complementary to, and can contribute to the expansion of, our existing product pipelines. We plan to target pioneering projects or companies with innovative product candidates, advanced R&D capabilities and high growth potential in the neuro-interventional medical device market in China. In addition to companies operating in the stroke treatment and prevention area, we may also consider expanding into other relevant endovascular treatment areas.

We believe our R&D capabilities and infrastructure, product development and commercialization experience will enable us to make sound investment decisions, integrate such new projects or companies effectively and facilitate the synergies with our product pipeline and development strategies. As of the Latest Practicable Date, we had not identified any target for strategic acquisitions, investments, partnerships or licensing.

## OUR PRODUCTS AND PRODUCT CANDIDATES

We have built a comprehensive product portfolio comprising four NMPA-approved products and 19 product candidates in various development stages. Corresponding to the types of therapeutic and preventive procedures for stroke in clinical practice, we divide our product portfolio into five product categories – ischemic stroke thrombectomy devices, intracranial stenosis treatment devices, ischemic stroke prevention devices, hemorrhagic stroke treatment devices and vascular access devices.

Our product candidates are subject to approval by relevant authorities, such as the NMPA and/or its local counterparts, before commercialization in China. For details, please refer to the section headed "Regulatory Overview" in this document. As of the Latest Practicable Date, we had not received any material comments or concerns raised by the relevant regulatory authorities with respect to our products and product candidates.

### Ischemic Stroke Treatment Devices

#### *Captor™ Thrombectomy Device (A Core Product)*

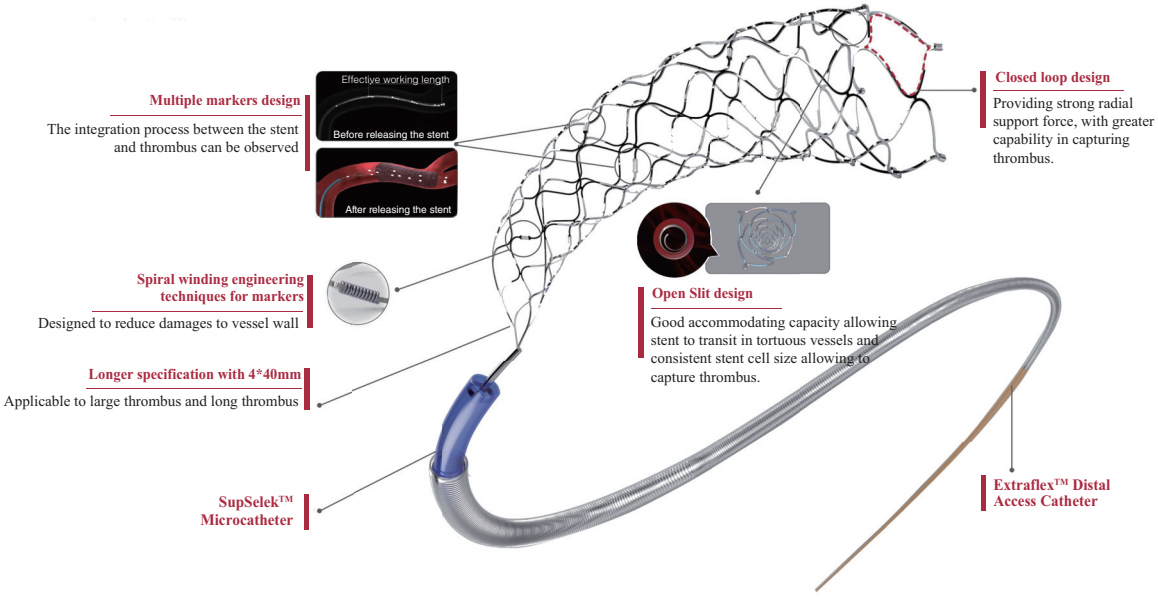
Captor™ thrombectomy device is used in the minimally invasive thrombectomy procedures to remove the thrombi, or blood clots, in intracranial vessels for patients with acute ischemic stroke (AIS) due to large artery occlusion. It can restore blood flow upon device deployment by capturing and retrieving the target thrombus from occluded blood vessels. The stent retrieving thrombectomy procedure is typically performed within eight hours after onset on AIS patients who are not eligible for intravenous thrombolysis (IVT) or are not responding to IVT treatment. It can also be conducted in combination with IVT in accordance with the patients' indications.

We submitted the registration application for Captor™ thrombectomy device to the NMPA in December 2019 and received the NMPA approval in August 2020, making it the first domestic thrombectomy stent retriever with multi-markers approved by NMPA, according to CIC. Sales started in December 2020. As of the Latest Practicable Date, we were preparing for adding more product models of different lengths and diameters and were also upgrading our Captor™ thrombectomy device and designing the second-generation product. We are evaluating the opportunities to market our Captor™ thrombectomy device overseas and are planning to apply for its registration in the United States.

*Product Structure*

Captor™ thrombectomy device is a stent retriever comprised of a stent with and a push wire wrapped by an introductory sheath. The stent is a self-expanding stent with an overlapping structure for fitting in the target blood vessel and expanding to catch the thrombus when released. It can therefore be easily compressed in the introductory sheath, maintain its strength, flexibility and durability, and expand outward to pierce through and capture the thrombus when released. It has multiple radiopaque markers on the proximal end, the distal end and the middle part to allow fluoroscopic visualization, which enables the physician to accurately position the stent retriever and capture the thrombus. The push wire, made of nickel-titanium and platinum coil, has two radiopaque markers, so that the physician can monitor the position of the stent retriever in the microcatheter to ensure precise delivery.

We have developed various models with different lengths and diameters for the stent, allowing physicians to choose the stent retriever with proper length and size in accordance with occluded blood vessel diameter and thrombus size. Below is an illustration diagram of our Captor™ thrombectomy device when used together with our SupSelek™ microcatheter and Extraflex™ distal access catheter:




*Operation Procedure*

The procedure can be performed with general anesthesia or under conscious sedation in an angiographic room. During a stent retrieving thrombectomy procedure, after determining the occluded segment of the blood vessel according to the angiography, the physician inserts a set of catheters, typically including a microcatheter, a distal access catheter and a balloon guiding catheter, in the femoral artery near the groin through a percutaneous access and places the catheters up to the carotid artery in the neck and then uses the microcatheter inside the guiding catheter to reach the occluded segment and move through the thrombus. The stent

retriever, compressed within the introductory sheath, is then inserted inside the microcatheter and brought up to where the thrombus is. The physician uses the push wire, withdraws the microcatheter and unsheathes the stent retriever within the thrombus, letting the radial force of the stent to open and expand outward and allowing the thrombus to extrude inside the lumen of the stent for a number of minutes. The physician can monitor the position of stent's markers to ensure that the stent is fully open. The physician then pulls back the stent retriever with the thrombus tangled inside to the guiding catheter and removes the thrombus from the femoral artery.

*Summary of Clinical Trial Results*

We have completed a multi-center, randomized and non-inferiority clinical trial in China to evaluate the efficacy and safety of Captor™ thrombectomy device by comparing the safety and efficacy endpoints between patients undergoing stent retrieving thrombectomy procedures using the Captor™ thrombectomy device and using Medtronic Solitaire FR revascularization device. The clinical trial procedures were completed in 16 centers, with the General Hospital of the Eastern Theatre Command as the leading research institution. From March 2018 to July 2019, 253 eligible subjects in total were enrolled in the trial and randomly assigned to the Captor group and Solitaire group, with 126 and 127 subjects in the respective group. Captor™ thrombectomy device demonstrated non-inferiority in respect of safety and efficacy as compared with the Medtronic Solitaire FR revascularization device.

Among the 126 enrolled subjects in the Captor group, 123 subjects were included in both the full analysis set (FAS) and per protocol set (PPS), while three subjects were excluded due to withdrawal of informed consent. Among the 127 enrolled subjects in the Solitaire group, 122 subjects were included in both the FAS and PPS, while five subjects were excluded due to withdrawal of informed consent. We completed the 24-hour, seven-day and 90-day follow-ups for all the trial subjects.

All of the subjects met the following physical conditions:

(i) the patient was over the age of 18;

(ii) the patient received a NIHSS score of six or above;

(iii) the patient was diagnosed with intracranial arterial occlusion of a large artery (diameter of 2 mm or above) by CTA, MRA or DSA;

(iv) MT procedure can be initiated within eight hours from symptom onset;

(v) the patient received a pre-stroke mRS score less than 2.

*Efficacy Indicators*

The primary endpoint is the recanalization rate of the subjects. Angiography was performed to assess the recanalization level of the target vessels and criteria for successful recanalization is a mTICI score of grade 2b and grade 3. The Captor group had a recanalization rate of 90.7%, as compared to the recanalization rate of 86.9% of the Solitaire group.

The secondary efficacy endpoints of the trial include the time for recanalization, NIHSS score and GCS score at 24 hours and seven days or at discharge post treatment, ratio of patients with 90 days post treatment mRS score between 0-2, success rate of device deployment and procedural success rate. There was no statistically significant difference in the NIHSS score and GCS score at 24 hours and 7 days or at discharge post treatment for the two study groups.

The table below sets out the details of NIHSS score at 24 hours and seven days or at discharge post treatment and other secondary endpoints results:

| **NIHSS score (average)** | **Captor group (N=123)** | **Solitaire group (N=122)** |
|---|---|---|
| At 24 hours post treatment | 13.25±8.34 | 15.33±9.39 |
| At seven days post treatment/At discharge | 11.19±9.93 | 12.73±10.41 |
| **Other Secondary endpoints** | | |
| Time used for recanalization(1) *(minutes)* | 93.29±48.90 | 95.23±63.07 |
| Number of patients with mRS score (0-2) at 90 days post treatment | 53 (44.5%) | 47 (42.3%) |
| Device deployment success rate | 100.0% | 98.5% |
| Procedural success rate | 90.8% | 90.8% |

*Notes:*

(1) The time from the arterial puncture to the recanalization of the target vessel.

*Safety Indicators*

The safety endpoints of the trial are the rate of symptomatic intracranial hemorrhage (ICH) at 24 hours, AE and SAE, incidence of device defects and all-cause death rate in 90 days. Symptomatic intracranial hemorrhage refers to intracranial hemorrhage, subarachnoid hemorrhage and neurological deficits (NIHSS score increase $\geq$ 4 as compared with preoperative score). All-cause mortality rate refers to all deaths that occur, regardless of whether the death is related to the procedure. AE refers to the adverse medical events that occurred during the clinical trial, but not necessarily related to the trial device. Due to the nature of AIS, the mortality rates and disability rates of AIS patients are high, and the

postoperative hospital stay of such patients is longer, resulting in a higher incidence of AE and SAE. There was no statistically significant difference in the incidence of AEs and SAEs between the two study groups. The table below sets out the details of safety endpoints results:

| Safety endpoints | Captor group (N=123) | Solitaire group (N=122) |
|---|---|---|
| Incidence rate of the symptomatic ICH at 24 hours | 3 (2.5%) | 16 (13.1%) |
| All-cause mortality rate at 90 days | 24 (19.5%) | 33 (27.0%) |
| AE | 112 (91.1%) | 115 (94.3%) |
| Procedure-related AE(1) | 3 (2.4%) | 5 (4.1%) |
| SAE | 42 (34.1%) | 51 (41.8%) |
| Procedure-related SAE | 0 (0.0%) | 0 (0.0%) |
| Incidence rate of device defects | 0 (0.0%) | 1 (0.8%) |

*Note:*

(1) Including subcutaneous hematoma at the puncture site, intracranial hemorrhage, vascular occlusion, ectopic thromboembolism, right anterior cerebral artery embolization and subarachnoid hemorrhage.

In conclusion, Captor™ thrombectomy device demonstrated equivalent efficacy and comparable safety to that of Medtronic Solitaire FR revascularization device.

*Market Opportunity and Competition*

The U.S. market size for ischemic stroke neuro-interventional devices increased from US$57.7 million in 2015 to US$551.3 million in 2019 at a CAGR of 75.8%, and is expected to further increase to US$2.1 billion in 2030, at a CAGR of 12.9% from 2019 to 2030, according to CIC. The ischemic stroke neuro-interventional device market in China increased from RMB381.1 million in 2015 to RMB1.9 billion in 2019 at a CAGR of 49.7%, and is expected to further increase to RMB25.4 billion in 2030 at a CAGR of 26.5% from 2019 to 2030.

In China, the incidence of ischemic stroke was 2.3 million in 2019, and is estimated to further increase to 2.5 million in 2025, according to CIC. The number of patients eligible for stroke thrombectomy procedures grew from 2.1 million in 2015 to 2.3 million in 2019, and is expected to reach 2.7 million in 2030. Due to the proven clinical safety and better efficacy of stroke thrombectomy procedures as compared with IVT and open surgery, the number of stroke thrombectomy procedures conducted in China increased from 4.3 thousand in 2015 to 38.2 thousand in 2019 at a CAGR of 72.9%, and is expected to further increase to 1.1 million in 2030, at a CAGR of 36.2% from 2019 to 2030, according to CIC. For more details, see "Industry Overview – The China Ischemic Stroke Treatment Device Market".

The stent thrombectomy device market in China is at an early stage of development and is currently dominated by a few MNCs. However, with the commercialization of more domestic products, domestic players are becoming increasingly important in addressing the unmet

medical needs and improving the penetration rate of thrombectomy procedures. The ability to develop advanced products with features tailored to the needs of Chinese patients and physicians is expected to be one of the key distinguishing factors for competing in this market.

Stent retrieving thrombectomy serves as the first-line neuro-interventional treatment for ischemic stroke, with Level I recommendation and Level A evidence recognized by Chinese Medical Association. It is indicated for patients with AIS due to a large artery occlusion in the anterior circulation who can be treated within 24 hours of the time last known well. According to CIC, the number of stent retrieving thrombectomy procedures, including both stand-alone and combined stent retrieving thrombectomy, increased from 3.5 thousand in 2015 to 30.8 thousand in 2019 and is expected to further increase to 915.1 thousand in 2030, representing a CAGR of 36.1% from 2019 to 2030. The penetration rate of stent retrieving thrombectomy procedures is expected to increase from 1.4% in 2019 to 34.2% in 2030 and the market size for stent retriever devices in China is expected to increase at a CAGR of 28.0% from RMB435.3 million in 2019 to RMB6.6 billion in 2030.

As of the Latest Practicable Date, there were nine stent retrievers and revascularization devices used in thrombectomy procedures approved by NMPA, according to CIC as set out in the table below.

| Product | Company | NMPA Approval Date |
|---|---|---|
| Trevo ProVue | Stryker/Concentric | December 7, 2015 |
| RECO Stent Retriever | Minitech | May 8, 2018 |
| ReVive SE Thrombectomy Device | Johnson & Johnson | November 6, 2018 |
| Solitaire 2 Revascularization Device | Medtronic | September 2, 2019 |
| Solitaire Platinum Revascularization Device | Medtronic | September 29, 2019 |
| Trevo XP ProVue Retriever | Stryker | January 2, 2020 |
| EmboTrap Revascularization System | Johnson & Johnson | April 10, 2020 |
| **Captor Thrombectomy Device** | **Our Company** | **August 12, 2020** |
| ThromBite Clot Retriever Device | Tonbridge Medical | September 7, 2020 |

*Material Communication with NMPA*

We completed animal studies and type testing for Captor™ thrombectomy device in September 2017. We commenced the clinical trial for Captor™ thrombectomy device in China in March 2018. We submitted to the NMPA the registration application for Captor™ thrombectomy device in December 2019 and obtained the NMPA approval in August 2020. We are not aware of any material concern from the NMPA in connection with Captor™ thrombectomy device. As of the Latest Practicable Date, there had not been any material unexpected or adverse changes since the date we received the relevant regulatory approval.

***Aspiration Catheter and Pump***

Aspiration catheter and pump are used in the aspiration thrombectomy procedure to retrieve the thrombus and restore blood flow in occluded cerebral vessels for patients with AIS due to large artery occlusion. Aspiration thrombectomy can be performed not only on a stand-alone basis, but also together with stent retrieving thrombectomy in accordance with the patient's symptoms.

As of the Latest Practicable Date, our aspiration catheter and pump were in NMPA registration review. We expect to receive NMPA approval in mid-2021 as potentially the first domestic player to have commercialized devices for both stent retrieving and aspiration thrombectomy procedures, which will further expand our product offerings for ischemic stroke treatment.

*Product Structure*

Our aspiration catheter is a single-lumen catheter featuring polymer materials reinforced by nickel-titanium and stainless steel wires with braiding technologies, which is designed to ensure good flexibility, pushability and kink resistance for the catheter. The distal end of the aspiration catheter has a hydrophilic coating to reduce friction and provide lubrication between the catheter and the vessel wall, thereby ensuring smooth delivery to the thrombus. There is a radiopaque marker on the distal end of the catheter to guarantee clear visibility and also a shaping pin to help position the catheter for better aspiration ability. The proximal end of the aspiration catheter, linked to the extension tube, can connect the catheter to the aspiration pump and provide on and off control for the operation of the catheter. Aspiration pump is a pump with a disposable collection canister and an intermediate tubing, which can be connected to the aspiration catheter.

*Operation Procedure*

Aspiration thrombectomy is a similar neuro-interventional procedure as the stent retrieving thrombectomy. The physician inserts the aspiration catheter into the occluded vessel and reach the thrombus position and then applies direct aspiration continuously for one to two minutes using the aspiration pump to retrieve the thrombus.

*Market Opportunity and Competition*

The aspiration thrombectomy presents promising outcomes when conducted independently and in combination with stent retrievers, thereby having great development potential as a treatment for ischemic stroke. The number of aspiration thrombectomy procedures, including both stand-alone and combined aspiration thrombectomy procedures, in China increased from 2.0 thousand in 2015 to 18.1 thousand in 2019 at a CAGR of 74.4%, and is expected to further increase to 579.9 thousand in 2030, at a CAGR of 37.0% from 2019 to 2030, according to CIC. The penetration rate of aspiration thrombectomy procedures is expected to increase from 0.8% in 2019 to 21.7% in 2030 and the market size for aspiration

devices for thrombectomy in China is expected to increase at a CAGR of 21.3% from RMB905.0 million in 2019 to RMB7.6 billion in 2030. For details of the ischemic stroke treatment device market, see Industry Overview – The China Ischemic Stroke Treatment Device Market.

As of the Latest Practicable Date, there was one aspiration catheter used in neuro-interventional thrombectomy procedures approved by NMPA, according to CIC, namely Penumbra System MAX by Penumbra approved by NMPA in May 2018.

**WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET OUR ASPIRATION CATHETER AND PUMP SUCCESSFULLY.**

***Fullblock™ Balloon Guiding Catheter***

Fullblock™ balloon guiding catheter is used in interventional procedures to facilitate the insertion and guidance of catheters to cerebral vessels and can temporarily block or control the blood flow for the operation of the procedures.

Fullblock™ balloon guiding catheter received NMPA approval in December 2020, being the first domestic product of its kind approved in China, according to CIC. Upon its approval, we became the first domestic player to provide a complete product suite for stent retrieving thrombectomy and remained the only domestic player to do so as of the Latest Practicable Date. As of the Latest Practicable Date, there had not been any material unexpected or adverse changes since the date we received the relevant regulatory approval.

*Product Structure*

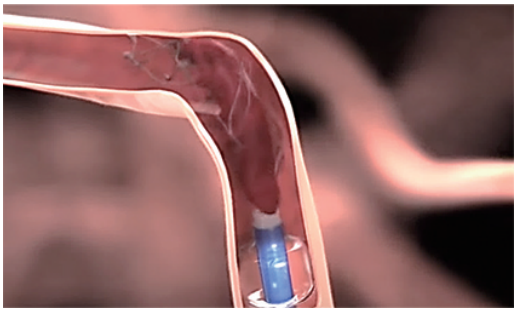
Fullblock™ balloon guiding catheter primarily consists of a balloon catheter, an extension tube and a connector port. The balloon at the distal end of the catheter is designed to be expanded when positioned within the artery upon application of small expansion pressure, which can reduce the risk of vessel damages during interventional procedures and allow for proximal flow arrest. There is a radiopaque marker on the distal end of the catheter to enhance visibility. The connector port can be used to inflate the balloon and can also connect other aspiration devices.

*Operation Procedure*

Fullblock™ balloon guiding catheter can be used in combination with the Captor™ thrombectomy device and aspiration devices. When the stent retriever/aspiration device is deployed to remove the clot, the balloon at the tip of Fullblock™ balloon guiding catheter is inflated to arrest antegrade flow from the carotid artery.

It can establish proximal flow arrest and help prevent distal embolization caused by clots during the thrombectomy procedure, as well as decrease the systemic arterial pressure impacting the clot to enhance the effect of thrombectomy. The use of balloon guiding catheters in thrombectomy procedures has clinically proven benefits, which include superior revascularization results, decreased use of adjuvant therapy, shorter procedure time and improved clinical outcomes for patients.

*The below images show the shape of Fullblock™ balloon guiding catheter and when it is deployed in a stent thrombectomy procedure*



*Source: CIC*

*Market Opportunity and Competition*

The market size in China for balloon guiding catheters is expected to grow at a CAGR of 31.2% from RMB141.7 million in 2019 to RMB2.8 billion in 2030, according to CIC. As of the Latest Practicable Date, there were three balloon guiding catheters for thrombectomy procedures approved by NMPA, according to CIC, as set out in the table below:

| Product | Company | NMPA approval date |
|---|---|---|
| Balloon Guide Catheters | Stryker | December 7, 2015 |
| FlowGate2 Balloon Guide Catheter | Stryker | February 19, 2020 |
| Balloon Guiding Catheter | Our Company | December 25, 2020 |

***ExtraFlex™ Distal Access Catheter***

ExtraFlex™ distal access catheter is used in interventional procedures to assist the delivery of diagnostic and therapeutic devices to reach the target position in the peripheral or cerebral vessels. It has similar product designs and features as our SupSelek™ Microcatheter.

ExtraFlex™ distal access catheter received the NMPA approval in December 2019 and was subsequently commercialized in March 2020 in China. As of the Latest Practicable Date, there had not been any material unexpected or adverse changes since the date we received the relevant regulatory approval.

The market size in China for distal access catheters is expected to grow at a CAGR of 26.9% from RMB854.0 million in 2019 to RMB11.8 billion in 2030, according to CIC.

***SupSelek™ Microcatheter***

SupSelek™ microcatheter is used in interventional procedures to assist the delivery of diagnostic and therapeutic devices and/or reagents and other materials to reach the target position in the peripheral or cerebral vessels.

SupSelek™ microcatheter received the NMPA approval in December 2019 and was subsequently commercialized in March 2020 in China. As of the Latest Practicable Date, there had not been any material unexpected or adverse changes since the date we received the relevant regulatory approval.

The market size in China for microcatheters is expected to grow at a CAGR of 19.7% from RMB301.8 million in 2019 to RMB2.2 billion in 2030, according to CIC.

**Intracranial Stenosis Treatment Devices**

***Intracranial Drug-eluting Balloon Catheter***

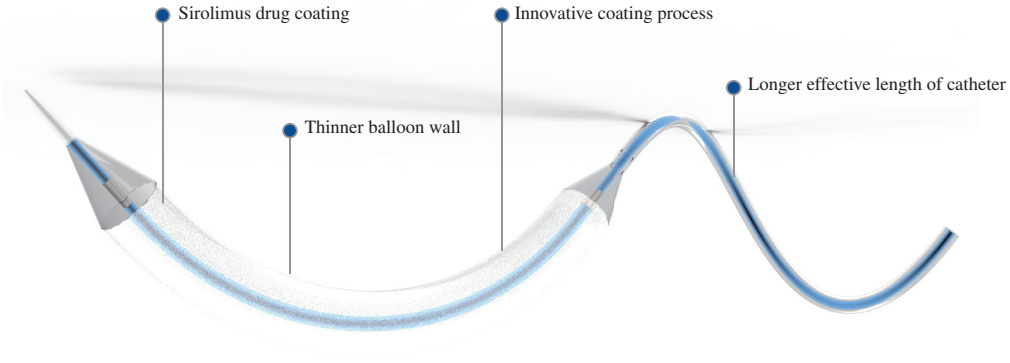
Intracranial Drug-eluting balloon catheter (intracranial DEB) is designed to be used in neuro-interventional procedures for patients with intracranial stenosis, which occurs when blood blow to the brain is restricted by narrowed arteries due to plaque buildup. It is designed to deliver an anti-proliferate drug to the lesion to prevent fibrosis and vessel occlusion. As of the Latest Practicable Date, there was no intracranial DEB approved for marketing globally.

Our intracranial DEB was in the clinical trial stage as of the Latest Practicable Date. We aim to complete the trial and expect to receive NMPA approval in 2022 as potentially the global first sirolimus intracranial DEB to receive such approval, according to CIC, and it has the potential of replacing the existing intracranial stenosis treatment devices with superior efficacy, safety and better results on the refractory tendency in the disease and becoming the next-generation solution for the treatment of intracranial stenosis.

*Product Structure*

Our intracranial DEB is folded in the protective sheath when unused and there are two radiopaque markers on each of the proximal and distal end of the balloon, indicating its effective length, namely, the drug-coated part of the balloon. There is an inflation tubing at the proximal end of the catheter and the balloon can be inflated when placed at the position of the lesion.

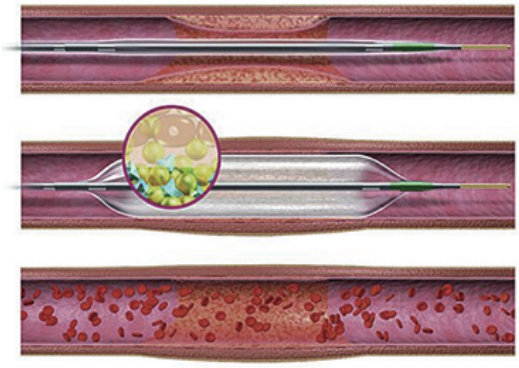
Leveraging our advanced and innovative coating technology, we have designed our drug-eluting balloon catheter to incorporate a number of advanced features: (i) the sirolimus drug coating is generally regarded as less toxic and safer than the traditional coating; (ii) the balloon is smaller when folded and can better pass through tortuous and narrow lesions; and (iii) the various models designed with different lengths and diameters allow for wider applicability. Below is an illustrative diagram of our intracranial DEB:




*Operation Procedure*

During a intracranial stenosis dilatation procedure using the intracranial DEB, the physician inserts a guidewire into the vessel and places it across the lesion and then advance the intracranial DEB to the lesion, making sure that the effective length of the intracranial DEB extend past the lesion at both proximal and distal edges. The physician then inflates the intracranial DEB, letting the lumen of the intracranial DEB dilate between the stenotic section of the vessel and the sirolimus drug coating come into contact with the vessel wall. The diffusion of the coated drug should generally last for approximately 60 seconds, depending on the specifications of the lesion and the conditions of the patient. The physician can then deflate and retract the intracranial DEB from the patient's vessel.

*The below image shows an intracranial DEB placed at the lesion and the drug taking effect*



*Source: CIC*

*Market Opportunity and Competition*

The number of intracranial stenosis neuro-interventional procedures in the U.S. increased from 6.2 thousand in 2015 to 14.8 thousand in 2019 at a CAGR of 24.5%, and is expected to further increase to 32.6 thousand in 2030, at a CAGR of 7.4% from 2019 to 2030, according to CIC. The corresponding U.S. market size increased from US$9.2 million in 2015 to US$24.0 million in 2019 at a CAGR of 27.0%, and is expected to further increase to US$64.5 million in 2030, at a CAGR of 9.4% from 2019 to 2030, according to CIC.

In China, the population of intracranial stenosis grew from 13.6 million in 2015 to 14.6 million in 2019, and is estimated to further increase to 17.2 million in 2030, according to CIC. Among this population, the number of patients eligible for endovascular procedures grew from 2.0 thousand in 2015 to 2.2 thousand in 2019, and is expected to reach 2.6 thousand in 2030. The market size for intracranial stenosis neuro-interventional device in China is expected to increase at a CAGR of 28.9% from RMB505.4 million in 2019 to RMB8.2 billion in 2030. In particular, the market size in China for intracranial DEB is expected to reach RMB1.5 billion in 2030. As of the Latest Practicable Date, there was no intracranial DEB approved for marketing in China or globally.

**WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET OUR INTRACRANIAL DEB SUCCESSFULLY.**

***Intracranial Balloon Dilatation Catheter and Carotid Artery Balloon Dilatation Catheter***

Both intracranial balloon dilatation catheter and carotid artery balloon dilatation catheter are designed to be used in balloon angioplasty procedures for patients with intracranial stenosis, with the former used in intracranial vessels and the latter in the carotid artery. The balloon dilatation catheters are designed to be passed into the narrowed artery and push the plaque to the sides of the artery and improve the patient's blood flow.

As of the Latest Practicable Date, both our intracranial balloon dilatation catheter and carotid artery balloon dilatation catheter were in NMPA registration review. We expect to receive NMPA approval for both product candidates in the first half of 2021.

The two products have similar designs while differ in length. The balloon is folded in the protective sheath when unused and there are two radiopaque markers on each of the proximal and distal end of the balloon for clear visibility under X-ray. There is an inflation tubing at the proximal end of the catheter and the balloon can be inflated to a fixed size using liquid when placed at the narrowed section of the artery. During a balloon angioplasty procedure, the physician would generally keep the balloon inflated for 30 seconds so that the it can expand and push the plaque to the sides of the vessel walls.

The market size in China for balloon dilatation catheters is expected to grow at a CAGR of 12.2% from RMB10.7 million in 2019 to RMB38.0 million in 2030, according to CIC. As of the Latest Practicable Date, there was one neuro-interventional balloon dilatation catheter approved for marketing by the NMPA in China, according to CIC, which is manufactured by Sinomed.

**WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET OUR INTRACRANIAL AND CAROTID ARTERY BALLOON DILATATION CATHETERS SUCCESSFULLY.**

**Ischemic Stroke Prevention Devices**

***LAA Occluder (A Core Product)***

Our left atrial appendage (LAA) occluder is a stroke prevention device designed to be permanently implanted at the opening of the LAA of patients with non-valvular atrial fibrillation (AF) to prevent thrombus escaping from the LAA, thus causing embolization. It is a one-time surgical therapy with proven efficacy, in particular for the patient who is not suitable for long-term oral anticoagulation therapy and has a higher risk for bleeding complications. We completed the clinical trial in December 2020 and were preparing for registration submission as of the Latest Practicable Date. We expect to receive NMPA approval in 2021.

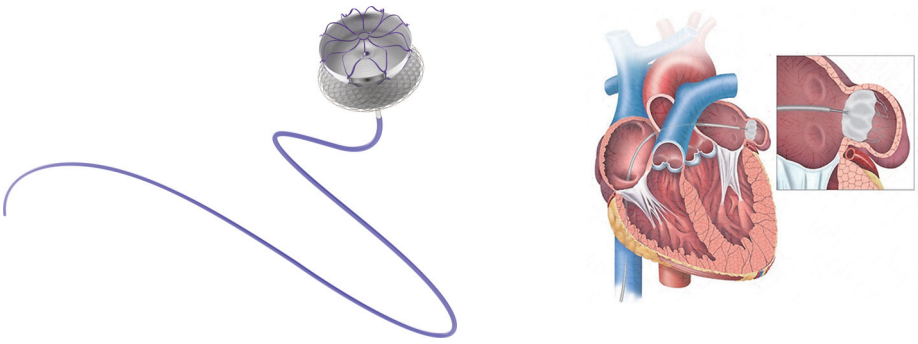
*Product Structure*

The LAA Occluder consists of an occluder and a delivery system. The super-elastic nickel-titanium occluder has an umbrella-shaped structure that can adapt to the different LAA shapes of patients and it is retrievable and can be released repeatedly. It has eight barbs with round head-end design at the tip of the occluder, which can engage the tissues for stability of LAA occluder and minimize damages to the tissues of the LAA. The polyester membrane on the occluder can help block the flood flow and promote the endothelialization process of the device. The delivery system is utilized to gain access into the LAA and serves as a guiding catheter for the delivery of the occluder to the target position.

*Operation Procedure*

During an interventional LAA occluder procedure, the physician inserts the delivery catheter into the vessel and advances the delivery catheter to the upper right chamber of the heart. A small hole is made on the wall between the two upper chambers so that the delivery catheter can reach the left atrium. The physician then pushes the occluder device through the delivery catheter and place it into the LAA, where it opens up to engage the tissues and is implanted at the opening of the LAA. The occluder is then detached and the delivery catheter is withdrawn from patient's vessel. A thin layer of tissue will gradually grow over the occluder in approximately 45 days after the procedure.

*The below images show the shape of LAA occluder and when it is implanted*



*Source: CIC*

***Summary of Clinical Trial Results***

To prove the efficacy and safety of our LAA occluder for non-valvular AF patients who are not suitable for long-term warfarin anticoagulation therapy, we initiated a multi-centre and single-arm clinical trial in China in September 2017. We completed the clinical trial in December 2020. Our LAA occluder demonstrated good safety and efficacy results.

A total of 212 subjects were enrolled in the clinical trial at 12 clinical sites in China, led by the General Hospital of Northern Theatre Command. We completed the clinical trial procedures and had completed the seven-day, one-month, three-month, six-month and 12-month follow-ups with the enrolled subjects in May 2020. Due to the influence of COVID-19 pandemic and the natural deaths of certain subjects, we completed the 12-month angiography follow-up with 187 of the 212 enrolled subjects, achieving a 12-month follow-up rate of 88.2%[1]. 187 and 212 subjects were included in the PPS and FAS, respectively.

All of the subjects met the following physical conditions:

(i) the patient with non-valvular AF who was over the age of 18 but not above the age of 80;

(ii) the patient had a CHA2DS2-VASc score of 2 or above;

*Note:*

1 Using LOCF (Last Observation Carried Forward) method to fill in absent image data.

(iii) the patient had at least one of the following conditions that are not suitable for long-term use of warfarin anticoagulant drugs:

(a) a documented history of hemorrhage, such as gastrointestinal or cerebrovascular, or bleeding tendency;

(b) allergic to warfarin anticoagulant drugs;

(c) poor compliance with long-term use of warfarin anticoagulant drugs;

(d) suffered from stroke or embolism after standardized warfarin anticoagulation treatment;

(e) Predicted bleeding risk, with HAS-BLED score of 3 or above.

The co-primary endpoints of the clinical trial are (i) the success rate of LAA occlusion at 12 months after the procedure and (ii) the incidence rate of ischemic stroke at 12 months after the procedure.

*Efficacy Indicators*

The primary efficacy endpoint is the success rate of LAA occlusion at 12 months after the procedure. The secondary efficacy endpoint are composite endpoints for device failure, including ischemic stroke, systemic embolism and cardiogenic death, at seven days or discharge, one month, three months, six months and 12 months after the procedure.

The tables below sets out the details of the success rate of LAA occlusion:

| **Primary efficacy endpoint** | **FAS (N=212)** | **PPS (N=187)** |
|---|---|---|
| Success rate of LAA occlusion at 12 months after the procedure | 206 (97.2%) | 184 (98.4%) |

A total of four cases of device failure composite endpoints occurred in 12 months after the procedure, with an incidence rate of 1.9%. Among which, one case was cardiogenic death two days after ischemic stroke and three cases were cardiogenic deaths, which are not or are not likely be device-related. The tables below sets out the details of device failure composite endpoints:

| **Secondary endpoint (N=212)** | **At seven days or discharge** | **At one month** | **At three months** | **At six months** | **At 12 months** |
|---|---|---|---|---|---|
| Composite endpoints for device failure | 0 (0.0%) | 1 (0.5%) | 2 (0.9%) | 4 (1.9%) | 4 (1.9%) |

*Safety Indicators*

The primary safety endpoint is the incidence rate of ischemic stroke at 12 months after the procedure. The secondary safety endpoints include:

(i) procedure complications at seven days, one month, three months, six months and 12 months after the procedure;

(ii) device-related complications, including all-cause death, cardiac perforation, pericardial effusion that requires intervention, pericardial tamponade, hemorrhagic events, occluder embolization and other vascular complications requiring cardiovascular or neurovascular interventional treatment, at seven days, one month, three months, six months and 12 months after the procedure;

(iii) intraoperative performance and postoperative performance at 12 months of the occluder evaluated by transesophageal Doppler echocardiography and/or intraoperative angiography;

(iv) device deployment success rate;

(v) procedural success rate.

The tables below set out the details of primary and secondary safety endpoints:

| **Safety endpoint** | **FAS (N=212)** | **PPS (N=187)** |
|---|---|---|
| Incidence rate of ischemic stroke at 12 months after the procedure | 1 (0.5%) | 0 (0.0%) |

| **Secondary safety endpoints (N=212)** | **At seven days or discharge** | **At one month** | **At three months** | **At six months** | **At 12 months** |
|---|---|---|---|---|---|
| Procedure complications | 6 (2.8%) | 6 (2.8%) | 7 (3.3%) | 7 (3.3%) | 8 (3.9%) |
| Device-related complications | 5 (2.4%) | 10 (4.7%) | 14 (6.6%) | 16 (7.5%) | 19 (9.0%) |

For the intraoperative performance, (i) the LAA occluder did not shift or fall off, (ii) there was no device-related thrombosis and (iii) the incidence of residual shunt was 37.4%; for the postoperative performance at 12 months, (i) the LAA occluder did not shift or fall off, (ii) the incidence of residual shunt was 55.1% and (iii) the incidence rate of device-related thrombosis was 2.4%. The immediate postoperative device deployment success rate was 96.7%, and the procedural success rate was 96.2%.

The rate of device-related AE was 35.4%; the rate of SAE was 32.1%; the rate of device-related SAE, including coronary myocardial bridge, cerebral infarction, pericardial effusion and heart foreign body, was 4.2%.

In conclusion, both the primary efficacy endpoint and the primary safety endpoint meet the corresponding target value assumption requirements; and the analysis results of the secondary endpoints are comparable to those of previous clinical trials. Our LAA occluder demonstrated good safety and efficacy results.

*Market Opportunity and Competition*

The number of LAA occluder (LAAO) procedures in China increased from 0.1 thousand in 2015 to 14.1 thousand in 2019 at a CAGR of 247.0%, and is expected to further increase to 175.8 thousand in 2030, at a CAGR of 25.7% from 2019 to 2030, according to CIC. The market size in China for LAAO devices increased from RMB4.3 million in 2015 to RMB420.1 million in 2019 at a CAGR of 214.8%, and is expected to further increase to RMB2.0 billion in 2030, at a CAGR of 15.4% from 2019 to 2030, according to CIC.

As of the Latest Practicable Date, there were six LAAO devices approved by NMPA, according to CIC, as set out in the table below:

| **Product** | **Company** | **NMPA Approval Date** |
|---|---|---|
| AMPLATZER Cardiac Plug | St. Jude Medical | September 29, 2015 |
| LAmbre™ LAA Closure System | LifeTech Scientific | June 2, 2017 |
| Left Atrial Appendage Closure Technology | Boston Scientific | January 12, 2018 |
| LACbes Left Atrial Appendage Occluder | PushMed | May 5, 2019 |
| AMPLATZER Amulet Left Appendage Occluder | St. Jude Medical | May 9, 2020 |
| MemoLefort™ Left Atrial Appendage Occluder System | SHSMA | June 9, 2020 |

*Material Communication with NMPA*

We completed animal studies and type testing for our LAA occluder in April and May 2017, respectively. We subsequently commenced the clinical trial for our LAA occluder in China in September 2017. We completed such clinical trial in December 2020 and were preparing for registration submission to the NMPA as of the Latest Practicable Date. We were not aware of any material concern from the NMPA in connection with the LAA occluder as of the Latest Practicable Date.

## WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET OUR LAA OCCLUDER SUCCESSFULLY.

### Hemorrhagic Stroke Treatment Devices

***Embolic coil***

The embolic coil is a hemorrhagic stroke treatment device used to treat intracranial aneurysms through embolization. It can be released at the location of the aneurysm, filling the aneurysm to isolate the aneurysm from normal blood circulation and prevent the aneurysm from further expanding and breaking. As of the Latest Practicable Date, our embolic coil is in clinical trial. We expect to obtain the NMPA approval in 2022.

*Product Structure*

The embolic coil consists of three parts, the coil loops, the delivery system, and the introducing sheath. The coil loops made of platinum tungsten alloy are soft and designed with winding pattern, which allows the embolic coil to fill open space, distributing loops within the aneurysm. The coil loops are connected to a delivery system with designs allowing the coil implant to separate from the pusher by mechanical detachment. Embolic coil is designed in a variety of models, with different diameters, lengths and softness levels, to meet patients' different needs.

*Operational Procedure*

During an intracranial aneurysm coiling procedure, the physician uses the delivery wire to insert the coil into the lumen of the aneurysm. The delivery wire allows the physician to deploy, position, or reposition the coil until proper placement. The physician may need to insert multiple coils into an aneurysm according to the size of the aneurysm. After the coil is properly placed, the physician can detach the coil from the delivery wire through a mechanical process. The coils left in the aneurysm then cause an intratumoral thrombus, which prevents the aneurysm from further expanding or breaking. At the same time, endothelial cells start to cover the aneurysm neck so that the aneurysm is cured.

*Ongoing Clinical Trial*

To prove the efficacy and safety of our embolic coil for patient with intracranial aneurysm, we started a multi-center, randomized and non-inferiority clinical trial in China in December 2019 and we aim to complete the trial in the fourth quarter of 2021. We plan to enroll 226 subjects in total and follow up with each subject at 30 days, six months and 12 months after the procedure. As of the Latest Practicable Date, we had enrolled 80 subjects in the trial.

The primary endpoint is the embolization rate of the aneurysm at six months after the procedure. The secondary endpoints include:

(i) device deployment success rate;

(ii) intraoperative embolization rate;

(iii) aneurysm embolization rate at six months and 12 months after the procedure;

(iv) aneurysm recurrence rate at six months after the procedure;

(v) retreatment rate (including surgeries and interventional procedures) at six months and 12 months after the procedure;

(vi) good mRS score rate (a mRS score less than 2);

(vii) mortality rate at 30 days, six months and 12 months after the procedure; and

(viii) incidence rate of AEs and SAEs at 30 days, six months and 12 months after the procedure.

*Market Opportunity and Competition*

The number of intracranial aneurysm coiling procedures increased from 28.3 thousand in 2015 to 60.2 thousand in 2019 at a CAGR of 20.8%, and is expected to further increase to 305.5 thousand in 2030, at a CAGR of 15.9% from 2019 to 2030, according to CIC. The market size in China for embolic coil is expected to further increase at a CAGR of 8.9% from RMB2.2 billion in 2019 to RMB5.7 billion in 2030, according to CIC.

## WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET OUR EMBOLIC COIL SUCCESSFULLY.

### *Vascular Reconstruction Stent*

The vascular reconstruction stent is a hemorrhagic stroke treatment device designed to be used in aneurysm coiling procedures for patients with aneurysm. It is designed for bridging the neck of aneurysm to support the coils placed in the aneurysm. Our vascular reconstruction stent was in registration testing as of the Latest Practicable Date. We plan to initiate the clinical trial in 2021 and expect to receive NMPA approval in 2022.

During an aneurysm coiling procedure, the physician inserts a microcatheter after determining the location of the intracranial aneurysm according to the angiography. The vascular reconstruction stent is placed through the microcatheter to the lesion and released to cover the neck of the aneurysm. The physician inserts the coils through the vascular reconstruction stent, which can provide support and prevent the coils in the aneurysm from falling into the blood vessel. The delivery wire is then withdrawn and removed from the patient's vessel.

The vascular reconstruction stent market in China is expected to grow at a CAGR of 9.6% from RMB301.2 million in 2019 to RMB826.6 million in 2030, according to CIC.

As of the Latest Practicable Date, there were six vascular reconstruction stent products approved by NMPA, according to CIC, as set out in the table below:

| Product | Company | NMPA Approval Date |
|---|---|---|
| ENTERPRISE Vascular Reconstruction Device and Delivery System | Johnson & Johnson | February 13, 2017 |
| Self-expanding intracranial stent | Balt extrusion | February 23, 2017 |
| Neuroform EZ Stent System | Stryker | February 28, 2017 |
| LVIS Intraluminal Support Device | MicroVention | December 4, 2017 |
| ENTERPRISE 2 Vascular Reconstruction Device and Delivery System | Johnson & Johnson | September 17, 2018 |
| LVIS Jr. Intracranial Support Device | MicroVention | March 25, 2019 |

## WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET OUR VASCULAR RECONSTRUCTION STENT SUCCESSFULLY.

### Vascular Access Devices

#### *Vascular Closure Device*

Vascular closure device is designed for closure of large bore femoral arterial access site when the neuro-interventional and cardiac-interventional procedures are completed. We completed the clinical trial procedures and had completed follow-ups with all the enrolled subjects in July 2020 and we expect to receive NMPA approval in mid-2021.

*Product Structure*

Vascular closure device is a biomechanical vascular closure device consisting of PGA absorbable materials and a delivery system. The delivery system has an indicator window to help the physician determine the depth of the access site. The PGA absorbable materials can sandwich the access site when released to provide immediate sealing of the small puncture.

*Operational Procedure*

Before the closure procedure, the physician uses the depth locator of the vascular closure device to determine the depth of the access site on the vessel and the deployment depth under skin for later device positioning. The physician then insert the closure device into the sheath over the guidewire and slowly retract the closure device and sheath until positioned at the previously determined deployment depth. The closure device is then released at the access site in the vessel and a radiopaque lock is placed to seal the access site. Once hemostasis is confirmed, the physician can remove the guidewire and cut the suture below skin level.

*Summary of Clinical Trial Results*

We started a prospective, multi-center, randomized and non-inferiority clinical trial in China on the safety and effectiveness of our vascular closure device for the hemostasis of punctured femoral artery in December 2018 by comparing the efficacy and safety endpoints between patients using our vascular closure device and using ExoSeal vascular closure device. The trial is led by Xuanwu Hospital Capital Medical University. We enrolled 228 subjects in total in seven centers and followed up with each subject at three months after the procedure by performing ultrasonography of the lower limb puncture site to evaluate the absorption of the closure device material.

We completed the clinical trial in July 2020. The primary endpoint is the success rate of the vascular closure device, which requires that (i) the hemostatic device to be successfully positioned and operated, (ii) hemostasis is achieved in less than five minutes and (iii) the delivery system is completely withdrawn from the body without any device-related complications or device defects during the procedure. Our vascular closure device demonstrated non-inferiority in respect of safety and efficacy as compared with the ExoSeal vascular closure device.

*Market Opportunity and Competition*

The vascular closure devices market in China is expected to grow at a CAGR of 22.0% from RMB502.0 million in 2019 to RMB4.5 billion in 2030, according to CIC.

As of the Latest Practicable Date, there were three vascular closure devices approved by NMPA, according to CIC, as set out in the table below:

| Product | Company | NMPA Approval Date |
|---|---|---|
| Vascular Closure System | Abbott | December 20, 2016 |
| EXOSEAL Vascular Closure Device | Cordis Corporation | June 8, 2017 |
| Vascular Closure Device | Terumo Medical Corporation | January 2, 2020 |

**WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET OUR VASCULAR CLOSURE DEVICE SUCCESSFULLY.**

***Other Major Product Candidates***

*Embolization Protection System*

The embolization protection system is used in interventional procedures for peripheral, coronary artery and carotid artery to capture and remove debris that dislodges during the procedures. It can help prevent the debris from blocking smaller vessels, which may result in procedural complications. As of the Latest Practicable Date, our embolization protection system was in NMPA registration review and we expect to receive NMPA approval in mid-2021.

The embolization protection system has a braided filter net on the distal section of the catheter. It can be placed in the target vessel, allowing blood to continue circulating while capturing the plaque debris such as fibrin, foam cells and broken pieces of thrombus. There is a radiopaque marker at the distal end of the device to enhance visibility.

*Micro guidewire*

The micro guidewire can be applied to cerebral blood vessels and peripheral blood vessels to help deliver diagnostic or therapeutic catheters and devices to the target position to reach the lesion. As of the Latest Practicable Date, our micro guidewire was in NMPA registration preparation and we expect to receive NMPA approval in mid-2021.

*Support Catheter*

The support catheter can be applied to cerebral and coronary blood vessels and peripheral blood vessels to help deliver diagnostic or therapeutic catheters and devices into the vessel. As of the Latest Practicable Date, our support catheter was in NMPA registration preparation and we expect to receive NMPA approval in 2021.

### *Other Product Candidates in Design Stage*

As of the Latest Practicable Date, we had seven other product candidates in design stage covering different product categories of neuro-interventional medical devices, which further supplements our full-set product portfolio for the treatment and prevention of stoke. The following table summarizes information on our other product candidates in design stage:

| Name | Classification | Designed Features and Applications | Expected launch time |
|---|---|---|---|
| ***Intracranial stenosis treatment devices*** | | | |
| Intracranial drug-eluting stent | Class III | It is a stent that binds the anti-proliferative drug to the stent and the drug is released from the stent to the vessel wall when positioned at the lesion of the patient. It will be left in the stenosis part of the patient's vessel to keep its function. | 2025 |
| ***Intracranial stroke prevention devices*** | | | |
| Cryoablation catheter | Class III | Cryoballoon catheter is a balloon catheter used to ablate cardiac tissue for AF patients. It is used in combination with the cryoablation devices during an ablation procedure using cold energy. | 2023 |
| Cryoablation devices | Class III | Cryoablation devices consist of three products to use with the cryoablation catheter in ablation procedures, namely the cryoablation equipment, intra-cardiac mapping catheter and steerable access sheath. | 2023 |
| ***Hemorrhagic stroke treatment devices*** | | | |
| Flow diverter device | Class III | It is a neurovascular stent placed in the blood vessel of an aneurysm, which can divert blood flow away from the aneurysm. Over time, blood flow into the aneurysm may slow down and the aneurysm may shrink, thus healing the blood vessel. | 2023 |

| Name | Classification | Designed Features and Applications | Expected launch time |
|---|---|---|---|
| Embolization assisting balloon | Class III | It is a balloon used in aneurysm coiling procedures for patients with aneurysm. It is inflated in front of the aneurysm neck during coil deposition and removed at the end of the procedure. | 2023 |
| *Vascular access devices* | | | |
| Delivery catheter for flow diverter | Class III | It is used specifically for the delivery of flow diverter devices in neuro-interventional procedures. | 2022 |
| Microcatheter for embolic coil | Class III | It is used specifically for the delivery of embolic coil in aneurysm coiling procedures. | 2022 |

## RESEARCH AND DEVELOPMENT

We have built integrated R&D capabilities leveraging the advanced technologies and engineering techniques for the development of neuro-interventional devices. Our technology platforms comprehensively covers our product development, manufacturing and quality control. According to CIC, the medical device industry integrates materials, mechanical manufacturing and electronic engineering, where most proprietary technologies are difficult to imitate and require intensive research and knowhow accumulation over an extended period of time. We believe that our technology platforms give us a significant competitive edge over our followers.

We are engaged in ongoing R&D activities to deliver clinically advanced new products, to enhance the effectiveness, safety and reliability of our products and to expand the applications of our products. As of the Latest Practicable Date, aside from the four NMPA-approved products, we had 19 product candidates in various development stages and we also plan to develop additional product candidates to further expand our product coverage leveraging our R&D infrastructure and integrated technology platforms.

We incurred R&D expenses of RMB51.1 million and RMB20.0 million in 2019 and the nine months ended September 30, 2020, respectively. See "Financial Information – Description of Selected Components of Statement of Profit or Loss and Other Comprehensive Income – Research and Development Costs" in this document for more details. Although we believe that we are able to comply with the regulatory review process efficiently and introduce new products in a timely manner, the time required from developing to commercializing a new product may be affected by factors beyond our control, such as clinical trial results and government approvals.

## Our R&D team

As of the Latest Practicable Date, all of our in-house R&D team members were based in our headquarter in Shanghai, China and consisted of 26 members, 7 of whom had a master's degree or above. Our R&D team is led by Dr. Li, our Chief Technology Officer, who has over 20 years of experience in the medical device industry and previously led R&D work at medical device MNCs. Our key R&D personnel are industry veterans with an average of over 10 years of experience in the medical device industry, having previously worked at leading industry players.

We have entered into legally-binding confidentiality and non-compete agreements with our in-house R&D team members, pursuant to such confidentiality agreement, any intellectual property conceived and developed during their employment belongs to us and they waive all relevant rights or claims to such intellectual property.

## Our Integrated Technology Platforms

We have established five technology platforms for the development, manufacturing and quality control of our products:

- *Stent forming and processing platform* with high-precision laser cutting and welding, high-precision electrochemical polishing and the surface treatment technology, forming a series of comprehensive processing technologies for cutting the stent, weld and shape different materials and polish the surface of the stent body. Such technologies can help us ensure stable product quality and quickly respond to the various needs of the market;

- *Catheter technology development and manufacturing platform* with winding/braiding, head end molding and slippery coating technologies, which allow us to develop a variety of different winding/braiding combination designs, thereby developing a more flexible neuro-interventional catheter with high pushability;

- *Balloon technology development and manufacturing platform* with balloon molding and assembly, balloon laser welding and drug coating and eluting technology. Our sirolimus coating technology is for the effective coating of the drug onto the surface of the balloon, thereby reducing the loss of the drug during the delivery process and improving the exchange rate between the drug and vessel wall;

- *Braiding technology development and manufacturing platform* with multi-gear and high-density braiding technology and coating technology, which are core techniques for the development of various mesh-shaped medical devices, such as embolization protection system and aneurysm embolization devices; in particular, the high-density weaving of a variety of different materials and wire diameters is one of the most complex and advanced braiding technologies;

- *Interventional products quality platform* capable of multiple product quality tests such as push evaluation, coating evaluation, human body simulation assessment and drug eluting evaluation to ensure the quality and reliability of our products and product candidates.

Leveraging our advanced technology platforms, we have developed a variety of products candidates based on advanced product design and cutting-edge engineering techniques, including a global-first and a number of domestic-first product candidates.

**Collaborations with Clinical Trial Institutions**

The NMPA maintains a catalog of hospitals that it has approved as clinical trial centers, from which we select hospitals to conduct our clinical trials. The major factors we consider when selecting such institutions include their academic credentials and expertize, resources available for trial implementation.

We prepare a clinical trial protocol following GCP standards that describes in detail the goal of the clinical trial, the risks involved, the overall design, the methods and the procedures of the trial for submission to each of the institution's ethics committee. The ethics committees may ask us to revise the clinical trial protocol or other documents before their approval. Once the protocol is approved, any amendment thereafter is required to be reviewed and consented by the ethics committees and the clinical trials are required to be conducted strictly pursuant to the approved protocol.

We and the institution generally enter into an agreement for each clinical trial. Pursuant to the agreement, each participating institution is obligated to conduct clinical trials strictly in accordance with the protocol, collect data, and issue case reports at the end of each clinical trial. The leading institution prepares formal reports of the clinical trial based on case reports from all participating institutions. We make payments according to the agreed schedules and items for the hospitals' services. Under the agreement, we own all related intellectual property and results from the trial. Each participating hospital is entitled to publish academic papers or attend academic events using the trial results with our consent.

We collaborate with leading clinical trial institutions for the development and clinical trials of our product candidates. We completed the clinical trial for our Captor™ thrombectomy device in 16 institutions and completed the clinical trial for our LAA occluder in 12 institutions. Our ongoing clinical trial for our intracranial DEB is led by the First Affiliated Hospital of USTC and carried out in eight institutions and our ongoing clinical trial for embolic coil is led by Beijing Tiantan Affiliated Hospital of Capital Medical University and carried out in eight institutions.

### Collaborations with CROs and SMOs

We engage industry-leading CROs and SMOs to manage, conduct and support our clinical trials. We select our CROs and SMOs based on various factors, such as their qualifications and credentials, past cooperation with clinical trial institutions, industry reputation and professional experience of their employees. We have worked with CROs and SMOs for our clinical trials, including the clinical trials for our Captor™ thrombectomy device, LAA occluder, intracranial DEB, embolic coil and vascular closure device.

We generally enter into an agreement for each clinical study project with the CRO or SMO. Our CROs and SMOs must comply with our protocols and applicable laws, regulations and guidelines to ensure the integrity and authenticity of the data from our clinical trials and studies. Under the relevant agreements, the CROs are responsible for enrolling subjects strictly pursuant to the trial's protocol, launching, managing and monitoring the implementation of trials in each clinical center, collecting and keeping record of subjects' information along the process and providing statistical report accordingly. We provide the CROs and SMOs with their required materials and information and make payments in accordance with the contractually agreed payment schedule. We own all intellectual property in relation to the clinical studies and the CROs and SMOs are obligated to maintain strict confidentiality in respect of all non-public information and data from the clinical studies, and return related materials to us at the end of our contract term.

### Relationship with Principal Investigators and KOLs

The principal investigators we work with include the Academician of the Chinese Academy of Engineering and leading specialists in neurology and cardiology. Our team meets with physicians to conduct product demonstrations on our products. We believe such relationships enable us to obtain practical feedback and insights from frontline clinicians. It can help us understand and translate the clinical needs into the development and upgrade of our products and product candidates and improve the functionality and competitiveness of our products upon commercialization.

We are also actively involved in academic events and industry conferences with major participants and KOLs in the neuro-interventional industry to demonstrate our R&D efforts and product pipeline. We believe these are key opportunities for us to increase the market awareness of our products and product candidates and enhance our market recognition.

## MANUFACTURING

As of the Latest Practicable Date, we carried out our manufacturing activities at our manufacturing facility located in our leased properties in Zhangjiang, Shanghai, with an aggregate gross floor area of approximately 1,784.1 sq.m. We manufacture our commercialized stent retriever and catheter products as well as our product candidates at this facility. As of the Latest Practicable Date, our Zhangjiang manufacturing facility has an annual production capacity of 12,000 units of products. We also have a manufacturing facility with an aggregate

gross floor area of 6,255.75 sq.m. under construction in accordance with GMP standards in Lingang Industrial Park, Shanghai. It is expected to commence production in mid 2021. We estimate that the completion of such manufacturing facility will further increase our production capacity by over 100,000 units and satisfy the needs for commercialization. Please see "– Properties" in this section for more details of our properties. As of the Latest Practicable date, we had obtained the production permit to manufacture our Captor™ thrombectomy devices, ExtraFlex™ distal access catheter and SupSelek™ microcatheter in our Zhangjiang manufacturing facility.

As of the Latest Practicable Date, we had a production team of 31 employees, all of which were based in Zhangjiang, Shanghai. Typically, we require new employees to undergo trainings before they commence work on our production lines. We believe that this comprehensive training enables us to increase our capacity utilization rate and product yield rate, and to enhance our production quality.

**Manufacturing Process**

The manufacturing process for our catheter products primarily involves the following steps:


- **Preparation**: We examine and wash the raw materials or components of the medical devices.
- **Surface treatment**: We fine process the surface of key parts of the medical devices.
- **Assembling**: We assemble parts of the medical devices.
- **Work in progress quality inspection**: We inspect our work-in-progress after various stages, including preparation, braiding, surface treatment and assembling.
- **Packaging**: We package the medical devices.
- **Sterilization**: We transport the packaged medical devices to third party sterilization service providers for professional sterilization.
- **Finished goods quality inspection**: We inspect the finished goods before storing them into our warehouse.

The manufacturing process for our stent retriever products primarily involves the following steps:


- **Preparation**: We examine and wash the raw materials or components of the medical services.

- **Cutting**: We cut the nickel-titanium metals to form a frame. We currently engage third-party cutting service providers to conduct this process.

- **Surface treatment**: We fine process the surface of key parts of the medical devices.

- **Assembling**: We assemble parts, including the radiopaque markers, of the medical devices.

- **Work in progress quality inspection**: We inspect our work-in-progress after various stages, including preparation, braiding, surface treatment and assembling.

- **Packaging**: We package the medical devices.

- **Sterilization**: We transport the packaged medical devices to third party sterilization service providers for professional sterilization.

- **Finished goods quality inspection**: We inspect the finished goods before storing them into our warehouse.

All the steps in our production process are conducted in compliance with the applicable GMP requirements. We have implemented quality management systems as part of our manufacturing processes. For more details, please see "– Quality Control" in this section.

We engage third party sterilization service provider for the sterilization step, considering the cost to obtain qualifications and permits for the sterilization process. We engage third-party cutting service provider to cut the raw materials of our stent retriever according to our designing and production standards before they enter into next production stages. We select the third party service providers based on their qualifications and capacity. We only enter into agreements with service providers that meet our standards. Despite cutting and sterilization processes, we conduct substantially the entire manufacturing process in-house. Our integrated production process increases our production efficiency, reduces our dependance from third parties and enables us to quickly respond to product adjustments and upgrades based on clinical feedback. We have entered into an agreement to purchase a laser cutting machine, which we plan to use at our Lingang manufacturing facility to further enhance our independence in the manufacturing processes.

## Facilities

The machines we use to manufacture our products mainly include ultrasonic cleaners, pipe stretching machines, hydrophilic coating machines, spring winding machines, electro polish machines, welding machines and vacuum sealers. We purchase machinery from multiple suppliers. We are able to purchase manufacturing machinery from alternative suppliers. We have implemented a comprehensive policies for maintenance of our machinery. During the Track Record Period, we had not experienced any material or prolonged interruptions of our machinery due to equipment or machinery failure.

As of the Latest Practicable Date, we owned all of our machines. The estimated remaining useful lives of our machinery as of the Latest Practicable Date are five years. We generally replace or upgrade our machinery at the end of their lifetimes. For details of the depreciation method of our machinery, see Note 2.3 of the Appendix I to this document.

## Production Capacity, Production Volume and Utilization Rates for our Commercialized Products

We commenced commercial production of our ExtraFlex™ distal access catheter and SupSelek™ microcatheter in February 2020. The table below sets forth the production capacity, production volume and utilization rate for the access products in our Zhangjiang production base for the periods indicated:

| | **For the nine months ended September 30 2020** |
|---|---|
| Annual designed production capacity (units/annum) | 12,000 |
| Pro-rata production capacity (units)[1] | 8,000 |
| Production volume (units) | 3,207 |
| Utilization rate (%)[2] | 40.1 |

*Notes:*

1. The pro-rata production capacity is calculated based on the annual designed production capacity divided by 12 and multiplied by the number of months the production facilities are in commercial production in a given year.

2. Utilization rate equals production volume divided by pro-rata production capacity. The utilization rate for the nine months ended September 30, 2020 was relatively low, primarily because it took us several months to progressively ramp up the production of our access products.

## SALES, DISTRIBUTION AND MARKETING

We conduct all of our sales in China. As of the Latest Practicable Date, we had commercialized three products, all for use in the ischemic stroke thrombectomy procedure, namely our Captor™ thrombectomy devices, ExtraFlex™ distal access catheter and SupSelek™ microcatheter. Our Fullblock™ balloon guiding catheter received the NMPA approval in December 2020 and we are preparing for its commercial production and sales.

We have built a strong in-house sales and marketing team of highly experienced sales personnel. As of the Latest Practicable Date, we had a sales and marketing team of 24 employees. We have also established an extensive distribution network comprising 27 distributors as of September 30, 2020 covering over 800 hospitals across over 20 provinces and municipalities in total in China. Our commercialized products serve to raise our profile in the industry and activate our distribution network, thereby paving the way for the sales and distribution of our subsequent products once approved. We plan to further expand our sales and marketing team to prepare for new products to be launched in the future.

We adopt different marketing approaches tailored for different surgeries to cover hospitals and doctors holistically in order to maximize the penetration of our products. As thrombectomy is conducted in a vast number of hospitals in China in order to provide timely treatment for acute ischemic stroke patients, we work together with our distributors to achieve wide coverage to secure our first-mover advantages on a nationwide scale. By contrast, ischemic stroke prevention surgeries are concentrated in top-tier hospitals, which we focus on and involve in our clinical trials for the promotion of our product candidates such as LAA occluder and embolic coil. We believe the academic communication among hospitals in different tiers of cities would promote the spread of relevant technologies and enhance our brand recognition in more regions in China.

### Our Marketing Model

We market our products primarily through academic promotion. Through collaboration with leading principal investigators, KOLs, physicians and hospitals in China, we promote our products and product candidates and enhance our brand recognition. We introduce and present our products at industry conferences and help KOLs gain familiarity with our products through demonstrations and presentations. If these KOLs form positive opinions of our products, they may introduce our products when publishing academic papers, delivering speeches at industry conferences and providing training to other physicians. Our interactions with KOLs also enable us to obtain feedback on our products and deepen our understanding of the latest market trends, which guide our further R&D activities.

We actively participate in medical conferences and industry exhibitions. For example, we have presented at the 16th International Stroke Summit of Interventional Neurology Conference of China 2020 (中國介入神經病學大會2020第16屆腦血管病高峰論壇) held in July 2020 (ISS 2020), the Fourth International Symposium of Intracranial Stent (第四屆顱內支架專題國際研討會) held in August 2020 (THISIT 2020), the Oriental Conference of International Neurovascology (東方腦血管大會) held in October 2020 (OCIN 2020), the 3rd Shaolin International Neurosurgical Conference (第三屆少林國際神經外科大會) held in November 2020 and the 6th Annual Conference of Chinese Interventional Neuroradiology Society of CSA (中國卒中學會神經介入分會第六屆學術年會) held in December 2020 (CINS 2020). Several physicians shared their clinical experience on using our Captor™ thrombectomy device and the ExtraFlex™ distal access catheter as stroke treatment devices at abovementioned conferences. At ISS 2020, one of the speakers shared his clinical experience on using our sirolimus intracranial DEB to treat intracranial stenosis. We believe that such conferences are key opportunities for us to present our products and product candidates, and can enhance our market recognition.

In addition, we introduce our products through third-party online education and communication platforms for neuro-intervention in China, where leading physicians provide insights into neuro-intervention treatments, thereby enabling our products and product candidates to reach a wider group of physicians and distributors.

**Our Sales Arrangements**

In the medical device industry, it is customary for producers to rely on distributors for the sales of medical devices to hospitals. Consistent with the industry practice, we sell our products to third party distributors in China, which then sell these products to hospitals. We believe that the adoption of distributorship model enables us to expand the hospital coverage and improve the efficiency and cost-effectiveness of our marketing activities. During the Track Record Period and up to the Latest Practicable Date, all of our sales revenue was sourced from distributors. We generally do not sell directly to hospitals or end-customers. Before we deliver products to our distributors, we generally require our distributors to make full prepayment for our products. Our highly trained sales team collaborates with our distributors to identify market opportunities and design distribution strategies. We also advise our distributors on order management and aftersales. By working closely with our distributors, we gain valuable insights into the operations of local distributors and the demands of physicians, which help ensure the effectiveness of the marketing activities.

## Sales to Distributors

We have established an extensive and growing distribution network. We started to collaborate with distributors in the first quarter of 2020 when we started to commercialize our SupSelek™ microcatheter and ExtraFlex™ distal access catheter. As of September 30, 2020, we had 27 distributors covering over 20 provinces and municipalities in total. We have not terminated any distribution agreement in the nine months ended September 30, 2020.

We generally require our distributors to make prepayment in full. The ownership of products and risks of loss of products passes to our distributors when products are handed to the couriers. Our distributors generally cannot return unsold products unless the products are with quality defects, which is line with the industry norm. If any of our distributors breaches the distribution agreements with us and fails to remedy such breach after receiving the notice of correction, we can terminate our distribution agreements with such distributor. Our Directors have confirmed that, during the Track Record Period and up to the Latest Practicable Date, none of our distributors had materially breached our contract terms, and we did not have any material dispute with our distributors.

### *Selection and Management of Distributors*

We select our distributors based on their credentials and experience in the medical device industry. Furthermore, they must hold the necessary business licenses and permits to sell medical devices in the regions where they conduct activities. Before we enter into an agreement with a new distributor, we review its qualification documents to ensure that it has the appropriate license and background. During the Track Record Period, to the best knowledge of our Directors, all of our distributors were Independent Third Parties, none were controlled by our current or former employees, and none had any past or present relationship (business or otherwise) with our Company, our subsidiaries, directors, shareholders, senior management or any of their respective associates.

Our distribution agreements typically have a term of one year and include an early termination right if the distributors breach any of their undertakings in the agreement, thus ensuring that we can terminate our contractual relationships with them if necessary. In addition, our distribution agreements typically require our distributors to covenant that they will comply with all applicable laws and regulations during their operations.

We manage our network of distributors by conducting evaluation of their performance, including reviewing their sales and inventory data. Depending on our evaluation of their performance, we may grant rebates to our distributors, terminate our cooperation with them, or renegotiate the commercial terms in accordance with the distribution agreements and our internal policies.

We have also adopted certain steps to minimize the risk of cannibalization among distributors. We do not allow overlap of distributors among hospitals. Distribution relationships between our distributors and the respective hospitals are exclusive. Our distributors can only sell authorized products to designated hospitals. Under the distribution agreements with our distributors, we require our distributors to seek our written consent before engaging sub-distributors.

***Market Demand***

Our distributors are Independent Third Parties who purchase our products and our relationship with them is not that of a principal and an agent. We believe that our sales to distributors during the Track Record Period reflected genuine market demand and there was effective management and control over the inventory levels of our distributors. We generally require our distributors to make prepayment in full for our products. We do not accept product returns except for products with quality defects. For the nine months ended September 30, 2020, none of our distributors or end customers returned any products to us. We recognize revenue from distributor sales when the products are dispatched from our storehouse for shipment to distributors, at which point the distributors take ownership of the products and assume the risk of loss. For more details of our revenue recognition policies, please see "Financial Information – Significant Accounting Policies and Estimates – Significant Accounting Policies – Revenue Recognition" in this document.

We believe that our distributors tend to only purchase products that they can reasonably expect to sell and keep their inventory levels relatively low because, under the distribution agreements, they are generally not able to return the products to us. We monitor the sales record of our distributors, through which we are able to monitor their inventory levels. Furthermore, we set annual and quarterly sales targets for each distributor according to our knowledge of the market potentials of the distributor's territory and our market share target.

We monitor the usage of our products sold by our distributors by (i) only allowing distributors to distribute to designated hospitals, and (ii) monitor relevant sales and inventory data of our distributors. We believe the above measures help us to set reasonable sales targets for distributors and adopt appropriate sales strategies.

*Distribution Agreements*

We enter into an agreement with each distributor, which contains appendices setting out tailored terms including target sales amount and designated distribution territory and hospitals. We plan to renew our distribution agreements with our distributors in January every year. To the best knowledge of our Directors, there is no material breach of distribution agreements that caused the termination of any distribution agreement during the Track Record Period. The following table summarizes the salient terms of the standard agreement with our distributors:

| | |
|---|---|
| **Term** | Generally one year. |
| **Designated geographical regions and hospitals** | Distributors can only sell our products in the areas or to the hospitals specified in the relevant sales authorization certificates as issued and adjusted by us from time to time. |
| **Exclusivity** | Distributors may not purchase any products similar to ours without our prior written approval. |
| **Target sales amount** | We set monthly target sales amounts for our distributors. |
| **Minimum purchase amount** | None. |
| **Payment and credit terms** | We generally require all our distributors to make full prepayment for our products before delivery. |
| **Product return/exchange** | We do not accept product returns except for products with quality defects. |
| **Transportation and delivery** | We are responsible for arranging transportation of our products. We or our distributors bear transportation costs as agreed. Risk relating to the products are passed to the distributors when products are handed to the couriers. |
| **Warranty** | We ensure that the quality of our products complies with relevant national standard and take responsibility of quality defects. |
| **Regulatory compliance** | We require our distributors to comply with all laws, regulations and mandatory industry standards and not to adversely affect our compliance with such laws, regulations and industry standards. |
| **Restriction on the appointment of sub-distributors** | Our distributors need to seek our written consent before engaging sub-distributors. |

| | |
|---|---|
| **Reporting** | We require our distributors to report to their inventory level, the product flow and sales data every month. |
| **Use of the trademark** | We do not allow our distributors to use our trademarks or logos, unless they have obtained our written confirmation. |
| **Termination** | The agreement may be terminated by us when, among other things, the distributor fails to comply with relevant laws and regulations, or breaches any undertaking in the agreement and fails to remedy such breach as requested by us. |

***Pricing***

We sell products to our distributors at the price determined by us from time to time. When determining the price of our products sold to distributors, we consider factors such as prices of competing products, our costs and differences in features between our products and competing products. As of the Latest Practicable Date, there was no price guidance set by the PRC government on stroke treatment and prevention devices. If the PRC government issues price guidance for stroke treatment and prevention devices, the prices of our products may be negatively affected. See "Risk Factors – Downward change in pricing of our products may have a material adverse effect on our business and results of operations" in this document for details. Moreover, we may need to lower the prices of our products in order to have them included in the medical insurance reimbursement list, and such price cut and reimbursement may not necessarily lead to increase in our sales and our results of operations may be adversely affected. See "Risk Factors – Our sales may be affected by the level of medical insurance reimbursement patients using our products" for details.

For our product candidates, we intend to determine the pricing with reference to the price of comparable products from major market players in China.

## OUR CUSTOMERS

Our customers are distributors in China who purchase our products and sell them to hospitals. We only started generating revenue after the commercialization of our ExtraFlex™ distal access catheter and SupSelek™ microcatheter in the first quarter of 2020. For the nine months ended September 30, 2020, revenue generated from our five largest customers amounted to RMB5.6 million, representing 76.7% of our total revenue for the same period; revenue generated from our largest customer amounted to RMB2.7 million, representing 37.2% of our total revenue for the same period.

To the best knowledge of our Directors, during the Track Record Period, none of our Directors, their respective close associates and our existing Shareholders who owned more than 5% of our issued share capital had any interest of our five largest customers and none of our five largest customers was a supplier of our Group.

The table below sets forth the basic information of our top five customers during the Track Record Period:

**For the nine months ended September 30, 2020**

| Customer | Background | Sales amount | Approximate % of our total revenue |
|---|---|---|---|
| | | *(RMB'000)* | |
| Customer A | A private company that engages in the sales of medical devices | 2,712 | 37.2 |
| Customer B | A private company that engages in the sales of medical devices | 2,071 | 28.4 |
| Customer C | A private company that engages in the sales of medical devices | 356 | 4.9 |
| Customer D | A private company that engages in the sales of medical devices | 235 | 3.2 |
| Customer E | A private company that engages in the sales of medical devices | 224 | 3.1 |
| **Total** | | 5,598 | 76.7 |

## OUR SUPPLIERS AND RAW MATERIALS

### Suppliers

During the Track Record Period, our suppliers mainly comprised of clinical trial service providers and raw material suppliers. For 2019 and the nine months ended September 30, 2020, purchases from our five largest suppliers amounted to RMB7.7 million and RMB11.9 million, respectively, representing 49.3% and 57.3% of our total purchases for the same periods, respectively; purchases from our largest supplier amounted to RMB4.7 million and RMB8.0 million, respectively, representing 29.9% and 38.7% of our total purchases for the same periods, respectively.

To the best knowledge of our Directors, during the Track Record Period, none of our Directors, their respective close associates and our existing Shareholders who owned more than 5% of our issued share capital had any interest of our five largest suppliers and none of our five largest suppliers was a customer of our Group.

The table below sets forth the basic information of our top five suppliers during the Track Record Period:

***For the year ended December 31, 2019***

| Supplier | Major products purchased | Purchase amount | Approximate % of our total purchase |
|---|---|---|---|
| | | *(RMB'000)* | |
| Supplier A | Clinical trial services | 4,692 | 29.9 |
| Supplier B | Raw materials | 1,573 | 10.0 |
| Supplier C | Clinical trial services | 565 | 3.6 |
| Supplier D | Clinical trial services | 489 | 3.1 |
| Supplier E | Clinical trial services | 417 | 2.7 |
| **Total** | | 7,736 | 49.3 |

***For the nine months ended September 30, 2020***

| Supplier | Major products purchased | Purchase amount | Approximate % of our total purchase |
|---|---|---|---|
| | | *(RMB'000)* | |
| Supplier B | Raw materials | 8,037 | 38.7 |
| Supplier F | Technical services | 1,358 | 6.5 |
| Supplier A | Clinical trial services | 1,277 | 6.2 |
| Supplier G | Raw materials | 748 | 3.6 |
| Supplier H | Raw materials | 462 | 2.2 |
| **Total** | | 11,882 | 57.3 |

**Raw materials**

Raw materials we use for our manufacturing process primarily include braided tubes, nickel-titanium alloy materials and sterilization packaging bags. For 2019 and the nine months ended September 30, 2020, our expenses of raw materials and consumables used under R&D expenses amounted to RMB4.3 million and RMB4.5 million, respectively; our expenses of raw materials and consumables used under cost of sales amounted to nil and RMB3.0 million, respectively.

We select our raw material suppliers based on a number of factors, including the licenses and qualifications of suppliers, the quality of raw materials, after-sales service and price. Our main suppliers of nickel-titanium alloy materials and braided tubes, which are essential for the manufacture of our products, are located in the United States. We maintain stable working relationships with our major suppliers of raw materials. However, we cannot assure you that our major suppliers will always supply raw materials to us on similar terms, or at all. Although we maintain a list of backup suppliers, if our internal validation process of such suppliers results in delay in purchase or that any supplier fails to timely deliver raw materials, we are still subject to risks associated with shortage of raw materials. For details, please see "Risk Factors – Risk Factors Relating to Our Business – We may experience supply interruptions that could harm our ability to manufacture products" in this document.

**Procurement Agreements with Suppliers**

We generally enter into supply agreements with suppliers of our principle raw materials. The following table summarizes key terms of the agreements with our suppliers:

| | |
|---|---|
| **Quality specifications** | We list quality specifications for the raw materials in each agreement and/or purchase order. |
| **Price and pricing policy** | Price or pricing policy is specified in each agreement and/or purchase order. |
| **Transportation and delivery** | Delivery method is specified in each agreement and/or purchase order. |
| **Payment** | Our suppliers generally require prepayment for our orders. |
| **Raw materials return/exchange** | We examine raw materials when we receive them and may return any raw materials that do not meet our requirements within specified periods after receipt. |
| **Exclusivity** | Our supply agreements generally do not have exclusive clauses prohibiting suppliers from selling their products to our competitors. |

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material difficulties in procuring our major raw materials and had not experienced significant fluctuations in the prices of our supplies. To the best knowledge of our Directors, there has been no material breach of procurement agreements with our suppliers during the Track Record Period. Our Directors believe, after taking into consideration the impact of the recent outbreak of COVID-19, which resulted in a delay in our raw material supply in early 2020, that we would not experience any material difficulties in procuring our major raw materials and that we can pass on any increase in the purchase costs of raw materials to our customers by adjusting our product pricing strategy. For details of the impact of COVID-19 on our business, please see "Summary – Outbreak of the COVID-19 Pandemic" in this document for details.

## INVENTORY MANAGEMENT

Our inventories consist of raw materials, work in progress and finished goods. We currently store all our inventories in warehouses in our production facilities in Shanghai. For raw materials supplied by overseas suppliers that have a relatively longer purchase cycle, we generally keep an inventory that would satisfy our production needs for three months. We generally keep an inventory of raw materials supplied by domestic suppliers that would satisfy our production needs for at least one month.

All our products are subject to expiry. Our products generally have an effective period of approximately two years. We regularly monitor our inventories to reduce the risk of overstocking. We have in place internal policies which require a physical count of all our raw materials, work in progress and finished goods once every half year to identify products that are damaged, expired or soon-to-be expired.

Our Directors confirm that our inventory control policies have been effective and we did not experience any material shortage in supply or overstocking of inventories during the Track Record Period and up to the Latest Practicable Date.

As of December 31, 2019 and September 30, 2020, our inventories amounted to RMB0.2 million and RMB7.2 million, respectively.

## QUALITY CONTROL

Our quality control and regulatory team is responsible to ensure the quality control of our products. As of the Latest Practicable Date, our quality control and regulatory team had 22 employees dedicated to various aspects of quality control, including (i) the quality control during the R&D and manufacturing processes; (ii) the operation and improvement of quality control system; (iii) testing of the manufacturing environment and finished goods; and (iv) testament and control of production line and measuring instruments.

We have also established quality control policies in accordance with NMPA regulations. We implement quality control measures throughout our manufacturing process, including the following:

- **Raw material inspection**: our quality control personnel conduct inspection and testing of samples to ensure the quality of raw materials;

- **Working-in-progress inspection**: we perform regular checks during our production process to monitor and adjust the process to ensure that products are in compliance with relevant quality criteria; if any batch of working-in-progress fails to meet our internal benchmarks, we will analyze problems and take correction measures as appropriate;

- **Finished goods inspection**: each batch of finished products and relevant documentation will be subject to a final inspection by the quality control team before we deliver it to customers;

- **Environment control**: we design environment control protocol for our labs and production facilities, and monitor the implementation of the protocols.

We have complied with our quality control policies in all material respects and have passed all inspections by regulatory authorities up to the Latest Practicable Date. During the Track Record Period and up to the Latest Practicable Date, we had not received any material complaints from our customers and our products had not been subject to any material claim, litigation or investigation. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material product return or exchange.

## COMPETITION

Our products and product candidates are designed for the neuro-intervention market in China, which is massive, fast-growing and highly under-penetrated. According to CIC, MNCs have a dominant share in neuro-intervention market in China. We compete with MNCs based on our production cost advantage, competitive pricing and our responsiveness to the clinical needs and preferences of Chinese patients and physicians. We also compete with domestic brands based on our R&D capabilities, product design and functionality, product quality, pricing, brand recognition and distribution network coverage. Leveraging our advanced

technology platforms, we have developed a variety of products candidates based on advanced product design and cutting-edge engineering techniques. According to CIC, medical device industry is a high-tech industry integrating materials, mechanical manufacturing and electronic engineering, where most proprietary technologies are difficult to imitate and require intensive research and knowhow accumulation over an extended period of time. We believe that our technology platforms give us a significant competitive edge over our followers.

We plan to continue to grow sales of our product suite of stroke thrombectomy devices and rapidly advance our late-stage product candidates into commercialization to solidify our first-mover advantage amongst domestic neuro-interventional medical device manufacturers. We also seek to differentiate ourselves from our competitors by advancing our existing pipeline products and develop additional product candidates to further expand our product coverage within the neuro-intervention space and further enhance our R&D infrastructure. We are also in the process of expanding our production capacity by constructing a new manufacturing facility, which will serve to satisfy our increasing production needs attributable to the commercialization of our product candidates.

For information of competition in the relevant markets, please see the section headed "Industry Overview" in this document. For details of our competitive strengths, please see "– Competitive Strengths" in this section.

## AWARDS AND RECOGNITIONS

We and our senior management have received various awards, honors and recognitions, including the following:

| Award | Year of Award | Awardee | Awarding Organization |
|---|---|---|---|
| Major Strategic and Innovative Industrial Project in Shanghai (上海市戰略新興產業重大專項) | 2018 | Our Company | Shanghai MDRC |
| Second prize in the finals of the materials and technical accessories group of 2019 China Medical Devices Design & Startups Competition (2019中國醫療器械創新創業大賽材料與技術配件組) | 2019 | Our Company; Dr. LI ZHIGANG | China Industry Technology Innovation Strategic Alliance (中國產業技術創新戰略聯盟) ("**CITISA**") |
| First prize in the finals of the medical consumables and implant and intervention products startups group of the Third China Medical Devices Design & Startups Competition (第三屆中國醫療器械創新創業大賽醫用耗材與植介入產品初創組) | 2020 | Our Company; Dr. LI ZHIGANG | CITISA |

## INTELLECTUAL PROPERTY RIGHTS

We have built an intellectual property portfolio in China to protect our technologies and ensure our future success with commercializing our products. As of the Latest Practicable Date, we had 28 registered patents and 34 registered trademarks, as well as 60 pending patent applications and eight pending trademark applications. We believe there is no material legal impediment for us to complete the registration of these pending patents and trademarks. For additional details on our intellectual property rights, see "Appendix VI. Statutory and General Information – B. Further Information about Our Business – 2. Intellectual Property Rights".

As of the Latest Practicable Date, we had eight granted patents in relation to our Core Products. The table below lists the portfolio of patents in relation to our Core Products as of the Latest Practicable Date:

| No. | Patent No. | Description | Related Product | Place of Registration | Registration Authority | Registered Owner Identity | Inventor Identity | Valid Until |
|---|---|---|---|---|---|---|---|---|
| 1 | ZL201720231839.5 | A stent retriever system (一種取栓支架系統) | Captor™ thrombectomy device | China | CNIPA | Our Company | Liu Xinfeng, Wang Guohui, Wu Jianping, Wang Zhen, Zhou Er'chen, Xue Zongyu | March 09, 2027 |
| 2 | ZL201720856792.1 | A retriever system (一種取栓器系統) | Captor™ thrombectomy device | China | CNIPA | Our Company | Liu Xinfeng, Wang Guohui, Wang Zhen, Wu Jianping, Xue Zongyu, Zhou Er'chen | July 13, 2027 |
| 3 | ZL202010900937.X | A self-selecting stent retriever with strong capturing ability (一種具有強捕獲力的自篩選式取栓支架) | Captor™ thrombectomy device | China | CNIPA | Our Company | Zhang Chenchao, Wang Yue, Wang Junyi, Shi Yunan, Wang Guohui | August 31, 2040 |
| 4 | ZL201621010160.5 | A left atrial appendage occluder (一種左心耳封堵器) | LAA occluder | China | CNIPA | Our Company | Zhou Er'chen, Wang Guohui, Han Yaling, Wang Zulu, Liang Ming | August 29, 2026 |
| 5 | ZL201621183258.0 | A delivery sheath tube and left atrial appendage occluder delivery system (一種輸送鞘管管體以及左心耳封堵器輸送系統) | LAA occluder | China | CNIPA | Our Company | Wang Zulu, Han Yaling, Liang Ming, Li Feng, Zhou Er'chen | October 26, 2026 |
| 6 | ZL201621329207.4 | A left atrial appendage occluder delivery system (一種左心耳封堵器輸送系統) | LAA occluder | China | CNIPA | Our Company | Wang Zulu, Han Yaling, Liang Ming, Hu Dengmai, Zhou Er'chen, Wang Guohui | December 05, 2026 |

| No. | Patent No. | Description | Related Product | Place of Registration | Registration Authority | Registered Owner Identity | Inventor Identity | Valid Until |
|---|---|---|---|---|---|---|---|---|
| 7 | ZL201621359466.1 | A left atrial appendage occluder (一種左心耳封堵器) | LAA occluder | China | CNIPA | Our Company | Wang Zulu, Han Yaling, Liang Ming, Zhou Er'chen, Wang Guohui | December 11, 2026 |
| 8 | ZL201720884134.3 | An occluder with embedded steel sleeve (一種具有嵌入式鋼套的封堵器) | LAA occluder | China | CNIPA | Our Company | Zhou Er'chen, Wang Guohui, Xue Zongyu, Hu Dengmai | July 19, 2027 |

During the Track Record Period and up to the Latest Practicable Date, we were not involved in any material proceedings in respect of intellectual property right infringement claims against us or initiated by us. For risks relating to intellectual property rights, see "Risk Factors – Risks Relating to Our Business – Risks Relating to Our Intellectual Property Rights" in this document.

## HEALTH, SAFETY, SOCIAL AND ENVIRONMENTAL MATTERS

We are subject to various health, safety, social and environmental laws and regulations and our operations are regularly inspected by local government authorities. We believe we have adequate policies ensuring compliance with all health, safety, social and environmental protection regulations.

We have obtained the necessary waste emission permits for waste produced during our operation. We engage third-party waste treatment service provider to collect and treat dangerous chemicals involved and hazardous waste produced in our operations.

We have adopted and maintained a series of rules, standard operating procedures and measures to maintain a healthy and safe environment for our employees. We have relevant internal policies in place to ensure safe storage and handling of flammable and corrosive materials used in our manufacturing process. We also have safety equipment and instruments in place. Additionally, we have established a safety and emergency team consisting of seven staff mainly responsible for identifying and mitigating safety risks, improving the safety production policies and procedures, supervising the implementation of such policies and procedures, making emergency plans and providing trainings in respect of production safety to our employees.

Our Directors consider that the annual cost of compliance with the applicable health, safety, social and environmental laws and regulations was not material during the Track Record Period and we do not expect the cost of such compliance to be material going forward.

During the Track Record Period and up to the Latest Practicable Date, we had been in compliance with the relevant PRC laws and regulations in all material aspects, and had not been subject to any material claim or penalty in relation to health, safety, social or environmental protection, or been involved in any significant workplace accident or fatality.

## EMPLOYEES

As of the Latest Practicable Date, we employed 121 full-time employees, who were all based in China. The following table sets forth the number of our full-time employees by function as of the Latest Practicable Date.

| Function | Number of full-time employees | Percentage |
|---|---|---|
| Management, finance, administrative and others | 15 | 12.4% |
| R&D | 26 | 21.5% |
| Quality control and regulatory | 22 | 18.2% |
| Clinical trials | 3 | 2.5% |
| Production | 31 | 25.6% |
| Sales and marketing | 24 | 19.8% |
| **Total** | 121 | 100.0% |

The total employee benefits expenses of our Group, which consist of (i) wages, salaries and allowances, (ii) pension scheme contributions, (iii) staff welfare expenses, and (iv) equity-settled share awards expenses, for 2019 and the nine months ended September 30, 2020 were approximately RMB52.7 million and RMB40.3 million, respectively.

We recruit our employees based on a number of factors such as our needs and expansion plans, and the candidates' work experience and educational background. We typically hire through recruitment websites, referrals and campus recruitments. We provide our employees with internal and external training in various areas such as product knowledge, management skills and leadership, technical skills and compliance knowledge. We assess our employees based on their performance to determine their salary, promotion and career development.

In compliance with the relevant PRC labor laws, we enter into individual employment contracts with our employees covering matters such as terms, wages, bonuses, employee benefits, workplace safety, confidentiality obligations and grounds for termination. In addition, we are required under PRC law to make contributions to statutory employee benefit plans (including pension plans, medical insurance, work-related injury insurance, unemployment insurance, maternity insurance and housing funds) at certain percentages of our employees' salaries, including bonus and allowances, up to a maximum amount specified by the local government.

We are also subject to safety laws and regulations of the PRC. For a description of these laws and regulations, please see "Regulatory Overview – Regulations Relating to Production Safety and Product Liability" in this document. We have implemented various internal occupational health and safety procedures to maintain a safe work environment, including adopting protective measures at our production facilities, inspecting our equipment and facilities regularly to identify and address safety hazards, and providing regular training to our employees on safety awareness. As of the Latest Practicable Date, no labor union was established among our employees.

We believe our benefits, working environment and development opportunities for our employees have contributed to good employee relations and employee retention. During the Track Record Period and up to the Latest Practicable Date, we were not subject to any material claims, lawsuits, penalties or administrative actions relating to non-compliance with occupational health and safety laws or regulations, and had not experienced any strikes, industrial actions or material labor disputes.

## PROPERTIES

As of the Latest Practicable Date, we occupied six properties, with an aggregate gross floor area of approximately 13,987.67 sq.m, in Shanghai and Nanjing in connection with our business operations. These properties are leased from third parties and used for non-property activities as defined under Rule 5.01(2) of the Listing Rules. We mainly use these properties as premises for our R&D and production, warehouses, offices and employee dormitories.

As of the Latest Practicable Date, the lease agreements had not completed lease registration with the relevant regulatory authorities. According to PRC law, the non-registration of lease agreements will not affect the validity of such lease agreements, but the relevant local housing administrative authorities can require us to complete registrations within a specified timeframe and we may be subject to a fine between RMB1,000 and RMB10,000 per lease for any delay in making these registrations. As of the Latest Practicable Date, we were not subject to any penalties arising from the non-registration of lease agreements.

During the Track Record Period, we did not experience any dispute arising out of our leased properties.

## INSURANCE

We maintain certain insurance policies as of the Latest Practicable Date. For example, we maintain insurance policies that cover our assets and losses arising from accidents in clinical trials. We consider that the coverage from these insurance policies to be adequate for our operations and in line with the industry norm. During the Track Record Period, we had not made, or been the subject of, any material insurance claims.

## LICENSES AND PERMITS

We are required to obtain various licenses and permits from government authorities as required under PRC laws and regulations. As of the Latest Practicable Date, we had obtained all requisite licenses and permits that are material for our operations, which all remained in full effect. The following table sets forth the key licenses and permits related to our major products as of the Latest Practicable Date. We plan to renew the material licenses and permits upon their expiration.

| Product | License/Permit | License/Permit No. | Validity Period | Authority |
|---|---|---|---|---|
| ExtraFlex™ distal access catheter | Registration Certificate for Medical Device (《醫療器械註冊證》) | Guo Xie Zhu Zhun 20193031066 (國械注准20193031066) | December 26, 2019 to December 25, 2024 | NMPA |
| SupSelek™ microcatheter | Registration Certificate for Medical Device (《醫療器械註冊證》) | Guo Xie Zhu Zhun 20193031067 (國械注准20193031067) | December 26, 2019 to December 25, 2024 | NMPA |
| Captor™ thrombectomy devices | Registration Certificate for Medical Device (《醫療器械註冊證》) | Guo Xie Zhu Zhun 20203030702 (國械注准20203030702) | August 12, 2020 to August 11, 2025 | NMPA |
| Fullblock™ balloon catheter | Registration Certificate for Medical Device (《醫療器械註冊證》) | Guo Xie Zhu Zhun 20203031002 (國械注准20203031002) | December 25, 2020 to December 24, 2025 | NMPA |
| ExtraFlex™ distal access catheter, SupSelek™ microcatheter and Captor™ thrombectomy devices | Medical Device Production Permit (《醫療器械生產許可證》) | Hu Shi Yao Jian Xie Sheng Chan Xu 20202735 (滬食藥監械生產許20202735號) | January 21, 2020 to January 20, 2025 | Shanghai MPA |

## LEGAL PROCEEDINGS AND REGULATORY COMPLIANCE

We may become a party to legal, arbitral or administrative proceedings arising in the ordinary course of business. Our Directors confirmed that, as of the Latest Practicable Date, none of the legal, arbitral or administrative proceedings to which we were a party, individually or in aggregate, would have a material and adverse effect on our business, financial condition or results of operations, and they were not aware of any potential or threatened legal, arbitral or administrative proceedings to which we would be named as a party. Our Directors further confirmed that none of our Directors or senior management personnel was personally involved in any of these legal, arbitral or administrative proceedings.

As advised by our PRC Legal Advisor, during the Track Record Period and as of the Latest Practicable Date, there were no breaches or violations of applicable PRC laws and regulations that would have a material and adverse impact on our business or results of operation taken as a whole.

## INTERNAL CONTROL AND RISK MANAGEMENT

It is the responsibility of the Board of Directors to ensure that the Group maintains sound and effective internal controls to safeguard the Shareholders' investment and the Group's assets at all times. We have adopted a series of internal control policies and procedures designed to achieve effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. Highlights of our internal control system include the following:

- We have established an audit committee that assists our Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of the Group, overseeing the audit process and performing other duties and responsibilities as assigned by our Board. Our Audit Committee consists of Mr. Gong Ping, Mr. Feng Xingqian and Mr. Ding Kui. For details of their qualification and experience, please refer to the section headed "Directors, Supervisors and Senior Management" in this document.

- Our internal audit department is responsible for identifying and assessing key risks on various aspects of our operations and supervising the rectification of internal control deficiencies. In order to formalize risk management across our Group and set a common level of transparency and risk management performance, our internal audit department (i) gathers information about the risks relating to our operation or function; (ii) conducts risk assessments, which include the identification, prioritization, measurement and categorization of all key risks that could potentially affect our objectives and establish an uniform risk assessment standard; (iii) continuously monitors the key risks relating to our operation or function; (iv) implements appropriate risk responses where necessary; and (v) develops and maintains an appropriate mechanism to facilitate the application of our risk management framework.

- We have adopted various policies to ensure compliance with the Listing Rules, including but not limited to aspects related to corporate governance, connected transactions, notifiable transactions, inside information and securities transactions by the Directors.

- We have engaged Somerley Capital Limited as our compliance adviser to provide advice to our Directors and management team until the end of the first fiscal year after the [**REDACTED**] regarding matters relating to the Listing Rules.

- We have engaged a PRC law firm to advise us on and keep us abreast with PRC laws and regulations. We will continue to arrange various training to be provided by external legal advisors from time to time when necessary and/or any appropriate accredited institution to update our Directors, supervisors senior management and relevant employees on the latest applicable laws and regulations.

We have engaged an internal control consultant to review the effectiveness of our internal controls associated with our major business processes, identify deficiencies and improvement opportunities, provide recommendations on remedial actions and review the implementation status of these remedial actions. During the review process of our internal control consultant, certain internal control matters were identified and we have adopted corresponding internal control measures to improve on these matters. We have adopted the recommendations made by the internal control consultant and our internal control consultant has completed the follow-up procedures on our internal control system with regard to those actions taken by us and have not identified any material deficiencies in our internal control system.

In addition, as part of our risk management measures, we have implemented specific measures against corruption and bribery. We require our employees, especially those involved in procurement, distribution and sales, and other business functions which are more susceptible to bribery and corruptions, to abide by our compliance requirements, and make necessary representations and warranties to the Company. We also communicate our anti-bribery and anti-corruption principles to our distributors and require them to comply with our anti-bribery and anti-corruption principles. We have established a system of supervision that allows complaints and reports to be submitted to management regarding non-compliant behavior of our employees and external customers and suppliers.

## PRC REGULATION

We are subject to a variety of PRC laws, rules and regulations affecting many aspects of our business. This section summarizes the principal PRC laws, rules and regulations that we believe are relevant to our business and operations.

### Laws and Regulations Relating to Medical Device

#### *Major Regulatory Authorities*

According to the Regulations on the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》) (the "Medical Device Regulations") which was issued by the State Council in 2000 and recently amended on May 4, 2017, the food and drug supervision and administration of the State Council shall be responsible for the supervision of medical devices of the PRC. All relevant departments of the State Council shall be responsible for the supervision of medical devices within their respective scope of duties. Food and drug supervision and administration departments of the local people's governments at the county level and above are responsible for the supervision of medical devices within their own administrative jurisdictions. The relevant departments of the local people's governments at the county level and above are responsible for the supervision of medical devices within their respective scope of duties.

We conduct our business in PRC and we are now principally subject to the supervision of the National Medical Products Administration (國家藥品監督管理總局) and its local counterparts. The National Medical Products Administration was established in accordance with the Institutional Reform Program of the State Council (《國務院機構改革方案》) promulgated by the National People's Congress (the "NPC") in March 2018, and the predecessor of the National Medical Products Administration is the China Food and Drug Administration (國家食品藥品監督管理總局) (the "CFDA", together with the National Medical Products Administration, hereinafter collectively, the "NMPA"). The NMPA is a newly established regulatory authority responsible for registration and supervision of pharmaceutical products, cosmetics and medical devices under the supervision of the State Administration for Market Regulation (國家市場監督管理總局) (the "SAMR"), a newly established institution for supervising and administrating the market in China.

The National Health Commission of the PRC, formerly known by the names the Ministry of Health and National Health and Family Planning Commission (hereinafter collectively, the "NHC"), is China's primary healthcare regulatory agency. It is responsible for overseeing the operation of medical institutions, some of which also serve as clinical trial sites.

#### *Regulations Relating to Medical Device Registration*

*Classification of Medical Devices*

The Medical Device Regulations regulates entities that engage in the R&D, production, operation, use, supervision and administration of medical devices in the PRC. Medical devices are classified according to their risk levels. Class I medical devices are medical devices with

low risks, and the safety and effectiveness of which can be ensured through routine administration. Class II medical devices are medical devices with moderate risks, which are strictly controlled and administered to ensure their safety and effectiveness. Class III medical devices are medical devices with relatively high risks, which are strictly controlled and administered through special measures to ensure their safety and effectiveness. The evaluation of the risk levels of medical devices take into consideration the medical devices' objectives, structural features, methods of use and other factors. Registration certificates are required for Class II and Class III medical devices. The classification of specific medical devices is stipulated in the Medical Device Classification Catalog (《醫療器械分類目錄》), which was issued by the NMPA on August 31, 2017 and became executive on August 1, 2018.

The Administrative Measures for the Registration of Medical Devices (《醫療器械註冊管理辦法》), or the Medical Devices Registration Measures, as promulgated by the NMPA and took effect on October 1, 2014, provide that Class I medical devices are subject to record-filing, while Class II and Class III medical devices are subject to registration. We have obtained the Class III medical device registration certificates for our products, which are within the validity term.

*Registration Testing*

According to Medical Devices Registration Measures, a medical device to be registered into Class II and Class III shall be subject to registration testing. Medical device testing institutions shall conduct registration testing on the relevant products according to the technical requirements for such products. Medical device testing institutions shall be qualified for medical device testing, conduct testing within their scope of business, and pre-evaluate the technical requirements submitted by the applicants.

*Clinical Trials*

According to the Medical Devices Registration Measures, clinical trials are not required for the recordation of the Class I medical devices, but are required for the application for the registration of the Class II and Class III medical devices. However, medical devices may be exempt from clinical trials under any of the following circumstances:

- they have clear and definite working mechanisms, finalized designs and mature manufacturing techniques, the marketed medical devices of the same category have been put into clinical application for years with no record of severe adverse event, and their general purposes remain unchanged;

- the safety and utility of such medical devices can be proved through non-clinical evaluation; or

- the safety and utility of such medical devices can be proved through the analysis and evaluation of the data obtained from the clinical trials or clinical application of medical devices of the same category.

The catalog of medical devices exempt from clinical trials shall be established, adjusted and published by the NMPA. Pursuant to the Notice of the Newly Revised Catalog of Medical Devices Exempted from Clinical Trials (《關於公布新修訂免於進行臨床試驗醫療器械目錄的通告》) issued by the NMPA on September 28, 2018 and the Notice of New and Revised Catalog of Medical Devices Exempted from Clinical Trials (《關於公布新增和修訂的免於進行臨床試驗醫療器械的通告》) promulgated by the NMPA on December 13, 2019, medical device products that are not included in the exemption catalog shall go through clinical trials before registration.

Clinical trials for those medical device products that are not included in the exemption catalog shall be conducted in accordance with the Norms on the Quality Management for the Clinical Trials of Medical Devices (《醫療器械臨床試驗質量管理規範》), or the Clinical Trial Norm, which was issued by the NMPA and the NHC jointly on March 1, 2016. The Clinical Trial Norm includes full procedures of clinical trial of medical devices, including, among others, the protocol design, conduct, monitoring, verification, inspection, and data collection, recording, analysis and conclusion and reporting procedure of a clinical trial. Prior to commencement of a clinical trial, the applicant must complete the pre-clinical research of the medical device, including product design and quality test, animal testing and risk analysis, the results of which should support the clinical trial. The clinical trial must be conducted in two or more clinical trial organizations that are qualified to do such trails. Prior to commencement of a clinical trial, approval by the ethics committees of the relevant clinical trial organization should be obtained and the applicant, the clinical trial organization and the researchers must enter into agreements in writing in respect of trial design, trial quality control, allocation of responsibilities during the trial, trial-related fees borne by the applicant and the principles of responses to emergencies that may occur during the trial.

As for certain Class III medical devices which present a relatively high risk to the human subjects, Clinical trials must be pre-approved by the NMPA prior to commencement. An index of such Class III medical devices (the Index of Class III Medical Devices subject to Clinical Trial Approval,《需進行臨床試驗審批的第三類醫療器械目錄》) is maintained and from time to time adjusted and published by the NMPA. Class III medical devices that are not involved in the Index shall complete recordation procedures with the drug administrative departments of provinces, autonomous regions and municipalities directly under the central government of the PRC prior to commencement of a clinical trial.

*Special Procedures for Examination and Approval of Innovative Medical Devices*

In October 2017, the General Office of the CPC Central Committee and the General Office of the State Council jointly issued the Opinions on Deepening the Reform of the Evaluation and Approval Systems and Encouraging Innovation on Drugs and Medical Devices (《關於深化審評審批制度改革鼓勵藥品醫療器械創新的意見》), according to which the R&D of innovative medical devices is encouraged. Innovative medical devices supported by major national science or technology projects and key national R&D plans or for which the National Clinical Medicine Research Center (國家臨床醫學研究中心) conducts clinical trials and which the Center's administrative department accredits shall be evaluated and approved in priority.

The Special Procedures for Examination and Approval of Innovative Medical Devices (《創新醫療器械特別審查程序》) promulgated by the NMPA in November 2018 stipulates the special procedures to the examination and approval for innovative medical devices, according to which, medical devices which meet the below requirements are applicable to special procedures:

- the applicant, through its leading technological innovation activities, has legally owned core technology invention patents in China over its products, or obtained invention patents in China or the right to use them through patent transfers in accordance with the law, and the application time for special procedures is within 5 years from the authorization announcement date of such core technology invention patent; or the patent application of core technology invention has been published by the Patent Administration Department of the State Council and a search report is issued by the Patent Search and Consultation Center of the State Intellectual Property Office, indicating that the core technology solution of the product is novel and creative;

- the applicant has completed the preliminary research of the product and has a basic finalized product, and the research process is true and under control, and the research data is complete and traceable;

- the main working principle or mechanism of the product is domestic initiative, and the function or safety of the product is fundamentally improved compared with similar products, and the relevant technology is at the international leading level, and the product has significant clinical application value.

The Center for Medical Device Evaluation of the NMPA (國家藥品監督管理局醫療器械技術審評中心) shall give priority to the innovative medical devices in their technical review upon receiving the registration application, after which the NMPA shall give priority to the product in their administrative approval.

***Regulations Relating to Medical Device Production and Operation***

*Management of Medical Device Production*

The NMPA issued the Measures for the Supervision and Administration of Medical Device Production (《醫療器械生產監督管理辦法》) on July 30, 2014 and amended it on November 17, 2017. In order to engage in medical device production, the applicant shall have production premise, environmental conditions, production equipment and professional technicians commensurate with the medical devices produced by it, and it shall have qualified inspectors and the inspection equipment, management rules and after-sales service capability.

To establish an enterprise producing Class I medical devices, the applicant shall undergo the formalities for the recordation of Class I medical devices at the local drug administration at the level of a districted city, while the applicant shall file an application for production

licensing with the local drug administration of the province, autonomous region, or municipality directly under the central government of the PRC for the production of Class II or Class III medical devices. A Medical Device Production License shall be valid for five years and may be renewed pursuant to the relevant regulations. We have obtained the Medical Device Production License for Class III Medical Devices, which are within the validity term.

The Good Manufacturing Practice Rules for Medical Devices (《醫療器械生產質量管理規範》), as promulgated by the NMPA on December 29, 2014 and effective on March 1, 2015, provide basic principles for quality control systems for medical devices manufacturing, and these rules are applicable to the entire process of design and development, production, sales and post-sale services of medical devices.

Pursuant to The Notice of Four Guidelines including On-site Inspection Guidelines for the Standards on Production and Quality Management of Medical Devices (《關於印發<醫療器械生產質量管理規範現場檢查指導原則>等4個指導原則的通知》) promulgated by the NMPA on September 25, 2015 and coming into effect on September 25, 2015, during the course of on-site verification of the registration of medical devices and on-site inspection of production permit (including changing production permit), the inspection team shall, in accordance with the guidelines, issue recommended conclusions for on-site inspections, which shall be divided into "Passed," "Failed" or "Reassessment after rectification." During the supervision and inspection, if it is found that the requirements of the key items or ordinary items that may have direct impact on product quality are not satisfied, the enterprise shall suspend production and go through rectification. If it is found that the requirements of the ordinary items are not satisfied, and it does not directly affect product quality, the enterprise shall rectify in a prescribed time. The regulatory authorities shall examine and verify the recommended conclusions and on-site inspection materials submitted by the inspection group, and issue the final inspection results.

*Management of Medical Device Operation*

Pursuant to the Measures for the Supervision and Administration of Medical Devices Operation (《醫療器械經營監督管理辦法》) promulgated by the NMPA on July 30, 2014 and amended on November 17, 2017, licensing or recordation is not required for business activities involving Class I medical devices, while recordation administration shall apply to business activities involving Class II medical devices, and licensing administration shall apply to business activities involving Class III medical devices. An enterprise engaging in the operation of medical devices shall have business premises and storage conditions suitable for the operation scale and scope, and shall have a quality control department or personnel suitable for the medical devices it operates. Also, a quality control system compatible with the medical devices it operates is required, and an enterprise engaging in business activities involving Class III medical devices shall also have a qualified computer information management system.

An enterprise engaged in the operation of Class II medical devices shall file with the municipal level drug supervision and administration department and provide proofing materials for satisfying the relevant conditions of engaging in the operation of medical devices, while an

enterprise engaged in the operation of Class III medical devices shall apply for an operation permit to the municipal level drug supervision and administration department and provide proofing materials for satisfying the relevant conditions of engaging in the operation of such medical devices. An operation permit is valid for five years and may be renewed pursuant to the relevant regulations.

The medical devices manufacturers engaged in the business activities in its residence or production address do not need to apply for operation permit or records.

***Tendering Processes for Medical Devices***

The Chinese government has implemented measures to encourage pooled procurement of expensive medical consumables through tendering processes. In June 2007, NHC issued the Notice on Further Strengthening the Administration of Centralized Procurement of Medical Devices (《關於進一步加強醫療器械集中採購管理的通知》), which requires that all nonprofit medical institutions established by local governments, associations or state-owned enterprises participate in the centralized procurement. Public tendering will be the principal method for centralized procurement.

***Two Invoice System***

On December 26, 2016, eight government departments including the NMPA issued the Notice on Opinions on the Implementation of the "Two Invoice System" in Drug Procurement by Public Medical Institutions (for Trial Implementation) (《關於在公立醫療機構藥品採購中推行兩票制的實施意見(試行)》), or the Notice. According to the Notice, the "Two Invoice System" refers to issuing invoice at the time from a pharmaceutical manufacturer to a circulating enterprise, and issuing invoice again at the time from a circulating enterprise to a medical institution.

On March 5, 2018, six government departments including the NHC of the PRC issued the Notice on Consolidating the Achievements of Canceling Drug Markups and Deepening Comprehensive Reforms in Public Hospitals (《關於鞏固破除以藥補醫成果持續深化公立醫院綜合改革的通知》), which stipulates the implementation of the centralized purchase of high value medical consumables, and that the "Two Invoice System" in relation to high-value medical consumables shall be gradually implemented.

On July 19, 2019, the General Office of the State Council issued the Notice on Printing and Distributing the Reform Plan for the Management of High-value Medical Consumables (《關於印發<治理高值醫用耗材改革方案>的通知》), according to which, high-value medical consumables refer to the medical consumables that are directly used for human bodies, and are strictly required for safety, and are in great clinical demand and priced relatively high, and can impose heavy burdens on patients for affording them. Local governments are encouraged to adopt the "Two Invoice System" combined with actual situation in order to reduce the circulation of high-value medical consumables and promote the transparency of purchase and sales. This task is expected to be completed by the end of 2020.

Some provinces including but not limited to Ningxia Province, Hainan Province, Liaoning Province, Sichuan Province, Guangdong Province, Hunan Province, Guizhou Province, Gansu Province, Jiangxi Province, Heilongjiang Province, Fujian Province, Shaanxi Province and Anhui Province, have implemented the "Two Invoice System" in the field of medical consumables. On November 15 2017, five local government departments of Anhui Province including the Food and Drug Administration of Anhui Province (安徽省食品藥品監督管理局) issued the Opinions on Implementation of the "Two Invoice System" in Medical Consumables Procurement by Public Medical Institutions in Anhui Province (for Trial Implementation) (《安徽省公立醫療機構醫用耗材採購"兩票制"實施意見(試行)》), pursuant to which the Class II or above public medical institutions shall begin to implement the "Two Invoice System" in the procurement of medical consumables from December 1, 2017. On July 23, 2018, Fujian Provincial Medical Security Management Committee Office (福建省醫療保障管理委員會辦公室) issued the Notice on the Sharing of Transparent Procurement Results of Medical Devices (Medical Consumables) across the Province (《關於開展醫療器械(醫用耗材)陽光採購結果全省共享工作的通知》), which stipulates medical consumables procurement strictly implements the "Two Invoice System" and encourages the implementation of the "One Invoice System." On July 23, 2018, eight local government departments of Shaanxi Province including Deepen Medical and Healthcare System Reform Leading Group Office of Shaanxi Province (陝西省深化醫藥衛生體制改革領導小組辦公室) issued the Notice on Further Promoting the "Two Invoice System" on Medicines and Medical Consumables (《關於進一步推進藥品和醫用耗材"兩票制"的通知》), which stipulates that on the basis of the full implementation of the "Two Invoice System" of medical consumables in the urban public medical institutions, the primary medical and healthcare institutions of the county and below the county shall begin to implement the "Two Invoice System" in the procurement of medical consumables from August 1, 2018.

Pursuant to the Reply of the National Healthcare Security Administration to Recommendation No.1209 of the Second Session of the 13th National People's Congress (《國家醫療保障局對十三屆全國人大二次會議第1209號建議的答覆》) issued by National Healthcare Security Administration on July 23, 2019, "two-invoice system" for high-value consumables needs to be further discussed given the huge differences between high-value consumables and pharmaceuticals and the complexity of clinical use and after-sales service.

**Regulations on Anti-Commercial Bribery**

According to the Interim Provisions on the Prohibition of Commercial Bribery (《國家工商行政管理局關於禁止商業賄賂行為的暫行規定》) ("Prohibition Commercial Bribery Provisions"), which was promulgated by SAMR on November 15, 1996, commercial bribery refers to an act of offering money or property or using other means by an operator to the other entity or individual for the purposes of selling or buying goods, among which "other means" refer to the means used to provide any types of benefits other than money or property, such as offering overseas or domestic travel. According to the Anti-Unfair Competition Law and the Prohibition Commercial Bribery Provisions, regulatory authorities may impose fines depending on the seriousness of the cases and if there is any illegal income, such income shall be confiscated.

*Medical Device Recalls*

Pursuant to the Administrative Measures for Medical Device Recalls (《醫療器械召回管理辦法》), which was promulgated by the NMPA on January 25, 2017 and came into effect on May 1, 2017, in light of the severity harm, medical device recalls are divided into three classes, including: (i) class I recall where the circumstances leading to the recall may cause or have caused serious health hazards; (ii) class II recall where the circumstances leading to the recall may cause or have caused temporary or reversible health hazards; or (iii) class III recall where the circumstances leading to the recall are not likely to cause harm.

Medical device manufacturers shall determine the recall class based on the specific situation and properly design and implement the recall plan based on the recall class and the sale and use of the medical devices.

**Regulations Relating to Advertisement of Medical Device**

According to the Medical Device Regulations, the medical device advertisements shall be examined and approved by the drug supervision and administration departments of the people's governments of the provinces, autonomous regions or municipalities directly under the central government of the PRC where the medical device production enterprises or agents of import medical devices are located, and obtain the approval documents for medical device advertisements. The advertisement publishers who publish the medical device advertisements shall verify beforehand the approval documents for the advertisements and the authenticity thereof, and may not publish the medical device advertisements which have not obtained approval documents, whose approval documents have not been verified to be authentic, or whose contents are inconsistent with those of the approval documents.

The SAMR promulgated the Interim Measures for the Administration of the Examination and Administration of Drugs, Medical Devices, Health Foods, and Formula Foods for Special Medical Purposes (《藥品、醫療器械、保健食品、特殊醫學用途配方食品廣告審查管理暫行辦法》) on December 24, 2019, which came into effect from March 1, 2020 and replaced the Measures for the Examination of Medical Devices Advertisements (《醫療器械廣告審查辦法》). According to such interim measures, the content of the medical device advertisements shall be based on the registration certificate or the recordation proof. Medical device advertisement involving the name, scope of application, mechanism of action, or structure and composition of the medical device must not exceed the scope of registration certificate or the recordation proof.

**Regulations Relating to Importation and Exportation of Goods**

According to the Administrative Provisions on the Registration of Customs Declaration Entities of the PRC (《中華人民共和國海關報關單位註冊登記管理規定》), promulgated by the General Administration of Customs of the PRC on March 13, 2014, latest amended on July 1, 2018, import and export of goods shall be declared by the consignor or consignee itself, or by a customs declaration enterprise entrusted by the consignor or consignee and duly

registered with the customs authority. Consignors and consignees of imported and exported goods shall go through customs declaration entity registration formalities with the competent customs departments in accordance with the applicable provisions. After completing the registration formalities with the customs, consignors and consignees of the imported and exported goods may handle their own customs declarations at customs ports or localities where customs supervisory affairs are concentrated within the customs territory of the PRC.

**National Medical Insurance Program**

Pursuant to the Notice of Opinion on the Diagnosis and Treatment Management, Scope and Payment Standards of Medical Service Facilities Covered by the National Urban Employees Basic Medical Insurance Scheme (《關於印發<城鎮職工基本醫療保險診療項目管理、醫療服務設施範圍和支付標準意見>的通知》) promulgated on June 30, 1990, part of the fees of diagnostic and treatment devices and diagnostic tests would be paid through the basic medical insurance scheme. Detailed reimbursement coverage and rate are subject to provincial local policies. Pursuant to the Decision on the Establishment of the Urban Employee Basic Medical Insurance Program (《關於建立城鎮職工基本醫療保險制度的決定》) issued by the State Council on December 14, 1998, Opinions on the Establishment of the New Rural Cooperative Medical System (《關於建立新型農村合作醫療制度意見的通知》) issued by the General Office of the State Council on January 16, 2003, the Guiding Opinions of the State Council about the Pilot Urban Resident Basic Medical Insurance (《國務院關於開展城鎮居民基本醫療保險試點的指導意見》) issued by the State Council on July 10, 2007, and the Opinions on Integrating the Basic Medical Insurance Systems for Urban and Rural Residents (《國務院關於整合城鄉居民基本醫療保險制度的意見》) promulgated on January 3, 2016, all employees and residents in rural and urban areas would be involved in medical insurance program.

According to Notice on Printing and Distributing the Reform Plan for the Management of High-value Medical Consumables, the State plans to establish a basic medical insurance access system for high-value medical consumables and implement catalog management of high-value medical consumables, and to improve dynamic catalog adjustment and timely supplement necessary new technological products. Also, the State plans to make policies on payment by medical insurance through, among others, scientifically formulating the standards for payment by medical insurance for high-value medical consumables and establishing a dynamic adjustment mechanism.

**Regulations Relating to Production Safety and Product Liability**

Pursuant to the Production Safety Law of the PRC (《中華人民共和國安全生產法》) amended on August 31, 2014 and coming into effect on December 1, 2014, an enterprise shall(i)provide production safety conditions as stipulated in this law and other relevant laws, administrative regulations, national and industry standards, (ii) establish a comprehensive production safety accountability system and production safety rules, and (iii) develop production safety standards to ensure production safety. Any entity that fails to provide required production safety conditions is prohibited from engaging in production activities.

The person-in-charge of an enterprise shall be fully responsible for the safety of production of the enterprise. Personnel who is responsible for managing production safety shall inspect the safety of production regularly based on the characteristics of production of the enterprise and shall deal with any safety issue identified during the inspection in a timely manner. Any unsolved issue shall be reported to the person-in-charge in a timely manner and the person-in-charge shall solve such issue immediately. The inspection and measures taken shall be duly recorded. Enterprises and institutions shall provide their employees with training on production safety and shall truthfully inform their employees of any potential risks in relation to the workplace and duties, preventive measures and emergency measures. In addition, an enterprise shall provide its employees with protective equipment that meet the national or industry standards and supervise and train them to use such equipment.

Pursuant to the Product Quality Law (《中華人民共和國產品質量法》) promulgated on February 22, 1993 and latest amended on December 29, 2018 by the SCNPC, Seller shall be responsible for the repair, replacement or return of the product sold if (1) the product sold does not possess the properties for use that it should possess, and no prior and clear indication is given of such a situation; (2) the product sold does not conform to the applied product standard as carried on the product or its packaging; or (3) the product sold does not conform to the quality indicated by such means as a product description or physical sample. If a consumer incurs losses as a result of purchased product, the seller shall compensate for such losses.

On May 28, 2020, the Civil Code of the PRC (《中華人民共和國民法典》) was adopted by the third session of the 13th National People's Congress of the PRC (the "NPC"), which became effective on January 1, 2021, according to which a manufacturer or a commercial seller is subject to liability for harm to persons or property caused by the product defects. The injured patient may seek compensation from the manufacturer or the commercial seller. Where the patient seeks compensation from the commercial seller, the commercial seller have the right to make a claim against the liable manufacturer after it has made compensation.

The Law of the PRC on the Protection of the Rights and Interests of Consumers (《中華人民共和國消費者權益保護法》) was promulgated on October 31, 1993 and was amended on August 27, 2009 and October 25, 2013 to protect consumers' rights when they purchase or use goods and accept services. All business operators must comply with this law when they manufacture or sell goods and/or provide services to customers. Under the amendments made on October 25, 2013, all business operators must pay high attention to protecting customers' privacy and must strictly keep confidential any consumer information they obtain during their business operations. In addition, in extreme situations, pharmaceutical product manufacturers and operators may be subject to criminal liability if their goods or services lead to the death or injuries of customers or other third parties.

## Regulations Relating to Foreign Investment

### *Foreign Investment*

Investment activities in the PRC by foreign investors were principally governed by the Catalog of Industries for Guiding Foreign Investment (《外商投資產業指導目錄》) or the Catalog, which was issued and amended from time to time by the MOFCOM and the National Development and Reform Commission. The latest effective Catalog came into effect on July 28, 2017 and was partially abolished by The Special Administrative Measures (Negative List) for Access of Foreign Investment (2020 version) (《外商投資准入特別管理措施(負面清單)(2020年版)》), or the Negative List, and Catalog of Industries for Encouraging Foreign Investment (《鼓勵外商投資產業目錄(2019年版)》), or the Encouraging List. Industries listed in Catalog are divided into three categories: "encouraged", "restricted" and "prohibited". The Negative List, which came into effect on July 23, 2020, sets out special administrative measures in respect of the access of foreign investments in a centralized manner, and the Encouraging List which came into effect on July 30, 2019, sets out the encouraged industries for foreign investment.

### *Foreign-Invested Enterprises*

On December 29, 1993, the SCNPC issued the PRC Company Law (《中華人民共和國公司法》), or the Company Law, which was lasted amended on October 26, 2018. The Company Law regulates the establishment, operation and management of corporate entities in China and classifies companies into limited liability companies and limited companies by shares. The Company Law applies to foreign-invested companies unless relevant laws provide otherwise.

According to the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) promulgated by the SCNPC on March 15, 2019 and came into effect as of January 1, 2020, the state shall implement the management systems of pre-establishment national treatment and negative list for foreign investment, and shall give national treatment to foreign investment beyond the negative list. Simultaneously, Sino-foreign Equity Joint Ventures of the PRC (《中華人民共和國中外合資經營企業法》), the Wholly Foreign-owned Enterprises Law of the PRC (《中華人民共和國外資企業法》) and Sino-foreign Cooperative Joint Ventures of the PRC (《中華人民共和國中外合作經營企業法》) have been repealed since January 1, 2020.

In December 2019, the State Council promulgated the Regulations on Implementing the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》), which came into effect in January 2020. After the Regulations on Implementing the Foreign Investment Law of the PRC came into effect, the Regulation on Implementing the Sino-Foreign Equity Joint Venture of the PRC (《中華人民共和國中外合資經營企業法實施條例》), Provisional Regulations on the Duration of Sino-Foreign Equity Joint Venture (《中外合資經營企業合營期限暫行規定》), the Regulations on Implementing the Wholly Foreign-owned Enterprise Law of the PRC (《中華人民共和國外資企業法實施細則》) and the Regulations on Implementing the Sino-foreign Cooperative Joint Venture of the PRC (《中華人民共和國中外合作經營企業法實施細則》) have been repealed simultaneously.

On December 30, 2019, the MOFCOM and the SAMR issued the Measures for the Reporting of Foreign Investment Information (《外商投資信息報告辦法》), which came into effect on January 1, 2020 and replaced the Interim Measures for the Recordation Administration of the Incorporation and Change of Foreign-Invested Enterprises (《外商投資企業設立及變更備案管理暫行辦法》), for carrying out investment activities directly or indirectly in PRC, the foreign investors or foreign-invested enterprises shall submit investment information to the commerce authorities pursuant to these measures.

**Regulations Relating to the H Share Full Circulation**

"Full circulation" means listing and circulating on the Stock Exchange of the domestic unlisted shares of an H-share listed company ("H-share listed company"), including unlisted domestic shares held by domestic shareholders prior to overseas listing, unlisted domestic shares additionally issued after overseas listing, and unlisted shares held by foreign shareholders. On November 14, 2019, CSRC announced the Guidelines for the "Full Circulation" Program for Domestic Unlisted Shares of H-share Listed Companies (Announcement of the CSRC [2019] No.22) (《H股公司境內未上市股份申請"全流通"業務指引》(中國證券監督管理委員會公告[2019]22號)) ("Guidelines for the 'Full Circulation'").

According to the Guidelines for the "Full Circulation", shareholders of domestic unlisted shares may determine by themselves through consultation the amount and proportion of shares, for which an application will be filed for circulation, provided that the requirements laid down in the relevant laws and regulations and set out in the policies for state-owned asset administration, foreign investment and industry regulation are met, and the corresponding H-share listed company may be entrusted to file the said application for "full circulation". To file an application for "full circulation", an H-share listed company shall file the application with the CSRC according to the administrative licensing procedures necessary for the "examination and approval of public issuance and listing (including additional issuance) of shares overseas by a joint stock company". After the application for "full circulation" has been approved by the CSRC, an H-share listed company shall submit a report on the relevant situation to the CSRC within 15 days after the registration with the China Securities Depository and Clearing Corporation Limited ("CSDC") of the shares related to the application has been completed.

On December 31, 2019, CSDC and Shenzhen Stock Exchange ("SZSE") jointly announced the Measures for Implementation of H-share "Full Circulation" Business (《H股"全流通"業務實施細則》) ("Measures for Implementation"). The businesses of cross-border transfer registration, maintenance of deposit and holding details, transaction entrustment and instruction transmission, settlement, management of settlement participants, services of nominal holders, etc. in relation to the H-share "full circulation business", are subject to the Measures for Implementation.

In order to fully promote the reform of H-shares "full circulation" and clarify the business arrangement and procedures for the relevant shares' registration, custody, settlement and delivery, CSDC has promulgated the Circular on Issuing the Guide to the Program for Full

Circulation of H-shares (《關於發布<H股"全流通"業務指南>的通知》) in February 2020, which specified the business preparation, account arrangement, cross-boarder share transfer registration and overseas centralized custody, etc. In February 2020, CSDC (Hong Kong) also promulgated the Guide to the Program for Full Circulation of H-shares (《中國證券登記結算(香港)有限公司H股"全流通"業務指南》) to specify the relevant escrow, custody, agent service of CSDC (Hong Kong), arrangement for settlement and delivery and other relevant matters.

**Regulations Relating to Environmental Protection**

***Environment Protection***

The Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), or the Environmental Protection Law, which was promulgated by the SCNPC on December 26, 1989, came into effect on the same day and last amended on April 24, 2014, outlines the authorities and duties of various environmental protection regulatory agencies. The Ministry of Environmental Protection is authorized to issue national standards for environmental quality and emissions, and to monitor the environmental protection scheme of the PRC. Meanwhile, local environment protection authorities may formulate local standards which are more rigorous than the national standards, in which case, the concerned enterprises must comply with both the national standards and the local standards.

***Environmental Impact Appraisal***

According to the Administration Rules on Environmental Protection of Construction Projects (《建設項目環境保護管理條例》), which was promulgated by the State Council on November 29, 1998, amended on July 16, 2017 and became effective on October 1, 2017, depending on the impact of the construction project on the environment, an construction employer shall submit an environmental impact report or an environmental impact statement, or file a registration form. As to a construction project, for which an environmental impact report or the environmental impact statement is required, the construction employer shall, before the commencement of construction, submit the environmental impact report or the environmental impact statement to the relevant authority at the environmental protection administrative department for approval. If the environmental impact assessment documents of the construction project have not been examined or approved upon examination by the approval authority in accordance with the law, the construction employer shall not commence the construction.

According to the Environmental Impact Appraisal Law of PRC (《中華人民共和國環境影響評價法》), or the Environmental Impact Appraisal Law, which was promulgated by the SCNPC on October 28, 2002, amended on July 2, 2016 and December 29, 2018, for any construction projects that have an impact on the environment, an entity is required to produce either a report, or a statement, or a registration form of such environmental impacts depending on the seriousness of effect that may be exerted on the environment.

***Completion Acceptance***

The Interim Method for Completion Acceptance of Environmental Protection for Construction Projects (《建設項目竣工環境保護驗收暫行辦法》) was promulgated and implemented by the former Ministry of Environmental Protection (current Ministry of Ecology and Environment) on November 20, 2017. This method specifies the procedures and standards for construction units to carry out environmental protection acceptance after the construction of such projects is completed.

**Regulations Relating to Employment and Social Securities**

***Employment***

The major PRC laws and regulations that govern employment relationship are the Labor Law of the PRC (《中華人民共和國勞動法》), or the Labor Law (issued by the SCNPC on July 5, 1994, came into effect on January 1, 1995 and revised on August 27, 2009 and December 29, 2018), the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) or the Labor Contract Law (promulgated by the SCNPC on June 29, 2007 and became effective on January 1, 2008, and then amended on December 28, 2012 and became effective on July 1, 2013) and the Implementation Rules of the Labor Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》), or the Implementation Rules of the Labor Contract Law (issued by the State Council on September 18, 2008 and came into effect on the same day). According to the aforementioned laws and regulations, labor relationships between employers and employees must be executed in written form. The laws and regulations above impose stringent requirements on the employers in relation to entering into fixed-term employment contracts, hiring of temporary employees and dismissal of employees. As prescribed under the laws and regulations, employers shall ensure its employees have the right to rest and the right to receive wages no lower than the local minimum wages. Employers must establish a system for labor safety and sanitation that strictly abide by state standards and provide relevant education to its employees. Violations of the Labor Contract Law and the Labor Law may result in the imposition of fines and other administrative liabilities and/or incur criminal liabilities in the case of serious violations.

***Social Securities***

According to the Social Insurance Law of PRC (《中華人民共和國社會保險法》), which issued by the SCNPC on October 28, 2010 and came into effect on July 1, 2011 and was newly revised on December 29, 2018, enterprises and institutions in the PRC shall provide their employees with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, occupational injury insurance, medical insurance and other welfare plans. Meanwhile, the Interim Regulation on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) (issued by the State Council on January 22, 1999 and came into effect on the same day and was recently revised on March 24, 2019) prescribes the details concerning the social securities.

***Housing Provident Fund***

According to the Regulation Concerning the Administration of Housing Provident Fund (《住房公積金管理條例》), implemented since April 3, 1999 and amended on March 24, 2002 and March 24, 2019, any entity fails to make payment of housing provident fund within the time limit or has shortfall in payment of housing provident fund will be ordered to make the payment or make up the shortfall within the prescribed time limit, otherwise, the housing provident management center is entitled to apply for compulsory enforcement with the People's Court.

**Regulations Relating to Intellectual Properties**

***Patents***

According to the Patent Law of the PRC (《中華人民共和國專利法》), promulgated by the SCNPC on March 12, 1984 and revised in September 1992 and August 2000, amended on December 27, 2008 and became effective on October 1, 2009 and further amended on October 17, 2020 which will be effective on June 1, 2021 and the Implementing Rules of the Patent Law of the PRC (《中華人民共和國專利法實施細則》), promulgated by the China Patent Bureau Council on January 19, 1985, and last amended on January 9, 2010 and effective from February 1, 2010, there are three types of patents in the PRC invention patents, utility model patents and design patents. The protection period of a patent right for invention patents shall be 20 years and the protection period of a patent right for utility model patents and design patents shall be 10 years, both commencing from the filing date.

***Trademarks***

Pursuant to the Trademark Law of the PRC (《中華人民共和國商標法》) which was promulgated on August 23, 1982 and last amended on April 23, 2019 and came into effect on November 1, 2019, the Implementation Regulations of the Trademark Law of PRC (《中華人民共和國商標法實施條例》) which was issued on August 3, 2002 and amended on April 29, 2014, the Trademark Office under the State Administration for Industry and Commerce of the PRC (the "Trademark Office") shall handle trademark registrations and grant a term of ten years to registered trademarks, which may be renewed for additional ten year period upon request from the trademark owner. The Trademark Law of the PRC has adopted a "first-to-file" principle with respect to trademark registration. Where an application for trademark for which application for registration has been made is identical or similar to another trademark which has already been registered or is under preliminary examination and approval for use on the same kind of or similar commodities or services, the application for registration of such trademark may be rejected. Any person applying for the registration of a trademark may not prejudice the existing right of others, nor may any person register in advance a trademark that has already been used by another party and has already gained a "sufficient degree of reputation" through such party's use. A trademark registrant may, by entering into a trademark licensing contract, license another party to use its registered trademark. Where another party

is licensed to use a registered trademark, the licenser shall report the license to the Trademark Office for recordation, and the Trademark Office shall publish it. An unrecorded license may not be used as a defense against a third party in good faith.

**Regulations Relating to Foreign Exchange and Overseas Investment**

On January 29, 1996, the State Council promulgated the Administrative Regulations on Foreign Exchange of the PRC (《中華人民共和國外匯管理條例》) which became effective on April 1, 1996 and was amended on January 14, 1997 and August 5, 2008. Foreign exchange payments under current account items shall, pursuant to the administrative provisions of the foreign exchange control department of the State Council on payments of foreign currencies and purchase of foreign currencies, be made using self-owned foreign currency or foreign currency purchased from financial institutions engaging in conversion and sale of foreign currencies by presenting the valid document. Domestic entities and domestic individuals making overseas direct investments or engaging in issuance and trading of overseas securities and derivatives shall process registration formalities pursuant to the provisions of the foreign exchange control department of the State Council.

On November 19, 2012, the SAFE issued the Circular of Further Improving and Adjusting Foreign Exchange Administration Policies on Foreign Direct Investment (《國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知》), or the SAFE Circular 59, which came into effect on December 17, 2012 and was revised on May 4, 2015, October 10, 2018 and partially abolished on December 30, 2019. The SAFE Circular 59 aims to simplify the foreign exchange procedure and promote the facilitation of investment and trade. According to the SAFE Circular 59, the opening of various special purpose foreign exchange accounts, such as pre-establishment expenses accounts, foreign exchange capital accounts and guarantee accounts, the reinvestment of RMB proceeds derived by foreign investors in the PRC, and remittance of foreign exchange profits and dividends by a foreign-invested enterprise to its foreign shareholders no longer require the approval or verification of SAFE, as well multiple capital accounts for the same entity may be opened in different provinces. Later, the SAFE promulgated the Circular on Further Simplifying and Improving Foreign Exchange Administration Policies in Respect of Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》) in February 2015, which was partially abolished in December 2019 and prescribed that the bank instead of SAFE can directly handle the foreign exchange registration and approval under foreign direct investment while SAFE and its branches indirectly supervise the foreign exchange registration and approval under foreign direct investment through the bank.

On May 10, 2013, the SAFE issued the Administrative Provisions on Foreign Exchange in Domestic Direct Investment by Foreign Investors (《外國投資者境內直接投資外匯管理規定》), or the SAFE Circular 21, which became effective on May 13, 2013, amended on October 10, 2018 and partially abolished on December 30, 2019. The SAFE Circular 21 specifies that the administration by SAFE or its local branches over direct investment by foreign investors

in the PRC must be conducted by way of registration and banks must process foreign exchange business relating to the direct investment in the PRC based on the registration information provided by SAFE and its branches.

According to the Notice on Relevant Issue Concerning the Administration of Foreign Exchange for Overseas Listing (《關於境外上市外匯管理有關問題的通知》) issued by the SAFE on December 26, 2014, the domestic companies shall register the overseas listed with the foreign exchange control bureau located at its registered address in 15 working days after completion of the overseas listing and issuance. The funds raised by the domestic companies through overseas listing may be repatriated to China or deposited overseas, provided that the intended use of the fund shall be consistent with the contents of the document and other public disclosure documents.

According to the Notice of the State Administration of Foreign Exchange on Reforming the Management Mode of Foreign Exchange Capital Settlement of Foreign Investment Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》), or the SAFE Circular 19 promulgated on March 30, 2015, coming effective on June 1, 2015 and partially abolished on December 30, 2019, foreign-invested enterprises could settle their foreign exchange capital on a discretionary basis according to the actual needs of their business operations. Whilst, foreign-invested enterprises are prohibited to use the foreign exchange capital settled in RMB (a) for any expenditures beyond the business scope of the foreign-invested enterprises or forbidden by laws and regulations; (b) for direct or indirect securities investment; (c) to provide entrusted loans (unless permitted in the business scope), repay loans between enterprises (including advances by third parties) or repay RMB bank loans that have been onlent to a third party; and (d) to purchase real estates not for self-use purposes (save for real estate enterprises).

On June 9, 2016, SAFE issued the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》), or the SAFE Circular 16, which came into effect on the same day. The SAFE Circular 16 provides that discretionary foreign exchange settlement applies to foreign exchange capital, foreign debt offering proceeds and remitted foreign listing proceeds, and the corresponding RMB capital converted from foreign exchange may be used to extend loans to related parties or repay inter-company loans (including advances by third parties). However, there remain substantial uncertainties with respect to SAFE Circular 16's interpretation and implementation in practice.

On October 23, 2019, SAFE promulgated the Notice on Further Facilitating Cross-Board Trade and Investment (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》), which became effective on the same date (except for Article 8.2, which became effective on January 1, 2020). The notice canceled restrictions on domestic equity investments made with capital funds by non-investing foreign-funded enterprises. In addition, restrictions on the use of funds for foreign exchange settlement of domestic accounts for the realization of assets have been removed and restrictions on the use and foreign exchange settlement of foreign investors' security deposits have been relaxed. Eligible enterprises in the pilot area are also allowed to

use revenues under capital accounts, such as capital funds, foreign debts and overseas listing revenues for domestic payments without providing materials to the bank in advance for authenticity verification on an item by item basis, while the use of funds should be true, in compliance with applicable rules and conforming to the current capital revenue management regulations.

**Regulations Relating to Taxation**

***Enterprise Income Tax***

The Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法》), or the EIT Law, promulgated by the NPC on March 16, 2007, came into effect on January 1, 2008 and amended on February 24, 2017 and December 29, 2018, as well as the Implementation Rules of the EIT Law (《中華人民共和國企業所得税法實施條例》), or the Implementation Rules, promulgated by the State Council on December 6, 2007, came into force on January 1, 2008 and amended on April 23, 2019, are the principal law and regulation governing enterprise income tax in the PRC. According to the EIT Law and its Implementation Rules, enterprises are classified into resident enterprises and nonresident enterprises. Resident enterprises refer to enterprises that are legally established in the PRC, or are established under foreign laws but whose actual management bodies are located in the PRC. And nonresident enterprises refer to enterprises that are legally established under foreign laws and have set up institutions or sites in the PRC but with no actual management body in the PRC, or enterprises that have not set up institutions or sites in the PRC but have derived incomes from the PRC. A uniform income tax rate of 25% applies to all resident enterprises and nonresident enterprises that have set up institutions or sites in the PRC to the extent that such incomes are derived from their set-up institutions or sites in the PRC, or such income are obtained outside the PRC but have an actual connection with the set-up institutions or sites. And nonresident enterprises that have not set up institutions or sites in the PRC or have set up institutions or sites but the incomes obtained by the said enterprises have no actual connection with the set-up institutions or sites, shall pay enterprise income tax at the rate of 10% in relation to their income sources from the PRC.

***Value-Added Tax***

The major PRC law and regulation governing value-added tax are the Interim Regulations on Value-added Tax of the PRC (《中華人民共和國增值税暫行條例》) (issued on December 13, 1993 by the State Council, came into effect on January 1, 1994, and revised on November 10, 2008, February 6, 2016 and November 19, 2017), as well as the Implementation Rules for the Interim Regulations on Value-Added Tax of the PRC (《中華人民共和國增值税暫行條例實施細則》) (issued on December 25, 1993 by the Ministry of Finance, the "MOF", came into effect on the same day and revised on December 15, 2008 and October 28, 2011), any entities and individuals engaged in the sale of goods, supply of processing, repair and replacement services, and import of goods within the territory of the PRC are taxpayers of VAT and shall pay the VAT in accordance with the law and regulation. The rate of VAT for sale of goods is 17% unless otherwise specified, such as the rate of VAT for sale of transportation is 11%. With the VAT reforms in the PRC, the rate of VAT has been changed several times. The MOF and

the SAT issued the Notice of on Adjusting VAT Rates (《關於調整增值税税率的通知》) on April 4, 2018 to adjust the tax rates of 17% and 11% applicable to any taxpayer's VAT taxable sale or import of goods to 16% and 10%, respectively, this adjustment became effect on May 1, 2018. Subsequently, the MOF, the SAT and the General Administration of Customs jointly issued the Announcement on Relevant Policies for Deepening the VAT Reform (《關於深化增值税改革有關政策的公告》) on March 20, 2019 to make a further adjustment, which came into effect on April 1, 2019. The tax rate of 16% applicable to the VAT taxable sale or import of goods shall be adjusted to 13%, and the tax rate of 10% applicable thereto shall be adjusted to 9%.

## OVERVIEW

Mr. Wang directly holds, and is deemed to control through Xinwei Investment, Kaiyuan Investment, Weiyu Shanghai and Weiyun Shanghai, a total of 11,340,728 Unlisted Shares, in aggregate representing 35.18% of the issued share capital of our Company as of the Latest Practicable Date, which will represent [**REDACTED**]% of the issued share capital of our Company immediately upon the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised). Accordingly, each of Mr. Wang, Xinwei Investment, Kaiyuan Investment, Weiyu Shanghai and Weiyun Shanghai is our single largest Shareholder upon [**REDACTED**].

For details, please see the sections headed "Directors, Supervisors and Senior Management – Directors – Executive Directors" in this document for the biography of Mr. Wang, and "History and Corporate Structure" in this document for further information of Xinwei Investment, Kaiyuan Investment, Weiyu Shanghai and Weiyun Shanghai.

## COMPETITION

As of the Latest Practicable Date, none of our single largest Shareholders, our Directors and their respective close associates had any interest in any business which competes or is likely to compete, either directly or indirectly with our Group's business which would require disclosure under Rule 8.10 of the Listing Rules.

## INDEPENDENCE OF OUR BUSINESS

Having considered the following factors, our Directors are satisfied that we are able of carrying out our business independently from our single largest Shareholders upon [**REDACTED**].

### Operational Independence

Our Company has full rights to make all decisions on, and to carry out, our own business operations independently. We hold the licenses, intellectual properties, R&D facilities through direct ownership and qualifications necessary to carry on our current business. We have sufficient capital, facilities, technology and employees to operate the business independently from our single largest Shareholders. We have access to third parties independently from and not connected with our single largest Shareholders for sources of suppliers and customers.

Based on the above, our Directors believe that we are operationally independent from our Controlling Shareholders.

**Management Independence**

Our management and operational decisions are made by the Board in a collective manner. The Board comprises two executive Directors, four non-executive Directors and three independent non-executive Directors. None of our Directors, Supervisors or senior management members serves as directors, supervisors or senior management members in any close associates of our single largest Shareholders.

Our Directors are of the view that our other Directors have relevant experience to ensure the proper functioning of the Board. We further believe that our Directors and members of the senior management are able to perform their roles in our Company in managing our business independently from our single largest Shareholders for the following reasons:

(i) as a part of our preparation for the [**REDACTED**], we have promulgated the Articles of Association to comply with the Listing Rules. In particular, our Articles of Association provides that any Director, Supervisor and senior management member should not place himself or herself in a position where his or her duty and his or her own interests may conflict. In the event of a conflict of interest arising out of any transactions to be entered into by our Group, all Directors with conflicting interest shall abstain from voting in respect of such transactions and shall not be counted in forming a quorum at the relevant Board meetings;

(ii) our independent non-executive Directors have extensive experience in different areas. We believe that they will be able to exercise their independent judgment and will be able to provide impartial opinions in the decision-making process of our Board to protect the interests of our Shareholders;

(iii) each of our Directors is aware of his or her fiduciary duties as a director, which require, among other things, that he or she acts for our Company's best interests and he or she must not allow any conflict between his or her duties as a Director and his or her personal interests; and

(iv) where a Shareholders' meeting is held to consider a proposed transaction in which singles largest Shareholders have a material interest, singles largest Shareholders shall abstain from voting on the resolutions and shall not be counted towards the quorum for the voting.

### Financial Independence

We have our own financial management system and are able to operate independently from our Controlling Shareholders from a financial perspective. In addition, we are capable of obtaining financing from third parties without relying on any guarantee or security provided by our Controlling Shareholders. As of September 30, 2020 and the Latest Practicable Date, there were no loans, advances and balances due to and from our single largest Shareholders, nor any pledges and guarantees provided by our single largest Shareholders on our Group's borrowing.

### Corporate Governance Measures

Our Directors believe that there are adequate corporate governance measures in place to manage the potential conflict of interests between our single largest Shareholders and our Group and to safeguard the interests of our Shareholders taken as a whole for the following reasons:

(i) each of our single largest Shareholders has undertaken that he or it would not and would procure that his or its controlled corporations would not, directly or indirectly, engage in any business which are or may potentially be in competition with the business carried on or contemplated to be carried on by our Company or any members of our Group;

(ii) any transaction that is proposed between our Group and our Directors, including Mr. Wang and/or his respective associates will be required to comply with the requirements of the Articles of Association and the Listing Rules, including, where appropriate, the reporting, annual review, announcement and independent shareholders' approval requirements; and

(iii) we have appointed Somerley Capital Limited as our compliance advisor, who will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors' duties and corporate governance.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest that may arise between our Company and our single largest Shareholders, and to protect our minority Shareholders' interests after the [**REDACTED**].

Upon the [**REDACTED**] of our H Shares on the Stock Exchange, the transactions between the Group and our connected persons will constitute our connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules.

## OUR CONNECTED PERSON

Nanjing SealMed, one of our non-wholly owned subsidiary, was and will be directly held by Ms. Hu Xiaoping, the spouse of Dr. Li Zhigang, a director of our Company between June 2020 and November 2020, as to 44.12% as of the Latest Practicable Date and upon [**REDACTED**]. Therefore, Nanjing SealMed constitutes a connected subsidiary of our Company under Chapter 14A of the Listing Rules.

## CONTINUING CONNECTED TRANSACTION

In September 2020, our Company acquired a total of 55.88% equity interest in Nanjing SealMed from Ms. Wu Yuting and Prosperico Ventures. For further details of the aforesaid acquisition, please refer to the section headed "History, Development and Corporate Structure – Acquisition During the Track Record Period" in this document. Pursuant to the share transfer agreement entered into in September 2020, our Company undertook to extend a loan amounting up to RMB40 million to Nanjing SealMed starting from the date of the share transfer agreement.

Our Company entered into a loan agreement with Nanjing SealMed on [●] 2021 for a term from the [**REDACTED**] to December 31, 2023 (the "**Loan Agreement**"), according to which our Company agrees to extend the aforementioned loan on an interest-free and unsecured basis. The loan will mature and become repayable upon expiry of the term of the Loan Agreement. Although the Loan Agreement will only expire on December 31, 2023, Nanjing SealMed will cease to be our connected person in November 2021 and as such, the transaction under the Loan Agreement will no longer constitute continuing connected transaction of our Company then.

The Loan Agreement was entered into in support of the repayment of outstanding loans, R&D activities and working capital sufficiency of Nanjing SealMed. The amount of loan made by our Company to Nanjing SealMed in the year ended December 31, 2019 and the nine months ended September 30, 2020 is nil and RMB5 million, respectively.

Since the applicable percentage ratios under the Listing Rules in respect of the principal amount under the Loan Agreement are expected to exceed 5% on an annual basis, the Loan Agreement will be subject to reporting, annual review, announcement and independent shareholders' approval requirements under 14A of the Listing Rules.

## WAIVERS GRANTED BY THE STOCK EXCHANGE

As the Loan Agreement is expected to be carried out continuously, our Directors consider that strict compliance with the aforesaid announcement and independent shareholders' approval requirements will be impractical, and such requirements will lead to unnecessary

administrative costs and create an onerous burden on us, which would not be beneficial to the Shareholders as a whole. Accordingly, we have applied to the Stock Exchange, and the Stock Exchange [has granted] us, pursuant to Rule 14A.04 and Rule 14A.105 of the Listing Rules, waivers from strict compliance with announcement and independent shareholders' approval requirements in respect of the Loan Agreement.

## DIRECTORS' VIEWS

Our Directors (including our independent non-executive Directors) is of the view that the terms and arrangements of the Loan Agreement set out above are fair and reasonable and in the interests of the Shareholders as a whole.

## JOINT SPONSORS' CONFIRMATION

The Joint Sponsors have reviewed the relevant information provided by us in relation to the background and details of the Loan Agreement as set out above, and have also discussed these transactions with us and obtained various representations from us. Based on the aforementioned due diligence work, the Joint Sponsors are of the view that the terms and arrangements of the Loan Agreement set out above are fair and reasonable and in the interests of the Shareholders as a whole.

## DIRECTORS

The Board consists of nine Directors, including two executive Directors, four non-executive Directors and three independent non-executive Directors.

| Name | Age | Position | Date of joining our Company | Date of appointment as Director | Roles and responsibilities |
|---|---|---|---|---|---|
| **Executive Directors** | | | | | |
| Mr. WANG Guohui (王國輝) | 43 | Chairman of the Board, executive Director and chief executive officer | June 16, 2016 | November 23, 2020 | Responsible for the overall management of our Group |
| Ms. ZHANG Kun (張坤) | 43 | Executive Director and deputy general manager | April 20, 2018 | November 23, 2020 | Responsible for the operational management of our Group |
| **Non-executive Directors** | | | | | |
| Mr. DING Kui (丁魁) | 38 | Non-executive Director | April 20, 2018 | November 23, 2020 | Responsible for providing strategic advice and recommendations on the operations and management of our Company |
| Mr. LIU Yanbin (劉彥斌) | 58 | Non-executive Director | April 14, 2020 | November 23, 2020 | Responsible for providing strategic advice and recommendations on the operations and management of our Company |
| Mr. CHEN Gang (陳剛) | 37 | Non-executive Director | June 30, 2020 | November 23, 2020 | Responsible for providing strategic advice and recommendations on the operations and management of our Company |
| Mr. OUYANG Xiangyu (歐陽翔宇) | 55 | Non-executive Director | June 30, 2020 | November 23, 2020 | Responsible for providing strategic advice and recommendations on the operations and management of our Company |

| Name | Age | Position | Date of joining our Company | Date of appointment as Director | Roles and responsibilities |
|---|---|---|---|---|---|
| **Independent Non-executive Directors** | | | | | |
| Mr. GUO Shaomu (郭少牧) | 54 | Independent Non-executive Director | November 23, 2020 | November 23, 2020 | Responsible for providing independent advice on the operations and management of our Company |
| Mr. FENG Xiangqian (馮向前) | 34 | Independent Non-executive Director | November 23, 2020 | November 23, 2020 | Responsible for providing independent advice on the operations and management of our Company |
| Mr. GONG Ping (龔平) | 33 | Independent Non-executive Director | January 11, 2021 | January 11, 2021 | Responsible for providing independent advice on the operations and management of our Company |

## Executive Directors

**Mr. WANG Guohui (王國輝)**, aged 43, is one of our single largest Shareholders and founders. As our Director and chief executive officer since the establishment of our Company in June 2016, he was redesignated as our executive Director and appointed as our chairman of the Board on November 23, 2020. Mr. Wang also served as the director of Weiming Medical since its establishment in September 2019 and the director and general manager of Nanjing SealMed since October 2020. He is primarily responsible for the overall management of our Company.

Mr. Wang has over 16 years' experience in the fields of R&D and commercialization of medical devices. Prior to the founding of our Company, he worked at MicroPort Scientific Corporation (上海微創醫療器械(集團)有限公司, the "**MicroPort**"), a company primarily engaged in the R&D, manufacturing and marketing of medical devices, from August 2004 to February 2012. From March 2012 to November 2014, he was the senior director of quality regulations at Angiocare Medical Technology Corporation Limited (上海安通醫療科技有限公司, the "**Angiocare**"), a company primarily engaged in the development, production and sale of medical devices for renal denervation. From December 2014 to November 2015, Mr. Wang served as the deputy general manager of Essen Technology (Beijing) Corporation Limited (易生科技(北京)有限公司, the "**Essen Technology**"), a company primarily engaged in the R&D, manufacturing, marketing and technical support of medical devices in relation to cardiovascular intervention, where he was primarily responsible for the overall management of the company. From December 2015 and May 2016, he was the deputy general manager of Shanghai Bio-heart Biological Technology Co., Ltd. (上海百心安生物技術股份有限公司, formerly known as Shanghai Bio-heart Biological Technology Corporation Limited (上海百心安生物技術有限公司)).

In November 2007, he was certified as a standardization engineer by Shanghai Municipal Human Resources Bureau (上海市人事局, currently known as Shanghai Municipal Human Resources and Social Security Bureau (上海市人力資源和社會保障局)). In November 2019, he was appointed as a committee member by the Youth Committee of Shanghai Stroke Association (上海卒中學會青年理事會). In September 2020, Mr. Wang was appointed as a professional consultant to the Life Science Blue Bay of Lin-gang Special Area (臨港新片區生命藍灣) by China (Shanghai) Pilot Free Trade Zone Lingang Special Area Administration (中國(上海)自由貿易試驗區臨港新片區管理委員會) and Shanghai Lingang Economic Development (Group) Corporation Limited (上海臨港經濟發展(集團)有限公司). Mr. Wang was also appointed as a committee member of the Cardiovascular Implant Sub-Technical Committee of the National Standardization Technical Committee for Surgical Implants and Orthopedic Devices (全國外科植入物和矯形器械標準化技術委員會心血管植入物分技術委員會) by the Standardization Administration of the PRC (國家標準化管理委員會).

Mr. Wang obtained his bachelor's degree in marine engineering management from Dalian Maritime University (大連海事大學) in the PRC in July 2000. He received his master's degree in applied chemistry from Shanghai University (上海大學) in the PRC in March 2005, and a degree of executive master of business administration from Tsinghua University (清華大學) in the PRC in January 2016.

**Ms. ZHANG Kun (張坤)**, aged 43 and formerly named Zhang Ye (張葉), was redesignated as our executive Director and appointed as our deputy general manager on November 23, 2020. She joined our Company as a Supervisor in April 2018 and has served as a Director of our Company since September 2019. She is primarily responsible for the operational management of our Company.

Ms. Zhang has over 20 years' experience in the fields of the R&D and commercialization of medical devices. Prior to the founding of our Company, she was the sales representative of Shanghai Zhenwei Science and Trade Corporation Limited (上海真維科貿有限公司), a company mainly engaged in the distribution of medical devices, from August 2000 to May 2002, where she was primarily responsible for the development, sale and marketing of the interventional products in Shanghai area. From May 2002 to March 2004, she was the regional sales manager in charge of Shanghai area at MicroPort and was then promoted to the head of marketing department and medical affairs department during the period from March 2005 to May 2009. From May 2009 to January 2011, she served as the national marketing director of Shanghai MicroPort EP MedTech Corporation Limited (上海微創電生理醫療科技股份有限公司), a company primarily engaged in the R&D, manufacturing and marketing of medical devices and equipment. From December 2012 to November 2014, Ms. Zhang was the director of clinical experiment department at Angiocare, where she was primarily responsible for the management of clinical experiments and the marketing of products. From November 2014 to October 2020, she was the deputy general manager at Essen Technology, where she was primarily responsible for the overall management of the company.

Ms. Zhang obtained her bachelor's degree in mechanical and electrical engineering from Beijing Academy of Armored Forces Engineering (北京裝甲兵工程學院) in the PRC in July 2000. She received her master's degree in business administration from the City University of Hong Kong in Hong Kong in February 2017. Since 2017, Ms. Zhang has held various positions at the City University of Hong Kong Executive Master of Business Administration (Chinese) Alumni Association (香港城市大學EMBA(中文)校友會, the "**EMBA (Chinese) Alumni Association of CityU**"). In September 2018, she was appointed as the deputy secretary-general for a term of two years from 2017 to 2019 by EMBA (Chinese) Alumni Association of CityU Limited (香港城市大學行政人員工商管理碩士(中文)校友會有限公司). Subsequently in December 2019, Ms. Zhang was appointed as a council member of EMBA (Chinese) Alumni Association of CityU for a term of two years from 2019 to 2021. In December 2019, she was also appointed as a full-time deputy vice-president (devices) of the Biomedicine Professional Committee (生物醫藥專業委員會) of EMBA (Chinese) Alumni Association of CityU , certified as the founding member and appointed as the consultant to the presidential council of the EMBA (Chinese) Alumni Association of CityU.

**Non-executive Directors**

**Mr. DING Kui (丁魁)**, aged 38, joined our Company in April 2018 as a Director and was redesignated as our non-executive Director on November 23, 2020. He is primarily responsible for providing strategic advice and recommendations on the operations and management of our Company.

Mr. Ding has more than 15 years' experience in financial and healthcare industries. From August 2005 to August 2012, Mr. Ding worked in Sinolink Securities Corporation Limited (國金證券股份有限公司) as a business director. He has been serving as the deputy general manager and the secretary of the board of directors at Shanghai Kinetic Medical Corporation Limited (上海凱利泰醫療科技股份有限公司, the "**Kinetic**") since August 2012, where he was primarily responsible for the management of the office of the board of directors, the investment and development department and legal department. Since he joined Kinetic, Mr. Ding has also been serving as non-executive directors and supervisors in various companies Kinetic invested in.

Mr. Ding obtained his bachelor's degree in electrical engineering and automation from Tongji University (同濟大學) in the PRC in July 2003.

**Mr. LIU Yanbin (劉彥斌)**, aged 58, joined our Company in April 2020 as a Director and was redesignated as our non-executive Director on November 23, 2020. He is primarily responsible for providing strategic advice and recommendations on the operations and management of our Company.

Mr. Liu has more than 29 years' experience in biotechnology and financial industries. Mr. Liu was a research assistant of biochemistry laboratory of Beijing Biochemistry Immune Drug Center (北京生化免疫制劑中心生化室) from August 1991 to February 1993. He was engaged in research work of Beijing Sinochem Hede Industry Corporation Limited Biological Research Center (北京中化和德實業公司生物所) from March 1993 to July 1995. He served as the general manager of Beijing Zhongkesheng (Technology) Biomedical Corporation Limited (北京中科生(科技)有限公司) from August 1995 to July 2001. From August 2001 to December 2002, Mr. Liu worked as a project manager of SDIC High-Tech Investment Corporation Limited (國投高科技投資有限公司) formerly known as SDIC Pharmaceutical Investment Corporation Limited (國投藥業投資有限公司). From December 2002 to June 2006, he served as a project manager of SDIC Venture Capital Management Corporation Limited (國投創業投資管理有限公司). From June 2006 to October 2016, Mr. Liu served at SDIC High Tech Investment Corporation Limited with his last position being the deputy department manager of the asset operation department. He has been the chief investment officer of SDIC Unity Capital Funds Management Corporation Limited (國投創合基金管理有限公司) since December 2016 and the director of Hebei Changshan Biochemical Pharmaceutical Corporation Limited (河北常山生化藥業股份有限公司) since December 2018.

Mr. Liu obtained his bachelor's degree in medicine from Inner Mongolia University of Science and Technology (內蒙古科技大學) (formerly known as Inner Mongolia Baotou Medical School (內蒙古包頭醫學院)) in the PRC in July 1986. He received his master's degree in immunology from Shanxi Medical University (山西醫科大學) in the PRC in July 1991. Mr. Liu received the certificate of senior economist (高級經濟師) in November 2008.

**Mr. CHEN Gang (陳剛)**, aged 37, joined our Company in June 2020 as a Director and was redesignated as our non-executive Director on November 23, 2020. He is primarily responsible for providing strategic advice and recommendations on the operations and management of our Company.

Mr. Chen has over 13 years' experience in financial industry. From 2007 to 2011, Mr. Chen served as a project leader at L.E.K. Consulting (Shanghai) Co., Ltd. (艾意凱諮詢(上海)有限公司)), where he was primarily responsible for business strategy, merger & acquisition advisories for healthcare and life sciences client. From 2013 to 2015, Mr. Chen served as a principal at Vivo Capital Equity Investment Management (Shanghai) Co., Ltd. (維梧股權投資管理(上海)有限公司) where he was primarily responsible for investment due diligence, deal executions and portfolio management. From July 2015 to November 2019, Mr. Chen successively served as a director of international business development at Shanghai Aland Nutrition Co., Ltd. (上海艾蘭得營養品有限公司, formerly known as Shanghai Aland E-Commerce Co., Ltd. (上海艾蘭得電子商務有限公司)) and a director at Cardiolink Science (Shenzhen) Medical Technology Development Co., Ltd. (科睿馳(深圳)醫療科技發展有限公司), a company primarily engaged in minimally invasive medical equipment.

Mr. Chen is concurrently serving the following positions outside our Group:

- a supervisor at LYFE Equity Investment Management (Shanghai) Co., Ltd. (濟峰股權投資管理(上海)有限公司), an investment company focused on growth stage healthcare company investments in China and U.S., since January 2021;

- a director at Beijing Baicare Biotechnology Co., Ltd. (北京百康芯生物科技有限公司), a company primarily engaged in molecular diagnosis products for infectious disease, since January 2018;

- a supervisor at Sino Medical Sciences Technology Inc. (賽諾醫療科學技術股份有限公司), a company primarily engaged in manufacturing of medical devices for coronary intervention and structural heart, whose shares are listed on the Shanghai Stock Exchange (stock code: 688108), since June 2018;

- a director at Beijing Anngeen Biotechnology Co., Ltd. (北京安智因生物技術有限公司), a company primarily engaged in genetic testing, since July 2018.

- a director of Nanjing Yoko Pharma Biotechnology Medicine Corporation Limited (南京優科生物醫藥股份有限公司), a company primarily engaged in anti-infectives, cardiovascular and oncology pharmaceuticals;

- a director of Shanghai Zhenge Biotech Co., Ltd. (上海臻格生物技術有限公司), a company primarily engaged in biologics CDMO service for large pharmaceutical companies and biotech companies;

- a supervisor of Jiangsu Recbio Biotech Co., Ltd. (江蘇瑞科生物技術有限公司), a company primarily engaged in HPV, COVID-19, shingles vaccines development through its proprietary recombinant protein and adjuvant technology platforms;

- a director of BirdoTech (Shanghai) Medical Technology Corporation Limited (都創(上海)醫藥科技股份有限公司), a company primarily engaged in small molecule CDMO service for large pharmaceutical companies and biotech companies;

- a director of Hangzhou Sciwind Biotech Co., Ltd. (杭州先為達生物科技有限公司), a company primarily engaged in diabetes therapeutics development; and

- a director of Shenzhen ReeToo Biotech Co., Ltd. (深圳市瑞圖生物技術有限公司), a company primarily engaged in innovative AI-enhanced IVD product.

Mr. Chen received his bachelor's degree in clinical medicine from Shanghai Medical School of Fudan University (復旦大學上海醫學院) in the PRC in July 2007 and master's degree in business administration from Northwestern University Kellogg School of Management in the U.S. in June 2013.

**Mr. OUYANG Xiangyu (歐陽翔宇)**, aged 55, joined our Company in June 2020 as a Director and was redesignated as our non-executive Director on November 23, 2020. He is primarily responsible for providing strategic advice and recommendations on the operations and management of our Company.

Mr. Ouyang has extensive experience in high technology and financial industries. Before joining our Company, Mr. Ouyang worked in high technology industry and served as a managing director of an affiliated company of Legend Capital Management Co., Ltd. (君聯資本管理股份有限公司, the "**Legend Capital**") until 2018. In March 2018, he founded Zhuhai Sherpa Equity Investment Management Corporation Limited (珠海夏爾巴股權投資管理有限公司, the "**Sherpa**"). Since he founded Sherpa, Mr. Ouyang has also been serving as non-executive directors and supervisors in various companies Sherpa invested in.

Mr. Ouyang obtained his bachelor's degree in electrical engineering from Wuhan University (武漢大學) in the PRC in July 1986 and his master's degree in electrical engineering was obtained from Tsinghua University in the PRC in July 1992.

Mr. Ouyang was a director from February 2011 to October 2018 at Aisaike (Beijing) Internet Technology Corporation Limited (愛賽客(北京)網絡技術有限公司, the "**Aisaike**"), whose business license was revoked in October 2018 due to long-time suspension of business. As confirmed by Mr. Ouyang, there is no fraudulent act or misfeasance on his part leading to the revocation of the business license of Aisaike as its non-executive director representing Legend Capital which was then an investor of Aisaike. As of the Latest Practicable Date, he is not aware of any outstanding liabilities, actual or potential claims made against him as a result of the revocation of the business license of such company. Mr. Ouyang further confirms that he was not held liable for the revocation of the business license of Aisaike and he did not bear any legal consequences such that he was prohibited from acting as the legal representative, director, supervisor or senior executive of any other PRC companies for any prescribed period of time.

**Independent Non-executive Directors**

**Mr. GUO Shaomu (郭少牧)**, aged 55, has been our independent non-executive Director since November 23, 2020. He is primarily responsible for providing independent advice on the operations and management of our Company to our Board.

Mr. Guo has over 13 years of experience in investment banking in Hong Kong, during which time he accumulated ample knowledge in financial industry. From February 2000 to February 2001, Mr. Guo served as an associate of corporate finance at Salomon Smith Barney, an investment bank principally engaged in providing financial services (an investment banking

arm of Citigroup Inc.), where he was primarily responsible for supporting the marketing and execution efforts of the China team. From March 2001 to September 2005, Mr. Guo served as an associate and an associate director of global investment banking at HSBC Markets (Asia) Limited, an investment bank principally engaged in providing financial services, where he was primarily responsible for the execution of China-related transactions. From October 2005 to April 2007, Mr. Guo served as a vice president and a director of the real estate team at J.P. Morgan Investment Banking Asia, an investment bank principally engaged in financial services, where he was primarily responsible for marketing efforts covering the real estate sector in the PRC. From April 2007 to April 2013, Mr. Guo served as a director and a managing director of the real estate team at Morgan Stanley Investment Banking Asia, an investment bank primarily engaged in providing financial services, where he was one of the key members responsible for the business in the real estate sector in the Greater China region.

Mr. Guo has served as an independent non-executive director in Yida China Holdings Limited, a property developer listed on the Main Board of the Stock Exchange (stock code: 3639.HK) since June 2014, Fantasia Holdings Group Co., Limited, a property developer listed on the Main Board of the Stock Exchange (stock code: 1777.HK) since February 2015, Ganglong China Property Group Limited, a property developer listed on the Main Board of the Stock Exchange (stock code: 6968.HK) since June 2020 and Sunkwan Properties Group Limited (上坤地產集團有限公司), a property developer listed on the Main Board of the Stock Exchange (stock code: 6900.HK) since October 2020. Moreover, Mr. Guo has also served as an independent non-executive director of GalaxyCoreInc Corporation Limited (格科微有限公司) since March 2020.

Notwithstanding Mr. Guo is currently holding directorships in four other companies listed on the Stock Exchange as disclosed above and he may be occupied by appointments of these listed companies during the financial results reporting seasons, the Joint sponsors concurs with our Directors' view that Mr. Guo will be able to devote sufficient time to discharge his duties and responsibilities as an independent non-executive Director given that:

(a) His roles in other listed companies primarily requires him to oversee their management independently, rather than to allocate substantial time on the participation of the day-to-day management and operations of their respective businesses;

(b) He has demonstrated that he is capable of devoting sufficient time to discharge his duties owed to each of these listed companies by having fully attended their board meetings and board committee meetings as well as the general meetings that he was eligible to attend during their latest financial year, as disclosed in the annual reports of the relevant listed companies;

(c) He has acquired extensive management experience and developed substantial knowledge on corporate governance through his directorships in other listed companies, which is expected to facilitate the proper discharge of his duties and responsibilities as an independent non-executive Director; and

(d) He has confirmed that he will allocate sufficient time to fulfill his duties as an independent non-executive Director despite his existing independent non-executive directorships in four other listed companies.

To ensure that he is able to carry out his duties as an independent non-executive Director despite multiple directorships, we will also make appointments with Mr. Guo in advance to reserve his time for our regular board meetings, board committee meetings and other matters to be transacted. Based on the foregoing and Mr. Guo's satisfactory attendance record in the other listed companies' meetings, our Directors believe that Mr. Guo's positions outside our Company will not affect his functions and responsibilities for our Company.

Mr. Guo obtained his bachelor's degree in electrical engineering from Zhejiang University (浙江大學) in the PRC in July 1989, a master's degree in computer engineering from University of Southern California in May 1993. He received his master's degree in business administration from the School of Management of Yale University in May 1998.

Mr. Guo was a director of the following private companies which were incorporated in Hong Kong with limited liability and were dissolved on a voluntary basis by way of deregistration as they ceased to carry on business. As confirmed by Mr. Guo, these companies were inactive and solvent at the time they were dissolved and there was no wrongful act on his part leading to the dissolution and he was not aware of any actual or potential claim that has been or will be made against him as a result of such dissolution.

| Company name | Nature of business before dissolution | Nature of proceeding | Date of dissolution |
|---|---|---|---|
| MJL Fun Limited | Investment holding | Dissolved (Deregistration under section 751 of the Companies Ordinance) | February 6, 2015 |
| LJMJL Advisors (HK) Limited | Business consultancy | Dissolved (Deregistration under section 751 of the Companies Ordinance) | June 21, 2019 |

**Mr. FENG Xiangqian (馮向前)**, aged 34, has been our independent non-executive Director since November 23, 2020. He is primarily responsible for providing independent advice on the operations and management of our Company to our Board.

Mr. Feng has over 13 years' experience in financial industry. Mr. Feng was a senior manager of Caitong Securities Corporation Limited (財通證券股份有限公司) from July 2007 to October 2010 where he was primarily responsible for initial public offering affairs. He was a business director of the investment banking department of Donghai Securities Corporation Limited (東海證券股份有限公司) from November 2010 to February 2014. He worked at Shenzhen Stock Exchange from March 2014 to March 2017. From August 2017 to July 2018, Mr. Feng was the vice president of the investment banking division of China Merchants Pingan AMC (深圳市招商平安資產管理有限責任公司). Since April 2019, he has been the general manager of the Shenzhen branch of Xiangcai Securities Corporation Limited (湘財證券股份有限公司深圳分公司).

Mr. Feng obtained his bachelor's degree in biological science from Fudan University in July 2007 and his master's degree in finance from the University of Chinese Academy of Social Sciences (中國社會科學院大學) (formerly known as the Graduate School of Chinese Academy of Social Sciences (中國社會科學院研究生院)) in the PRC in June 2013. In October 2020, Mr. Feng received his certificate of senior economist from Shenzhen Municipal Human Resources and Social Security Bureau (深圳市人力資源和社會保障局). In addition, he has been a member of the Global Association of Risk Professionals as a financial risk manager since August 2019.

**Mr. GONG Ping (龔平)**, aged 33, has been our independent non-executive Director since January 11, 2021. He is primarily responsible for providing independent advice on the operations and management of our Company to our Board.

Mr. Gong has over 11 years' experience in auditing and financial management. Mr. Gong was the audit manager of the Shanghai branch of Ernst & Young Hua Ming (LLP) (安永華明會計師事務所(上海分所)特殊普通合夥) from December 2009 to March 2015. He then served as the deputy director of capital market division of Broad Greenstate Ecological Construction Group Company Limited (博大綠澤生態建設集團有限公司) from March 2015 to April 2018. Since April 2018, Mr. Gong has been the chief financial officer of Dook Media Group Limited (讀客文化股份有限公司).

Mr. Gong obtained his bachelor's degree in international accounting (U.S. division) from Shanghai University of Finance and Economics (上海財經大學) in July 2009. Mr. Gong has been a member of the Chinese Institute of Certified Public Accountants (中國註冊會計師協會, the "**CICPA**") since June 2015 and a member of Certified Public Accountants Association of Australia since February 2015.

## SUPERVISORS

| Name | Age | Position | Date of joining our Company | Date of appointment as Supervisor | Roles and responsibilities |
|---|---|---|---|---|---|
| Mr. ZHOU Baolei (周寶磊) | 35 | Supervisor | September 2, 2019 | November 23, 2020 | Responsible for monitoring the Company's operations |
| Mr. MEI Jianghua (梅江華) | 42 | Supervisor | September 2, 2019 | November 23, 2020 | Responsible for monitoring the Company's operations |
| Mr. XING Tingyu (邢庭瑀) | 35 | Employee Supervisor | August 8, 2019 | November 23, 2020 | Responsible for monitoring the Company's operations on behalf of the employees of our Company |

### Supervisors

**Mr. ZHOU Baolei (周寶磊)**, aged 35, joined our Company in September 2019 and was redesignated as our Supervisor on November 23, 2020. Mr. Zhou is primarily responsible for monitoring the operations of our Company.

Mr. Zhou was a sales engineer of Beijing Neotrident Technology Corporation Limited (北京創騰科技有限公司), a company primarily engaged in providing digital solutions to biotech companies, from June 2012 to February 2014. He then worked as research analyst and project manager of Hainan Gang'ao Information Corporation Limited (海南港澳資訊產業股份有限公司), a company primarily engaged in providing securities investment consulting services from February 2014 to June 2015. Mr. Zhou has been the senior investment manager of Shanghai Sharewin Equity Investment Funds Management Corporation Limited (上海盛宇股權投資基金管理有限公司) since June 2015. Since June 2018, he has also been the director of Genhouse Biomedical (Suzhou) Corporation Limited (勤浩醫藥(蘇州)有限公司) a company mainly engaged in the R&D of innovative drugs.

Mr. Zhou obtained his bachelor's degree in chemical engineering and technology from Taishan Academy (泰山學院) in the PRC in July 2009. He received his master's degree in applied chemistry from Hunan Agricultural University (湖南農業大學) in the PRC in June 2012.

**Mr. MEI Jianghua (梅江華)**, aged 42, joined our Company in September 2019 and was redesignated as our Supervisor on November 23, 2020. Mr. Mei is primarily responsible for monitoring the operations of our Company.

Mr. Mei worked in Shanghai Institute of Materia Medica, Chinese Academy of Sciences (中科院上海藥物研究所) from September 2003 to December 2004. From December 2004 to August 2010, he worked in Roche Group, a healthcare company. Between April 2011 and May 2012, he worked in VSTONE Yangtze Capital (凱石長江投資管理有限公司). He has been the partner and director of the investment division of Shanghai Grandyangtze Capital Co., Ltd. (上海長江國弘投資管理有限公司) since June, 2016. From December 2014 to November 2018, Mr. Mei was a director of Pharmablock Sciences (Nanjing), Inc. (南京藥石科技股份有限公司), a company primarily engaged in R&D of pharmaceuticals and listed on the Shenzhen Stock Exchange (stock code: 300725.sz).

Mr. Mei obtained his bachelor's degree in chemistry from Zhejiang University in the PRC in June 2000. He received his master's degree in chemistry from Zhejiang University in March 2003 and his master's degree in business administration from Shanghai Jiao Tong University (上海交通大學) in the PRC in March 2015.

**Mr. XING Tingyu (邢庭瑀)**, aged 35, joined our Company in August 2018 and was redesignated as our employee Supervisor on November 23, 2020. He has been the director of the marketing department of our Company since September 2019. Mr. Xing is primarily responsible for monitoring the operations of our Company on behalf of the employees of our Company.

Mr. Xing worked as a regional sales manager of MicroPort NeuroTech (Shanghai) Co., Ltd. (微創神通醫療科技(上海)有限公司) from July 2016 to December 2017. Between January 2018 to August 2019, he was a senior regional manager of Hong Yi Medical Devices (Shanghai) Corporation Limited (泓懿醫療器械(上海)有限公司), a company principally engaged in the diagnosis and treatment of stroke.

Mr. Xing obtained his bachelor's degree in medicine from Guangxi Medical University (廣西醫科大學) in the PRC in June 2008.

Save as disclosed above, each of our Directors and Supervisors had no other relationship with any Directors, Supervisors, senior management, substantial shareholders or the single largest Shareholders of our Company and none of our Directors and Supervisors had held any other directorships in any other company listed in Hong Kong or overseas during the three years immediately preceding the date of this document. Please refer to the section headed "Statutory and General Information" in Appendix VI to this document for further information about the Directors, including the particulars of their service contracts and remuneration, and details of interests of the Directors in the Shares (within the meaning of Part XV of the SFO).

Save as disclosed herein, to the best knowledge, information and belief of our Directors and Supervisors having made all reasonable enquiries, there are no other matters in respect of each of our Directors and Supervisors that is required to be disclosed pursuant to Rule13.51(2)(a) to (v) of the Listing Rules and there is no other material matter relating to our Directors and Supervisors that needs to be brought to the attention of our Shareholders.

## SENIOR MANAGEMENT

| Name | Age | Position | Date of joining our Company | Date of appointment as senior management | Roles and responsibilities |
|---|---|---|---|---|---|
| Mr. WANG Guohui (王國輝) | 43 | Executive Director, chairman of the Board and chief executive officer | June 16, 2016 | November 23, 2020 | Responsible for strategic and operational management of our Company |
| Ms. ZHANG Kun (張坤) | 43 | Executive Director and deputy general manager | April 20, 2018 | November 23, 2020 | Responsible for the marketing and clinical management of our Company |
| Dr. Zhigang Li | 59 | Deputy general manager | November 1, 2017 | November 23, 2020 | Responsible for R&D management of our Company |
| Mr. WEI Jiawei (韋家威) | 43 | Deputy general manager | September 1, 2020 | November 23, 2020 | Responsible for sales management of our Company |
| Mr. ZHANG Han (張涵) | 33 | Chief financial officer and joint company secretary | November 23, 2020 | November 23, 2020 and December 22, 2020 | Responsible for the financial management of our Company |

**Mr. WANG Guohui (王國輝)** has been our Director and chief executive officer since the establishment of our Company in June 2016. He was redesignated as our executive Director and appointed as our chairman of the Board on November 23, 2020. See the sub-section headed "– Executive Directors" above for further details.

**Ms. ZHANG Kun (張坤)**, aged 43 and formerly named Zhang Ye (張葉), was redesignated as our executive Director and appointed as our deputy general manager on November 23, 2020. She joined our Company as a Supervisor in April 2018 and has served as a Director of our Company since September 2019. See the sub-section headed "– Executive Directors" above for further details.

**Dr. LI Zhigang**, aged 59, joined our Company in November 2017 as our deputy general manager until June 2020. He was our Director from June 2020 to November 2020. In November 2020, he was re-appointed as our deputy general manager. He is primarily responsible for R&D management of our Company.

Dr. Li was a staff engineer of Johnson & Johnson from 1999 to 2008. He was a manager responsible for R&D in West Pharma Services, Inc. from 2008 to 2013. He was the chief engineer of the vascular therapy department of Covidien (China) Medical Devices Technology Corporation Limited (柯惠(中國)醫療器材技術有限公司), a subsidiary of Medtronic plc, from 2013 to 2017.

Dr. Li obtained his bachelor's degree in mechanical engineering from Beijing University of Chemical Technology (北京化工大學) in the PRC in July 1982. He received his master's degree in mechanical engineering from Beijing University of Chemical Technology in July 1986. He obtained his Ph.D. in mechanical engineering from New Jersey Institute of Technology in the United States in January 2000.

**Mr. WEI Jiawei (韋家威)**, aged 43, joined our Company in September 2020 and was appointed as the deputy general manager on November 23, 2020. He is primarily responsible for sales management of our Company.

Mr. Wei has extensive experience in the field of marketing and sale of medical devices. Between September 2005 to December 2008, he worked in the BSC International Medical Trading (Shanghai) Corporation Limited (波科國際醫療貿易(上海)有限公司). From July 2008 to July 2018, Mr. Wei was first a regional sales manager in Ev3 Medical Devices (Beijing) Corporation Limited (醫偉司安醫療器材(北京)有限公司) and then promoted to the manager of its national new business development department of Covidien Healthcare International Trading (Shanghai) Corporation Limited (柯惠醫療器材國際貿易(上海)有限公司), both companies being the subsidiaries of Medtronic plc. He was a deputy general manager of sales of Jiangsu Nico Medical Technology Corporation Limited (江蘇尼科醫療器械有限公司) from August 2018 to August 2020.

Mr. Wei obtained his bachelor's degree in chemical pharmaceutical technology from East China University of Science and Technology (華東理工大學) in the PRC in July 1999.

**Mr. ZHANG Han (張涵)**, aged 33, joined our Company in November 2020 and was appointed as our chief financial officer on November 23, 2020. He is primarily responsible for the financial management of our Company. He has been serving as the supervisor of Weiming Medical and Nanjing SealMed since December 2020 and October 2020 and was appointed as our company secretary on December 22, 2020.

Mr. Zhang has extensive experience in auditing and financial management. Mr. Zhang started to work at Ernst & Young Hua Ming LLP (安永華明會計師事務所) in December 2009 and left as a senior associate in June 2012. He was a deputy general manager of medical health investment department of Shanghai Underwriting and Sponsoring Branch of Sinolink Securities Corporation Limited (國金證券股份有限公司上海證券承銷保薦分公司) from June 2012 to November 2020.

Mr. Zhang obtained his bachelor's degree in accounting and international economic law from Shanghai University of Finance and Economics (上海財經大學) in the PRC in July 2009. He is a member of CICPA since March 2014 and also a member of Certified Public Accountants Association of Australia since June 2012.

## JOINT COMPANY SECRETARIES

Mr. Zhang Han was appointed as our company secretary on December 22, 2020. See "Senior Management" above for biography of Mr. Zhang Han.

**Mr. AU-YEUNG Wai Ki, Joseph (歐陽偉基)**, aged 57, was appointed as our company secretary on December 22, 2020.

Mr. Au-Yeung has been a member of the Hong Kong Institute of Certified Public Accountants (A08401) since 1994 and a fellow member of the Association of Chartered Certified Accountants. Mr. Au-Yeung has more than 21 years of extensive professional experience in finance and accounting. He founded W.K. Au Yeung & Co. (歐陽偉基會計師事務所) in 1998. He served first as the company secretary and subsequently as the joint company secretary of Changan Minsheng APLL Logistics Co., Ltd. (重慶長安民生物流股份有限公司), a supply chain management service provider for automobiles listed on the Stock Exchange (stock code: 1292.hk), from June 1, 2009 to July 18, 2013, and from July 18, 2013 to June 30, 2016, respectively. Currently he serves as the joint company secretary and the authorized representative of Newborn Town Inc. (赤子城科技有限公司), a mobile app developer and mobile advertising platform services provider listed on the Main Board of the Stock Exchange (stock code: 9911.hk), and the authorized representative of Great Wall Motor Company Limited (長城汽車股份有限公司), one of the largest SUV manufacturers in the PRC listed on the Main Board of the Stock Exchange (stock code: 2333.hk) and the Shanghai Stock Exchange (stock code: 601633.ss).

## BOARD COMMITTEES

We have established an audit committee, a remuneration committee, and a nomination committee on our Board. The committees operate in accordance with the terms of reference established by our Board.

### Audit Committee

Our Company has established an audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 and paragraph D.3 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "**Corporate Governance Code**"). The audit committee consists of one non-executive Director, Mr. Ding Kui, and two independent non-executive Directors, Mr. Gong Ping and Mr. Feng Xiangqian. The chairman of the audit committee is Mr. Gong Ping who holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules. The primary duties of the audit committee are to assist our Board by way of providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of the Group, overseeing the audit process, and performing other duties and responsibilities as assigned by our Board.

### Remuneration Committee

Our Company has established a remuneration committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B.1 of the Corporate Governance Code. The remuneration committee consists of one executive Director, Mr. Wang, and two independent non-executive Directors, Mr. Guo Shaomu and Mr. Gong Ping. Mr. Guo Shaomu is the chairman of the remuneration committee. The primary duties of the remuneration committee include, but are not limited to, the following: (i) presenting recommendations to our Board on our policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for development policy on such remuneration; (ii) determining the specific remuneration packages of all Directors and senior management; and (iii) reviewing and approving, if appropriate, performance-based remuneration by reference to corporate goals and objects resolved by our Board on a regular basis.

### Nomination Committee

Our Company has established a nomination committee with written terms of reference in compliance with paragraph A.5 of the Corporate Governance Code. The nomination committee consists of one executive Director, Mr. Wang, and two independent non-executive Directors, Mr. Guo Shaomu and Mr. Feng Xiangqian. Mr. Wang is the chairman of the nomination committee. The primary functions of the nomination committee include, without limitation, reviewing the structure, size and composition of our Board, assessing the independence of our independent non-executive Directors and making recommendations to our Board on matters relating to the appointment of Directors.

## CORPORATE GOVERNANCE

Mr. Wang is our chairman of the Board and chief executive officer of our Company. With extensive experience in the medical devices industry and having served in our Company as the general manager since the very early stage of our Company, Mr. Wang is in charge of overall management of our Group. While this will constitute a deviation from Code Provision A.2.1 of the Code as set out in Appendix 14 to the Listing Rules, our Board considers that vesting the roles of both chairman of the Board and chief executive officer all in Mr. Wang has the benefit of ensuring consistent leadership and more effective and efficient overall strategic planning of our Company. The balance of power and authority is ensured by the operation of our Board, which comprises experienced and diverse individuals. Our Board currently comprises four non-executive Directors and three independent non-executive Directors as compared to two executive Directors. Therefore, our Board possesses a strong independent element in its composition.

Save as disclosed above, our Company intends to comply with all code provisions under the Corporate Governance Code after the [**REDACTED**].

## BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy (the "**Board Diversity Policy**") in order to enhance the effectiveness of our Board and to maintain high standard of corporate governance. The Board Diversity Policy sets out the criteria in selecting candidates to our Board, including but not limited to gender, age, cultural and educational background and professional experience. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

Our Directors have a balanced mixed of knowledge and skills, including but not limited to overall management and strategic development, finance and accounting, as well as relevant professional experiences. The Board is of the view that it satisfies the Board Diversity Policy.

The Nomination Committee is responsible for compliance with relevant codes governing board diversity under the Corporate Governance Code. After the [**REDACTED**], the Nomination Committee will review the Board Diversity Policy from time to time to ensure its continued effectiveness and we will disclose in our corporate governance report about the implementation of the Board Diversity Policy on an annual basis.

## KEY TERMS OF EMPLOYMENT CONTRACTS

We normally enter into (i) an employment contract, (ii) a confidentiality agreement, and (iii) a non-competition agreement with our senior management members and other key personnel. Below sets forth the key terms of these contracts we entered into with our senior management members and other key personnel.

### Confidentiality

*Scope of confidential information*. The employee shall keep the following information confidential:

(a) any proprietary information of our Company, including, but not limited to: trade secret, experimental and clinical data, business plan and market information, client and financial information etc.;

(b) any information obtained or to be obtained by our Company which is owned by third parties.

*Confidential obligation.* The employee shall not leak, publish or otherwise make available to any third party (including employees who are not privy to such trade secrets) any aforesaid information of our Company or our Company's customers in any manner and shall not utilize aforesaid information beyond his/her scope of work. The employee must return to our Company all documents, drawings, records, work-related equipment as and when required by our Company.

*Confidential period.* The confidentiality obligation shall continue in force after the cessation of the employee's employment with our Company, until the confidential information, either (i) is publicly disclosed by our Company, or (ii) has been rendered public without the employee's breach of obligations stated herein.

**Non-competition covenants**

*Non-competition obligation during employment term.* During the term of the employment with our Company, unless with our prior consent, the employee shall not engage in any business or engage in a course of employment that develops, produces, or sells products or provides service that are the same or similar to those offered by the Group.

*Non-competition obligation upon expiry of employment term.* Upon the date of termination or expiration of the employment contract, the employee shall not serve in any capacity at any company which is engaged in the business, or the manufacturing of any product, that is similar to that of the Group, for two years commencing from the date of termination or expiration of the employment contract, subject to applicable laws and regulations.

**Compensation for breach**

If the employee breaches the obligations under the confidentiality agreement, our Group shall be entitled to seek damages for all economic losses arising from such breach; if the employee breaches the obligations under the non-competition agreement, our Group shall be entitled to a certain liquidated sum determined with reference to the economic and commercial losses suffered by our Group and the non-competition compensation originally payable to the employee.

**Compensation for breach**

If the employee breaches the obligations under the confidentiality agreement, our Group shall be entitled to seek damages for all economic losses arising from such breach; if the employee breaches the obligations under the non-competition agreement, our Group shall be entitled to a certain liquidated sum determined with reference to the non-competition compensation originally payable to the employee.

## REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Our Directors and Supervisors receive compensation in the form of fees, salaries, bonuses, other allowances and benefits in kind, including our Company's contribution to the pension scheme on their behalf and other equity-settled share award. We determine the salaries of our Directors and Supervisors based on each Directors and Supervisors' responsibilities, qualification, position and seniority.

It is estimated that remuneration and benefits in kind (excluding any possible payment of discretionary bonus) equivalent to approximately RMB38.3 million in aggregate will be paid and granted to our Directors and Supervisors by us in respect of the financial year ending December 31, 2021 under arrangements in force at the date of this document.

During the Track Record Period (i) no remuneration was paid to, or receivable by, our Directors or the five highest paid individuals as an inducement to join, or upon joining our Group, (ii) no compensation was paid to, or receivable by, our Directors or past Directors or the five highest paid individuals for the loss of office as director of any member of our Group or any other office in connection with the management of the affairs of any member of our Group, and (iii) none of our Directors waived any emoluments.

For further information on our Directors and Supervisors' remuneration during the Track Record Period as well as information on the highest paid individuals, please see Notes 8 and 9 of the Accountants' Report set out in Appendix I to this document.

## COMPLIANCE ADVISOR

Our Company has appointed Somerley Capital Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, our compliance advisor will advise our Company in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated, including shares issues and share repurchases;
- where our Company proposes to use the [**REDACTED**] in a manner different from that detailed in this document or where our business activities, developments or results deviate from any forecast, estimate or other information in this document; and
- where the Stock Exchange makes an inquiry of our Company under Rule 13.10 of the Listing Rules.

The term of the appointment of our compliance advisor shall commence on the [**REDACTED**] and end on the date on which our Company distribute our annual report in respect of our financial results for the first full financial year commencing after the [**REDACTED**].

So far as our Directors are aware, immediately following the completion of the [**REDACTED**] and without taking into account any H Shares which may be issued pursuant to the exercise of the [**REDACTED**], the following persons will have an interest or short position in the Shares or the underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

| Name of Shareholder | Nature of Interest | Class of Shares | Number of Shares | Approximate percentage of shareholding in the issued share capital of our Company as of the date of this document | Approximate percentage of shareholding in the relevant class of Shares after the [REDACTED] (assuming no exercise of the [REDACTED]) |
|---|---|---|---|---|---|
| Mr. Wang[(1)] | Beneficial owner and interest in controlled corporation | Unlisted Shares | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| | | H Shares | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| Ms. Zhang Yanxia (張艷霞)[(2)] | Interest of spouse | Unlisted Shares | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| | | H Shares | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| Xinwei Investment[(1)] | Beneficial owner | Unlisted Shares | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| | | H Shares | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| Kaiyuan Investment[(1)] | Beneficial owner | H Shares | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| Weiyu Shanghai[(1)] | Beneficial owner | Unlisted Shares | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| | | H Shares | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| Weiyun Shanghai[(1)] | Beneficial owner | H Shares | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| Mr. Ding Kui | Beneficial owner | Unlisted Shares | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| | | H Shares | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| Ms. Zhang Kun[(3)] | Beneficial owner and interest of spouse | Unlisted Shares | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| | | H Shares | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| Mr. Chai Zhipeng (柴志鵬)[(3)] | Interest in controlled corporation and interest of spouse | Unlisted Shares | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| | | H Shares | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| Tongchuangsuwei[(3)] | Beneficial owner | Unlisted Shares | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| | | H Shares | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |

| Name of Shareholder | Nature of Interest | Class of Shares | Number of Shares | Approximate percentage of shareholding in the issued share capital of our Company as of the date of this document | Approximate percentage of shareholding in the relevant class of Shares after the [REDACTED] (assuming no exercise of the [REDACTED]) |
|---|---|---|---|---|---|
| SDIC Unity Capital[(4)] | Beneficial owner | Unlisted Shares | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| | | H Shares | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| SDIC Unity Capital Corporation Limited (國投創合基金管理有限公司)[(4)] | Interest in controlled corporation | Unlisted Shares | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| | | H Shares | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| State Development and Hi-tech Investment Corp. (國投高科技投資有限公司)[(4)] | Interest in controlled corporation | Unlisted Shares | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| | | H Shares | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| China SDIC Gaoxin Industrial Investment Corp., Ltd. (中國國投高新產業投資有限公司)[(4)] | Interest in controlled corporation | Unlisted Shares | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| | | H Shares | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| State Development & Investment Corporation (國家開發投資集團有限公司)[(4)] | Interest in controlled corporation | Unlisted Shares | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| | | H Shares | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| Jianxin (Beijing) Investment Fund Management Corporation Limited (建信(北京)投資基金管理有限責任公司)[(4)] | Interest in controlled corporation | Unlisted Shares | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| | | H Shares | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |

| Name of Shareholder | Nature of Interest | Class of Shares | Number of Shares | Approximate percentage of shareholding in the issued share capital of our Company as of the date of this document | Approximate percentage of shareholding in the relevant class of Shares after the [REDACTED] (assuming no exercise of the [REDACTED]) |
|---|---|---|---|---|---|
| Jianxin Trust Corporation Limited (建信信託有限責任公司)[4] | Interest in controlled corporation | Unlisted Shares | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| | | H Shares | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| China Construction Bank Corporation (中國建設銀行股份有限公司)[4] | Interest in controlled corporation | Unlisted Shares | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| | | H Shares | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| Central Huijin Investment Corporation Limited (中央匯金投資有限責任公司)[4] | Interest in controlled corporation | Unlisted Shares | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| | | H Shares | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| China Investment Corporation (中國投資有限責任公司)[4] | Interest in controlled corporation | Unlisted Shares | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| | | H Shares | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| Temasek[5] | Beneficial owner | H Shares | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| Temasek Life Sciences Pricate Limited[5] | Interest in controlled corporation | H Shares | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| Fullerton Management Ptd Ltd.[5] | Interest in controlled corporation | H Shares | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| Temasek Holdings (Private) Limited[5] | Interest in controlled corporation | H Shares | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| LYFE Columbia[6] | Beneficial owner | Unlisted Shares | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| | | H Shares | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| LYFE Ohio[6] | Beneficial owner | Unlisted Shares | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| | | H Shares | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |

| Name of Shareholder | Nature of Interest | Class of Shares | Number of Shares | Approximate percentage of shareholding in the issued share capital of our Company as of the date of this document | Approximate percentage of shareholding in the relevant class of Shares after the [REDACTED] (assuming no exercise of the [REDACTED]) |
|---|---|---|---|---|---|
| Raritan River[(6)] | Beneficial owner | Unlisted Shares | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| | | H Shares | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| LYFE Capital Fund III (Dragon), L.P.[(6)] | Interest in controlled company | Unlisted Shares | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| | | H Shares | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| LYFE Capital Management Limited[(6)] | Interest in controlled company | Unlisted Shares | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| | | H Shares | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |

*Notes:*

(1) Mr. Wang will directly hold [**REDACTED**] Unlisted Shares and [**REDACTED**] H Shares following the completion of the [**REDACTED**]. Xinwei Investment is a limited partnership established in the PRC which Mr. Wang acts as its general partner. Kaiyuan Investment, Weiyu Shanghai and Weiyun Shanghai are all limited partnerships established in the PRC with Shanghai Zandaqian, a sole proprietorship wholly owned by Mr. Wang, as their general partner. By virtue of the SFO, Mr. Wang is deemed to be interested in the Shares in which Xinwei Investment, Kaiyuan Investment, Weiyu Shanghai and Weiyun Shanghai are interested in.

(2) Ms. Zhang Yanxia is the spouse of Mr. Wang. By virtue of the SFO, Ms. Zhang Yanxia is deemed to be interested in the Shares in which Mr. Wang is interested in.

(3) Tongchuangsuwei will directly hold [**REDACTED**] Unlisted Shares and [**REDACTED**] H Shares following the completion of the [**REDACTED**]. Ms. Zhang Kun will directly hold [**REDACTED**] Unlisted Shares and [**REDACTED**] H Shares following the completion of the [**REDACTED**]. Mr. Chai Yanpeng, as the general partner of Tongchuangsuwei, is the spouse of Ms. Zhang Kun. By virtue of the SFO, Mr. Chai Yanpeng is deemed to be interested in the Shares in which Ms. Zhang Kun and Tongchuangsuwei is interested in and Ms. Zhang Kun is deemed to be interested in the Shares in which Mr. Chai Yanpeng is interested in.

(4) SDIC Unity Capital will directly hold [**REDACTED**] Unlisted Shares and [**REDACTED**] H Shares following the completion of the [**REDACTED**]. SDIC Unity Capital is a limited partnership incorporated in the PRC, whose general partner is SDIC Unity Capital Corporation Limited (國投創合基金管理有限公司). SDIC Unity Capital Corporation Limited is owned as to 40% by State Development and Hi-tech Investment Corp. (國投高科技投資有限公司), a wholly-owned subsidiary of China SDIC Gaoxin Industrial Investment Corp., Ltd. (中國國投高新產業投資有限公司), which is owned by State Development & Investment Corporation (國家開發投資集團有限公司) as to 72.36%.

Jianxin Trust Corporation Limited (建信信託有限責任公司) is a limited partner which contributed 38.66% of the capital of SDIC Unity Capital. Jianxin Trust Corporation Limited (建信信託有限責任公司) is wholly owned by Jianxin Trust Corporation Limited (建信信託有限責任公司), which is held as to 67% by China Construction Bank Corporation (中國建設銀行股份有限公司), a company held by Central Huijin Investment Corporation Limited (中央匯金投資有限責任公司) as to 57.11%, a wholly owned subsidiary of China Investment Corporation (中國投資有限責任公司).

By virtue of the SFO, SDIC Unity Capital Corporation Limited (國投創合基金管理有限公司), State Development and Hi-tech Investment Corp. (國投高科技投資有限公司), China SDIC Gaoxin Industrial Investment Corp., Ltd. (中國國投高新產業投資有限公司), State Development & Investment Corporation (國家開發投資集團有限公司), Jianxin Trust Corporation Limited (建信信託有限責任公司), Jianxin Trust Corporation Limited (建信信託有限責任公司), China Construction Bank Corporation (中國建設銀行股份有限公司), Central Huijin Investment Corporation Limited (中央匯金投資有限責任公司) and China Investment Corporation (中國投資有限責任公司) are deemed to be interested in the Shares in which SDIC Unity Capital is interested in.

(5) Elbrus will directly hold [**REDACTED**] H Shares following the completion of the [**REDACTED**]. Elbrus is a wholly-owned subsidiary of Temasek Life Sciences Private Limited, which is in turn a wholly-owned subsidiary of Fullerton Management Pte Ltd, which is a wholly-owned subsidiary of Temasek Holdings (Private) Limited. By virtue of the SFO, Temasek Life Sciences Private Limited, Fullerton Management Pte Ltd and Temasek Holdings (Private) Limited are deemed to be interested in the [**REDACTED**] H Shares held by Elbrus.

(6) LYFE Columbia will directly hold [**REDACTED**] Unlisted Shares and [**REDACTED**] H Shares following the completion of the [**REDACTED**]. LYFE Ohio will directly hold [**REDACTED**] Unlisted Shares and [**REDACTED**] H Shares following the completion of the [**REDACTED**]. Raritan River will directly hold [**REDACTED**] Unlisted Shares and [**REDACTED**] H Shares following the completion of the [**REDACTED**]. LYFE Columbia and LYFE Ohio are controlled by LYFE Capital Fund III (Dragon), L.P., which was in turn controlled by LYFE Capital Management Limited. Raritan River is controlled by LYFE Capital Management Limited, which is ultimately controlled by Mr. Zhao Jin (趙晉) and Mr. Yu Zhengkun (余征坤), both of which are our Independent Third Parties. By virtue of the SFC, LYFE Capital Fund III (Dragon), L.P., is deemed to be interested in the Shares held by LYFE Columbia and LYFE Ohio while LYFE Capital Management Limited is deemed to be interested in the Shares held by LYFE Columbia, LYFE Ohio and Raritan River.

Save as disclosed in this document, our Directors are not aware of any person who will, immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), have beneficial interests or short positions in any Shares or underlying Shares, which would be required to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly interested in 10% or more of the issued voting shares of any member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

As of the Latest Practicable Date, the registered share capital of our Company was RMB32,232,558 divided into 32,232,558 Unlisted Shares with a nominal value of RMB1.00 each.

Immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), the total issued share capital of our Company will be as follows:

| Description of Shares | Number of Shares | Approximate % of the share capital |
|---|---|---|
| Unlisted Shares in issue | [**REDACTED**] | [**REDACTED**] |
| H Shares to be converted from Unlisted Shares | [**REDACTED**] | [**REDACTED**] |
| H Shares to be issued pursuant to the [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| Total | [**REDACTED**] | 100% |

## SHARES OF OUR COMPANY

Upon completion of the [**REDACTED**], our Company will have two classes of Shares, namely Unlisted Shares and H Shares, both of which are ordinary Shares in our share capital. However, the H Shares generally may not be subscribed for by, or traded between, legal or natural persons of the PRC, other than certain qualified domestic institutional investors in the PRC, qualified PRC investors under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect, and other persons who are entitled to hold the H Shares pursuant to relevant PRC laws and regulations or upon approval by any competent authorities.

## RANKING

Pursuant to the Articles of Association, the Unlisted Shares and H Shares are categorized as different classes of Shares. Their differences and the provisions on class rights, the dispatch of notices and financial reports to Shareholders, dispute resolution, registration of Shares on different registers of members, the method of share transfer and appointment of dividend receiving agents are set forth in "Appendix V – Summary of Articles of Association" of this document.

Except for the differences above, the Unlisted Shares and the H Shares will rank *pari passu* with each other in all other respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this document. All dividends in respect of the H Shares are to be declared in RMB and paid by our Company in Hong Kong dollars.

## CONVERSION OF OUR UNLISTED SHARES AND UNLISTED FOREIGN SHARES INTO H SHARES

Upon completion of the [**REDACTED**], our Company will have two classes of ordinary Shares, namely Unlisted Shares and H Shares.

According to the regulations by the securities regulatory authorities of the State Council and our Articles of Association, the Unlisted Shares may be converted into H Shares, and such converted Shares may be listed and traded on an overseas stock exchange provided that the conversion, listing and trading of such converted Shares have been approved by the securities regulatory authorities of the State Council. Additionally, such conversion, trading and listing shall meet any requirement of internal approval process and in all respects comply with the regulations prescribed by the securities regulatory authorities of the State Council and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange.

If any of the Unlisted Shares are to be converted, listed and traded as H Shares on the Stock Exchange, such conversion, the approvals of the relevant PRC regulatory authorities, including CSRC, and the approval of the Stock Exchange are necessary. Based on the procedures for the conversion of Unlisted Shares into H Shares as set forth below, we may apply for the listing of all or any portion of the Unlisted Shares on the Stock Exchange as H Shares in advance of any proposed conversion to ensure that the conversion process can be completed promptly upon notice to the Stock Exchange and delivery of Shares for entry on the H Share register. As the listing of additional Shares after the [**REDACTED**] on the Stock Exchange is ordinarily considered by the Stock Exchange to be a purely administrative matter, it does not require such prior application for listing at the time of our listing in Hong Kong. No Shareholder voting is required for the conversion of such Shares or the listing and trading of such converted Shares on an overseas stock exchange. Any application for listing of the converted shares on the Stock Exchange after our initial listing is subject to prior notification by way of announcement to inform our Shareholders and the public of any proposed conversion.

Registration on our H Share register will be conditional on: (a) our [**REDACTED**] lodging with the Stock Exchange a letter confirming the proper entry of the relevant H Shares on the H Share register and the due dispatch of H Share certificates, and (b) the admission of the H Shares to trade on the Stock Exchange in compliance with the Listing Rules, the General Rules of [**REDACTED**] and the [**REDACTED**] in force from time to time. Until the converted shares are re-registered on our H Share register, such Shares would not be listed as H Shares. The relevant procedural requirements for the conversion of Unlisted Shares into H Shares are as follows:

- The holder of Unlisted Shares shall obtain the requisite approval of the CSRC or the relevant securities regulatory authorities of the State Council for the conversion of all or part of its Unlisted Shares into H Shares.

- The holder of Unlisted Shares shall issue to us a removal request in respect of a specified number of Shares attaching the relevant documents of title.

- Subject to our Company being satisfied with the authenticity of the documents and with the approval of our Board, we would then issue a notice to our [**REDACTED**] with instructions that, with effect from a specified date, our [**REDACTED**] is to issue the relevant holders with H Share certificates for such specified number of Shares.

- The relevant Unlisted Shares will be withdrawn from the Unlisted Shares register and re-registered on our H Share register maintained in Hong Kong on the condition that:

  – our [**REDACTED**] lodges with the Stock Exchange a letter confirming the proper entry of the relevant Shares on the H Share register and the due dispatch of share certificates; and

  – the admission of the H Shares (converted from the Unlisted Shares) to trade in Hong Kong [**REDACTED**] and the general rules of [**REDACTED**] and [**REDACTED**] in force from time to time.

- Upon completion of the conversion, the shareholding of the relevant holder of Unlisted Shares on our Domestic Share register will be reduced by such number of Unlisted Shares converted and the number of H Shares in the H Share register will correspondingly increase by the same number of Shares.

- We will comply with the Listing Rules to inform Shareholders and the public by way of an announcement of such fact not less than three days prior to the proposed effective date.

## RESTRICTIONS OF SHARE TRANSFER BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Our Directors, Supervisors and senior management shall declare their shareholdings in our Company and any changes thereof. Shares transferred by our Directors, Supervisors and senior management each year during their term of office shall not exceed 25% of their total respective shareholdings in our Company. The Shares that the aforesaid persons held in our Company are proscribed from being transferred within one year from the date on which the Shares are listed and traded on a stock exchange, nor within half a year after they leave their positions in our Company. Please refer to the Articles of Association of our Company for other restrictions on the transfer of our Shares held by our Directors, Supervisors and senior management in "Appendix V – Summary of Articles of Association" of this document.

## SHAREHOLDERS' GENERAL MEETINGS AND CLASS MEETINGS

For details of circumstances under which our general Shareholders' meeting and classified Shareholders' meeting are required, please see "Appendix V – Summary of Articles of Association" and "Appendix IV – Summary of Principal Legal and Regulatory Provisions".

*You should read the following discussion and analysis in conjunction with our audited consolidated financial information, included in the Accountant's Report in Appendix I to this document, together with the accompanying notes. Our consolidated financial information has been prepared in accordance with IFRSs, which may differ in material aspects from generally accepted accounting principles in other jurisdictions, including the United States. You should read the entire Accountant's Report and not merely rely on the information contained in this section.*

*The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. In evaluating our business, you should carefully consider the information provided in the section headed "Risk Factors" in this document.*

## OVERVIEW

We are a China-based neuro-interventional medical device pioneer with the aim of redefining the therapeutic and preventive paradigm of stroke. Leveraging our integrated capabilities in R&D, manufacturing and commercialization, we strive to reduce the mortality rate and improve prognosis of stroke in China and worldwide through the commercialization of our innovative product candidates.

During the Track Record Period, we only started to generate revenue in the first quarter of 2020 when we started to commercialize our SupSelek™ microcatheter and ExtraFlex™ distal access catheter. As a result, we incurred net losses in each period of the Track Record Period. Our total net losses were RMB75.5 million and RMB67.7 million for 2019 and the nine months ended September, 2020, respectively. We expect to continue to incur net losses in the near future as we continue to invest in R&D of, seek regulatory approval for, and commercialize, our pipeline products. We expect that our financial performance will fluctuate quarterly and yearly due to the development status of our pipeline products, regulatory approval timeline and commercialization of our pipeline products after approval.

## BASIS OF PREPARATION

The historical financial information of our Group has been prepared in accordance with all applicable IFRSs issued by International Accounting Standards Board ("**IASB**"). All IFRSs effective for the accounting period commencing from January 1, 2020, together with the relevant transitional provisions, have been adopted by our Group in the preparation of the consolidated financial information. The historical financial information has been prepared under the historical cost convention, except for financial assets at fair value through profit or

loss ("**FVTPL**") which have been measured at fair value. The preparation of the historical financial information in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying our Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to our historical financial information are disclosed in Note 3 of the Appendix I to this document.

**Acquisition of Nanjing SealMed**

In September 2020, our Company acquired 55.88% of the equity interest in Nanjing SealMed with a consideration of approximately RMB25.1 million. The acquisition date was regarded as September 30, 2020 from accounting perspective, since which we have consolidated Nanjing SealMed's results of operations. For details of the acquisition of Nanjing SealMed, see "History, Development and Corporate Structure – Major Acquisition During the Track Record Period" in this document.

**Review of Interim Comparative Financial Information**

The Reporting Accountant has reviewed the interim comparative financial information of our Group which comprises the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the nine months ended September 30, 2019 and other explanatory information. The Reporting Accountant has conducted its review in accordance with Hong Kong Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Hong Kong Institute of Certified Public Accountants. For more details, please refer to Appendix I to this document.

## SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to continue to be, affected by a number of factors, many of which may be beyond our control. A discussion of the key factors is set out below.

**Growth of the Neuro-Interventional Medical Device Market in China**

We believe that our financial performance and future growth are dependent on the overall growth of and our competitiveness in China neuro-interventional medical device market.

China has a large patient pool of stroke. The number of stroke patients in China reached 14.8 million in 2019, including 11.9 million ischemic stroke patients and 2.9 million hemorrhagic stroke patients, and the annual incidence of ischemic stroke reached 2.3 million in 2019, according to CIC. On the other hand, the penetration rate of neuro-interventional procedures in China was relatively low as compared to that of the developed countries. In the U.S., due to the AHA guideline's recognition in 2015 of thrombectomy as the first-line treatment for ischemic stroke and the technology advancements, the penetration rate of

thrombectomy procedures in the U.S. increased rapidly from 1.4% in 2015 to 11.8% in 2019. By comparison, the penetration rate of thrombectomy procedures in China stood at mere 1.7% in 2019 but is expected to increase to 42.9% in 2030, benefiting from a combination of technology innovation, favorable government policies and rising per capita income and healthcare expenditure.

The neuro-interventional medical device market in China is currently relatively concentrated, with international neuro-interventional medical device manufacturers accounting for a dominant market share. However, according to CIC, due to China's favorable policy environment and the general trend of domestic products substituting imported products, Chinese medical device companies are expected to gain a bigger share of the neuro-interventional medical device market in China. We have a broad portfolio of 23 commercialized and product candidates. Our robust pipeline of product candidates covers the areas of ischemic stroke thrombectomy, intracranial stenosis treatment, ischemic stroke prevention and hemorrhagic stroke treatment. According to CIC, as of the Latest Practicable Date, we were the first and only domestic medical device company to provide a full suite of stent retrieving thrombectomy devices in the China market.

Leveraging our product portfolio that covers the complete product categories of medical devices for neuro-interventional procedures, our R&D capabilities covering key technologies and engineering techniques in the industry and our proven track record of successful commercialization of our products, we are well positioned to capture the strong growth potential of the under-penetrated neuro-interventional medical device market in China.

**Our Ability to Successfully Develop Our Product Candidates and Commercialize Our Products**

Our business and results of operations depend on our ability to successfully develop our product candidates and commercialize our products. As of the Latest Practicable Date, we had obtained NMPA approvals for four ischemic stroke treatment devices forming a complete product suite for stent retrieving thrombectomy procedures. Additionally, we expect to commercialize nine currently late-stage product candidates in 2021, and 10 earlier-stage product candidates between 2022 and 2025, including the global-first sirolimus intracranial DEB for intracranial stenosis treatment. Whether our product candidates can demonstrate favorable safety and efficacy clinical trial results, and whether we can obtain the requisite regulatory approvals for our product candidates in time, are crucial for our business and results of operations.

The commercial success of our products depends upon the degree of market acceptance each of such products achieves, particularly among hospitals and physicians. Physicians' and hospitals' receptiveness to our products in turn depends on, among others, our ability to convince them as to the distinctive characteristics, advantages, safety and cost effectiveness of our products as compared to traditional surgical products and our competitors' products. If our products are not widely accepted by physicians and hospitals, we may not be able to recover the significant investments we made in developing our product candidates.

As of the Latest Practicable Date, we have built a strong in-house sales team and an extensive distribution network comprising 27 distributors as of September 30, 2020 covering over 800 hospitals across over 20 provinces and municipalities in total in China. Our commercialized products serve to raise our profile in the industry and activate our distribution network, thereby paving the way for the sales and distribution of our subsequent products once approved. Our ability to successfully develop and commercialize new products in the manner we contemplate and to achieve the sales we expect is expected to be subject to a number of risks, details of which are set forth in "Risk Factors" in this document.

**Government Healthcare Spending, Medical Insurance Coverage and Pricing Policies**

We expect that the market acceptance and sales volume of our products and product candidates (assuming that relevant regulatory approvals are obtained and such product candidates are successfully commercialized) will depend in part on the level of government spending on healthcare and the coverage of our products and product candidates under government medical insurance schemes. In line with the overall growth in the healthcare service industry in China, the PRC government has promulgated a series of policies in the last several years aimed at encouraging healthcare infrastructure development and improving patients' accessibility to healthcare services. In particular, growth in population coverage and funding for public medical insurance programs have significantly improved patients' ability to pay for medical treatment, resulting in considerable growth in both patient enrollment and average spending. The inclusion of our products and product candidates (upon commercialization) in the governmental insurance coverage would significantly increase the demand for such products, and would therefore have a positive impact on the sales volume of our products and our financial performance. However, there are uncertainties as to whether the government will continue to increase its healthcare spending, and whether our products can be included in the governmental insurance coverage, and different provinces may have different practices for the reimbursement of our products.

PRC regulations and medical insurance plans also exert significant influence over the pricing of medical devices, for example, by imposing reimbursement caps, which could affect patients' access to our products as well as our profitability. If the competent government authorities issue any pricing guidance or exercise any control measures on the tendering process of any of our products, either at the national or provincial level, our profitability and results of operations may be adversely affected. As of the Latest Practicable Date, there was no price guidance set on our products by the PRC government. If the PRC government issues price guidance for stroke treatment and prevention devices, the price of our products may be negatively affected. See "Risk Factors – Downward change in pricing of our products may have a material adverse effect on our business and results of operations" in this document for details. Moreover, we may need to lower the prices of our products in order to have them included in the medical insurance reimbursement list, and such price cut and reimbursement may not necessarily lead to increase in our sales and our results of operations may be adversely affected. See "Risk Factors – Our sales may be affected by the level of medical insurance reimbursement patients using our products" in this document for details.

### Cost Structure

Our results of operations are significantly affected by our cost structure, which currently and primarily comprise of R&D costs and administrative expenses.

Since our inception, we have focused on resources on our R&D activities, including conducting pre-clinical studies and clinical trials and activities related to regulatory filings for our product candidates. Our R&D costs primarily consist of staff costs, depreciation and amortization, raw materials and consumables, third-party contracting costs and others. For the year ended December 31, 2019 and the nine months ended September 30, 2020, our R&D costs amounted to RMB51.1 million and RMB20.0 million, respectively. We intend to continue to advance the development of our product candidates, and as a result, the R&D costs are expected to continue to be a major component in our operating expenses. Clinical product development involves a lengthy and expensive process with an uncertain outcome. See "Risk Factors – Risks Relating to Our Products and Product Candidates" in this document for further details.

Our administrative expenses consist primarily of staff costs, professional service fees, depreciation and amortization and others. We expect our administrative expenses to increase in the future to support our development efforts and commercialization activities with respect to our product candidates, if approved.

We expect our cost structure to evolve as we continue to develop and expand our business. As we continue to progress and expand our pipeline and gradually bring assets of our product pipeline to commercialization, we expect to incur additional costs in relation to our R&D, manufacturing, sales and marketing, among other things. We also anticipate increasing legal, compliance, accounting, insurance, and investor and public relations expenses associated with being a public company in Hong Kong.

### Funding for Our Operations

During the year ended December 31, 2019 and the nine months ended September 30, 2020, we funded our operations primarily through equity financing. Going forward, with the marketing of our products and the commercialization of our product candidates, we expect to fund our operations in part with revenue generated from sales of our products. However, with the continuing expansion of our business and development of product candidates, we may require further funding through public or private equity offerings, debt financing and other sources. Any changes in our ability to fund our operations will affect our cash flow and results of operation.

## SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. Estimates and judgments are continually reevaluated and are based on historical experience and other factors, including industry practices and expectations of future events that we believe to be reasonable under the circumstances. We did not change our assumptions or estimates during the Track Record Period and have not noticed any material errors regarding our assumptions or estimates. Under current circumstances, we do not expect that our assumptions or estimates are likely to change significantly in the future. When reviewing our consolidated financial statements, you should consider (i) our critical accounting policies, (ii) the judgments and other uncertainties affecting the application of such policies and (iii) the sensitivity of reported results to changes in conditions and assumptions.

We set forth below those accounting policies that we believe are of critical importance to us or involve the most significant estimates and judgments used in the preparation of our consolidated financial statements. Our significant accounting policies and estimates, which are important for an understanding of our financial condition and results of operations, are set forth in detail in notes 2.3 and 3 to the Accountants' Report in Appendix I to this document.

### Significant Accounting Policies

#### *Revenue Recognition*

*Revenue from contracts with customers*

Revenue from contracts with customers is recognized when control of goods is transferred to the customers at an amount that reflects the consideration to which our Group expects to be entitled in exchange for those goods.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which our Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between our Group and the customer at contract inception. When the contract contains a financing component which provides our Group with a significant financial benefit for more than one year, revenue recognized under the contract includes the interest expense accreted on the contract liability

under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

*Sale of medical devices*

Revenue from the sale of medical devices is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the medical devices.

Some contracts for the sale of medical devices provide customers with rights of sales rebates. The rights of sales rebates give rise to variable consideration. Retrospective sales rebates may be provided to certain customers once the amount of products purchased during the period exceeds a threshold or the rank of credit exceeds a certain level specified in the contract. Rebates are normally provided in the form of products. The most likely amount method is used to estimate the variable consideration. The selected method that best predicts the amount of variable consideration is primarily driven by the sales amount thresholds contained in the contract. The requirements on constraining estimates of variable consideration are applied and a liability for the expected future rebates is recognized as contract liabilities.

*Other income*

Interest income is recognized on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

***Business Combinations and Goodwill***

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the fair value on the acquisition date which is the sum of the fair values of assets transferred by our Group, liabilities assumed by our Group to the former owners of the acquiree and the equity interests issued by our Group in exchange for control of the acquire on the acquisition date. For each business combination, our Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When our Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as of the acquisition date. This

includes the separation of embedded derivatives in host contracts of the acquiree. If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognized in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of our Group's previously held equity interests in the acquisition over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognized in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Our Group performs its annual impairment test of goodwill as of December 31. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of our Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of our Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

***Intangible Assets (Other Than Goodwill)***

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized over the useful economic life and

assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangible assets are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

*Intellectual Properties*

Intellectual properties are stated at cost less any impairment losses and are amortized on the straight-line basis over their estimated useful lives of 10 years after commercialization. Impairment testing of goodwill is to be performed at the year end.

*Research and development costs*

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalized and deferred only when our Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

***Investments and Other Financial Assets***

*Initial recognition and measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and our Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which our Group has applied the practical expedient of not adjusting the effect of a significant financing component, our Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which our Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out in "Revenue recognition" above.

In order for a financial asset to be classified and measured at amortized cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at FVTPL, irrespective of the business model.

Our Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at FVTPL.

All regular way purchases and sales of financial assets are recognized on the trade date, that is, the date that our Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

*Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as follows:

(a) Financial assets at amortized cost (debt instruments)

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

(b) Financial assets at FVTPL

Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognized in profit or loss.

This category includes derivative instruments and equity investments which our Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at FVTPL are also recognized as other income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to our Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at FVTPL. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the FVTPL category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at FVTPL.

***Fair Value Measurement***

Our Group measures its derivative financial instruments at fair value at the end of each relevant periods. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by our Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Our Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly;

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, our Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each relevant periods.

***Share-based Payments***

Our Company operates share award schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of our Group's operations. Employees (including directors) of our Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("**equity-settled transactions**").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted less the consideration received by our Group. The fair value of share awards is determined using the market approach. For further details, see Note 27 of the Appendix I to this document.

The cost of equity-settled transactions is recognized in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at the end of each of the relevant periods until the vesting date reflects the extent to which the vesting period has expired and our Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the profit or loss for a period represents the movement in the cumulative expense recognized as of the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of our Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that are not eventually vested because of failure to satisfy non-market performance and/or service conditions, no expense is recognized. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognized as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognized for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is canceled, it is treated as if it had vested on the date of cancelation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either our Group or the employee are not met. However, if a new award is substituted for the canceled award, and is designated as a replacement award on the date that it is granted, the canceled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

***Leases***

Our Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

*Group as a lessee*

Our Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. Our Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Our Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for

any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Where applicable, the cost of a right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the pant and office premises range from two to 10 years:

If ownership of the leased asset transfers to our Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognized at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by our Group and payments of penalties for termination of a lease, if the lease term reflects our Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognized as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, our Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

Our Group applies the short-term lease recognition exemption to its short-term leases of offices (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment that is considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis over the lease term.

***Government Grants***

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the profit or loss over the expected useful life of the relevant asset by equal annual installments or deducted from the carrying amount of the asset and released to the profit or loss by way of a reduced depreciation charge.

**Significant Accounting Estimates**

***Recognition of income taxes and deferred tax assets***

Determining income tax provision involves judgment on the future tax treatment of certain transactions and when certain matters relating to the income taxes have not been confirmed by the local tax bureau. Management evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatments of such transactions are reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognized in respect of deductible temporary differences and unused tax losses. As those deferred tax assets can only be recognized to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and the losses can be utilized, management's judgment is required to assess the probability of future taxable profits. Management's assessment is revised as necessary and additional deferred tax assets are recognized if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

***Useful lives and residual values of plant and equipment***

In determining the useful lives and residual values of items of plant and equipment, we consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset and the legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on our experience with similar assets that are used in a similar way.

Additional depreciation is recognized if the estimated useful lives and/or the residual values of items of plant and equipment are different from the previous estimation. Useful lives and residual values are reviewed at the end of each of the relevant periods based on changes in circumstances.

## DESCRIPTION OF SELECTED COMPONENTS OF STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The following table sets forth our consolidated statements of comprehensive loss for the years indicated:

| | For the year ended December 31, | For the nine months ended September 30, | | |
|---|---|---|---|---|
| | 2019 | 2019 | 2020 | |
| | *RMB'000* | *RMB'000 (unaudited)* | *RMB'000* | *% of Revenue* |
| **Revenue** | – | – | 7,293 | 100.0 |
| Cost of sales | – | – | (4,293) | (58.9) |
| **Gross profit** | – | – | 3,000 | 41.1 |
| Other income and gains | 3,108 | 82 | 3,383 | 46.4 |
| Other expenses | – | – | (1,439) | (19.7) |
| Research and development costs | (51,110) | (43,150) | (20,024) | (274.6) |
| Selling and distribution expenses | (1,039) | (383) | (6,950) | (95.3) |
| Administrative expenses | (26,395) | (18,981) | (40,571) | (556.3) |
| Finance costs | (62) | (48) | (882) | (12.1) |
| [**REDACTED**] | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| **Loss before tax** | (75,498) | (62,480) | (67,745) | (928.9) |
| Income tax expense | – | – | – | – |
| **Loss and total comprehensive loss for the year/period** | (75,498) | (62,480) | (67,745) | (928.9) |

### Revenue

We commenced commercial sale of our products in the first quarter of 2020. During the Track Record Period, all our revenue was generated from the sales of our ExtraFlex™ distal access catheter and SupSelek™ microcatheter.

### Cost of Sales

During the Track Record Period, the cost of sales were related to the manufacturing of ExtraFlex™ distal access catheter and SupSelek™ microcatheter. The cost of sales primarily comprised of raw materials and consumables, staff costs, depreciation and amortization and others. The following table sets forth a breakdown of our cost of sales for the periods indicated:

| | For the year ended December 31, | For the nine months ended September 30, | |
|---|---|---|---|
| | 2019 | 2019 | 2020 |
| | *RMB'000* | *RMB'000 (unaudited)* | *RMB'000* |
| Raw materials and consumables | – | – | 2,975 |
| Staff costs | – | – | 415 |
| Depreciation and amortization | – | – | 696 |
| Others | – | – | 207 |
| | – | – | 4,293 |

### Gross Profit and Gross Profit Margin

Our gross profit represents our revenue less our cost of sales. Our gross profit margin represents our gross profit as a percentage of our revenue. We did not generate any revenue in 2019. For the nine months ended September 30, 2020, our gross profit amounted to RMB3.0 million, while our gross profit margin amounted to 41.1%.

### Other Income and Gains

During the Track Record Period, our other income and gains mainly consisted of government grants, bank interest income and fair value gains on financial assets at FVTPL.

Government grants mainly represented subsidies we received from the local government authorities for compensation of expenditure arising from research and clinical trials activities, awards for the development of new medical devices and capital expenditure incurred on certain projects. The establishment of the incentive programs and grant of such subsidies are subject to the government's discretion and the receipt of such subsidies is thus unpredictable. During the Track Record Period, all government grants we received were one-off. Bank interest income included interest from bank deposits. Foreign exchange gains, net represented the exchange differences of the increased value of the foreign currency we held against the RMB resulted from fluctuations in exchange rates. Fair value gains on financial assets at FVTPL represented the interest accrued from our purchased wealth management products issued by a commercial bank.

The following table sets forth a breakdown of our other income and gains for the periods indicated:

| | For the year ended December 31, | For the nine months ended September 30, | |
|---|---|---|---|
| | 2019 | 2019 | 2020 |
| | *RMB'000* | *RMB'000 (unaudited)* | *RMB'000* |
| **Other Income** | | | |
| Government grants | 2,768 | 43 | 3,101 |
| Bank interest income | 67 | 39 | 94 |
| | 2,835 | 82 | 3,195 |

| | For the year ended December 31, | For the nine months ended September 30, | |
|---|---|---|---|
| | 2019 | 2019 | 2020 |
| | *RMB'000* | *RMB'000 (unaudited)* | *RMB'000* |
| **Gains** | | | |
| Foreign exchange gains, net | 1 | – | – |
| Fair value gains on financial assets at FVTPL | 272 | – | 188 |
| **Total** | 3,108 | 82 | 3,383 |

**Research and Development Costs**

Our R&D costs consisted of staff costs, depreciation and amortization, third-party contracting costs, raw materials and consumables and others. Staff costs consisted of wages, salaries, social insurance contributions and equity-settled share award expenses of our R&D employees. Depreciation and amortization mainly represented the depreciation and amortization of equipment, leasehold improvements, plant and office premises used in R&D activities. Third-party contracting costs represented (i) the expenses incurred for conducting pre-clinical studies and clinical trials, including payments to CROs, SMOs, hospitals, trial subjects and other medical institutions in relation to our pre-clinical studies and clinical trials, and (ii) testing fees and registration fees. Raw material and consumables represented costs incurred for purchasing raw materials and consumables for our R&D activities. Others mainly comprised of general expenses incurred for the purpose of R&D. The following table sets forth a breakdown of our R&D costs for the periods indicated:

| | For the year ended December 31, | For the nine months ended September 30, | |
|---|---|---|---|
| | 2019 | 2019 | 2020 |
| | *RMB'000* | *RMB'000 (unaudited)* | *RMB'000* |
| Staff costs | 33,192 | 30,850 | 8,333 |
| – Other staff costs | 6,548 | 4,206 | 6,293 |
| – Equity-settled share award expenses | 26,644 | 26,644 | 2,040 |
| Depreciation and amortization | 2,007 | 835 | 2,877 |
| Third party contracting costs | 10,620 | 8,940 | 3,511 |
| Raw materials and consumables | 4,315 | 1,713 | 4,461 |
| Others | 973 | 812 | 842 |
| **Total** | 51,110 | 43,150 | 20,024 |

### Selling and Distribution Expenses

Our selling and distribution expenses mainly consisted of staff costs of our selling and marketing employees, depreciation and amortization, market development expenses and others. The following table sets forth a breakdown of our selling and distribution expenses for the periods indicated:

| | For the year ended December 31, | For the nine months ended September 30, | |
|---|---|---|---|
| | 2019 | 2019 | 2020 |
| | *RMB'000* | *RMB'000 (unaudited)* | *RMB'000* |
| Staff costs | 810 | 383 | 3,634 |
| – Other staff costs | 427 | – | 2,994 |
| – Equity-settled share award expenses | 383 | 383 | 640 |
| Depreciation and amortization | – | – | 101 |
| Market development expenses | 189 | – | 2,480 |
| Others | 40 | – | 735 |
| **Total** | 1,039 | 383 | 6,950 |

### Administrative Expenses

Our administrative expenses consisted of staff costs, depreciation and amortization, professional service fees and others. Staff costs consisted of wages, salaries, social insurance contributions, allowances and equity-settled share award expenses of our management staff. Depreciation and amortization consisted of depreciation and amortization of leasehold improvements, plant and office premises. Professional service fees included fees relating to financing consulting services. Others primarily included traveling expenses and general expenses incurred for administrative purposes. The following table sets forth a breakdown of our administrative expenses for the periods indicated:

| | For the year ended December 31, | For the nine months ended September 30, | |
|---|---|---|---|
| | 2019 | 2019 | 2020 |
| | *RMB'000* | *RMB'000 (unaudited)* | *RMB'000* |
| Staff costs | 18,682 | 11,924 | 27,975 |
| – Other staff costs | 603 | 311 | 1,464 |
| – Equity-settled share award expenses | 18,079 | 11,615 | 26,511 |
| Depreciation and amortization | 333 | 536 | 2,184 |
| Professional service fees | 5,139 | 5,139 | 8,761 |
| Others | 2,241 | 1,382 | 1,651 |
| **Total** | 26,395 | 18,981 | 40,571 |

**Finance Costs**

During the Track Record Period, our finance costs represented interest on lease liabilities. For the year ended December 31, 2019 and the nine months ended September 30, 2020, our finance costs were RMB0.06 million and RMB0.9 million, respectively.

[**REDACTED**]

[**REDACTED**] represented the expenses, primarily including the professional service fees, incurred for our proposed [**REDACTED**]. For the year ended December 31, 2019 and the nine months ended September 30, 2020, our [**REDACTED**] were [**REDACTED**] and RMB[**REDACTED**], respectively.

**Income Tax Expense**

During the Track Record Period, members of our Group domiciled and operated in Mainland China. No provision for Mainland China income tax has been provided for at a rate of 25% pursuant to the EIT Law of the PRC and the respective regulations, as our Group have no estimated assessable profits. We did not record any income tax expense during the Track Record Period.

**Loss for the Year/Period**

For the year ended December 31, 2019 and the nine months ended September 30, 2020, our net losses amounted to RMB75.5 million and RMB67.7 million, respectively.

## PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

### Nine Months ended September 30, 2020 Compared to Nine Months ended September 30, 2019

***Revenue***

Our revenue increased from nil for the nine months ended September 30, 2019 to RMB7.3 million for the nine months ended September 30, 2020, primarily related to the commercialization of our ExtraFlex™ distal access catheter and SupSelek™ microcatheter in the first quarter of 2020.

***Cost of Sales***

Our cost of sales increased from nil for the nine months ended September 30, 2019 to RMB4.3 million for the nine months ended September 30, 2020, which was in line with the increase in our revenue.

***Gross Profit and Gross Profit Margin***

As a result of the changes in our revenue and cost of sales described above, our gross profit increased from nil for the nine months ended September 30, 2019 to RMB3.0 million for the nine months ended September 30, 2020, while our gross profit margin increased from nil to 41.1% during the same periods.

***Other Income and Gains***

Other income and gains increased significantly from RMB0.08 million for the nine months ended September 30, 2019 to RMB3.4 million for the nine months ended September 30, 2020, primarily attributable to an increase in government grants of RMB3.1 million, mainly representing subsidies granted in relation to our R&D and financing activities and capital expenditure.

***Research and Development Costs***

Our R&D costs decreased by 53.6% from RMB43.2 million for the nine months ended September 30, 2019 to RMB20.0 million for the nine months ended September 30, 2020, primarily attributable to (i) a decrease in equity-settled share award expenses of RMB24.6 million, primarily because we granted significantly less share awards to our R&D employees in the nine months ended September 30, 2020, and (ii) a decrease in our third-party contracting costs of RMB5.4 million, primarily because we completed the clinical trials of our Captor™ thrombectomy device in 2019 and the clinical trials of our LAA occluder progressed into a late stage in 2020. Such decreases was partially offset by (i) an increase in other staff costs, primarily due to the increase in the number and salary of our R&D employees, (ii) an increase in raw materials and consumables used for R&D activities; and (iii) an increase in depreciation and amortization.

***Selling and Distribution Expenses***

Our selling and distribution expenses increased significantly from RMB0.4 million for the nine months ended September 30, 2019 to RMB7.0 million for the nine months ended September 30, 2020, primarily attributable to the increases in our staff cost and market development expenses of RMB3.3 million and RMB2.5 million, respectively, primarily due to (i) the commercialization of our ExtraFlex™ distal access catheter and SupSelek™ microcatheter in the first quarter of 2020, and (ii) the promotion of our subsequent products to pave the way for their sales and distribution once approved.

***Administrative Expenses***

Our administrative expenses increased by 113.7% from RMB19.0 million for the nine months ended September 30, 2019 to RMB40.6 million for the nine months ended September 30, 2020, primarily attributable to (i) an increase of RMB14.9 million in the equity-settled share award expenses to our management and staff, and (ii) an increase in professional service fees of RMB3.6 million, primarily representing consulting service fees in relation to our Series C financing.

*Finance Costs*

Our finance costs increased significantly from RMB0.05 million for the nine months ended September 30, 2019 to RMB0.9 million for the nine months ended September 30, 2020, primarily attributable to the increase of interest on lease liabilities resulting from the additional leased plant for our Lingang manufacturing facility.

*Income Tax Expense*

Our income tax expense remained at nil during the Track Record Period.

*Loss for the Year/Period*

As a result of the foregoing, our loss and total comprehensive loss for the period increased from RMB62.5 million for the nine months ended September 30, 2019 to RMB67.7 million for the nine months ended September 30, 2020.

## DISCUSSION OF CERTAIN SELECTED ITEMS FROM THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The table below sets forth selected information from our consolidated statements of financial position as of the dates indicated:

| | As of December 31, 2019 | As of September 30, 2020 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Total non-current assets | 27,014 | 104,598 |
| Total current assets | 64,269 | 271,231 |
| **Total assets** | 91,283 | 375,829 |
| Total non-current liabilities | 5,897 | 39,060 |
| Total current liabilities | 4,313 | 67,565 |
| **Net current assets** | 59,956 | 203,666 |
| **Total liabilities** | 10,210 | 106,625 |
| **Net assets** | 81,073 | 269,204 |

Our total assets increased from RMB91.3 million as of December 31, 2019 to RMB375.8 million as of September 30, 2020, primarily due to significant increases in our (i) other intangible assets from nil to RMB40.9 million, primarily representing the intellectual property rights we acquired resulting from the acquisition of Nanjing SealMed; (ii) right of use assets

from RMB1.2 million to RMB23.1 million, resulting from additional properties leased for our Lingang manufacturing facility, and (iii) cash and cash equivalents from RMB25.5 million to RMB247.6 million, primarily attributable to funds from our Series C and Series C+ financing.

Our total liabilities increased from RMB10.2 million as of December 31, 2019 to RMB106.6 million as of September 30, 2020, primarily due to significant increases in (i) trade and other payables from RMB2.5 million to RMB64.6 million, primarily because (a) we recorded restricted share repurchase obligations of RMB30.0 million in relation to certain equity interest granted in August 2020, and (b) RMB21.1 million of the acquisition consideration for Nanjing SealMed remained outstanding as of September 30, 2020; (ii) total lease liabilities from RMB1.2 million to RMB25.0 million, primarily due to the additional leased plant for our Lingang manufacturing facility; and (iii) deferred tax liabilities from nil to RMB10.2 million, primarily in relation to intellectual properties we acquired as a result of the acquisition of Nanjing SealMed.

The following table sets forth our current assets and current liabilities as of the dates indicated:

| | As of December 31, 2019 | As of September 30, 2020 | As of November 30, 2020 |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000 (unaudited)* |
| **Current assets** | | | |
| Inventories | 247 | 7,188 | 8,770 |
| Prepayments, other receivables and other assets, current | 8,247 | 16,408 | 21,311 |
| Financial assets at FVTPL | 30,227 | – | – |
| Cash and cash equivalents | 25,548 | 247,635 | 198,262 |
| **Total current assets** | 64,269 | 271,231 | 228,343 |
| **Current liabilities** | | | |
| Trade and other payables | 2,466 | 64,617 | 42,949 |
| Lease liabilities, current | 1,114 | 804 | 282 |
| Government grants, current | 733 | 1,467 | 1,467 |
| Contract liabilities | – | 677 | 629 |
| **Total current liabilities** | 4,313 | 67,565 | 45,327 |
| **Net current assets** | 59,956 | 203,666 | 183,016 |

### Inventories

Our inventories consisted of raw materials, work in progress and finished goods. We regularly monitor our inventories and endeavor to keep an optimal inventory level in line with the expected usages in the near term. Our warehouse personnel are responsible for the inspection and storage of our inventories. The following table sets forth the components of our inventories as of the dates indicated:

| | As of December 31, 2019 | As of September 30, 2020 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Raw materials | 247 | 4,882 |
| Work in progress | – | 94 |
| Finished goods | – | 2,212 |
| | 247 | 7,188 |

Our inventories increased from RMB0.2 million as of December 31, 2019 to RMB7.2 million as of September 30, 2020, primarily due to the increase in procurement of raw materials and consumables and the increase in finished goods, as a result of the commencement of commercial production of our ExtraFlex™ distal access catheter and SupSelek™ microcatheter in the first quarter of 2020.

We started to recognize revenue from, and record costs for, the sales of our ExtraFlex™ distal access catheter and SupSelek™ microcatheter in March 2020. Our inventory turnover days from March 1, 2020 to September 30, 2020 (such inventory turnover days equals the arithmetic mean of the beginning and ending inventory balances for the period, divided by the sum of the cost of sales for the relevant period and multiplied by 210 days) were 182 days.

As of the Latest Practicable Date, RMB1.3 million, or 59.4% of our inventories as of September 30, 2020, had been subsequently sold.

### Prepayments, other receivables and other assets

Our prepayments, other receivables and other assets mainly included (i) non-current portion of rental deposits for our leased properties, (ii) prepayments for plant and equipment, clinical trials and raw materials, (iii) deferred [**REDACTED**], (iv) other receivables, which mainly comprised current portion of rental deposits, and (v) value-added tax recoverable. The following table sets forth the breakdown of our prepayments, other receivables and other assets as of the dates indicated:

| | As of December 31, 2019 | As of September 30, 2020 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| **Non-current** | | |
| Rental Deposits | 1,238 | 1,105 |
| Prepayment of plant and equipment | 624 | 5,591 |
| Prepayments | 860 | 504 |
| Value-added tax recoverable, non-current | 78 | 1,100 |
| | 2,800 | 8,300 |

| | As of December 31, 2019 | As of September 30, 2020 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| **Current** | | |
| Prepayments | 6,816 | 13,394 |
| Deferred [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| Other receivables | 415 | 719 |
| Value-added tax recoverable | 1,016 | 1,165 |
| | 8,247 | 16,408 |

The non-current portion of our prepayments, other receivables and other assets increased from RMB2.8 million as of December 31, 2019 to RMB8.3 million as of September 30, 2020, primarily due to a significant increase in our prepayment of plant and equipment, reflecting the preparation for the commercialization of our Captor™ thrombectomy devices and Fullblock™ balloon catheter.

The current portion of our prepayments, other receivables and other assets increased from RMB8.2 million as of December 31, 2019 to RMB16.4 million as of September 30, 2020, primarily due to (i) a significant increase in our prepayments for raw materials and consumables, as we commenced commercial production of our ExtraFlex™ distal access catheter and SupSelek™ microcatheter in the first quarter of 2020; and (ii) an increase in deferred [**REDACTED**].

As of the Latest Practicable Date, RMB6.4 million, or 39.2% of the current portion of our prepayments, other receivables and other assets as of September 30, 2020 had been subsequently settled.

**Financial Assets at FVTPL**

Our financial assets at FVTPL as of December 31, 2019 represented our investments in principal-guaranteed wealth management products issued by a PRC commercial bank. The expected returns of such wealth management products ranged from 1.15% to 3.90% per annum. Such wealth management products were redeemable at any time.

We purchased wealth management products as an supplemental mean to improve the utilization of our cash on hand on a short-term basis. We intend to purchase low-risk wealth management products with good liquidity for treasury management purpose in the future. We have established a set of investment policies and internal control measures to achieve reasonable returns on our investments of wealth management products while mitigating our exposure to investment risks. These policies and measures include:

- investments shall be made when we have surplus cash that is not required for our short-term working capital purposes;

- investments shall generally be short-term and of a non-speculative nature in order to maintain our liquidity and financial flexibility;

- we only purchase low-risk wealth management products issued by creditworthy commercial banks and/or other qualified financial institutions, and in any given period, we make investments in products provided by multiple issuers to mitigate concentration risks;

- investments exceeding certain thresholds must be approved by our Shareholders or the Board in accordance with relevant laws and regulations and our Articles of Association;

- our finance department, subject to the review and approval of our management, is responsible for the overall execution of our investments, including risk assessment. We carry out risk assessment primarily based on the amounts of principal, maturity dates, the qualification of product managers, the underlying assets, the expected rates of return and the review of terms and conditions of the investments.

The decrease in our balance of financial assets at FVTPL from RMB30.2 million as of December 31, 2019 to nil as of September 30, 2020 was primarily due to the disposal of our wealth management products.

**Cash and Cash Equivalents**

Our cash and cash equivalents mainly represent cash at bank denominated in RMB and USD. The following table sets forth the breakdown of our cash and cash equivalents as of the dates indicated:

| | As of December 31, 2019 | As of September 30, 2020 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Cash and cash equivalents | 25,548 | 247,635 |

The following table sets forth the breakdown of our cash and cash equivalents denominated in RMB and USD as of the dates indicated:

| | As of December 31, 2019 | As of September 30, 2020 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Cash and cash equivalents are denominated in | | |
| RMB | 25,548 | 110,737 |
| USD | – | 136,898 |
| | 25,548 | 247,635 |

Our cash and cash equivalents increased from RMB25.5 million as of December 31, 2019 to RMB247.6 million as of September 30, 2020, primarily attributable to (i) the funds from our series C and Series C+ financing, and (ii) proceeds from the disposal of wealth management products.

**Trade and Other Payables**

Our trade and other payables primarily consisted of payables to raw material suppliers, clinical and non-clinical research service providers, employees and other third parties, and restricted share repurchase obligations. The following table sets forth a breakdown of trade and other payables as of the dates indicated:

| | As of December 31, 2019 | As of September 30, 2020 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Trade payables | 31 | 456 |
| Accrued expenses | 1,675 | 1,676 |
| Payroll payable | 560 | 2,950 |
| Other tax payables | 70 | 59 |
| Other payables | 130 | 8,342 |
| Payable for acquisition of a subsidiary | – | 21,109 |
| Restricted share repurchase obligations | – | 30,025 |
| | 2,466 | 64,617 |

Our trade payables mainly represented balances due to our suppliers of raw materials. Accrued expenses mainly represented expenses for R&D services. Other payables mainly represented (i) accrued expenses in connection with our proposed [**REDACTED**], and (ii) Nanjing SealMed's borrowings from its shareholders and other third parties. Payable for acquisition of a subsidiary mainly represented outstanding consideration for the acquisition of Nanjing SealMed, which was fully repaid in October 2020. Restricted share repurchase obligations represented our repurchase obligations in relation to certain equity interest we granted to three employees and one director of our Company in August 2020. For further details, please refer to Note 27 of the Accountants' Report set out in Appendix I to this document.

Our trade and other payables increased from RMB2.5 million as of December 31, 2019 to RMB64.6 million as of September 30, 2020, primarily because (i) we recorded restricted share repurchase obligations of RMB30.0 million in relation to certain equity interest granted in August 2020, (ii) RMB21.1 million of the acquisition consideration for Nanjing SealMed remained outstanding as of September 30, 2020, (iii) Nanjing SealMed's borrowings from its shareholders and other third parties were consolidated into our Group's statement of financial position as a result of our acquisition of Nanjing SealMed, and (iv) our payroll payable increased, primarily due to an increase in the number and salary of our staff and a bonus declared but not yet paid.

Our trade payables turnover days from March 1, 2020 to September 30, 2020 (calculated as the average of the beginning and ending trade payables balances for the period, divided by the sum of cost of sales for the relevant period and multiplied by 210 days) were 12 days.

As of the Latest Practicable Date, RMB0.4 million, or 78.5% of our trade payables as of September 30, 2020 had been subsequently settled.

**Government Grants**

The following table sets forth our government grants as of the dates indicated:

| | As of December 31, 2019 | As of September 30, 2020 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Current | 733 | 1,467 |
| Non-current | 5,767 | 4,667 |
| **Total** | 6,500 | 6,134 |

Government grants mainly represented subsidies we received from the local government authorities for compensation of expenditure arising from research and clinical trials activities, awards for the development of new medical devices and capital expenditure incurred on certain projects. Upon government approval, the grants related to an asset would be released to profit or loss over the expected useful life of the relevant asset. Government grants decreased from RMB6.5 million as of December 31, 2019 to RMB6.1 million as of September 30, 2020, primarily because we charged certain amortization of asset-related government grants into profit or loss.

**Contract Liabilities**

During the Track Record Period, our contract liabilities represented the obligations to transfer goods to customers for which we have received consideration. Our contract liabilities increased from nil as of December 31, 2019 to RMB0.1 million as of September 30, 2020, primarily due to the commercialization of our ExtraFlex™ distal access catheter and SupSelek™ microcatheter in the first quarter of 2020.

## LIQUIDITY AND CAPITAL RESOURCES

### Overview

Our primary uses of cash are to fund the development of our product candidates, our clinical trials, our payment for the purchase of plant and equipment, administrative expenses and other recurring expenses. Since inception, we mainly relied on capital contributions by our shareholders and equity financing as the major sources of liquidity. We also generate cash from our sales revenue of existing commercialized medical device products. Our management monitors and maintains a level of cash and cash equivalents deemed adequate to finance our operations and mitigate the effects of fluctuations in cash flows. As our business develops and expands, we expect to generate more net cash from our operating activities, through increasing sales revenue of the existing commercialized products and by launching new products. As of September 30, 2020, we had cash and cash equivalents of RMB247.6 million.

### Cash Flows

The following table sets forth our cash flows for the periods indicated:

| | For the year ended December 31, | For the nine months ended September 30, | |
|---|---|---|---|
| | 2019 | 2019 | 2020 |
| | *RMB'000* | *RMB'000 (unaudited)* | *RMB'000* |
| Cash outflow from operating activities before movements in working capital | (28,327) | (22,458) | (32,042) |
| Changes in working capital | (3,964) | (11,435) | (6,840) |
| Net cash used in operating activities | (32,291) | (33,893) | (38,882) |
| Net cash from/(used in) investing activities | (45,293) | (302) | 17,566 |
| Net cash from/(used in) financing activities | 94,499 | 94,774 | 243,403 |
| Net increase in cash and cash equivalents | 16,915 | 60,579 | 222,087 |
| Cash and cash equivalents at beginning of the year/period | 8,633 | 8,633 | 25,548 |
| Cash and cash equivalents at end of the year/period | 25,548 | 69,212 | 247,635 |

***Net Cash Used in Operating Activities***

For the nine months ended September 30, 2020, our net cash used in operating activities was RMB38.9 million, which was primarily attributable to our net loss before tax of RMB67.7 million, adjusted for non-cash and non-operating items. Positive adjustments for non-cash and non-operating items primarily included (i) equity-settled share award expense of RMB29.2 million, (ii) depreciation of plant and equipment of RMB3.6 million, and (iii) depreciation of right-of-use assets of RMB2.6 million. The amount was then adjusted for the negative effect of changes in working capital, which primarily included (i) an increase in inventories of RMB6.8 million, and (ii) an increase in prepayments and other receivables of RMB5.6 million, partially offset by an increase in trade and other payables of RMB4.9 million.

For the year ended December 31, 2019, our net cash used in operating activities was RMB32.3 million, which was primarily attributable to our loss before tax of RMB75.5 million, adjusted for non-cash and non-operating items. Positive adjustments for non-cash and non-operating items primarily included equity-settled share award expense of RMB45.1 million. The amount was then adjusted for the negative effect of changes in working capital, which primarily included an increase in prepayment and other receivables of RMB3.2 million.

***Net Cash Used in/From Investing Activities***

For the nine months ended September 30, 2020, our net cash from investing activities was RMB17.6 million, which was primarily attributable to proceeds from disposal of financial assets of RMB30.4 million, partially offset by (i) purchases of items of plant and equipment of RMB7.5 million and (ii) a loan lent to Nanjing SealMed before the acquisition date of RMB5.0 million.

For the year ended December 31, 2019, our net cash used in investing activities was RMB45.3 million, primarily attributable to (i) purchase of financial assets at FVTPL, which comprised of wealth management products issued by commercial banks of RMB45.0 million and (ii) purchase of plant and equipment of RMB20.8 million, partially offset by (i) proceeds from disposal of financial assets at FVTPL of RMB15.0 million, and (ii) the receipt of government grants for plant and equipment of RMB6.5 million.

***Net Cash From Financing Activities***

For the nine months ended September 30, 2020, our net cash from financing activities was RMB243.4 million, primarily attributable the capital contributions from shareholders.

For the year ended December 31, 2019, our net cash from financing activities was RMB94.5 million, primarily attributable to capital contributions from shareholders of RMB95.4 million, partially offset by the repayment of lease liabilities of RMB0.9 million.

## CASH OPERATING COSTS

The following table provides information regarding our cash operating costs for the periods indicated:

| | For the year ended December 31, | For the nine months ended September 30, | |
|---|---|---|---|
| | 2019 | 2019 | 2020 |
| | *RMB'000* | *RMB'000 (unaudited)* | *RMB'000* |
| **R&D costs** | | | |
| *R&D costs for our Core Products* | | | |
| – Staff cost | 4,752 | 3,120 | 2,426 |
| – Third-party contracting costs | 9,988 | 7,201 | 2,395 |
| – Raw materials and consumables | 2,580 | 959 | 1,653 |
| – Others | 1,217 | 834 | 281 |
| *R&D costs for our other product candidates* | | | |
| – Staff cost | 1,470 | 1,085 | 1,753 |
| – Third-party contracting costs | 634 | 202 | 1,087 |
| – Raw materials and consumables | 944 | 630 | 2,612 |
| – Others | 376 | 55 | 678 |
| **Workforce employment costs(1)** | 892 | 223 | 4,488 |
| **Direct production costs** | – | – | 351 |
| **Product marketing costs** | 229 | – | 2,308 |
| **Others(2)** | 7,804 | 6,602 | 18,792 |

*Notes:*

(1) Workforce employment costs represented non-R&D staff costs, mainly including salaries and social insurance contributions.

(2) Mainly consisted of purchase of raw materials, [**REDACTED**], travelling expense and other miscellaneous costs.

## WORKING CAPITAL

Our Directors are of the opinion that, taking into account of the financial resources available to us as described below, we have sufficient working capital to cover at least 125% of our costs, including R&D costs, selling and distribution costs, administrative expenses, finance costs and other expenses (including any production costs) for at least the next 12 months from the date of this document:

- our future operating cash flows in respective periods;
- cash and cash equivalents; and
- the estimated net [**REDACTED**] from the [**REDACTED**].

Even without taking into account the estimated net [**REDACTED**] from the [**REDACTED**], by taking into account of our cash and cash equivalents of RMB247.6 million as of September 30, 2020 and our past and expected cash burn rate, our Directors believe that we can remain financially viable with sufficient cash to fund our operations for at least 18 months from September 30, 2020. Our cash burn rate refers to the amount of cash operating costs, payment for property, plant and equipment, and lease payments. We will continue to monitor our working capital closely and expect to raise our next round of financing, if needed, with a minimum buffer of 12 months.

## INDEBTEDNESS

The following table sets forth the breakdown of our indebtedness as of the dates indicated:

| | As of December 31, 2019 | As of September 30, 2020 | As of November 30, 2020 |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000 (unaudited)* |
| **Current** | | | |
| Lease liabilities | 1,114 | 804 | 282 |
| **Non-current** | | | |
| Lease liabilities | 130 | 24,168 | 24,362 |
| **Total** | 1,244 | 24,972 | 24,644 |

As of December 31, 2019, September 30, 2020 and November 30, 2020, we did not have any interest-bearing bank and other borrowings.

Since IFRS 16 was adopted by our Group throughout the Track Record Period, we recognized right-of-use assets and the corresponding lease liabilities in respect of all leases, except for short-term leases and leases of low-value assets. Our lease liabilities amounted to RMB1.2 million, RMB25.0 million and RMB24.6 million as of December 31, 2019, September 30, 2020 and November 30, 2020, respectively, and are primarily related to the lease of our plants and office premises.

We did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other contingent liabilities as of the Latest Practicable Date.

## CAPITAL EXPENDITURES

The following table sets forth our capital expenditures for the periods indicated:

| | As of December 31, 2019 | As of September 30, 2020 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Plant and equipment | 20,815 | 7,534 |

Our historical capital expenditures during the Track Record Period primarily included expenditure associated with the purchase of equipment and machinery. We funded our capital expenditure requirements during the Track Record Period mainly from equity financing.

## COMMITMENTS

As of December 31, 2019 and September 30, 2020, we had capital commitments of nil and RMB10.6 million, respectively, primarily in connection with leasehold improvements contracted for at each balance sheet date, but not yet provided for.

## CONTINGENT LIABILITIES

As of December 31, 2019 and September 30, 2020, we did not have any contingent liabilities. We confirm that as of the Latest Practicable Date, there had been no material changes or arrangements to our contingent liabilities.

## OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

## KEY FINANCIAL RATIO

The table below sets forth the current ratio of our Group as of the dates indicated:

| | As of December 31, 2019 | As of September 30, 2020 |
|---|---|---|
| Current ratio[(1)] | 14.9 | 4.0 |

*Note:*

(1) Calculated as total current assets divided by total current liabilities as of the same date.

Our current ratio decreased from 14.9 as of December 31, 2019 to 4.0 as of September 30, 2020, primarily due to significant increases in our trade and other payables. Please refer to the paragraphs headed "– Discussion of Certain Selected Items from the Consolidated Statements of Financial Position – Trade and Other Payables" for details.

## RELATED-PARTY TRANSACTIONS

During the Track Record Period and as of September 30, 2020, our Group had no material transactions and balances with related parties.

## MARKET RISK DISCLOSURE

We are exposed to a variety of financial risks, including foreign currency risk, credit risk and liquidity risk, as set out below. We regularly monitor our exposure to these risks and as of the Latest Practicable Date, did not hedge or consider necessary to hedge any of these risks.

### Foreign currency risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between RMB and other currencies in which our Group conducts business may affect our Group's financial condition and results of operations.

We are exposed to foreign currency risk mainly arising from cash at bank denominated in USD. We currently do not have a foreign currency hedging policy. However, our management monitors foreign exchange exposure and will consider appropriate hedging measures in the future should the need arise. For further details, including relevant sensitivity analysis, please see Note 34 to the Accountants' Report set out in Appendix I.

**Credit risk**

We trade only with recognized and creditworthy parties. Receivable balances are monitored on an ongoing basis and our Group's exposure to bad debts is limited. The credit risk of our Group's other financial assets, which comprise cash and cash equivalents and financial assets included in prepayments, other receivables and other assets, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Our management makes periodic collective assessment as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The Directors believe that there is no material credit risk inherent in our Group' outstanding balance of other receivables.

As of December 31, 2019 and September 30, 2020, our cash and cash equivalents were deposited in reputable financial institutions without significant credit risk.

**Liquidity risk**

In the management of the liquidity risk, we monitor and maintain a level of cash and cash equivalents deemed adequate by the management of our Group to finance the operations and mitigate the effects of fluctuations in cash flows. For further details, see Note 34 to the Accountants' Report set out in Appendix I.

## DIVIDEND

No dividend has been paid or declared by our Company since its date of incorporation and up to the end of the Track Record Period. We currently expect to retain all future earnings for use in the operation and expansion of our business, and do not have any dividend policy to declare or any dividends to pay in the near future.

## DISTRIBUTABLE RESERVES

As of September 30, 2020, we did not have any distributable reserves.

[**REDACTED**]

Assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**], being the mid-point of the indicative [**REDACTED**] range, the [**REDACTED**] in connection with the [**REDACTED**], consisting primarily of [**REDACTED**] commission and other expenses, are estimated to be approximately RMB[**REDACTED**] million, of which nil and approximately RMB[**REDACTED**] were charged to profit or loss for the year ended December 31, 2019 and the nine months ended September 30, 2020, respectively. We expect the remaining [**REDACTED**] of approximately RMB[**REDACTED**] will be charged to profit or loss after the Track Record Period, and approximately RMB[**REDACTED**] will be deducted from the share premium. The [**REDACTED**] are expected to represent approximately [**REDACTED**]% of the gross [**REDACTED**] of the [**REDACTED**], assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] (being the mid-point of the indicative [**REDACTED**] range) and the [**REDACTED**] is not exercised. The [**REDACTED**] above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

## UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted net tangible assets of our Company is prepared in accordance with Rule 4.29 of the Listing Rules are set out below to illustrate the effect of the [**REDACTED**] on the net tangible assets of our Company as of September 30, 2020 as if the [**REDACTED**] had taken place on that date.

The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the net tangible assets of our Company had our [**REDACTED**] been completed as of September 30, 2020 or at any future dates.

| | **Audited consolidated net tangible assets of the Group attributable to owners of the Company as at September 30, 2020** | **Estimated net [REDACTED] from the [REDACTED]** | **Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company as at September 30, 2020** | **Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per share as at September 30, 2020** | |
|---|---|---|---|---|---|
| | *RMB'000 (Note 1)* | *RMB'000 (Note 2)* | *RMB'000* | *RMB (Note 3)* | *HK$ (Note 4)* |
| Based on an [REDACTED] of [REDACTED] per [REDACTED] | [206,407] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| Based on an [REDACTED] of [REDACTED] per [REDACTED] | [206,407] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| Based on an [REDACTED] of [REDACTED] per [REDACTED] | [206,407] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |

*Notes:*

(1) The consolidated net tangible assets of the Group attributable to equity holders of the Company as at September 30, 2020 was equal to the audited net assets attributable to owners of the Company as at September 30, 2020 of RMB257,018,000 after deducting of other intangible assets of RMB40,900,000 and goodwill of RMB9,711,000 as of September 30, 2020 set out in the Accountants' Report in Appendix I to this document.

(2) The estimated net [**REDACTED**] from the [**REDACTED**] are based on an [**REDACTED**] of [HK$[**REDACTED**]], [HK$[**REDACTED**]] and [HK$[**REDACTED**]], after deduction of the [**REDACTED**] fees and other related expenses payable by the Company and does not take into account any Shares which may be issued upon the exercise of the [**REDACTED**].

(3) The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after adjustments referred in note 2 above and on the basis of [**REDACTED**] Shares are in issue, assuming that the [**REDACTED**] has been completed on September 30, 2020 but does not take into account any Shares which may be sold pursuant to the exercise of the [**REDACTED**].

(4) For the purpose of this unaudited pro forma statement of adjusted net tangible assets, the balances stated in RMB are converted into HK$ at the rate of RMB1.00 to [HK$[**REDACTED**]].

(5) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to September 30, 2020.

## NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, since September 30, 2020 and up to the date of this document, there has been no material adverse change in our financial or trading position and there has been no event which would materially affect the information shown in our consolidated financial statements included in the Accountants' Report in Appendix I to this document.

## DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

## FUTURE PLANS

For a detailed description of our future plans, see "Business – Our Strategies".

## [REDACTED]

We estimate that we will receive net [**REDACTED**] from the [**REDACTED**] of approximately HK$[**REDACTED**] million after deducting the [**REDACTED**] fees and expenses payable by us in the [**REDACTED**], assuming no [**REDACTED**] is not exercised and an [**REDACTED**] of HK$[**REDACTED**] per Share, being the mid-point of the indicative [**REDACTED**] range of HK$[**REDACTED**] to HK$[**REDACTED**] per Share in this document. We intend to use the net [**REDACTED**] we will receive from the [**REDACTED**] for the following purposes, subject to changes in light of our evolving business needs and changing market conditions:

- approximately [**REDACTED**]% of the net [**REDACTED**], or approximately HK$[**REDACTED**] million, is expected to be allocated to our Core Products as follows:

  (i) approximately [**REDACTED**]% of the net [**REDACTED**], or approximately HK$[**REDACTED**] million, to fund ongoing R&D, manufacturing and marketing of Captor™ thrombectomy device in China, including (a) approximately HK$[**REDACTED**] million for the improvements on various features to and expand the range of specifications for our Captor™ thrombectomy device; (b) approximately HK$[**REDACTED**] million on the continuous expansion of market coverage of Captor™ thrombectomy device in China to penetrate into more hospitals by expanding our in-house sales and marketing team and increasing presence in academic conferences; and (c) approximately HK$[**REDACTED**] million on the expansion of our manufacturing capacity for Captor™ thrombectomy device, including upgrading our manufacturing facilities and purchasing new machineries and equipment.

  (ii) approximately [**REDACTED**]% of the net [**REDACTED**], or approximately HK$[**REDACTED**] million, to fund R&D, planned manufacturing and marketing of LAA occluder in China, including (a) approximately HK$[**REDACTED**] million for the improvements on various features to our LAA occluder; (b) approximately HK$[**REDACTED**] million on the preparation of commercial launch of LAA occluder in China; and (c) approximately HK$[**REDACTED**] million on the expansion of our manufacturing capacity for LAA occluder.

- approximately [**REDACTED**]% of the net [**REDACTED**], or approximately HK$[**REDACTED**] million, is expected to be allocated to other product candidates in our pipeline as follows:

  (i) approximately [**REDACTED**]% of the net [**REDACTED**], or approximately HK$[**REDACTED**] million, to fund ongoing and planned R&D of our product candidates for ischemic stroke treatment and prevention;

(ii) approximately [**REDACTED**]% of the net [**REDACTED**], or approximately HK$[**REDACTED**] million, to fund ongoing and planned R&D of our product candidates for hemorrhagic stroke treatment and our vascular access product candidates;

(iii) approximately [**REDACTED**]% of the net [**REDACTED**], or approximately HK$[**REDACTED**] million, on the expansion of our manufacturing capacity (including purchasing new machineries and equipment) and the commercial launch (including marketing and sales) for our product pipeline.

- approximately [**REDACTED**]% of the net [**REDACTED**], or approximately HK$[**REDACTED**] million, to fund improvements to our R&D capacities and our continued expansion of product portfolio through internal research;

- approximately [**REDACTED**]% of the net [**REDACTED**], or approximately HK$[**REDACTED**] million, is expected to be used for working capital and general corporate purposes.

We estimate that we will receive from the [**REDACTED**] net [**REDACTED**], after deducting the [**REDACTED**] fees and estimated expenses payable by us in connection with the [**REDACTED**], in the amount as set forth in the following table:

| | **Based on the low-end of the proposed [REDACTED] range of HK$[REDACTED]** | **Based on the mid-point of the proposed [REDACTED] range of HK$[REDACTED]** | **Based on the high-end of the proposed [REDACTED] range of HK$[REDACTED]** |
|---|---|---|---|
| Assuming the [**REDACTED**] is not exercised | Approximately HK$[**REDACTED**] million | Approximately HK$[**REDACTED**] million | Approximately HK$[**REDACTED**] million |
| Assuming the [**REDACTED**] is exercised in full | Approximately HK$[**REDACTED**] million | Approximately HK$[**REDACTED**] million | Approximately HK$[**REDACTED**] million |

To the extent that the net [**REDACTED**] from the [**REDACTED**] (including the net [**REDACTED**] from the exercise of the [**REDACTED**]) are either more or less than expected, we will adjust our allocation of the net [**REDACTED**] for the above purposes on a pro rata basis.

To the extent that the net [**REDACTED**] from the [**REDACTED**] are not immediately used for the above purposes, we currently intend to deposit such net [**REDACTED**] into short-term interest-bearing accounts, such as savings accounts or money market funds, with licensed commercial banks or other authorized financial institutions.

We will issue an announcement if there is any material change in the abovementioned [**REDACTED**].

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

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The following is the text of a report received from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Document.

**The Directors**
**Shanghai HeartCare Medical Technology Corporation Limited**
**Goldman Sachs (Asia) L.L.C.**
**China International Capital Corporation Hong Kong Securities Limited**

**Dear Sirs,**

We report on the historical financial information of Shanghai HeartCare Medical Technology Corporation Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-57, which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group, for the year ended 31 December 2019 and the nine months ended 30 September 2020 (the "Relevant Periods"), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2019 and 30 September 2020 and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-57 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [Date] (the "Document") in connection with the initial [**REDACTED**] of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

## DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

## REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**OPINION**

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group and the Company as at 31 December 2019 and 30 September 2020 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

**REVIEW OF INTERIM COMPARATIVE FINANCIAL INFORMATION**

We have reviewed the interim comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the nine months ended 30 September 2019 and other explanatory information (the "Interim Comparative Financial Information"). The directors of the Company are responsible for the preparation of the Interim Comparative Financial Information in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

## REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

### Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

### Dividends

We refer to Note 11 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

Yours faithfully,
**[●]**
*Certified Public Accountants*
Hong Kong
[Date]

## I. HISTORICAL FINANCIAL INFORMATION

### Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

## CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | | Year ended 31 December | Nine months ended 30 September | |
|---|---|---|---|---|
| | *NOTES* | **2019** | **2019** | **2020** |
| | | *RMB'000* | *RMB'000 (unaudited)* | *RMB'000* |
| REVENUE | *5* | – | – | 7,293 |
| Cost of sales | | – | – | (4,293) |
| Gross profit | | – | – | 3,000 |
| Other income and gains | *5* | 3,108 | 82 | 3,383 |
| Other expenses | | – | – | (1,439) |
| Research and development costs | | (51,110) | (43,150) | (20,024) |
| Selling and distribution expenses | | (1,039) | (383) | (6,950) |
| Administrative expenses | | (26,395) | (18,981) | (40,571) |
| Finance costs | *6* | (62) | (48) | (882) |
| [**REDACTED**] | | – | – | (4,262) |
| LOSS BEFORE TAX | *7* | (75,498) | (62,480) | (67,745) |
| Income tax expense | *10* | – | – | – |
| LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR/PERIOD | | (75,498) | (62,480) | (67,745) |
| Attributable to: | | | | |
| Owners of the parent | | (75,498) | (62,480) | (67,745) |
| LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT | | | | |
| Basic and diluted (RMB) | *12* | (4.02) | (3.45) | (3.25) |

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | NOTES | As at 31 December 2019 | As at 30 September 2020 |
|---|---|---|---|
| | | *RMB'000* | *RMB'000* |
| **NON-CURRENT ASSETS** | | | |
| Plant and equipment | *13* | 23,033 | 22,547 |
| Goodwill | *14* | – | 9,711 |
| Other intangible assets | *15* | – | 40,900 |
| Right-of-use assets | *16* | 1,181 | 23,140 |
| Prepayments, other receivables and other assets, non-current | *18* | 2,800 | 8,300 |
| **Total non-current assets** | | 27,014 | 104,598 |
| **CURRENT ASSETS** | | | |
| Inventories | *17* | 247 | 7,188 |
| Prepayments, other receivables and other assets, current | *18* | 8,247 | 16,408 |
| Financial assets at fair value through profit or loss ("FVTPL") | *19* | 30,227 | – |
| Cash and cash equivalents | *20* | 25,548 | 247,635 |
| **Total current assets** | | 64,269 | 271,231 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | *21* | 2,466 | 64,617 |
| Lease liabilities, current | *16* | 1,114 | 804 |
| Government grants, current | *22* | 733 | 1,467 |
| Contract liabilities | *23* | – | 677 |
| **Total current liabilities** | | 4,313 | 67,565 |
| **NET CURRENT ASSETS** | | 59,956 | 203,666 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | 86,970 | 308,264 |
| **NON-CURRENT LIABILITIES** | | | |
| Lease liabilities, non-current | *16* | 130 | 24,168 |
| Government grants, non-current | *22* | 5,767 | 4,667 |
| Deferred tax liabilities | *24* | – | 10,225 |
| **Total non-current liabilities** | | 5,897 | 39,060 |
| **Net assets** | | 81,073 | 269,204 |
| **EQUITY** | | | |
| Equity attributable to owners of the parent | | | |
| Paid-in capital | *25* | 20,571 | 27,878 |
| Reserves | *26* | 60,502 | 229,140 |
| | | 81,073 | 257,018 |
| Non-controlling interests | | – | 12,186 |
| **Total equity** | | 81,073 | 269,204 |

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| | Paid-in capital | Capital reserve | Other reserve | Accumulated losses | Total |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **At 1 January 2019** | 16,385 | 30,615 | 37,084 | (68,034) | 16,050 |
| Loss and total comprehensive loss for the year | – | – | – | (75,498) | (75,498) |
| Equity-settled share award expense *(Note 27)* | – | – | 45,106 | – | 45,106 |
| Capital contribution from shareholders *(Note 25)* | 4,186 | 91,229 | – | – | 95,415 |
| **At 31 December 2019** | 20,571 | 121,844 | 82,190 | (143,532) | 81,073 |

| | Attributable to owners of the parent | | | | | |
|---|---|---|---|---|---|---|
| | Paid-in capital | Capital reserve | Other reserve | Accumulated losses | Non-controlling interests | Total |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **At 1 January 2020** | 20,571 | 121,844 | 82,190 | (143,532) | – | 81,073 |
| Loss and total comprehensive loss for the period | – | – | – | (67,745) | – | (67,745) |
| Equity-settled share award expense *(Note 27)* | – | – | 29,197 | – | – | 29,197 |
| Restricted share repurchase obligations *(Note 27)* | – | – | (30,000) | – | – | (30,000) |
| Capital contribution from shareholders *(Note 25)* | 7,307 | 237,186 | – | – | – | 244,493 |
| Acquisition of a subsidiary *(Note 28)* | – | – | – | – | 12,186 | 12,186 |
| **At 30 September 2020** | 27,878 | 359,030 | 81,387 | (211,277) | 12,186 | 269,204 |

| | Paid-in capital | Capital reserve | Other reserve | Accumulated losses | Total |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **At 1 January 2019** | 16,385 | 30,615 | 37,084 | (68,034) | 16,050 |
| Loss and total comprehensive loss for the period (unaudited) | – | – | – | (62,480) | (62,480) |
| Equity-settled share award expense (unaudited) *(Note 27)* | – | – | 38,642 | – | 38,642 |
| Capital contribution from shareholders (unaudited) *(Note 25)* | 4,186 | 91,229 | – | – | 95,415 |
| **At 30 September 2019 (unaudited)** | 20,571 | 121,844 | 75,726 | (130,514) | 87,627 |

## CONSOLIDATED STATEMENTS OF CASH FLOWS

| | | Year ended 31 December | Nine months ended 30 September | |
|---|---|---|---|---|
| | | 2019 | 2019 | 2020 |
| | | *RMB'000* | *RMB'000 (unaudited)* | *RMB'000* |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Loss before tax | | (75,498) | (62,480) | (67,745) |
| Adjustments for: | | | | |
| Finance costs | *6* | 62 | 48 | 882 |
| Bank interest income | *5* | (67) | (39) | (94) |
| Fair value gains on financial assets at FVTPL | *5* | (272) | – | (188) |
| Depreciation of plant and equipment | *13* | 1,480 | 754 | 3,581 |
| Depreciation of right-of-use assets | *16* | 862 | 617 | 2,574 |
| Income from government grants for plant and equipment | | – | – | (367) |
| Loss on disposal of plant and equipment | | – | – | 118 |
| Equity-settled share award expense | *27* | 45,106 | 38,642 | 29,197 |
| | | (28,327) | (22,458) | (32,042) |
| Increase in inventories | | (247) | – | (6,765) |
| Increase in prepayments and other receivables | | (3,242) | (11,800) | (5,608) |
| (Decrease)/increase in trade and other payables | | (475) | 365 | 4,856 |
| Increase in contract liabilities | | – | – | 677 |
| Net cash flows used in operating activities | | (32,291) | (33,893) | (38,882) |

| | | Year ended 31 December | Nine months ended 30 September | |
|---|---|---|---|---|
| | | 2019 | 2019 | 2020 |
| | | *RMB'000* | *RMB'000 (unaudited)* | *RMB'000* |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Purchase of financial assets at FVTPL | | (45,000) | – | – |
| Purchases of items of plant and equipment | | (20,815) | (6,688) | (7,534) |
| Increase in rental deposits | | (1,090) | (153) | (504) |
| Loan lent to SealMed before the acquisition date | | – | – | (5,000) |
| Interest received | | 67 | 39 | 94 |
| Proceeds from disposal of financial assets at FVTPL | | 15,045 | – | 30,415 |
| Receipt of government grants for plant and equipment | | 6,500 | 6,500 | – |
| Acquisition of a subsidiary | | – | – | 95 |
| Net cash flows from/(used in) investing activities | | (45,293) | (302) | 17,566 |
| CASH FLOWS FINANCING ACTIVITIES | | | | |
| Capital contribution from shareholders | *25* | 95,415 | 95,415 | 244,493 |
| [**REDACTED**] | | – | – | (624) |
| Repayment of lease liabilities | *16* | (916) | (641) | (466) |
| Net cash flows from financing activities | | 94,499 | 94,774 | 243,403 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | 16,915 | 60,579 | 222,087 |
| Cash and cash equivalents at beginning of year/period | *20* | 8,633 | 8,633 | 25,548 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/PERIOD | *20* | 25,548 | 69,212 | 247,635 |

## STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

| | NOTES | As at 31 December 2019 | As at 30 September 2020 |
|---|---|---|---|
| | | *RMB'000* | *RMB'000* |
| **NON-CURRENT ASSETS** | | | |
| Plant and equipment | *13* | 23,033 | 21,277 |
| Right-of-use assets | *16* | 1,181 | 447 |
| Investments in subsidiaries | | 3,000 | 35,146 |
| Prepayments, other receivables and other assets, non-current | *18* | 925 | 2,116 |
| **Total non-current assets** | | 28,139 | 58,986 |
| **CURRENT ASSETS** | | | |
| Inventories | *17* | 247 | 7,012 |
| Prepayments, other receivables and other assets, current | *18* | 8,222 | 15,067 |
| Due from a subsidiary | *31* | – | 5,000 |
| Financial assets at fair value through profit or loss | *19* | 30,227 | – |
| Cash and cash equivalents | *20* | 24,502 | 243,282 |
| **Total current assets** | | 63,198 | 270,361 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | *21* | 2,463 | 58,097 |
| Lease liabilities, current | *16* | 1,114 | 804 |
| Government grants, current | *22* | 733 | 1,467 |
| Contract liabilities | *23* | – | 677 |
| **Total current liabilities** | | 4,310 | 61,045 |
| **NET CURRENT ASSETS** | | 58,888 | 209,316 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | 87,027 | 268,302 |
| **NON-CURRENT LIABILITIES** | | | |
| Lease liabilities, non-current | *16* | 130 | – |
| Government grants, non-current | *22* | 5,767 | 4,667 |
| **Total non-current liabilities** | | 5,897 | 4,667 |
| **Net assets** | | 81,130 | 263,635 |
| **EQUITY** | | | |
| Paid-in capital | *25* | 20,571 | 27,878 |
| Reserves | *26* | 60,559 | 235,757 |
| **Total equity** | | 81,130 | 263,635 |

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

### 1. CORPORATE INFORMATION

Shanghai HeartCare Medical Technology Corporation Limited (the "Company") was incorporated in the People's Republic of China ("PRC") on 16 June 2016 as a limited liability company. On 3 December 2020, the Company was converted into a joint stock company with limited liability under the Company Law of the PRC. The registered office of the Company is located at Room 201, Block 4, 590 Ruiqing Road, Zhangjiang High Tech Industry East District, Shanghai, PRC.

During the Relevant Periods, the Company and its subsidiaries (together, the "Group") were principally engaged in the research, development, manufacturing and sale of neuro-interventional medical devices.

As at the date of this report, the Company had direct interests in its subsidiaries, all of which are private limited liability companies, the particulars of which are as follows:

| | Place and date of incorporation and place of operations | Nominal value of registered paid-in capital | Percentage of equity attributable to the Company as at | | | | Principal activities |
|---|---|---|---|---|---|---|---|
| | | | 31 December | 30 September | | the date of this | |
| | | | 2019 | 2019 | 2020 | report | |
| Weiming Medical Devices (Shanghai) Co., Ltd. ("Weiming")* (瑋銘醫療器械(上海)有限公司) *(Note (a))* | Shanghai, PRC 11 September 2019 | RMB40,000,000 | 100% | 100% | 100% | 100% | Manufacturing and sale of medical devices |
| Nanjing SealMed Medical Technology Co., Ltd.* ("SealMed") (南京思脈德醫療科技有限公司) *(Note (b)) (Note 28)* | Nanjing, PRC 16 November 2017 | RMB10,200,000 | – | – | 55.88% | 55.88% | Research and development of medical devices |

*Notes:*

(a) The statutory financial statements of this entity for the period from 11 September 2019 to 31 December 2019 prepared in accordance with the PRC Generally Accepted Accounting Principles ("PRC GAAP") was audited by Shanghai Jinrui Certified Public Accountants Co., Ltd..

(b) The statutory financial statements of this entity for the year ended 31 December 2019 prepared in accordance with the Accounting Standards for Small Enterprises was audited by Nanjing Huashengxinwei Certified Public Accountants.

* The English names of these entities registered in PRC represent the best efforts made by the management of the Company to directly translate their Chinese names as they did not register any official English names.

### 2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise all standards and interpretations approved by the International Accounting Standards Board ("IASB"). All IFRSs effective for the accounting period commencing from 1 January 2020, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods and in the period covered by the Interim Comparative Financial Information.

The Historical Financial Information has been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which have been measured at fair value.

## 2.2 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective, in the Historical Financial Information.

| | |
|---|---|
| Amendments to IAS 1 | *Classification of Liabilities as Current or Non-current*[2] |
| Amendments to IFRS 3 | *Reference to the Conceptual Framework*[4] |
| Amendments to IAS 16 | *Property, Plant and Equipment: Proceeds before Intended Use*[1] |
| Amendments to IAS 37 | *Onerous Contracts – Cost of Fulfilling a Contract*[1] |
| IFRS 17 | *Insurance Contracts*[2] |
| Amendments to IFRS 17 | *Insurance Contracts*[2,7] |
| Amendments to IAS 28 and IFRS 10 | *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3] |
| Amendments to IFRS 4 | *Extension of the Temporary Exemption from Applying IFRS 9*[2] |
| Amendment to IFRS 16 | *Accounting for Covid-19 Related Rent Concessions*[5] |
| Amendments to IFRS 9, IAS 39, IFRS7, IFRS 4 and IFRS 16 | *Interest Rate Benchmark Reform – Phase 2*[6] |
| Annual Improvements to IFRSs 2018-2020 | *Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41*[1] |

1 Effective for annual periods beginning on or after 1 January 2022

2 Effective for annual periods beginning on or after 1 January 2023

3 No mandatory effective date yet determined but available for adoption

4 Business combinations for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2022

5 Effective for annual periods beginning on or after 1 June 2020

6 Effective for annual periods beginning on or after 1 January 2021

7 As a consequence of the amendments to IFRS 17 issued in October 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

These issued but not yet effective IFRSs are not expected to have any significant impact on the Group's Historical Financial Information.

## 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Subsidiaries**

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

**Business combinations and goodwill**

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date.

Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquire over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

**Fair value measurement**

The Group measures its derivative financial instruments at fair value through profit or loss at the end of each of the Relevant Periods. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each of the Relevant Periods.

**Impairment of non-financial assets**

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the Relevant Periods as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

**Related parties**

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and 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 of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same Group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group 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); and

(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 parent of the Group.

**Plant and equipment and depreciation**

Plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

| | |
|---|---|
| Leasehold improvements | 20% |
| Machinery and equipment | 18%-30% |

Where parts of an item of plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at the end of each of the Relevant Periods.

An item of plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

**Intangible assets (other than goodwill)**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

***Intellectual properties***

Intellectual properties are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 10 years after commercialisation. Impairment testing of goodwill is to be performed at the year end.

***Research and development costs***

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

**Leases**

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

***Group as a lessee***

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

*(a) Right-of-use assets*

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Where applicable, the cost of a right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

| | |
|---|---|
| Plant and office premises | 2 to 10 years |

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

*(b) Lease liabilities*

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

*(c) Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of offices (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

**Investments and other financial assets**

***Initial recognition and measurement***

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

***Subsequent measurement***

The subsequent measurement of financial assets depends on their classification as follows:

*Financial assets at amortised cost (debt instruments)*

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

*Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

**Derecognition of financial assets**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

**Impairment of financial assets**

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

***General approach***

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

***Simplified approach***

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

**Financial liabilities**

***Initial recognition and measurement***

Financial liabilities are classified, at initial recognition, as payables as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and lease liabilities.

***Subsequent measurement***

The subsequent measurement of financial liabilities depends on their classification as follows:

***Financial liabilities at amortised cost (loans and borrowings)***

After initial recognition, loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

**Derecognition of financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

**Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

**Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

**Cash and cash equivalents**

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

**Provisions**

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each of the Relevant Periods of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

**Income tax**

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each of the Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each of the Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each of the Relevant Periods and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

**Government grants**

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

**Revenue recognition**

***Revenue from contracts with customers***

Revenue from contracts with customers is recognised when control of goods is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

***Sale of medical devices***

Revenue from the sale of medical devices is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the medical devices.

Some contracts for the sale of medical devices provide customers with rights of sales rebates. The rights of sales rebates give rise to variable consideration.

*(i) Sales rebates*

Retrospective sales rebates may be provided to certain customers once the amount of products purchased during the period exceeds a threshold or the rank of credit exceeds a certain level specified in the contract. Rebates are provided in the form of products. The most likely amount method is used to estimate the variable consideration. The selected method that best predicts the amount of variable consideration is primarily driven by the sales amount thresholds contained in the contract. The requirements on constraining estimates of variable consideration are applied and a liability for the expected future rebates is recognised in contract liabilities.

*(ii) Contract liabilities*

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods to the customer).

***Other income***

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

**Share-based payments**

The Company operates share award schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted less the consideration received by the Group. The fair value of share awards is determined using the market approach. Further details are included in Note 27 to the Historical Financial Information.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each of the Relevant Periods until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period. Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

**Other employee benefits**

***Pension scheme***

The employees of the Group are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

**Dividends**

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

**Foreign currencies**

The Historical Financial Information is presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the Relevant Periods. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

**Judgements**

There is no significant effect on the amounts recognised in the Historical Financial Information arising from the judgements, apart from those involving estimations, made by management in the process of applying the Group's accounting policies.

**Estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

***Recognition of income taxes and deferred tax assets***

Determining income tax provision involves judgement on the future tax treatment of certain transactions and when certain matters relating to the income taxes have not been confirmed by the local tax bureau. Management evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatments of such transactions are reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognised in respect of deductible temporary differences and unused tax losses. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and the losses can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is revised as necessary and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

***Useful lives and residual values of plant and equipment***

In determining the useful lives and residual values of items of plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset and the legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way.

Additional depreciation is recognised if the estimated useful lives and/or the residual values of items of plant and equipment are different from the previous estimation. Useful lives and residual values are reviewed at the end of each of the Relevant Periods based on changes in circumstances.

***Impairment of non-financial assets (other than goodwill)***

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and non-current assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

***Impairment of goodwill***

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of goodwill at 31 December 2019 and 30 September 2020 were nil and RMB9,711,000, respectively. Further details are given in Note 14 to the Historical Financial Information.

## 4. OPERATING SEGMENT INFORMATION

**Segment information**

For management purposes, the Group is not organised into business units based on their products and only has one reportable operating segment. Management monitors the operating results of the Group's operating segment as a whole for the purpose of making decisions about resource allocation and performance assessment.

**Geographical Information**

During the Relevant Periods, all of the Group's revenue was derived from customers located in Mainland China and all of the Group's non-current assets were located in the Mainland China, and therefore no geographical segment information is presented in accordance with IFRS 8 *Operation Segments*.

**Information about major customers**

Revenue from each major customer which accounted for 10% or more of the Group's revenue during the Relevant Periods and the nine months ended 30 September 2019 is set out below:

| | Year ended 31 December | Nine months ended 30 September | |
|---|---|---|---|
| | 2019 | 2019 | 2020 |
| | *RMB'000* | *RMB'000 (Unaudited)* | *RMB'000* |
| Customer A | – | – | 2,712 |
| Customer B | – | – | 2,071 |

## 5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

| | Year ended 31 December | Nine months ended 30 September | |
|---|---|---|---|
| | 2019 | 2019 | 2020 |
| | *RMB'000* | *RMB'000 (Unaudited)* | *RMB'000* |
| *Revenue from contracts with customers* | | | |
| Sale of medical devices | – | – | 7,293 |

**Revenue from contracts with customers**

***(a) Disaggregated revenue information***

| | Year ended 31 December | Nine months ended 30 September | |
|---|---|---|---|
| | 2019 | 2019 | 2020 |
| | *RMB'000* | *RMB'000 (Unaudited)* | *RMB'000* |
| **Geographical markets** | | | |
| Mainland China | – | – | 7,293 |
| **Timing of revenue recognition** | | | |
| Goods transferred at a point in time | – | – | 7,293 |

There was no revenue recognised during the Relevant Periods and the nine months ended 30 September 2019 that was included in the contract liabilities at the beginning of each of the Relevant Periods and recognised from performance obligations satisfied in previous periods.

***(b) Performance obligations***

Information about the Group's performance obligations is summarised below:

*Sale of medical devices*

The performance obligation is satisfied upon transfer of the products to the logistics companies and payment in advance is normally required. Some contracts provide customers with volume rebates which give rise to variable consideration subject to constraint.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at the end of reporting period are as follows:

| | Year ended 31 December | Nine months ended 30 September | |
|---|---|---|---|
| | 2019 | 2019 | 2020 |
| | *RMB'000* | *RMB'000 (Unaudited)* | *RMB'000* |
| Within one year | – | – | 677 |

All the amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year.

An analysis of other income and gains is as follows:

| | Year ended 31 December | Nine months ended 30 September | |
|---|---|---|---|
| | 2019 | 2019 | 2020 |
| | *RMB'000* | *RMB'000 (Unaudited)* | *RMB'000* |
| Other income | | | |
| Government grants* | 2,768 | 43 | 3,101 |
| Bank interest income | 67 | 39 | 94 |
| | 2,835 | 82 | 3,195 |
| Gains | | | |
| Foreign exchange gains, net | 1 | – | – |
| Fair value gains on financial assets at FVTPL | 272 | – | 188 |
| | 3,108 | 82 | 3,383 |

* The government grants mainly represent subsidies received from local government authorities for the purpose of compensation for expenditure arising from research and clinical trial activities, awards for new medical device development and capital expenditure incurred on certain projects.

## 6. FINANCE COSTS

| | Year ended 31 December | Nine months ended 30 September | |
|---|---|---|---|
| | 2019 | 2019 | 2020 |
| | *RMB'000* | *RMB'000 (Unaudited)* | *RMB'000* |
| Interest on lease liabilities | 62 | 48 | 857 |
| Interest on restricted share repurchase obligations *(Note 27)* | – | – | 25 |
| | 62 | 48 | 882 |

## 7. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

| | Notes | Year ended 31 December 2019 | Nine months ended 30 September 2019 | Nine months ended 30 September 2020 |
|---|---|---|---|---|
| | | *RMB'000* | *RMB'000 (Unaudited)* | *RMB'000* |
| Cost of sales | | – | – | 4,293 |
| Research and development costs | | 51,110 | 43,150 | 20,024 |
| Depreciation of plant and equipment | *13* | 1,480 | 754 | 3,581 |
| Depreciation of right-of-use assets | *16* | 862 | 617 | 2,574 |
| Government grants | *5* | (2,768) | (43) | (3,101) |
| Bank interest income | *5* | (67) | (39) | (94) |
| Fair value gains on financial assets at FVTPL | *5* | (272) | – | (188) |
| [**REDACTED**] | | – | – | 4,262 |
| Lease payments not included in the measurement of lease liabilities | | – | – | 34 |
| Auditors' remuneration | | 19 | 19 | 1,379 |
| Employee benefit expenses | | | | |
| – Wages, salaries and allowances | | 6,172 | 3,758 | 10,279 |
| – Pension scheme contributions | | 1,243 | 802 | 568 |
| – Staff welfare expenses | | 130 | 83 | 287 |
| – Equity-settled share award expenses | *27* | 45,106 | 38,642 | 29,197 |
| Foreign exchange differences, net | *5* | (1) | – | 330 |

## 8. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S REMUNERATION

The Company did not have any independent non-executive directors at any time before 23 November 2020. Mr. Shaomu Guo, Mr. Xiangqian Feng and Mr. Ping Gong were appointed as independent non-executive directors of the Company on 23 November 2020, 23 November 2020 and 11 January 2021, respectively.

Certain directors received remuneration from the Company for their appointment as executive and non-executive directors. The remuneration of each of these directors as recorded in the financial statements of the Company is set out below:

| | Year ended December 31 2019 | Nine months ended September 30 2019 | Nine months ended September 30 2020 |
|---|---|---|---|
| | *RMB'000* | *RMB'000 (Unaudited)* | *RMB'000* |
| Fees: | – | – | – |
| Other emoluments: | | | |
| Salaries, bonuses, allowances and benefits in kind | 800 | 490 | 983 |
| Pension scheme contributions | 50 | 38 | 4 |
| Equity-settled share award expense | 28,351 | 21,885 | 21,814 |
| | 29,201 | 22,413 | 22,801 |

**Executive directors**

| | Salaries, allowances and benefits in kind | Pension scheme contributions | Equity-settled share award expense | Total remuneration |
|---|---|---|---|---|
| **Year ended 31 December 2019** | | | | |
| Mr. Guohui Wang | 656 | 50 | 21,885 | 22,591 |
| Ms. Kun Zhang(1) | 144 | – | 6,466 | 6,610 |
| | 800 | 50 | 28,351 | 29,201 |
| **Nine months ended 30 September 2020** | | | | |
| Mr. Guohui Wang | 563 | 4 | 12,878 | 13,445 |
| Ms. Kun Zhang | 420 | – | 4,468 | 4,888 |
| | 983 | 4 | 17,346 | 18,333 |
| **Nine months ended 30 September 2019** | | | | |
| Mr. Guohui Wang | 466 | 38 | 21,885 | 22,389 |
| Ms. Kun Zhang(1) | 24 | – | – | 24 |
| | 490 | 38 | 21,885 | 22,413 |

**Non-executive directors**

| | Salaries, allowances and benefits in kind | Pension scheme contributions | Equity-settled share award expense | Total remuneration |
|---|---|---|---|---|
| **Year ended 31 December 2019** | | | | |
| Mr. Kui Ding | – | – | – | – |
| **Nine months ended 30 September 2020** | | | | |
| Mr. Kui Ding | – | – | 4,468 | 4,468 |
| Mr. Yanbin Liu(2) | – | – | – | – |
| Mr. Gang Chen(2) | – | – | – | – |
| Mr. Xiangyu Ouyang(2) | – | – | – | – |
| | – | – | 4,468 | 4,468 |
| **Nine months ended 30 September 2019** | | | | |
| Mr. Kui Ding | – | – | – | – |

(1) Ms. Kun Zhang was appointed as supervisor with effect from 20 April 2018. On 2 September 2019, Ms. Kun Zhang was removed from supervisor and appointed as executive director.

(2) Mr. Yanbin Liu, Mr. Gang Chen and Mr. Xiangyu Ouyang were appointed as non-executive directors with effect from 14 April 2020, 30 June 2020 and 30 June 2020, respectively.

During the Relevant Periods and the nine months ended 30 September 2019, shares were granted to Ms. Kun Zhang, Mr. Kui Ding and Mr. Guohui Wang in respect of their services to the Group, further details of which are included in the disclosures in Note 27. The fair value of such awarded shares, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the Historical Financial Information for the Relevant Periods and the nine months ended 30 September 2019 is included in the above directors' remuneration disclosures.

Mr. Guohui Wang is also the chief executive of the Company, and his remuneration disclosed above included the amount derived from the services rendered by him as the chief executive.

**Supervisors**

| | Salaries, allowances and benefits in kind | Pension scheme contributions | Equity-settled share award expense | Total remuneration |
|---|---|---|---|---|
| **Year ended 31 December 2019** | | | | |
| Mr. Baolei Zhou[1] | – | – | – | – |
| Mr. Jianghua Mei[1] | – | – | – | – |
| Ms. Kun Zhang | 210 | – | – | 210 |
| | 210 | – | – | 210 |
| **Nine months ended 30 September 2020** | | | | |
| Mr. Tingyu Xing[2] | 394 | 4 | 347 | 745 |
| Mr. Baolei Zhou | – | – | – | – |
| Mr. Jianghua Mei | – | – | – | – |
| | 394 | 4 | 347 | 745 |
| **Nine months ended 30 September 2019** | | | | |
| Mr. Baolei Zhou | – | – | – | – |
| Mr. Jianghua Mei | – | – | – | – |
| Ms. Kun Zhang | 210 | – | – | 210 |
| | 210 | – | – | 210 |

(1) Mr. Baolei Zhou and Mr. Jianghua Mei were appointed as supervisors with effect from 2 September 2019.

(2) Mr. Tingyu Xing was appointed as supervisor with effect from 16 September 2020.

## 9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the Relevant Periods and the nine months ended 30 September 2019 included two, three and one directors, respectively, details of whose remuneration are set out in Note 8 above. Details of the remuneration for the remaining three, two and four highest paid employees who are neither a director nor chief executive of the Company during the Relevant Periods and the nine months ended 30 September 2019 are as follows:

| | Year ended 31 December | Nine months ended 30 September | |
|---|---|---|---|
| | 2019 | 2019 | 2020 |
| | *RMB'000* | *RMB'000 (Unaudited)* | *RMB'000* |
| Salaries, bonuses, allowances and benefits in kind | 2,296 | 1,392 | 2,229 |
| Pension scheme contributions | 119 | 83 | 12 |
| Equity-settled share award expense | 42,577 | 36,782 | 22,779 |
| | 44,992 | 38,257 | 25,020 |

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

| | Number of employees | | |
|---|---|---|---|
| | Year ended 31 December | Nine months ended 30 September | |
| | 2019 | 2019 | 2020 |
| | *RMB'000* | *RMB'000 (Unaudited)* | *RMB'000* |
| Nil to HKD1,000,000 | – | 1 | 2 |
| HKD1,500,001 to HKD2,000,000 | – | 1 | – |
| HKD2,000,001 to HKD2,500,000 | 1 | – | – |
| HKD2,500,001 to HKD3,000,000 | 1 | 1 | – |
| HKD5,500,001 to HKD6,000,000 | – | – | 1 |
| HKD12,500,001 to HKD13,000,000 | 1 | 1 | – |
| | 3 | 4 | 3 |

During the Relevant Periods and the nine months ended 30 September 2019, shares were granted to certain non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in Note 27 to the Historical Financial Information. The fair value of such awarded shares, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the Historical Financial Information for the Relevant Periods and the nine months ended 30 September 2019 is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

## 10. INCOME TAX

The provision for corporate income tax in Mainland China is based on the statutory rate of 25% of the assessable profits as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008.

The income tax expense of the Group for the Relevant Periods and the nine months ended 30 September 2019 is analysed as follows:

| | Year ended 31 December | Nine months ended 30 September | |
|---|---|---|---|
| | 2019 | 2019 | 2020 |
| | *RMB'000* | *RMB'000 (Unaudited)* | *RMB'000* |
| Current tax: | | | |
| Charge for the year/period | – | – | – |
| Deferred tax | – | – | – |
| Total tax charge for the year/period | – | – | – |

A reconciliation of the tax expense applicable to loss before tax at the statutory rate to the tax expense at the effective tax rate is as follows:

| | Year ended 31 December | Nine months ended 30 September | |
|---|---|---|---|
| | 2019 | 2019 | 2020 |
| | *RMB'000* | *RMB'000 (Unaudited)* | *RMB'000* |
| Loss before tax | (75,498) | (62,480) | (67,745) |
| Tax at the applicable tax rate of 25% | (18,875) | (15,620) | (16,936) |
| Expenses not deductible for tax purpose | 11,395 | 9,722 | 8,097 |
| Additional deductible allowance for research and development expenses | (3,949) | (3,064) | (3,372) |
| Deductible temporary difference and tax losses not recognised | 11,429 | 8,962 | 12,211 |
| Tax charge at the Group's effective rate | – | – | – |

The Group has accumulated tax losses of RMB89,807,000, RMB80,555,000 and RMB136,552,000 as at 31 December 2019, 30 September 2019 and 30 September 2020, respectively, that will expire in one to five years for offsetting against future taxable profits of the companies in which the losses arose.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in the Group that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

## 11. DIVIDENDS

No dividend has been paid or declared by the Company during the Relevant Periods and the nine months ended 30 September 2019.

## 12. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

In December 2020, the Company was converted to a joint stock limited liability company, total 28,000,000 ordinary shares with par value of RMB1.00 each were issued and allotted to the respective shareholders of the Company according to the paid-in capital registered under these shareholders on that day. The conversion to ordinary shares with par value of RMB1.00 each is applied retrospectively for the year ended 31 December 2019 and the nine months ended 30 September 2019 and 2020 for the purpose of computation of basic earnings per share.

The calculation of the basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the parent and the weighted average number of paid-in capital in issue for the year ended 31 December 2019 and the nine months ended 30 September 2019 and 2020.

No adjustment has been made to the basic loss per share amounts presented for the year ended 31 December 2019 and the nine months ended 30 September 2019 and 2020 in respect of a dilution as the impact of the share award scheme had an anti-dilutive effect on the basic loss per share amounts presented.

The calculations of basic and diluted loss per share are based on:

| | Year ended 31 December | Nine months ended 30 September | |
|---|---|---|---|
| | 2019 | 2019 | 2020 |
| | | *(Unaudited)* | |
| Loss | | | |
| Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculation (RMB'000) | (75,498) | (62,480) | 67,745 |
| Shares | | | |
| Weighted average number of ordinary shares in issue during the year/period used in the basic loss per share calculation | 18,780,419 | 18,146,441 | 20,773,284 |
| Loss per share (basic and diluted) (RMB per share) | (4.02) | (3.44) | (3.26) |

## 13. PLANT AND EQUIPMENT

**The Group and the Company**

| | Leasehold improvements | Machinery and equipment | Total |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **31 December 2019** | | | |
| At 1 January 2019: | | | |
| Cost | 2,479 | 399 | 2,878 |
| Accumulated depreciation | (398) | (79) | (477) |
| Net carrying amount | 2,081 | 320 | 2,401 |
| At 1 January 2019, net of accumulated depreciation | 2,081 | 320 | 2,401 |
| Additions | 6,441 | 15,671 | 22,112 |
| Depreciation provided during the year | (790) | (690) | (1,480) |
| At 31 December 2019, net of accumulated depreciation | 7,732 | 15,301 | 23,033 |
| At 31 December 2019: | | | |
| Cost | 8,920 | 16,070 | 24,990 |
| Accumulated depreciation | (1,188) | (769) | (1,957) |
| Net carrying amount | 7,732 | 15,301 | 23,033 |

**The Group**

| | Leasehold improvements | Machinery and equipment | Total |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **30 September 2020** | | | |
| At 1 January 2020: | | | |
| Cost | 8,920 | 16,070 | 24,990 |
| Accumulated depreciation | (1,188) | (769) | (1,957) |
| Net carrying amount | 7,732 | 15,301 | 23,033 |
| At 1 January 2020, net of accumulated depreciation | 7,732 | 15,301 | 23,033 |
| Additions | – | 1,943 | 1,943 |
| Acquisition of a subsidiary *(Note 28)* | 565 | 705 | 1,270 |
| Depreciation provided during the period | (1,356) | (2,225) | (3,581) |
| Disposals | – | (118) | (118) |
| At 30 September 2020, net of accumulated depreciation | 6,941 | 15,606 | 22,547 |
| At 30 September 2020: | | | |
| Cost | 9,814 | 18,973 | 28,787 |
| Accumulated depreciation | (2,873) | (3,367) | (6,240) |
| Net carrying amount | 6,941 | 15,606 | 22,547 |

**The Company**

| | Leasehold improvements | Machinery and equipment | Total |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **30 September 2020** | | | |
| At 1 January 2020: | | | |
| Cost | 8,920 | 16,070 | 24,990 |
| Accumulated depreciation | (1,188) | (769) | (1,957) |
| Net carrying amount | 7,732 | 15,301 | 23,033 |
| At 1 January 2020, net of accumulated depreciation | 7,732 | 15,301 | 23,033 |
| Additions | – | 1,922 | 1,922 |
| Depreciation provided during the period | (1,356) | (2,204) | (3,560) |
| Disposals | – | (118) | (118) |
| At 30 September 2020, net of accumulated depreciation | 6,376 | 14,901 | 21,277 |
| At 30 September 2020: | | | |
| Cost | 8,920 | 17,850 | 26,770 |
| Accumulated depreciation | (2,544) | (2,949) | (5,493) |
| Net carrying amount | 6,376 | 14,901 | 21,277 |

## 14. GOODWILL

**The Group**

| | *RMB'000* |
|---|---|
| As at 1 January 2019, 31 December 2019 and 1 January 2020 | – |
| Acquisition of a subsidiary *(Note 28)* | 9,711 |
| Cost as at 30 September 2020 | 9,711 |
| Impairment | – |
| Net carrying amount as at 30 September 2020 | 9,711 |

Goodwill was acquired from the acquisition of Nanjing SealMed Medical Technology Co., Ltd. on 30 September 2020 which is set out in Note 28. Impairment testing of goodwill is to be performed at the year end.

## 15. OTHER INTANGIBLE ASSETS

**The Group**

| | Intellectual properties |
|---|---|
| | *RMB'000* |
| As at 1 January 2019, 31 December 2019 and 1 January 2020 | |
| Acquisition of a subsidiary *(Note 28)* | 40,900 |
| As at 30 September 2020 | 40,900 |

In September 2020, the Company acquired certain intellectual properties in relation to two medical device pipelines which are in the clinical stage in a business combination which is set out in Note 28.

Intellectual properties are recognised as intangible assets at historical cost and amortised using the straight-line method over their estimated useful lives after commercialisation and management's estimation.

## 16. LEASES

**The Group and the Company as a lessee**

The Group has lease contracts for plant and office premises used in its operations. Leases of plant and office premises generally have lease terms between 2 and 10 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

The Group also leased certain plant and office premises under short-term (i.e. within 12 months) lease arrangement. The Group has elected not to recognise right-of-use assets on this short-term lease contract. There are no restrictions or covenants imposed and no sale and leaseback transactions.

***(a) Right-of-use assets***

The carrying amounts of right-of-use assets and the movements during the Relevant Periods are as follows:

**The Group**

| | Plant and office premises |
|---|---|
| | *RMB'000* |
| As at 1 January 2019 | 586 |
| Additions | 928 |
| Lease modification | 529 |
| Depreciation charge | (862) |
| As at 31 December 2019 | 1,181 |
| As at 1 January 2020 | 1,181 |
| Additions | 24,533 |
| Depreciation charge | (2,574) |
| As at 30 September 2020 | 23,140 |

**The Company**

| | Plant and office premises |
|---|---|
| | *RMB'000* |
| As at 1 January 2019 | 586 |
| Additions | 928 |
| Lease modification | 529 |
| Depreciation charge | (862) |
| As at 31 December 2019 | 1,181 |
| As at 1 January 2020 | 1,181 |
| Depreciation charge | (734) |
| As at 30 September 2020 | 447 |

***(b) Lease liabilities***

The carrying amount of lease liabilities and the movements during the Relevant Periods are as follows:

**The Group**

| | **2019** | **2020** |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Carrying amount at 1 January | 641 | 1,244 |
| New lease addition | 928 | 23,337 |
| Lease modification | 529 | – |
| Accretion of interest recognised during the year/period | 62 | 857 |
| Payments | (916) | (466) |
| Carrying amount at 31 December/30 September | 1,244 | 24,972 |
| Analysed into: | | |
| Current portion | 1,114 | 804 |
| Non-current portion | 130 | 24,168 |
| | 1,244 | 24,972 |

**The Company**

| | 2019 | 2020 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Carrying amount at 1 January | 641 | 1,244 |
| New lease addition | 928 | – |
| Lease modification | 529 | – |
| Accretion of interest recognised during the year/period | 62 | 26 |
| Payments | (916) | (466) |
| Carrying amount at 31 December/30 September | 1,244 | 804 |
| Analysed into: | | |
| Current portion | 1,114 | 804 |
| Non-current portion | 130 | – |
| | 1,244 | 804 |

***(c) The amounts recognised in profit or loss in relation to leases are follows:***

**The Group**

| | Year ended 31 December | Nine months ended 30 September |
|---|---|---|
| | 2019 | 2020 |
| | *RMB'000* | *RMB'000* |
| Interest on lease liabilities | 62 | 857 |
| Depreciation charge of right-of-use assets | 862 | 2,574 |
| Total amount recognised in profit or loss | 924 | 3,431 |

**The Company**

| | Year ended 31 December | Nine months ended 30 September |
|---|---|---|
| | 2019 | 2020 |
| | *RMB'000* | *RMB'000* |
| Interest on lease liabilities | 62 | 26 |
| Depreciation charge of right-of-use assets | 862 | 734 |
| Total amount recognised in profit or loss | 924 | 760 |

## 17. INVENTORIES

**The Group**

| | As at 31 December 2019 | As at 30 September 2020 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Raw materials | 247 | 4,882 |
| Work in progress | – | 94 |
| Finished goods | – | 2,212 |
| | 247 | 7,188 |

**The Company**

| | As at 31 December 2019 | As at 30 September 2020 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Raw materials | 247 | 4,706 |
| Work in progress | – | 94 |
| Finished goods | – | 2,212 |
| | 247 | 7,012 |

## 18. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

**The Group**

| | As at 31 December 2019 | As at 30 September 2020 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Non-current: | | |
| Rental deposits | 1,238 | 1,105 |
| Prepayment of plant and equipment | 624 | 5,591 |
| Prepayments | 860 | 504 |
| Value-added tax recoverable, non-current | 78 | 1,100 |
| | 2,800 | 8,300 |
| Current: | | |
| Prepayments | 6,816 | 13,394 |
| Deferred [**REDACTED**] | – | 1,130 |
| Other receivables | 415 | 719 |
| Value-added tax recoverable | 1,016 | 1,165 |
| | 8,247 | 16,408 |

**The Company**

| | As at 31 December 2019 | As at 30 September 2020 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Non-current: | | |
| Rental deposits | 301 | 503 |
| Prepayment of plant and equipment | 624 | 1,109 |
| Prepayments | – | 504 |
| | 925 | 2,116 |
| Current: | | |
| Prepayments | 6,790 | 12,389 |
| Deferred [**REDACTED**] | – | 1,130 |
| Other receivables | 415 | 383 |
| Value-added tax recoverable | 1,017 | 1,165 |
| | 8,222 | 15,067 |

The balances are interest-free and are not secured with collateral.

Other receivables had no historical default. The financial assets included in the above balances relate to receivables that were categorised in stage 1 at the end of each of the Relevant Periods. In calculating the expected credit loss rate, the Group considers the historical loss rate and adjusts for forward-looking macroeconomic data. During the Relevant Periods, the Group estimated that the expected credit loss rate for other receivables and deposits is minimal.

The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its deposits and other receivable balances.

## 19. FINANCIAL ASSETS AT FVTPL

**The Group and the Company**

| | As at 31 December 2019 | As at 30 September 2020 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Financial products | 30,227 | – |

The amount represented investments in certain financial products issued by a commercial bank in Mainland China. The financial products were principal-protected and their returns were not guaranteed. The expected return rates ranged from 1.15% to 3.90% per annum and the products could be redeemed by the Company at any time. The fair value of the financial products is calculated by discounting the future cash inflows based on the acceptance rate of short-term notes.

## 20. CASH AND CASH EQUIVALENTS

**The Group**

| | As at 31 December 2019 | As at 30 September 2020 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Cash and cash equivalents | 25,548 | 247,635 |
| Denominated in | | |
| RMB | 25,548 | 110,737 |
| USD | – | 136,898 |

**The Company**

| | As at 31 December 2019 | As at 30 September 2020 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Cash and cash equivalents | 24,502 | 243,282 |
| Denominated in | | |
| RMB | 24,502 | 106,384 |
| USD | – | 136,898 |

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

## 21. TRADE AND OTHER PAYABLES

**The Group**

| | As at 31 December 2019 | As at 30 September 2020 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Trade payables | 31 | 456 |
| Accrued expenses | 1,675 | 1,676 |
| Payroll payable | 560 | 2,950 |
| Other tax payables | 70 | 59 |
| Other payables | 130 | 8,342 |
| Payable for acquisition of a subsidiary *(Note 28)* | – | 21,109 |
| Restricted share repurchase obligations *(Note 27)* | – | 30,025 |
| | 2,466 | 64,617 |

**The Company**

| | As at 31 December 2019 | As at 30 September 2020 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Trade payables | 31 | 124 |
| Accrued expenses | 1,675 | 1,675 |
| Payroll payable | 560 | 1,988 |
| Other tax payables | 70 | 20 |
| Other payables | 127 | 3,156 |
| Payable for acquisition of a subsidiary *(Note 28)* | – | 21,109 |
| Restricted share repurchase obligations *(Note 27)* | – | 30,025 |
| | 2,463 | 58,097 |

An ageing analysis of the trade payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

**The Group**

| | As at 31 December 2019 | As at 30 September 2020 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Within 3 months | 7 | 95 |
| 3 to 6 months | 21 | 77 |
| 6 to 12 months | – | – |
| 1 to 2 years | 3 | 282 |
| Over 2 years | – | 2 |
| | 31 | 456 |

**The Company**

| | As at 31 December 2019 | As at 30 September 2020 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Within 3 months | 7 | 94 |
| 3 to 6 months | 21 | 17 |
| 6 to 12 months | – | – |
| 1 to 2 years | 3 | 11 |
| Over 2 years | – | 2 |
| | 31 | 124 |

Trade and other payables are unsecured, non-interest-bearing and repayable on demand.

## 22. GOVERNMENT GRANTS

**The Group and the Company**

| | As at 31 December 2019 | As at 30 September 2020 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Government grants | | |
| Current | 733 | 1,467 |
| Non-current | 5,767 | 4,667 |
| | 6,500 | 6,134 |

The movements in government grants during the Relevant Periods are as follows:

| | 2019 | 2020 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| At 1 January | – | 6,500 |
| Grants received during the year/period | 9,261 | 2,670 |
| Recognised as income during the year/period | (2,761) | (3,036) |
| At 30 September/31 December | 6,500 | 6,134 |
| Analysed into: | | |
| Current portion | 733 | 1,467 |
| Non-current portion | 5,767 | 4,667 |
| | 6,500 | 6,134 |

The grants related to income would be recognised in profit or loss upon the Group complying with the conditions attached to the grants and the government acknowledging acceptance. The grants related to an asset would be released to profit or loss over the expected useful life of the relevant asset upon completion of the related projects.

## 23. CONTRACT LIABILITIES

**The Group and the Company**

The Group recognised the following revenue-related contract liabilities:

| | As at 31 December 2019 | As at 30 September 2020 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Current | – | 677 |

During the Relevant Periods, contract liabilities represented the obligations to transfer goods to customers from which the Group has received consideration.

## 24. DEFERRED TAX LIABILITIES

| | Fair value adjustments arising from acquisition of a subsidiary |
|---|---|
| | *RMB'000* |
| As at 1 January 2019, 31 December 2019 and 1 January 2020 | – |
| Acquisition of a subsidiary *(Note 28)* | 10,225 |
| Deferred tax liabilities at 30 September 2020 | 10,225 |

## 25. PAID-IN CAPITAL

| | As at 31 December 2019 | As at 30 September 2020 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Issued and fully paid | 20,571 | 27,878 |

A summary of movements in the Company's paid-in capital is as follows:

| | Paid-in capital |
|---|---|
| | *RMB'000* |
| At 1 January 2019 | 16,385 |
| Capital contribution from shareholders *(note (a))* | 4,186 |
| At 31 December 2019 and 1 January 2020 | 20,571 |
| Capital contribution from shareholders *(note (b))* | 7,307 |
| At 30 September 2020 | 27,878 |

*Note:*

(a) In April 2018, the Company entered into a capital injection agreement with Shanghai Futuo Biological Technology Development Co., Ltd.. In January 2019, an instalment of capital of RMB20,000,000 was injected into the Company with RMB1,200,000 and RMB18,800,000 credited to the Company's paid-in capital and capital reserve, respectively.

In September 2019, the Company entered into a capital injection agreement with Hangzhou Haida Mingde Venture Capital Partnership (L.P.), Horgos Dadao Venture Capital Co., Ltd., Hangzhou Huipu Zhifang Equity Investment Partnership (L.P.), Zhangjiagang Guohong Jiyuan Investment Partnership (L.P.) and Jiangsu Shengyu Heike Medical Healthcare Investment Fund (L.P.), pursuant to which total capital of RMB75,000,000 was injected into the Company with approximately RMB2,571,000 and RMB72,429,000 credited to the Company's paid-in capital and capital reserve, respectively. Pursuant to the share schemes which are set out in Note 27, capital of approximately RMB415,000 was injected into the Company by Ningbo Meishan Bonded Area Xinwei Investment Management (L.P.) in January 2019.

(b) In June 2020, the Company entered into a capital injection agreement with Zhuhai Sherpa Phase I Equity Investment Partnership (L.P.), Sherpastrokemed Company Limited and LYFE Columbia River Limited, pursuant to which a total capital of RMB119,451,000 was injected into the Company with approximately RMB2,057,000 and RMB117,394,000 credited to the Company's paid-in capital and capital reserve, respectively.

In August 2020, the Company entered into a capital injection agreement with Zhuhai Sherpa Phase I Equity Investment Partnership (L.P.), Sherpastrokemed Company Limited and LYFE Columbia River Limited, pursuant to which total capital of RMB80,042,000 was injected into the Company with approximately RMB1,271,000 and RMB78,771,000 credited to the Company's paid-in capital and capital reserve, respectively.

Pursuant to the share award schemes which is set out in Note 27, total capital of RMB45,000,000 was injected into the Company by Shanghai Weiyu Enterprise Management Consulting Partnership (L.P.) and Shanghai Weiyun Enterprise Management Consulting Partnership (L.P.) in September 2020, with approximately RMB3,979,000 and RMB41,021,000 credited to the Company's paid-in capital and capital reserves, respectively.

## 26. RESERVES

### The Group

The amounts of the Group's reserves and the movement therein are presented in the consolidated statements of change in equity on page I-7 to I-8 of the Historical Financial Information.

***(i) Capital reserve***

The capital reserve of the Group represents the share premium contributed by the shareholders of the Company.

***(ii) Other reserve***

Other reserve of the Group represents the share-based compensation reserve due to equity-settled share awards.

### The Company

| | Capital reserve | Other reserve | Accumulated losses | Total |
|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **At 1 January 2019** | 30,615 | 37,084 | (68,034) | (335) |
| Loss and total comprehensive loss for the year | – | – | (75,441) | (75,441) |
| Equity-settled share award expense *(Note 27)* | – | 45,106 | – | 45,106 |
| Capital contribution by shareholders *(Note 25)* | 91,229 | – | – | 91,229 |
| **At 31 December 2019** | 121,844 | 82,190 | (143,475) | 60,559 |

| | Capital reserve | Other reserve | Accumulated losses | Total |
|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **At 1 January 2020** | 121,844 | 82,190 | (143,475) | 60,559 |
| Loss and total comprehensive loss for the period | – | – | (61,185) | (61,185) |
| Equity-settled share award expense *(Note 27)* | – | 29,197 | – | 29,197 |
| Restricted share repurchase obligations *(Note 27)* | – | (30,000) | – | (30,000) |
| Capital contribution by shareholders *(Note 25)* | 237,186 | – | – | 237,186 |
| **At 30 September 2020** | 359,030 | 81,387 | (204,660) | 235,757 |

## 27. EQUITY-SETTLED SHARE AWARD EXPENSE

The Company adopted share award schemes (the "Schemes") for certain personnel in order to recognise and reward the contribution of certain directors and employees ("Granted employees") to the growth and development of the Group, and retain eligible employees for the continuous operation and development of the Group. During the Relevant Periods, the Group granted equity interests of the Company under the Schemes through Ningbo Meishan Bonded Area Xinwei Investment Management (L.P.) ("Xinwei"), Shanghai Weiyu Enterprise Management Consulting Partnership (L.P.) ("Weiyu") and Shanghai Weiyun Enterprise Management Consulting Partnership (L.P.) ("Weiyun") to certain employees.

In May 2019, 1.73% of the then equity interest in the Company contributed by a shareholder was granted to ten selected employees of the Company for a consideration of RMB3,120,000 through Xinwei.

In September 2019, 5.47% of the then equity interest in the Company contributed by a shareholder was granted to 2 selected employees of the Company for a consideration of RMB167,000 through Xinwei.

In November 2019, 1.09% of the then equity interest in the Company contributed by a shareholder was granted to a selected employee of the Company for a consideration of RMB100,000 through Xinwei.

In January 2020, 1.99% of the then equity interest in the Company contributed by a shareholder was granted to 8 selected employees of the Company for a consideration of RMB4,100,000 through Xinwei.

In August 2020, 4.27% of the then equity interest in the Company was granted to 31 selected employees of the Company for a consideration of RMB15,000,000 through Weiyu.

In August 2020, 10% of the then equity interest in the Company was granted to 3 selected employees and 1 director of the Company for a consideration of RMB30,000,000 through Weiyun. Pursuant to the shareholder resolution, the Company shall repurchase 50% of such equity interest at principal plus a simple interest rate of six percent per annum if the crossover financing is not closed before 31 March 2021 and 50% of such equity interest at principal plus a simple interest rate of six percent per annum if a qualified IPO is not completed before 31 December 2021. The Group recorded the respective amount in a contra equity account as other reserve and in other payables for the obligation to redeem and cancel the shares.

During the year ended 31 December 2019 and the nine months ended 30 September 2020, RMB1,663,000 and RMB4,389,000 of paid-in capital was granted to the selected employees at a weighted average fair value of RMB29.17 and RMB59.82, respectively.

The fair value of services received in return for a share award granted is measured by reference to the fair value of the share award granted less the consideration received by the Group. The fair value of the share award granted is measured at the grant date at the market value of the share award and is determined using the market approach (recent transaction method, in particular).

During the year ended 31 December 2019 and the nine months ended 30 September 2020 and 2019, share award expenses of RMB45,106,000, RMB29,197,000 and RMB38,642,000, respectively, were charged to profit or loss.

## 28. BUSINESS COMBINATION

In order to effectively consolidate research resources, expand product portfolio and develop a better platform for the research of our medical devices, on 18 September 2020, the Company acquired 55.88% of equity interest from Ms. Wu Yuting and Shanghai Jingshu Venture Capital Center (L.P.) in Nanjing SealMed Medical Technology Co., Ltd. at a total consideration of RMB25,146,000. The acquisition was completed on 30 September 2020 when the Group obtained control of the operating and financial activities of SealMed. The consideration was fully paid up in October 2020.

The fair values of the identifiable assets and liabilities of SealMed as at the date of acquisition were as follows:

| | *Notes* | **Fair value recognised on acquisition** |
|---|---|---|
| | | *RMB'000* |
| Cash and cash equivalents | | 4,132 |
| Prepayments, other receivables and other assets | | 2,024 |
| Inventories | | 176 |
| Plant and equipment | *13* | 1,270 |
| Other intangible assets | *15* | 40,900 |
| Trade payables | | (332) |
| Due to a related party | | (5,000) |
| Other payables and accruals | | (5,324) |
| Deferred tax liabilities | *24* | (10,225) |
| Total identifiable net assets at fair value | | 27,621 |
| ***Goodwill arising on acquisition*** | | |
| Consideration transferred | | 25,146 |
| Plus: non-controlling interests (44.12% in SealMed) *(Note)* | | 12,186 |
| Less: fair value of identifiable net assets acquired (100%) | | (27,621) |
| Goodwill arising from acquisition | | 9,711 |
| Satisfied by: | | |
| Cash consideration paid during the nine months ended 30 September 2020 | | 4,037 |
| Cash consideration payable as at 30 September 2020 | | 21,109 |
| | | 25,146 |

*Note:* The non-controlling interests of 44.12% in SealMed recognised at the acquisition date were measured at the proportionate share of the identifiable net assets of SealMed amounting to approximately RMB12,186,000.

The goodwill of RMB9,711,000 recognised above is derived from the research and development capability of SealMed. The above factor is neither separable nor contractual and therefore does not meet the criteria for recognition as intangible assets under IAS 38 Intangible Assets. None of the goodwill recognised is expected to be deductible for income tax purposes.

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

| | *RMB'000* |
|---|---|
| Cash consideration paid during the nine months ended 30 September 2020 | (4,037) |
| Cash and bank balances acquired | 4,132 |
| Net inflow of cash and cash equivalents included in cash flows from investing activities during the nine months ended 30 September 2020 | 95 |

Since the acquisition, SealMed has not contributed any revenue to the Group and has not caused any amount to the consolidated loss for the nine months ended 30 September 2020.

Had the combination taken place at the beginning of the nine months ended 30 September 2020, the revenue and the loss of the Group for the nine months ended 30 September 2020 would have been RMB7,293,000 and RMB71,795,000, respectively.

## 29. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

### (a) Major non-cash transactions

During the Relevant Periods and the nine months ended 30 September 2019, the Group has non-cash additions to right-of-use assets of RMB1,457,000, RMB24,533,000 and RMB1,457,000 and non-cash additions to lease liabilities of RMB1,457,000, RMB23,337,000 and RMB1,457,000, respectively, in respect of lease arrangements for plant and office premises.

### (b) Changes in liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

| | **Lease liabilities** |
|---|---|
| | *RMB'000* |
| At 1 January 2019 | 641 |
| Changes from financing cash flows during the year | (916) |
| Accretion of interest | 62 |
| New lease addition | 928 |
| Lease modification | 529 |
| At 31 December 2019 and 1 January 2020 | 1,244 |
| Changes from financing cash flows during the period | (466) |
| Accretion of interest | 857 |
| New lease addition | 23,337 |
| At 30 September 2020 | 24,972 |

During the Relevant Periods and the nine months ended 30 September 2019, the total cash outflow for leases included in the consolidated statements of cash flows was RMB916,000, RMB500,000 and RMB641,000, respectively, among which nil, RMB34,000 and nil was within operating activities, and RMB916,000, RMB466,000 and RMB641,000 was within financing activities.

## 30. COMMITMENTS

The Group had the following capital commitments at the end of each of the Relevant Periods:

| | **As at 31 December 2019** | **As at 30 September 2020** |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Contracted, but not provided for: | | |
| Leasehold improvements | – | 10,607 |

## 31. RELATED PARTY TRANSACTIONS

**(a)** In addition to the transactions detailed elsewhere in the Historical Financial Information, the Group had no material transactions and balances with related parties during the Relevant Periods and the nine months ended 30 September 2019:

**(b) Outstanding balances with related parties**

**The Company**

| | 31 December 2019 | 30 September 2020 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Prepayments, other receivables and other assets, SealMed | – | 5,000 |

The balances with related parties are unsecured, interest-free and repayable on demand.

**(c)** Compensation of key management personnel of the Group:

| | Year ended 31 December | Nine months ended 30 September | |
|---|---|---|---|
| | 2019 | 2019 | 2020 |
| | *RMB'000* | *RMB'000 (Unaudited)* | *RMB'000* |
| Other emoluments: | | | |
| Salaries, bonuses, allowances and benefits in kind | 1,755 | 1,160 | 1,930 |
| Pension scheme contributions | 71 | 46 | 8 |
| Equity-settled share award expense | 39,510 | 33,044 | 27,234 |
| | 41,336 | 34,250 | 29,172 |

Further details of directors', supervisors' and the chief executive's remuneration are included in Note 8 to the Historical Financial Information.

## 32. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

**The Group**

***As at 31 December 2019***

*Financial assets*

| | Financial assets at fair value through profit or loss | | |
|---|---|---|---|
| | Designated as such upon initial recognition | Financial assets at amortised cost | Total |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Financial assets at fair value through profit or loss | 30,227 | – | 30,227 |
| Financial assets included in prepayments, other receivables and other assets | – | 1,653 | 1,653 |
| Cash and cash equivalents | – | 25,548 | 25,548 |
| | 30,227 | 27,201 | 57,428 |

*Financial liabilities*

| | Financial liabilities at amortised cost |
|---|---|
| | *RMB'000* |
| Financial liabilities included in Trade and other payables | 1,836 |
| Lease liabilities | 1,244 |
| | 3,080 |

***As at 30 September 2020***

*Financial assets*

| | Financial assets at amortised cost |
|---|---|
| | *RMB'000* |
| Financial assets included in prepayments, other receivables and other assets | 1,824 |
| Cash and cash equivalents | 247,635 |
| | 249,459 |

*Financial liabilities*

| | Financial liabilities at amortised cost |
|---|---|
| | *RMB'000* |
| Financial liabilities included in Trade and other payables | 61,608 |
| Lease liabilities | 24,972 |
| | 86,580 |

**The Company**

***As at 31 December 2019***

*Financial assets*

| | Financial assets at fair value through profit or loss | | |
|---|---|---|---|
| | Designated as such upon initial recognition | Financial assets at amortised cost | Total |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Financial assets at fair value through profit or loss | 30,227 | – | 30,227 |
| Financial assets included in prepayments, other receivables and other assets | – | 716 | 716 |
| Cash and cash equivalents | – | 24,502 | 24,502 |
| | 30,227 | 25,218 | 55,445 |

*Financial liabilities*

| | Financial liabilities at amortised cost |
|---|---|
| | *RMB'000* |
| Financial liabilities included in Trade and other payables | 1,833 |
| Lease liabilities | 1,244 |
| | 3,077 |

*As at 30 September 2020*

*Financial assets*

| | Financial assets at amortised cost |
|---|---|
| | *RMB'000* |
| Financial assets included in prepayments, other receivables and other assets | 886 |
| Due from a subsidiary | 5,000 |
| Cash and cash equivalents | 243,282 |
| | 249,168 |

*Financial liabilities*

| | Financial liabilities at amortised cost |
|---|---|
| | *RMB'000* |
| Financial liabilities included in Trade and other payables | 56,089 |
| Lease liabilities | 804 |
| | 56,893 |

## 33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

**Fair value**

All the carrying amounts of the Group's financial instruments approximate to their fair values. Management has assessed that the fair values of cash and cash equivalents, financial assets included in prepayments, other receivables and other assets, trade payables, financial liabilities included in other payables and accruals and lease liabilities approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department headed by the chief financial officer is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance department reports directly to the chief financial officer. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the finance controller. The valuation process and results are discussed with the directors of the Company periodically for financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of financial assets included in prepayments, other receivables and other assets have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all required significant inputs to fair value of an instrument are observable, the instruments are included in Level 2. If one or more of the significant inputs are not based on observable market data, the instruments are included in Level 3.

**Fair value hierarchy**

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

***Assets measured at fair value:***

**The Group and the Company**

*As at 31 December 2019*

| | Fair value measurement using | | | |
|---|---|---|---|---|
| | **Quoted prices in active markets (Level 1)** | **Significant Observable Inputs (Level 2)** | **Significant Unobservable Inputs (Level 3)** | **Total** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Financial assets at fair value through profit or loss: | | | | |
| Financial products | – | 30,227 | – | 30,227 |

*As at 30 September 2020*

| | Fair value measurement using | | | |
|---|---|---|---|---|
| | **Quoted prices in active markets (Level 1)** | **Significant Observable Inputs (Level 2)** | **Significant Unobservable Inputs (Level 3)** | **Total** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Financial assets at fair value through profit or loss: | | | | |
| Financial products | – | – | – | – |

The Group did not have any financial liabilities measured at fair value as at the end of each of the Relevant Periods.

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

**34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Group's principal financial instruments comprise cash and cash equivalents and financial assets at FVTPL. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as other receivables and trade and other payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The Directors review and agree policies for managing each of these risks and they are summarised below.

**Foreign currency risk**

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. The Group has currency exposures mainly arising from cash at banks denominated in USD. At present, the Group does not intend to seek to hedge its exposure to foreign exchange fluctuations. However, management constantly monitors the economic situation and the Group's foreign exchange risk profile and will consider appropriate hedging measures in the future should the need arise.

The following table demonstrates the sensitivity at the end of each of the Relevant Periods to a reasonably possible change in foreign currency exchange rates, with all other variables held constant, of the Group's loss before tax and equity (due to changes in the fair value of monetary assets and liabilities) and the Group's equity.

| | Increase/ (decrease) in USD/RMB | Increase/ (decrease) in loss before tax | Increase/ (decrease) in equity |
|---|---|---|---|
| | % | *RMB'000* | *RMB'000* |
| **31 December 2019** | | | |
| If RMB weakens against the USD | 5 | – | – |
| If RMB strengthens against the USD | (5) | – | – |
| **30 September 2020** | | | |
| If RMB weakens against the USD | 5 | 6,845 | 6,845 |
| If RMB strengthens against the USD | (5) | (6,845) | (6,845) |

**Credit risk**

The Group trades only with recognised and creditworthy parties. Receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. The credit risk of the Group's other financial assets, which comprise cash and cash equivalents and financial assets included in prepayments, other receivables and other assets, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

For other receivables and other assets, management makes periodic collective assessment as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The Directors believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables.

***Maximum exposure and year-end staging***

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at the end of each of the Relevant Periods.

The amounts presented are gross carrying amounts for financial assets.

**As at 31 December 2019**

| | 12-month ECLs | Lifetime ECLs | | |
|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 2 | Total |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Financial assets included in prepayments, other receivables and other assets | 1,653 | – | – | 1,653 |
| Cash and cash equivalents | 25,548 | – | – | 25,548 |
| | 27,201 | – | – | 27,201 |

**As at 30 September 2020**

| | 12-month ECLs | Lifetime ECLs | | |
|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 2 | Total |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Financial assets included in prepayments, other receivables and other assets | 1,824 | – | – | 1,824 |
| Cash and cash equivalents | 247,635 | – | – | 247,635 |
| | 249,459 | – | – | 249,459 |

At the end of each of the Relevant Periods, the Group had certain concentrations of credit risk as the Group's cash and cash equivalents were deposited in few financial institutions. As at the end of the each of the Relevant Periods, cash and cash equivalents were deposited in financial institutions in high quality without significant credit risk.

**Liquidity risk**

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the operations and mitigate the effects of fluctuations in cash flows.

The maturity profile of the Group's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

**The Group**

| | As at 30 September 2020 | | | | | |
|---|---|---|---|---|---|---|
| | On demand | Less than 3 months | 3 to 12 months | 1 to 5 years | Over 5 years | Total |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade payables | – | 95 | 77 | 284 | – | 456 |
| Other payables | – | 43,963 | 15,513 | – | – | 59,476 |
| Lease liabilities | – | 677 | 130 | 12,709 | 18,519 | 32,035 |
| | – | 44,735 | 15,720 | 12,993 | 18,519 | 91,967 |

| | As at 31 December 2019 | | | | | |
|---|---|---|---|---|---|---|
| | On demand | Less than 3 months | 3 to 12 months | 1 to 5 years | Over 5 years | Total |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade payables | – | 7 | 21 | 3 | – | 31 |
| Other payables | – | 130 | – | – | – | 130 |
| Lease liabilities | – | 327 | 816 | 130 | – | 1,273 |
| | – | 464 | 837 | 133 | – | 1,434 |

**The Company**

| | As at 30 September 2020 | | | | | |
|---|---|---|---|---|---|---|
| | **On demand** | **Less than 3 months** | **3 to 12 months** | **1 to 5 years** | **Over 5 years** | **Total** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade payables | – | 94 | 17 | 13 | – | 124 |
| Other payables | – | 39,276 | 15,014 | – | – | 54,290 |
| Lease liabilities | – | 677 | 130 | – | – | 807 |
| | – | 40,047 | 15,161 | 13 | – | 55,221 |

| | As at 31 December 2019 | | | | | |
|---|---|---|---|---|---|---|
| | **On demand** | **Less than 3 months** | **3 to 12 months** | **1 to 5 years** | **Over 5 years** | **Total** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade payables | – | 7 | 21 | 3 | – | 31 |
| Other payables | – | 127 | – | – | – | 127 |
| Lease liabilities | – | 327 | 816 | 130 | – | 1,273 |
| | – | 461 | 837 | 133 | – | 1,431 |

**Capital management**

The primary objectives of the Group's capital management are to safeguard the Group's abilities to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital as at the end of each of the Relevant Periods.

| | **As at 31 December 2019** | **As at 30 September 2020** |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Lease liabilities | 1,244 | 24,972 |
| Total debt | 1,244 | 24,972 |
| Total equity | 81,073 | 269,204 |
| Gearing ratio | 2% | 9% |

## 35. EVENTS AFTER RELEVANT PERIODS

### (a) The impact of COVID-19

The management of the Company currently expected that clinical trials in Mainland China will not be significantly affected by the outbreak of COVID-19. The Directors believe that, based on the information available as of the date of this report, the outbreak of COVID-19 would not result in a material disruption to the Group's business operations or a material impact on the financial position or financial performance of the Group.

### (b) The joint stock reform of the Company

Pursuant to the shareholders' resolutions dated 23 November 2020 and the Promoters' agreement dated 23 November 2020, the then shareholders of the Company agreed to convert the Company into a joint stock limited liability company. The net assets of the Company as of the conversion base date, including paid-in capital, other reserve and accumulated losses, amounting to RMB263,658,000, were converted into 28,000,000 ordinary shares at RMB1.00 each. The excess of the net assets converted over the nominal value of the ordinary shares was credited to the Company's capital reserve. Upon the completion of registration with the Shanghai Administration for Industry and Commerce on 3 December 2020, the Company was converted into a joint stock company with limited liability under PRC Company Law, and renamed from Shanghai HeartCare Medical Technology Co., Ltd. to Shanghai HeartCare Medical Technology Corporation Limited. In accordance with the business licence of the Company, the Company became a joint stock limited liability company on 3 December 2020.

### (c) Crossover financing

The Company closed its crossover financing on 24 December 2020. The financing raised a total of RMB443,699,000 by issuing 4,232,558 ordinary shares, with approximately RMB4,233,000 and RMB439,466,000 credited to the Company's share capital and share premium, respectively. The shares were issued at a price of RMB104.83 with a par value of RMB1.00 each.

## 36. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group or any of the subsidiaries in respect of any period subsequent to 30 September 2020.

*The following information does not form part of the Accountants' Report from Ernst & Young, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I to this document, and is included for information purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this document and the Accountants' Report set out in Appendix I to this document.*

## A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules and with reference to *Accounting Guideline 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants is to illustrate the effect of the [**REDACTED**] on the consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2020 as if the [**REDACTED**] had taken place on that date.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not provide a true picture of the consolidated net tangible assets attributable to owners of the Company had the [**REDACTED**] been completed as at 30 September 2020 or at any future date.

| | **Audited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2020** | **Estimated net [REDACTED] from the [REDACTED]** | **Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company as at 30 September 2020** | **Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per share as at 30 September 2020** | |
|---|---|---|---|---|---|
| | *RMB'000 (Note 1)* | *RMB'000 (Note 2)* | *RMB'000* | *RMB (Note 3)* | *HKD (Note 4)* |
| Based on an [**REDACTED**] of [HKD[**REDACTED**]] per [**REDACTED**] | [206,407] | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| Based on an [**REDACTED**] of [HKD[**REDACTED**]] per [**REDACTED**] | [206,407] | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| Based on an [**REDACTED**] of [HKD[**REDACTED**]] per [**REDACTED**] | [206,407] | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |

*Notes:*

(1) The consolidated net tangible assets of the Group attributable to equity holders of the Company as at 30 September 2020 was equal to the audited net assets attributable to owners of the Company as at 30 September 2020 of RMB257,018,000 after deducting of other intangible assets of RMB40,900,000 and goodwill of RMB9,711,000 as of 30 September 2020 set out in the Accountants' Report in Appendix I to this document.

(2) The estimated net [**REDACTED**] from the [**REDACTED**] are based on an [**REDACTED**] of [HKD[**REDACTED**]], [HKD[**REDACTED**]] and [HKD[**REDACTED**]], after deduction of the [**REDACTED**] fees and other related expenses payable by the Company and does not take into account any Shares which may be issued upon the exercise of the [**REDACTED**].

(3) The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after adjustments referred in note 2 above and on the basis of [**REDACTED**] Shares are in issue, assuming that the [**REDACTED**] has been completed on 30 September 2020 but does not take into account any Shares which may be sold pursuant to the exercise of the [**REDACTED**].

(4) For the purpose of this unaudited [**REDACTED**] statement of adjusted net tangible assets, the balances stated in RMB are converted into HKD at the rate of RMB1.00 to [HKD1.1956].

(5) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to 30 September 2020.

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

## TAXATION OF SECURITY HOLDERS

The taxation of income and capital gains of holders of H Shares is subject to the laws and practices of the PRC and of jurisdictions in which holders of H Shares are residents or otherwise subject to tax. The following summary of certain relevant taxation provisions is based on current effective laws and practices, and no predictions are made about changes or adjustments to relevant laws or policies, and no comments or suggestions will be made accordingly. The discussion has no intention to cover all possible tax consequences resulting from the investment in H Shares, nor does it take the specific circumstances of any particular investor into account, some of which may be subject to special regulations. Accordingly, you should consult your own tax advisor regarding the tax consequences of an investment in H Shares. The discussion is based upon laws and relevant interpretations in effect as of the date of this document, which is subject to change or adjustment and may have retrospective effect. No issues on PRC or Hong Kong taxation other than income tax, capital appreciation and profit tax, business tax/appreciation tax, stamp duty and estate duty were referred in the discussion. Prospective investors are urged to consult their financial advisors regarding the PRC, Hong Kong and other tax consequences of owning and disposing of H Shares.

### The PRC Taxation

#### *Taxation on Dividends*

*Individual Investor*

Pursuant to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得税法》), which was most recently amended on August 31, 2018 and the Implementation Provisions of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得税法實施條例》), which was most recently amended on December 18, 2018 (hereinafter collectively referred to as the "IIT Law"), dividends distributed by PRC enterprises are subject to individual income tax levied at a flat rate of 20%. For a foreign individual who is not a resident of the PRC, the receipt of dividends from an enterprise in the PRC is normally subject to individual income tax of 20% unless specifically exempted by the tax authority of the State Council or reduced by relevant tax treaty.

*Enterprise Investors*

In accordance with the Corporate Income Tax Law of the PRC (《中華人民共和國企業所得税法》) issued by NPC on March 16, 2007 and latest amended on December 29, 2018 and the Implementation Provisions of the Corporate Income Tax Law of the PRC (《中華人民共和國企業所得税法實施條例》) issued by the State Council on December 6, 2007, came into effect on January 1, 2008 and amended on April 23, 2019 (hereinafter collectively referred to as the "CIT Law"), the rate of enterprise income tax shall be 25%. A non-resident enterprise is generally subject to a 10% corporate income tax on PRC-sourced income (including dividends received from a PRC resident enterprise), if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. The aforesaid income tax payable for non-resident enterprises are deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise.

The Circular of the State Administration of Tax on Issues Relating to the Withholding and Remitting of Corporate Income Tax by PRC Resident Enterprises on Dividends Distributed to Overseas Non-Resident Enterprise Shareholders of H Shares (《國家税務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得税有關問題的通知》), which was issued and implemented by the State Administration of Taxation (hereinafter referred to as SAT) on November 6, 2008, further clarified that a PRC-resident enterprise must withhold corporate income tax at a rate of 10% on the dividends of 2008 and onwards that it distributes to overseas non-resident enterprise shareholders of H Shares.

Pursuant to the Arrangement between the Mainland and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (《內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排》) (hereinafter referred to as the "the Arrangement"), which was signed on August 21, 2006, the Chinese Government may levy taxes on the dividends paid by a Chinese company to Hong Kong residents (including natural persons and legal entities) in an amount not exceeding 10% of the total dividends payable by the Chinese company unless a Hong Kong resident directly holds 25% or more of the equity interest in a Chinese company, then such tax shall not exceed 5% of the total dividends payable by the Chinese company. The Fifth Protocol of the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (《<內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排>第五議定書》), which came into effect on December 6, 2019, adds a criteria for the qualification of entitlement to enjoy treaty benefits. Although there may be other provisions under the Arrangement, the treaty benefits under the criteria shall not be granted in the circumstance where relevant gains, after taking into account all relevant facts and conditions, are reasonably deemed to be one of the main purposes for the arrangement or transactions which will bring any direct or indirect benefits under this Arrangement, except when the grant of benefits under such circumstance is consistent with relevant objective and goal under the Arrangement. The application of the dividend clause of tax agreements is subject to the requirements of PRC tax law and regulation, such as the Notice of the State Administration of Taxation on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (《國家税務總局關於執行税收協定股息條款有關問題的通知》).

*Tax Treaties*

Non-resident investors residing in jurisdictions which have entered into treaties or adjustments for the avoidance of double taxation with the PRC might be entitled to a reduction of the Chinese corporate income tax imposed on the dividends received from PRC companies. The PRC currently has entered into Avoidance of Double Taxation Treaties or Arrangements with a number of countries and regions including Hong Kong Special Administrative Region, Macau Special Administrative Region, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States. Non-PRC resident enterprises entitled to preferential tax rates in accordance with the relevant taxation treaties or arrangements are required to apply to the Chinese tax authorities for a refund of the corporate income tax in excess of the agreed tax rate, and the refund application is subject to approval by the Chinese tax authorities.

***Taxation on Share Transfer***

*VAT and Local Additional Tax*

Pursuant to the Notice on Fully Implementing the Pilot Reform for the Transition from Business Tax to Value-added Tax (《關於全面推開營業税改徵增值税試點的通知》) (hereinafter referred to as "Circular 36"), which was implemented on May 1, 2016, entities and individuals engaged in the services sale in the PRC are subject to VAT and "engaged in the services sale in the PRC" means that the seller or buyer of the taxable services is located in the PRC. Circular 36 also provides that transfer of financial products, including transfer of the ownership of marketable securities, shall be subject to VAT at 6% on the taxable revenue (which is the balance of sales price upon deduction of purchase price), for a general or a foreign VAT taxpayer. However, individuals who transfer financial products are exempt from VAT, which is also provided in the Notice of Ministry of Finance and State Administration of Taxation on Several Tax Exemption Policies for Business Tax on Sale and Purchase of Financial Commodities by Individuals (《財政部、國家税務總局關於個人金融商品買賣等營業税若干免税政策的通知》) effective on January 1, 2009. According to these regulations, if the holder is a non-resident individual, the PRC VAT is exempted from the sale or disposal of H shares; if the holder is a non-resident enterprise and the H-share buyer is an individual or entity located outside China, the holder is not necessarily required to pay the PRC VAT, but if the H-share buyer is an individual or entity located in China, the holder may be required to pay the PRC VAT. However, it is still uncertain whether the non-Chinese resident enterprises are required to pay the PRC VAT for the disposal of H shares in practice.

At the same time, VAT payers are also required to pay urban maintenance and construction tax, education surtax and local education surcharge (hereinafter collectively referred to as "Local Additional Tax"), which shall be usually subject to 12% of the value-added tax, business tax and consumption tax actually paid (if any).

***Income tax***

*Individual Investors*

According to the IIT Law, gains on the transfer of equity interests in the PRC resident enterprises are subject to individual income tax at a rate of 20%. Pursuant to the Circular on Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from the Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得税的通知》) issued by the State Administration of Tax on March 20, 1998, from January 1, 1997, income of individuals from transfer of the shares of listed enterprises continues to be exempted from individual income tax. The State Administration of Taxation has not expressly stated whether it will continue to exempt tax on income of individuals from transfer of the shares of listed enterprises in the latest amended Individual Income Tax Law.

However, on December 31, 2009, the Ministry of Finance, SAT and China Securities Regulatory Commission jointly issued the Circular on Related Issues on Levying Individual Income Tax over the Income Received by Individuals from the Transfer of Listed Shares Subject to Sales Limitation (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》), which came into effect on December 31, 2009, which states that individuals' income from the transfer of listed shares obtained from the public offering of listed companies and transfer market on the Shanghai Stock Exchange and the Shenzhen Stock Exchange shall continue to be exempted from individual income tax, except for the relevant shares which are subject to sales restriction (as defined in the Supplementary Notice on Issues Concerning the Levy of Individual Income Tax on Individuals' Income from the Transfer of Restricted Stocks of Listed Companies (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知》) jointly issued and implemented by such departments on November 10, 2010). As of the Latest Practicable Date, no aforesaid provisions have expressly provided that individual income tax shall be levied from non-Chinese resident individuals on the transfer of shares in PRC resident enterprises listed on overseas stock exchanges.

*Enterprise Investors*

In accordance with the CIT Law, a non-resident enterprise is generally subject to corporate income tax at the rate of a 10% on PRC-sourced income, including gains derived from the disposal of equity interests in a PRC resident enterprise, if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. Such income tax payable for non-resident enterprises are deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise. Such tax may be reduced or exempted pursuant to relevant tax treaties or agreements on avoidance of double taxation.

***Stamp Duty***

Pursuant to the Provisional Regulations of the PRC on Stamp Duty (《中華人民共和國印花稅暫行條例》), which was issued on August 6, 1988 and latest amended on January 8, 2011, and the Implementation Provisions of Provisional Regulations of the PRC on Stamp Duty (《中華人民共和國印花稅暫行條例施行細則》), which came into effect on September 29, 1988, PRC stamp duty only applies to specific taxable document executed or received within the PRC, having legally binding force in the PRC and protected under the PRC laws, thus the requirements of the stamp duty imposed on the transfer of shares of PRC listed companies shall not apply to the acquisition and disposal of H Shares by non-PRC investors outside of the PRC.

***Estate Duty***

As of the date of this document, no estate duty has been levied in the PRC under the PRC laws.

### Hong Kong Taxation

*Taxation on Dividends*

No tax is payable in Hong Kong in respect of dividends paid by our Company.

*Profits Tax*

Hong Kong profits tax will not be payable by any Shareholders (other than Shareholders carrying on a trade, profession or business in Hong Kong and holding the Shares for trading purposes) on any capital gains made on the sale or other disposal of the Shares. Shareholders should take advice from their own professional advisers as to their particular tax position.

*Stamp Duty*

Hong Kong stamp duty will be charged on the sale and purchase of Shares at the current rate of 0.1% of the consideration for, or (if greater) the value of, the Shares being sold or purchased, whether or not the sale or purchase is on or off the Stock Exchange. The Shareholder selling the Shares and the purchaser will each be liable for one-half of the amount of Hong Kong stamp duty payable upon such transfer. In addition, a fixed duty of HK$5 is currently payable on any instrument of transfer of Shares.

*Estate Duty*

Hong Kong estate duty was abolished effective from February 11, 2006. No Hong Kong estate duty is payable by Shareholders in relation to the Shares owned by them upon death.

## PRINCIPAL TAXATION OF OUR COMPANY IN THE PRC

Please refer to the chapter **Regulatory Overview** of the document.

## TAXATION OF OUR COMPANY IN HONG KONG

### Profits Tax

Our Company will be subject to Hong Kong profits tax in respect of profits arising in or derived from Hong Kong at the current rate of 16.5%. Dividend income derived by our Company from its subsidiaries will be excluded from Hong Kong profits tax.

## FOREIGN EXCHANGE

The lawful currency of the PRC is Renminbi, which is currently subject to foreign exchange control and cannot be freely converted into foreign currency. The State Administration of Foreign Exchange (hereinafter referred to as "SAFE"), with the authorization of the People's Bank of China (hereinafter referred to as "PBOC"), is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

The Regulations on Foreign Exchange Control of the PRC (《中華人民共和國外匯管理條例》) (the "Foreign Exchange Control Regulations"), which was issued by the State Council on January 29, 1996, implemented on April 1, 1996 and latest amended on August 5, 2008, classifies all international payments and transfers into current items and capital items. Current items are subject to the reasonable examination of the veracity of transaction documents and the consistency of the transaction documents and the foreign exchange receipts and payments by financial institutions engaging in conversion and sale of foreign currencies and supervision and inspection by the foreign exchange control authorities. For capital items, overseas organizations and overseas individuals making direct investments in China shall, upon approval by the relevant authorities in charge, process registration formalities with the foreign exchange control authorities. Foreign exchange income received overseas can be repatriated or deposited overseas, and foreign exchange and foreign exchange settlement funds under the capital account are required to be used only for purposes as approved by the competent authorities and foreign exchange administrative authorities. In the event that international revenues and expenditure occur or may occur a material misbalance, or the national economy encounters or may encounter a severe crisis, the State may adopt necessary safeguard and control measures on international revenues and expenditure.

The Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》), which was promulgated by the PBOC on June 20, 1996 and implemented on July 1, 1996, removes other restrictions on convertibility of foreign exchange under current items, while imposing existing restrictions on foreign exchange transactions under capital account items.

According to the Announcement on Improving the Reform of the Renminbi Exchange Rate Formation Mechanism (《關於完善人民幣匯率形成機制改革的公告》), which was issued by the PBOC and implemented on July 21, 2005, the PRC has started to implement a managed floating exchange rate system in which the exchange rate would be determined based on market supply and demand and adjusted with reference to a basket of currencies since July 21, 2005. Therefore, the Renminbi exchange rate was no longer pegged to the U.S. dollar. PBOC would publish the closing price of the exchange rate of the Renminbi against trading currencies such as the U.S. dollar in the interbank foreign exchange market after the closing of the market on each working day, as the central parity of the currency against Renminbi transactions on the following working day.

According to the relevant laws and regulations in the PRC, PRC enterprises (including foreign investment enterprises) which need foreign exchange for current item transactions may, without the approval of the foreign exchange administrative authorities, effect payment through foreign exchange accounts opened at the designated foreign exchange bank, on the strength of valid transaction receipts and proof. Foreign investment enterprises which need foreign exchange for the distribution of profits to their shareholders and PRC enterprises which, in accordance with regulations, are required to pay dividends to their shareholders in foreign exchange (such as our Company) may, on the strength of resolutions of the board of directors or the shareholders' meeting on the distribution of profits, effect payment from foreign exchange accounts at the designated foreign exchange bank, or effect exchange and payment at the designated foreign exchange bank.

According to the Decisions on Matters including Canceling and Adjusting a Batch of Administrative Approval Items (《國務院關於取消和調整一批行政審批項目等事項的決定》) which was promulgated by the State Council on October 23, 2014, it decided to cancel the approval requirement of the SAFE and its branches for the remittance and settlement of the proceeds raised from the overseas listing of the foreign shares into RMB domestic accounts.

According to the Notice of the State Administration of Foreign Exchange on Issues Concerning the Foreign Exchange Administration of Overseas Listing (《國家外匯管理局關於境外上市外匯管理有關問題的通知》) issued by the SAFE and implemented on December 26, 2014, a domestic company shall, within 15 business days from the date of the end of its overseas listing issuance, register the overseas listing with the local branch office of state administration of foreign exchange at the place of its establishment; the proceeds from an overseas listing of a domestic company may be remitted to the domestic account or deposited in an overseas account, but the use of the proceeds shall be consistent with the content of the document and other disclosure documents.

According to the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》), which was issued by the SAFE on February 13, 2015, came into effect on June 1, 2015 and partially repealed on December 30, 2019, the confirmation of foreign exchange registration under domestic direct investment and the confirmation of foreign exchange registration under overseas direct investment shall be directly examined and handled by banks. SAFE and its branch offices shall indirectly regulate the foreign exchange registration of direct investment through banks.

According to the Notice of the State Administration of Foreign Exchange of the PRC on Revolutionizing and Regulating Capital Account Settlement Management Policies (國家外匯管理局關於改革和規範資本項目結匯管理政策的通知) which was promulgated by the SAFE and implemented on June 9, 2016, foreign currency earnings in capital account that relevant policies of willingness exchange settlement have been clearly implemented on (including the recalling of raised capital by overseas listing) may undertake foreign exchange settlement in the banks according to actual business needs of the domestic institutions. The tentative percentage of foreign exchange settlement for foreign currency earnings in capital account of domestic institutions is 100%, subject to adjust of the SAFE in due time in accordance with international revenue and expenditure situations.

This Appendix contains a summary of laws and regulations on companies and securities in the PRC, certain major differences between the PRC Company Law and Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Companies Ordinance as well as the additional regulatory provisions of the Hong Kong Stock Exchange on joint stock limited companies of the PRC. The principal objective of this summary is to provide potential investors with an overview of the principal laws and regulations applicable to us. This summary is with no intention to include all the information which may be important to the potential investors. For discussion of laws and regulations specifically governing the business of the Company, please see section entitled "Regulatory Overview" in this document.

## PRC LEGAL SYSTEM

The PRC legal system is based on the Constitution of the PRC (《中華人民共和國憲法》) (the "**Constitution**") and is made up of written laws, administrative regulations, local regulations, separate regulations, autonomous regulations, rules and regulations of departments, rules and regulations of local governments, international treaties of which the PRC government is a signatory, and other regulatory documents. Court verdicts do not constitute binding precedents. However, they may be used as judicial reference and guidance.

According to the Constitution and the Legislation Law of the PRC (2015 revision) (《中華人民共和國立法法(2015年修訂)》) (the "**Legislation Law**"), the NPC and the Standing Committee of the NPC are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend basic laws governing civil and criminal matters, state organs and other matters. The Standing Committee of the NPC is empowered to formulate and amend laws other than those required to be enacted by the NPC and to supplement and amend any parts of laws enacted by the NPC during the adjournment of the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws.

The State Council is the highest organ of the PRC administration and has the power to formulate administrative regulations based on the Constitution and laws.

The people's congresses of provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual requirements of their own respective administrative areas, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations.

The ministries and commissions of the State Council, PBOC, the State Audit Administration as well as the other organs endowed with administrative functions directly under the State Council may, in accordance with the laws as well as the administrative regulations, decisions and orders of the State Council and within the limits of their power, formulate rules.

The people's congresses of cities divided into districts and their respective standing committees may formulate local regulations in terms of urban and rural development and management, environmental protection, and historical and cultural protection based on the specific circumstances and actual requirements of such cities, which will become enforceable after being reported to and approved by the standing committees of the people's congresses of the relevant provinces or autonomous regions but such local regulations shall conform with the Constitution, laws, administrative regulations, and the relevant local regulations of the relevant provinces or autonomous regions. People's congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in light of the political, economic and cultural characteristics of the nationality (nationalities) in the areas concerned.

The people's governments of the provinces, autonomous regions, and municipalities directly under the central government and the cities divided into districts or autonomous prefectures may enact rules, in accordance with laws, administrative regulations and the local regulations of their respective provinces, autonomous regions or municipalities.

The Constitution has supreme legal authority and no laws, administrative regulations, local regulations, autonomous regulations or separate regulations may contravene the Constitution. The authority of laws is greater than that of administrative regulations, local regulations and rules. The authority of administrative regulations is greater than that of local regulations and rules. The authority of local regulations is greater than that of the rules of the local governments at or below the corresponding level. The authority of the rules enacted by the people's governments of the provinces or autonomous regions is greater than that of the rules enacted by the people's governments of the city divided into districts or autonomous prefecture within the administrative areas of the provinces and the autonomous regions.

The NPC has the power to alter or annul any inappropriate laws enacted by its Standing Committee, and to annul any autonomous regulations or separate regulations which have been approved by its Standing Committee but which contravene the Constitution or the Legislation Law. The Standing Committee of the NPC has the power to annul any administrative regulations that contravene the Constitution and laws, to annul any local regulations that contravene the Constitution, laws or administrative regulations, and to annul any autonomous regulations or local regulations which have been approved by the standing committees of the people's congresses of the relevant provinces, autonomous regions or municipalities directly under the central government, but which contravene the Constitution and the Legislation Law. The State Council has the power to alter or annul any inappropriate ministerial rules and rules of local governments. The people's congresses of provinces, autonomous regions or municipalities directly under the central government have the power to alter or annul any inappropriate local regulations enacted or approved by their respective standing committees. The people's governments of provinces and autonomous regions have the power to alter or annul any inappropriate rules enacted by the people's governments at a lower level.

According to the Constitution and the Legislation Law, the power to interpret laws is vested in the Standing Committee of the NPC. According to the Decision of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Laws (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》)passed on June 10, 1981, the Supreme People's Court of the PRC (the "Supreme People's Court") has the power to give general interpretation on questions involving the specific application of laws and decrees in court trials. The State Council and its ministries and commissions are also vested with the power to give interpretation of the administrative regulations and department rules which they have promulgated. At the regional level, the power to give interpretations of the local laws and regulations as well as administrative rules is vested in the regional legislative and administrative organs which promulgate such laws, regulations and rules.

## PRC JUDICIAL SYSTEM

Under the Constitution and the PRC Law on the Organization of the People's Courts (2018 revision) (《中華人民共和國人民法院組織法(2018年修訂)》), the PRC judicial system is made up of the Supreme People's Court, the local people's courts and special people's courts.

The local people's courts are comprised of the primary people's courts, the intermediate people's courts and the higher people's courts. The higher level people's courts supervise the primary and intermediate people's courts. The people's procuratorates also have the right to exercise legal supervision over the civil proceedings of people's courts of the same level and lower levels. The Supreme People's Court is the highest judicial body in the PRC. It supervises the judicial administration of the people's courts at all levels.

The PRC Civil Procedure Law (2017 revision) (《中華人民共和國民事訴訟法(2017年修訂)》) (the "**Civil Procedure Law**"), which was adopted in 1991 and amended in 2007, 2012 and 2017, sets forth the criteria for instituting a civil action, the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by express agreement, select a judicial court where civil actions may be brought, provided that the judicial court is either the plaintiff's or the defendant's domicile, the place of execution or implementation of the contract or the place of the object of the action, provided that the provisions of this law regarding the level of jurisdiction and exclusive jurisdiction shall not be violated.

A foreign national or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country's judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country within the PRC.

If any party to a civil action refuses to comply with a judgment or ruling made by a people's court or an award made by an arbitration panel in the PRC, the other party may apply to the people's court for the enforcement of the same. There are time limits of two years imposed on the right to apply for such enforcement. If a person fails to satisfy a judgment made by the court within the stipulated time, the court will, upon application by either party, enforce the judgment in accordance with the law.

A party seeking to enforce a judgment or ruling of a people's court against a party who is not personally or whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of the judgment or ruling. A foreign judgment or ruling may also be recognized and enforced by the people's court according to PRC enforcement procedures if the PRC has entered into or acceded to an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgment or ruling satisfies the court's examination according to the principle of reciprocity, unless the people's court finds that the recognition or enforcement of such judgment or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or security or against social and public interest.

## THE COMPANY LAW, SPECIAL REGULATIONS AND MANDATORY PROVISIONS

A joint stock limited company which was incorporated in the PRC and seeking a listing on the Hong Kong Stock Exchange is mainly subject to the following three laws and regulations in the PRC:

- The PRC Company Law which was promulgated by the Standing Committee of the NPC on December 29, 1993, came into effect on July 1, 1994, revised on December 25,1999, August 28, 2004, October 27, 2005 and December 28, 2013 respectively and the latest revision of which was implemented on October 26, 2018;

- The Special Regulations of the State Council on Share Offering and Listing Overseas by Joint-Stock Limited Liability Companies (the "**Special Regulations**") which were promulgated by the State Council on August 4, 1994 pursuant to Articles 85 and 155 of the Company Law in force at that time, and were applicable, to the overseas share subscription and listing of joint stock limited companies; and

- The Mandatory Provisions of Articles of Association of Companies Listing Overseas (the "**Mandatory Provisions**") which were issued jointly by the former Securities Commission of the State Council and the former State Economic Restructuring Commission on August 27, 1994, stating the mandatory provisions which must be incorporated into the articles of association of a joint stock limited company seeking an overseas listing. As such, the Mandatory Provisions are set out in the Articles of Association of the Company, the summary of which is set out in the section entitled "Appendix V – Summary of the Articles of Association" in this document.

Set out below is a summary of the major provisions of the Company Law, the Special Regulations and the Mandatory Provisions applicable to the Company.

**General**

A joint stock limited company refers to an enterprise legal person incorporated under the Company Law with its registered capital divided into shares of equal par value. The liability of its shareholders is limited to the amount of shares held by them and the company is liable to its creditors for an amount equal to the total value of its assets.

A joint stock limited company shall conduct its business in accordance with laws and administrative regulations. It may invest in other limited liability companies and joint stock limited companies and its liabilities with respect to such invested companies are limited to the amount invested. Unless otherwise provided by law, the joint stock limited company may not be a contributor that undertakes joint and several liabilities for the debts of the invested companies.

**Incorporation**

A joint stock limited company may be incorporated by promotion or public subscription.

A joint stock limited company may be incorporated by a minimum of two but not more than 200 promoters, and at least half of the promoters must have residence within the PRC. According to the Special Regulations, SOEs or enterprises with the majority of their assets owned by the PRC government may be restructured into joint stock limited companies which may issue shares to overseas investors in accordance with the relevant regulations. These companies, if incorporated by promotion, may have less than five promoters and may issue new shares once incorporated.

The promoters must convene an inaugural meeting within 30 days after the issued shares have been fully paid up, and must give notice to all subscribers or make an announcement of the date of the inaugural meeting 15 days before the meeting. The inaugural meeting may be convened only with the presence of promoters or subscribers representing at least half of the shares in the company. At the inaugural meeting, matters including the adoption of articles of association and the election of members of the board of directors and members of the board of supervisors of the company will be dealt with. All resolutions of the meeting require the approval of subscribers with more than half of the voting rights present at the meeting.

Within 30 days after the conclusion of the inaugural meeting, the board of directors must apply to the registration authority for registration of the establishment of the joint stock limited company. A company is formally established, and has the status of a legal person, after the business license has been issued by the relevant registration authority. Joint stock limited companies established by the subscription method shall file the approval on the offering of shares issued by the securities administration department of the State Council with the company registration authority for record.

A joint stock limited company's promoters shall be liable for: (i) the payment of all expenses and debts incurred in the incorporation process jointly and severally if the company cannot be incorporated; (ii) the refund of subscription monies to the subscribers, together with interest, at bank rates for a deposit of the same term jointly and severally if the company cannot be incorporated; and (iii) damages suffered by the company as a result of the default of the promoters in the course of incorporation of the company. According to the Interim Provisional Regulations on the Administration of Share Issuance and Trading (《股票發行與交易管理暫行條例》) promulgated by the State Council on April 22, 1993 (which is only applicable to the issuance and trading of shares in the PRC and their related activities), if a company is established by means of public subscription, the promoters of such company are required to sign on the document to ensure that the document does not contain any misrepresentation, serious misleading statements or material omissions, and assume joint and several responsibility for it.

**Share Capital**

The promoters of a company can make capital contributions in cash or in kind, which can be valued in currency and transferable according to law such as intellectual property rights or land use rights based on their appraised value.

If capital contribution is made other than in cash, valuation and verification of the property contributed must be carried out and converted into shares.

A company may issue registered or bearer share. However, shares issued to promoter(s) or legal person(s) shall be in the form of registered share and shall be registered under the name(s) of such promoter(s) or legal person(s) and shall not be registered under a different name or the name of a representative.

The Special Regulations and the Mandatory Provisions provide that shares issued to foreign investors and listed overseas shall be issued in registered form and shall be denominated in Renminbi and subscribed for in foreign currency.

Under the Special Regulations and the Mandatory Provisions, shares issued to foreign investors and investors from the territories of Hong Kong, the Macau and Taiwan and listed overseas are known as overseas listed foreign invested shares, and those shares issued to investors within the PRC other than the territories specified above are known as Domestic Shares.

A company may offer its shares to the public overseas with approval by the securities administration department of the State Council. Specific provisions shall be specifically formulated by the China Securities Regulatory Commission (the "CSRC"). Under the Special Regulations, upon approval of the CSRC, a company may agree, in the underwriting agreement in respect of an issue of overseas listed foreign invested shares, to retain not more than 15% of the aggregate number of overseas listed foreign invested shares proposed to be issued after accounting for the number of underwritten shares.

The share offering price may be equal to or greater than nominal value, but shall not be less than nominal value.

The transfer of shares by shareholders should be conducted via the legally established stock exchange or in accordance with other methods as stipulated by the State Council. Transfer of registered shares by a shareholder must be made by means of an endorsement or by other means stipulated by laws or administrative regulations. Bearer shares are transferred by delivery of the share certificates to the transferee.

Shares held by a promoter of a company shall not be transferred within one year after the date of the company's incorporation. Shares issued by a company prior to the public offer of its shares shall not be transferred within one year from the date of listing of the shares of the company on a stock exchange. Directors, supervisors and senior management of a company shall not transfer over 25% of the shares held by each of them in the company each year during their term of office and shall not transfer any share of the company held by each of them within one year after the listing date. There is no restriction under the Company Law as to the percentage of shareholding a single shareholder may hold in a company.

Transfers of shares may not be entered in the register of shareholders within 20 days before the date of a shareholders' meeting or within five days before the record date set for the purpose of distribution of dividends.

**Allotment and Issue of Shares**

All issue of shares of a joint stock limited company shall be based on the principles of equality and fairness. The same class of shares must carry equal rights. Shares issued at the same time and within the same class must be issued on the same conditions and at the same price. It may issue shares at par value or at a premium, but it may not issue shares below the par value.

A company shall obtain the approval of the CSRC to offer its shares to the overseas public. Under the Special Regulations, shares issued to foreign investors by joint stock limited companies and listed overseas are known as "overseas listed and foreign invested shares." Shares issued to investors within the PRC by joint stock limited companies, which also issues overseas listed and foreign shares, are known as "domestic shares." Upon approval of the securities regulatory authority of the State Council, a company issuing overseas listed and foreign invested shares in total shares determined by the issuance program may agree with underwriters in the underwriting agreement to retain not more than 15% of the aggregate number of overseas listed and foreign invested shares outside the underwritten amount. The issuance of the retained shares is deemed to be a part of this issuance.

**Registered Shares**

Under the Company Law, the shareholders may make capital contributions in cash, or alternatively may make capital contributions with such valuated non-monetary property as physical items, intellectual property rights, and land-use rights that may be valued in monetary term and may be transferred in accordance with the law. Pursuant to the Special Regulations, overseas listed and foreign invested shares issued shall be in registered form, denominated in Renminbi and subscribed for in a foreign currency. Domestic shares issued shall also be in registered form.

Under the Company Law, when the company issues shares in registered form, it shall maintain a register of shareholders, stating the following matters:

- the name and domicile of each shareholder;
- the number of shares held by each shareholder;
- the serial numbers of shares held by each shareholder; and
- the date on which each shareholder acquired the shares.

**Increase of Share Capital**

According to the Company Law, when the joint stock limited company issues new shares, resolutions shall be passed by a shareholders' general meeting, approving the class and number of the new shares, the issue price of the new shares, the commencement and end of the new share issuance and the class and amount of new shares to be issued to existing shareholders. When the company launches a public issuance of new shares with the approval of the securities regulatory authorities of the State Council, it shall publish a document and financial and accounting reports, and prepare the share subscription form. After the new share issuance has been paid up, the change shall be registered with the company registration authorities and an announcement shall be made.

**Reduction of Share Capital**

A company may reduce its registered capital in accordance with the following procedures prescribed by the Company Law:

- it shall prepare a balance sheet and a property list;
- the reduction of registered capital shall be approved by a shareholders' general meeting;

- it shall inform its creditors of the reduction in capital within 10 days and publish an announcement of the reduction in the newspaper within 30 days after the resolution approving the reduction has been passed;

- creditors may within 30 days after receiving the notice, or within 45 days of the public announcement if no notice has been received, require the company to pay its debts or provide guarantees covering the debts;

- it shall apply to the relevant administration of registration for the registration of the reduction in registered capital.

**Repurchase of Shares**

According to the Company Law, a joint stock limited company may not purchase its shares other than for one of the following purposes: (i) to reduce its registered capital; (ii) to merge with another company that holds its shares; (iii) to grant its shares for carrying out an employee stock ownership plan or equity incentive plan; (iv) to purchase its shares from shareholders who are against the resolution regarding the merger or division with other companies at a shareholders' general meeting; (v) use of shares for conversion of convertible corporate bonds issued by a listed company; and (vi) the share buyback is necessary for a listed company to maintain its company value and protect its shareholders' equity.

The purchase of shares on the grounds set out in (i) and (ii) above shall require approval by way of a resolution passed by the shareholders' general meeting. For a company's share buyback under any of the circumstances stipulated in (iii), (v) or (vi) above, a resolution of the company's board of directors shall be made by a two-third majority of directors attending the meeting according to the provisions of the company's articles of association or as authorized by the shareholders' meeting.

Following the purchase of shares in accordance with (i), such shares shall be canceled within 10 days from the date of purchase. The shares shall be assigned or deregistered within six months if the share buyback is made under the circumstances stipulated in either (ii) or (iv). The shares held in total by a company after a share buyback under any of the circumstances stipulated in (iii), (v) or (vi) shall not exceed 10% of the company's total outstanding shares, and shall be assigned or deregistered within three years.

Listed companies making a share buyback shall perform their obligation of information disclosure according to the provisions of the Securities Law. If the share buyback is made under any of the circumstances stipulated in (iii), (v) or (vi) hereof, centralized trading shall be adopted publicly.

**Transfer of Shares**

Shares held by shareholders may be transferred in accordance with the relevant laws and regulations. Pursuant to the Company Law, transfer of shares by shareholders shall be carried out at a legally established securities exchange or in other ways stipulated by the State Council. No modifications of registration in the share register caused by transfer of registered shares shall be carried out within 20 days prior to the convening of shareholder's general meeting or five days prior to the base date for determination of dividend distributions. However, where there are separate provisions by law on alternation of registration in the share register of listed companies, those provisions shall prevail. Pursuant to the Mandatory Provisions, no modifications of registration in the share register caused by transfer of shares shall be carried out within 30 days prior to convening of shareholder's general meeting or five days prior to any base date for determination of dividend distributions.

Under the Company law, shares issued prior to the public issuance of shares shall not be transferred within one year from the date of the joint stock limited company's listing on a stock exchange. Directors, supervisors and the senior management shall declare to the company their shareholdings in the company and any changes of such shareholdings. They shall not transfer more than 25% of all the shares they hold in the company annually during their tenure. They shall not transfer the shares they hold within one year from the date on which the company's shares are listed and commenced trading on a stock exchange, nor within six months after their resignation from their positions with the company.

**Shareholders**

Under the Company Law and the Mandatory Provisions, the rights of holders of ordinary shares of a joint stock limited company include:

- the right to attend or appoint a proxy to attend shareholders' general meetings and to vote thereat;

- the right to transfer shares in accordance with laws, administrative regulations and provisions of the articles of association;

- the right to inspect the company's articles of association, share register, counterfoil of company debentures, minutes of shareholder's general meetings, resolutions of meetings of the board of directors, resolutions of meetings of the board of supervisors and financial and accounting reports and to make proposals or enquires on the company's operations;

- the right to bring an action in the people's court to rescind resolutions passed by shareholder's general meetings and board of directors where the articles of association is violated by the above resolutions;

- the right to receive dividends and other types of interest distributed in proportion to the number of shares held;

- in the event of the termination or liquidation of the company, the right to participate in the distribution of residual properties of the company in proportion to the number of shares held; and

- other rights granted by laws, administrative regulations, other regulatory documents and the company's articles of association.

The obligations of a shareholder include the obligation to abide by the Company's articles of association, to pay the subscription moneys in respect of the shares subscribed for and in accordance with the form of making capital contributions, to be liable for the company's debts and liabilities to the extent of the amount of his or her subscribed shares and any other shareholders' obligation specified in the company's articles of association.

**Shareholders' General Meetings**

The shareholders' general meeting is the organ of authority of the company, which exercises its powers in accordance with the Company Law.

Under the Company Law, the shareholders' general meeting exercises the following principal powers:

- to decide on the company's operational policies and investment plans;

- to elect or remove the directors and supervisors (other than the representative of the employees of the company) and to decide on matters relating to the remuneration of directors and supervisors;

- to examine and approve reports of the board of directors;

- to examine and approve reports of the board of supervisors;

- to examine and approve the company's proposed annual financial budget and final accounts;

- to examine and approve the company's proposals for profit distribution plans and loss recovery plans;

- to decide on any increase or reduction of the company's registered capital;

- to decide on the issue of bonds by the company;

- to decide on issues such as merger, division, dissolution and liquidation of the company and other matters;

- to amend the company's articles of association; and

- other powers as provided for in the articles of association.

Shareholders' annual general meetings are required to be held once every year. Under the Company Law, an extraordinary shareholders' general meeting is required to be held within two months after the occurrence of any of the following:

- the number of directors is less than the number stipulated by the law or less than two thirds of the number specified in the articles of association;
- the aggregate losses of the company which are not recovered reach one-third of the company's total paid-in share capital;
- when shareholders alone or in aggregate holding 10% or more of the company's shares request the convening of an extraordinary general meeting;
- whenever the board of directors deems necessary;
- when the board of supervisors so requests; or
- other circumstances as provided for in the articles of associations.

Under the Company Law, shareholders' general meetings shall be convened by the board of directors, and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or does not perform his duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of directors shall preside over the meeting.

Where the board of directors is incapable of performing or not performing its duties of convening the shareholders' general meeting, the board of supervisors shall convene and preside over such meeting in a timely manner. In case the board of supervisors fails to convene and preside over such meeting, shareholders alone or in aggregate holding more than 10% of the company's shares for 90 days consecutively may unilaterally convene and preside over such meeting.

Under the Company Law, notice of shareholders' general meeting shall state the time and venue of and matters to be considered at the meeting and shall be given to all shareholders 20 days before the meeting. Notice of extraordinary shareholder's general meetings shall be given to all shareholders 15 days prior to the meeting. Under the Special Regulations and the Mandatory Provisions, such notice shall be delivered to all the registered shareholders 45 days in advance to the meeting, and the matters to be considered and time and venue of the meeting shall be specified. The written reply of shareholders planning to attend the meeting shall be delivered to the company 20 days in advance of the meeting.

There is no specific provision in the Company Law regarding the number of shareholders constituting a quorum in a shareholders' meeting. Pursuant to the Special Regulations and the Mandatory Provisions, shareholder's general meeting may be convened where the number of voting shares held by the shareholders present at the meeting reaches one half or more of the company's total voting shares. If this is not attained, the company shall within five days notify the shareholders again of the matters to be considered and time and venue of the meeting to shareholders in the form of public announcement. The company may convene the shareholders' general meeting after such public announcement. Pursuant to the Mandatory Provisions, modification or abrogation of rights conferred to any class of shareholders shall be passed both by special resolution of shareholders' general meeting and by class meeting convened respectively by shareholders of the affected class.

Pursuant to the Special Regulations, where the company convenes annual shareholder's general meeting, shareholders holding more than 5% of voting shares have a right to submit to the company new proposals in writing, in which the matters falling within the scope of shareholder's general meeting shall be placed in the agenda of the meeting.

Under the Company Law, shareholders present at shareholders' general meeting have one vote for each share they hold, save that shares held by the company are not entitled to any voting rights.

Pursuant to the provisions of the articles of association or a resolution of the shareholders' general meeting, the accumulative voting system may be adopted for the election of directors and supervisors at the shareholders' general meeting. Under the accumulative voting system, each share shall be entitled to vote equivalent to the number of directors or supervisors to be elected at the shareholders' general meeting and shareholders may consolidate their voting rights when casting a vote.

Pursuant to the Company Law and the Mandatory Provisions, resolutions of the shareholders' general meeting shall be adopted by more than half of the voting rights held by the shareholders present at the meeting. However, resolutions of the shareholders' general meeting regarding the following matters shall be adopted by more than two-thirds of the voting rights held by the shareholders present at the meeting: (i) amendments to the articles of association; (ii) the increase or decrease of registered capital; (iii) the issue of any types of shares, warrants or other similar securities; (iv) the issue of debentures; (v) the merger, division, dissolution, liquidation or change in the form of the company; (vi) other matters considered by the shareholders' general meeting, by way of an ordinary resolution, to be of a nature which may have a material impact on the company and should be adopted by a special resolution.

Under the Company Law, meeting minutes shall be prepared in respect of decisions on matters discussed at the shareholders' general meeting. The chairman of the meeting and directors attending the meeting shall sign to endorse such minutes. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

**Board**

Under the Company Law, a joint stock limited company shall have a board of directors, which shall consist of 5 to 19 members. Members of the board of directors may include representatives of the employees of the company, who shall be democratically elected by the company's staff at the staff representative assembly, general staff meeting or otherwise. The term of a director shall be stipulated in the articles of association, but no term of office shall last for more than three years. Directors may serve consecutive terms if re-elected. A director shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a duly re-elected director takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office, or if the resignation of directors results in the number of directors being less than the quorum.

Under the Company Law, the board of directors mainly exercises the following powers:

- to convene the shareholders' general meetings and report on its work to the shareholders' general meetings;
- to implement the resolutions passed in shareholders' general meetings;
- to decide on the company's business plans and investment proposals;
- to formulate the company's proposed annual financial budget and final accounts;
- to formulate the company's profit distribution proposals and loss recovery proposals;
- to formulate proposals for the increase or reduction of the company's registered capital and the issuance of corporate bonds;
- to prepare plans for the merger, division, dissolution and change in the form of the company;
- to formulate the company's basic management system; and
- to exercise any other power under the articles of association.

**Board Meetings**

Under the Company Law, meetings of the board of directors of a joint stock limited company shall be convened at least twice a year. Notice of meeting shall be given to all directors and supervisors 10 days before the meeting. Interim board meetings may be proposed to be convened by shareholders representing more than 10% of voting rights, more than one-third of the directors or the board of supervisors. The chairman shall convene and preside over such meeting within 10 days after receiving such proposal. Meetings of the board of

directors shall be held only if half or more of the directors are present. Resolutions of the board of directors shall be passed by more than half of all directors. Each director shall have one vote for resolutions to be approved by the board of directors. Directors shall attend board meetings in person. If a director is unable to attend a board meeting, he may appoint another director by a written power of attorney specifying the scope of the authorization to attend the meeting on his behalf.

If a resolution of the board of directors violates the laws, administrative regulations or the articles of association, and as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director may be released from that liability.

**Chairman of the Board**

Under the Company Law, the board of directors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman are elected with approval of more than half of all the directors. The chairman shall convene and preside over board meetings and examine the implementation of board resolutions. The vice chairman shall assist the work of the chairman. In the event that the chairman is incapable of performing or not performing his duties, the duties shall be performed by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of the directors shall perform his duties.

**Qualification of Directors**

The Company Law provides that the following persons may not serve as a director:

- a person who is unable or has limited ability to undertake any civil liabilities;
- a person who has been convicted of an offense of bribery, corruption, embezzlement or misappropriation of property, or the destruction of socialist market economy order; or who has been deprived of his political rights due to his crimes, in each case where less than five years have elapsed since the date of completion of the sentence;
- a person who has been a former director, factory manager or manager of a company or an enterprise that has entered into insolvent liquidation and who was personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;

- a person who has been a legal representative of a company or an enterprise that has had its business license revoked due to violations of the law and has been ordered to close down by law and the person was personally responsible, where less than three years have elapsed since the date of such revocation; or

- a person who is liable for a relatively large amount of debts that are overdue.

Other circumstances under which a person is disqualified from acting as a director are set out in the Mandatory Provisions.

**Board of Supervisors**

A joint stock limited company shall have a board of supervisors composed of not less than three members. The board of supervisors is made up of representatives of the shareholders and an appropriate proportion of representatives of the employees of the company. The actual proportion shall be stipulated in the articles of association, provided that the proportion of representatives of the employees shall not be less than one third of the supervisors. Representatives of the employees of the company in the board of supervisors shall be democratically elected by the employees at the employees' representative assembly, employees' general meeting or otherwise.

The directors and senior management may not act concurrently as supervisors.

The board of supervisors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman of the board of supervisors are elected with approval of more than half of all the supervisors. The chairman of the board of supervisors shall convene and preside over the meetings of the board of supervisors. In the event that the chairman of the board of supervisors is incapable of performing or not performing his duties, the vice chairman of the board of supervisors shall convene and preside over the meetings of the board of supervisors. In the event that the vice chairman of the board of supervisors is incapable of performing or not performing his duties, a supervisor nominated by more than half of the supervisors shall convene and preside over the meetings of the board of supervisors.

Each term of office of a supervisor is three years and he or she may serve consecutive terms if re-elected. A supervisor shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a duly re-elected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office, or if the resignation of supervisors results in the number of supervisors being less than the quorum.

The board of supervisors of a company shall hold at least one meeting every six months. According to the PRC Company Law, a resolution of the board of supervisors shall be passed by more than half of all the supervisors, while according to the Opinions on Supplementary Amendment to Articles of Associations by Companies to be listed in Hong Kong (《關於到香港上市公司對公司章程作補充修改的意見的函》), a resolution of the board of supervisors shall be passed by more than two-thirds of all the supervisors.

The board of supervisors exercises the following powers:

- to review the company's financial position;
- to supervise the directors and senior management in their performance of their duties and to propose the removal of directors and senior management who have violated laws, regulations, the articles of association or the resolutions of shareholders' meeting;
- when the acts of directors and senior management are harmful to the company's interests, to require correction of those acts;
- to propose the convening of extraordinary shareholders' general meetings and to convene and preside over shareholders' general meetings when the board of directors fails to perform the duty of convening and presiding over shareholders' general meeting under this law;
- to initiate proposals for resolutions to shareholders' general meeting;
- to initiate proceedings against directors and senior management;
- other powers specified in the articles of association; and
- Supervisors may attend board meetings and make enquiries or proposals in respect of board resolutions. The board of supervisors may initiate investigations into any irregularities identified in the operation of the company and, where necessary, may engage an accounting firm to assist their work at the company's expense.

**Manager and Senior Management**

Under the Company Law, a company shall have a manager who shall be appointed or removed by the board of directors. The manager shall report to the board of directors and may exercise the following powers:

- to supervise the business and administration of the company and arrange for the implementation of resolutions of the board of directors;
- to arrange for the implementation of the company's annual business plans and investment proposals;
- to formulate the general administration system of the company;
- to formulate the company's detailed rules;

- to recommend the appointment and dismissal of deputy managers and person in charge of finance;

- to appoint or dismiss other administration officers (other than those required to be appointed or dismissed by the board of directors); and

- to other powers conferred by the board of directors or the articles of association.

The manager shall comply with other provisions of the articles of association concerning his/her powers. The manager shall attend board meetings.

According to the Company Law, senior management shall mean the manager, deputy manager(s), person-in-charge of finance, board secretary (in case of a listed company) of a company and other personnel as stipulated in the articles of association.

**Duties of Directors, Supervisors and Senior Management**

Directors, supervisors and senior management of the company are required under the Company Law to comply with the relevant laws, regulations and the articles of association, and have fiduciary and diligent duties to the company. Directors, supervisors and senior management are prohibited from abusing their powers to accept bribes or other unlawful income and from misappropriating of the company's properties. Directors and senior management are prohibited from:

- misappropriation of the company's capital;

- depositing the company's capital into accounts under his own name or the name of other individuals;

- loaning company funds to others or providing guarantees in favor of others supported by the company's assets in violation of the articles of association or without prior approval of the shareholders' general meeting or board of directors;

- entering into contracts or deals with the company in violation of the articles of association or without prior approval of the shareholders' general meeting;

- using their position and powers to procure business opportunities for themselves or others that should have otherwise been available to the company or operating for their own benefits or managing on behalf of others businesses similar to that of the company without prior approval of the shareholders' general meeting;

- accept and possess commissions paid by a third party for transactions conducted with the company;

- unauthorized divulgence of confidential business information of the company; or

- other acts in violation of their duty of loyalty to the company.

A director, supervisor or senior management who contravenes any law, regulation or the company's articles of association in the performance of his duties resulting in any loss to the company shall be personally liable to the company.

**Finance and Accounting**

Under the Company Law, a company shall establish financial and accounting systems according to laws, administrative regulations and the regulations of the financial department of the State Council and shall at the end of each financial year prepare a financial and accounting report which shall be audited by an accounting firm as required by law. The company's financial and accounting report shall be prepared in accordance with provisions of the laws, administrative regulations and the regulations of the financial department of the State Council.

Pursuant to the Company Law, the company shall deliver its financial and accounting reports to all shareholders within the time limit stipulated in the articles of association and make its financial and accounting reports available at the company for inspection by the shareholders at least 20 days before the convening of an annual general meeting of shareholders. It must also publish its financial and accounting reports.

When distributing each year's after-tax profits, it shall set aside 10% of its after-tax profits into a statutory common reserve fund (except where the fund has reached 50% of its registered capital).

If its statutory common reserve fund is not sufficient to make up losses of the previous year, profits of the current year shall be applied to make up losses before allocation is made to the statutory common reserve fund pursuant to the above provisions.

After allocation of the statutory common reserve fund from after-tax profits, it may, upon a resolution passed at the shareholders' general meeting, allocate discretionary common reserve fund from after-tax profits.

The remaining after-tax profits after making up losses and allocation of common reserve fund shall be distributed in proportion to the number of shares held by the shareholders, unless otherwise stipulated in the articles of association.

Shares held by the Company shall not be entitled to any distribution of profit.

The premium received through issuance of shares at prices above par value and other incomes required by the financial department of the State Council to be allocated to the capital reserve fund shall be allocated to the company's capital reserve fund.

The Company's reserve fund shall be applied to make up losses of the company, expand its business operations or be converted to increase the registered capital of the company. However, the capital reserve fund may not be applied to make up the company's losses. Upon the conversion of statutory common reserve fund into capital, the balance of the statutory common reserve fund shall not be less than 25% of the registered capital of the company before such conversion.

The Company shall have no other accounting books except the statutory accounting books. Its assets shall not be deposited in any accounts opened in the name of any individual.

**Appointment and Retirement of Accounting Firms**

Pursuant to the Company Law, the appointment or dismissal of accounting firms responsible for the auditing of the company shall be determined by shareholders' general meeting or board of directors in accordance with provisions of articles of association. The accounting firm should be allowed to make representations when the shareholders' general meeting or board of directors conducts a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidences, books, financial and accounting reports and other accounting data to the accounting firm it employs without any refusal, withholding and misrepresentation.

The Special Regulations provide that a company shall employ an independent accounting firm complying with the relevant regulations of the State to audit its annual report and review and check other financial reports of the company. The accounting firm's term of office shall commence from their appointment at a shareholders' annual general meeting to the end of the next shareholders' annual general meeting.

**Distribution of Profits**

According to the Company Law, a company shall not distribute profits before losses are covered and the statutory common reserve is drawn. Under the Mandatory Provisions, a company shall appoint receiving agents on behalf of holders of the overseas listed and foreign invested shares to receive on behalf of such shareholders dividends and other distributions payable in respect of their overseas listed and foreign invested shares.

**Amendments to Articles of Association**

Any amendments to the company's articles of association must be made in accordance with the procedures set out in the company's articles of association. Any amendment of provisions incorporated in the articles of association in connection with the Mandatory Provisions will only be effective after approval by the company's approval department authorized by the State Council and the CSRC. In relation to matters involving the company's registration, its registration with the authority must also be changed.

**Dissolution and Liquidation**

According to the Company Law, a company shall be dissolved by reason of the following: (i) the term of its operations set down in the articles of association has expired or other events of dissolution specified in the articles of association have occurred; (ii) the shareholders' general meeting have resolved to dissolve the company; (iii) the company is dissolved by reason of merger or division; (iv) the business license is revoked; the company is ordered to close down or be dissolved; or (v) the company is dissolved by the people's court in response to the request of shareholders holding shares that represent more than 10% of the voting rights of all its shareholders, on the grounds that the company suffers significant hardship in its operation and management that cannot be resolved through other means, and the ongoing existence of the company would bring significant losses for shareholders.

In the event of (i) above, it may carry on its existence by amending its articles of association. The amendment of the articles of association in accordance with provisions set out above shall require approval of more than two thirds of voting rights of shareholders attending a shareholders' general meeting.

Where the company is dissolved in the circumstances described in subparagraphs (i), (ii), (iv), or (v) above, a liquidation group shall be established and the liquidation process shall commence within 15 days after the occurrence of an event of dissolution.

The members of the company's liquidation group shall be composed of its directors or the personnel appointed by the shareholders' general meeting. If a liquidation group is not established within the stipulated period, creditors may apply to the people's court and request the court to appoint relevant personnel to form the liquidation group. The people's court should accept such application and form a liquidation group to conduct liquidation in a timely manner.

The liquidation group shall exercise the following powers during the liquidation period:

- to handle the company's assets and to prepare a balance sheet and an inventory of the assets;
- to notify creditors through notice or public announcement;
- to deal with the company's outstanding businesses related to liquidation;
- to pay any tax overdue as well as tax amounts arising from the process of liquidation;
- to claim credits and pay off debts;
- to handle the company's remaining assets after its debts have been paid off; and
- to represent the company in civil lawsuits.

The liquidation group shall notify the company's creditors within 10 days after its establishment and issue public notices in newspapers within 60 days. A creditor shall lodge his claim with the liquidation group within 30 days after receiving notification, or within 45 days of the public notice if he did not receive any notification. A creditor shall state all matters relevant to his creditor rights in making his claim and furnish evidence. The liquidation group shall register such creditor rights. The liquidation group shall not make any debt settlement to creditors during the period of claim.

Upon liquidation of properties and the preparation of the balance sheet and inventory of assets, the liquidation group shall draw up a liquidation plan to be submitted to the shareholders' general meeting or people's court for confirmation.

The company's remaining assets after payment of liquidation expenses, wages, social insurance expenses and statutory compensation, outstanding taxes and debts shall be distributed to shareholders according to their shareholding proportion. It shall continue to exist during the liquidation period, although it can only engage in any operating activities that are related to the liquidation. The company's properties shall not be distributed to the shareholders before repayments are made in accordance to the foregoing provisions.

Upon liquidation of the company's properties and the preparation of the balance sheet and inventory of assets, if the liquidation group becomes aware that the company does not have sufficient assets to meet its liabilities, it must apply to the people's court for a declaration for bankruptcy.

Following such declaration, the liquidation group shall hand over all matters relating to the liquidation to the people's court.

Upon completion of the liquidation, the liquidation group shall submit a liquidation report to the shareholders' general meeting or the people's court for verification. Thereafter, the report shall be submitted to the registration authority of the company in order to cancel the company's registration, and a public notice of its termination shall be issued. Members of the liquidation group are required to discharge their duties honestly and in compliance with the relevant laws. Members of the liquidation group shall be prohibited from abusing their powers to accept bribes or other unlawful income and from misappropriating the company's properties.

A member of the liquidation group is liable to indemnify the company and its creditors in respect of any loss arising from his intentional or gross negligence.

**Overseas Listing**

According to the Special Regulations, a company shall obtain the approval of the CSRC to list its shares overseas. According to Rule 2(6) of the Regulatory Guidelines for the Application Documents and Examination Procedures for the Overseas Share Issuance and Listing by Joint Stock Companies (《關於股份有限公司境外發行股票和上市申報文件及審核程序的監管指引》) promulgated by CSRC (effective from January 1, 2013), the approval documents for overseas stock issuance and listing by the company granted by CSRC shall be valid for a period of 12 months.

### Loss of Share Certificates

If a registered share certificate is lost, stolen or destroyed, the relevant shareholder may apply, in accordance with the relevant provisions set out in the Civil Procedure Law, to a people's court to declare such certificate invalid. After the people's court declares the invalidity of such certificate, the shareholder may apply to the company for a replacement share certificate. A separate procedure regarding the loss of overseas listed and foreign invested share certificates is provided for in the Mandatory Provisions.

### Suspension and Termination of Listing

The Company Law has deleted provisions governing suspension and termination of listing. The PRC Securities Law (2019 revision) (《中華人民共和國證券法》(2019年修訂)) has also deleted provisions regarding suspension of listing. Where listed securities fall under the delisting circumstances stipulated by the stock exchange, the stock exchange shall terminate its listing and trading in accordance with the business rules.

Where the stock exchange decides on delisting of securities, it shall promptly announce and file records with the securities regulatory authority of the State Council.

### Merger and Demerger

Companies may merge through merger by absorption or through the establishment of a newly merged entity. If it merges by absorption, the company which is absorbed shall be dissolved. If it merges by forming a new corporation, both companies will be dissolved.

## SECURITIES LAW AND REGULATIONS

The PRC has promulgated a number of regulations that relate to the issue and trading of shares and disclosure of information. In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities-related institutions in the PRC and administering the CSRC. The CSRC is the regulatory arm of the Securities Committee and is responsible for the drafting of regulatory provisions of securities markets, supervising securities companies, regulating public offers of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities related statistics and undertaking relevant research and analysis. In April 1998, the State Council consolidated the two departments and reformed the CSRC.

The Interim Provisional Regulations on the Administration of Share Issuance and Trading (《股票發行與交易管理暫行條例》) deals with the application and approval procedures for public offerings of equity securities, trading in equity securities, the acquisition of listed companies, deposit, clearing and transfer of listed equity securities, the disclosure of information with respect to a listed company, investigation, penalties and dispute settlement.

On December 25, 1995, the State Council promulgated and implemented the Regulations of the State Council Concerning Domestic Listed Foreign Shares of Joint Stock Limited Companies (《國務院關於股份有限公司境內上市外資股的規定》). These regulations deal mainly with the issue, subscription, trading and declaration of dividends and other distributions of domestic listed and foreign invested shares and disclosure of information of joint stock limited companies having domestic listed and foreign invested shares.

The PRC Securities Law took effect on July 1, 1999 and was revised on August 28, 2004, October 27, 2005, June 29, 2013, August 31, 2014 and December 28, 2019, respectively. This is the first national securities law in the PRC, which is divided into 14 chapters and 226 articles regulating, among other things, the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council's securities regulatory authorities. The PRC Securities Law comprehensively regulates activities in the PRC securities market. Article 224 of the PRC Securities Law provides that domestic enterprises shall comply with the relevant provisions of the State Council. to list its shares outside the PRC. Currently, the issue and trading of foreign issued shares (including H shares) are mainly governed by the rules and regulations promulgated by the State Council and the CSRC.

## ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

The Arbitration Law of the PRC (《中華人民共和國仲裁法》) (the "**Arbitration Law**") was passed by the Standing Committee of the NPC on August 31, 1994, became effective on September 1, 1995 and was amended on August 27, 2009 and September 1, 2017. Under the Arbitration Law, an arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with the Arbitration Law and the Civil Procedure Law. Where the parties have by agreement provided arbitration as the method for dispute resolution, the people's court will refuse to handle the case except when the arbitration agreement is declared invalid.

The Mandatory Provisions require an arbitration clause to be included in the articles of association of an issuer. Matters in arbitration include any disputes or claims in relation to the issuer's affairs or as a result of any rights or obligations arising under its articles of association, the Company Law or other relevant laws and administrative regulations.

Where a dispute or claim of rights referred to in the preceding paragraph is referred to arbitration, the entire claim or dispute must be referred to arbitration, and all persons who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, must comply with the arbitration. Disputes in respect of the definition of shareholder and disputes in relation to the issuer's register of shareholders need not be resolved by arbitration.

A claimant may elect for arbitration to be carried out at either the China International Economic and Trade Arbitration Commission (中國國際經濟貿易仲裁委員會) ("**CIETAC**") in accordance with its rules or the Hong Kong International Arbitration center ("HKIAC") in

accordance with its Securities Arbitration Rules (the "Securities Arbitration Rules"). Once a claimant refers a dispute or claim to arbitration, the other party shall submit to the arbitral body elected by the claimant. If the claimant elects for arbitration to be carried out at the HKIAC, any party to the dispute or claim may apply for a hearing to take place in Shenzhen in accordance with the Securities Arbitration Rules. In accordance with the Arbitration Regulations of CIETAC (《中國國際經濟貿易仲裁委員會仲裁規則》) which was amended on November 4, 2014 and implemented on January 1, 2015, CIETAC shall deal with economic and trading disputes over contractual or non-contractual transactions, based on an agreement of the parties, including disputes involving Hong Kong based on the agreement of the parties. The arbitration commission is established in Beijing and its branches and centers have been set up in Shenzhen, Shanghai, Tianjin, Chongqing, Zhejiang, Hubei, Fujian, Shanxi, Jiangsu, Sichuan and Shandong.

Under the Arbitration Law and the Civil Procedure Law, an arbitral award is final and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the people's court for enforcement. A people's court may refuse to enforce an arbitral award made by an arbitration commission if there is any irregularity on the procedures or composition of arbitrators specified by law or the award exceeds the scope of the arbitration agreement or is outside the jurisdiction of the arbitration commission.

A party seeking to enforce an arbitral award of PRC arbitration panel against a party who, or whose property, is not within the PRC, may apply to a foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognized and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC. The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "New York Convention") adopted on June 10, 1958 pursuant to a resolution of the Standing Committee of the NPC passed on December 2, 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognized and enforced by all other parties to the New York Convention, subject to their right to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of the state to which the application for enforcement is made. It was declared by the Standing Committee of the NPC simultaneously with the accession of the PRC that (i) the PRC will only recognize and enforce foreign arbitral awards on the principle of reciprocity and (ii) the PRC will only apply the New York Convention in disputes considered under PRC laws to arise from contractual and non-contractual mercantile legal relations.

An arrangement was reached between Hong Kong and the Supreme People's Court for the mutual enforcement of arbitral awards. On June 18, 1999, the Supreme People's Court adopted the Arrangement on Mutual Enforcement of Arbitral Awards between Mainland China and Hong Kong (《關於內地與香港特別行政區相互執行仲裁裁決的安排》), which became effective on February 1, 2000. In accordance with this arrangement, awards made by PRC arbitral authorities under the Arbitration Law can be enforced in Hong Kong, and Hong Kong arbitration awards are also enforceable in the PRC.

**Judicial judgment and its enforcement**

According to the Arrangement on Mutual Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland China and of the Hong Kong Special Administrative Region Pursuant to Agreed Jurisdiction by Parties Concerned (《最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) promulgated by the Supreme People's Court on July 3, 2008 and implemented on August 1, 2008, in the case of final judgment, defined with payment amount and enforcement power, made between the court of China and the court of the Hong Kong Special Administrative Region in a civil and commercial case with written jurisdiction agreement, any party concerned may apply to the People's Court of China or the court of the Hong Kong Special Administrative Region for recognition and enforcement based on this arrangement. "Choice of court agreement in written" refers to a written agreement defining the exclusive jurisdiction of either the People's Court of China or the court of the Hong Kong Special Administrative Region in order to resolve dispute with particular legal relation occurred or likely to occur by the party concerned. Therefore, the party concerned may apply to the Court of China or the court of the Hong Kong Special Administrative Region to recognize and enforce the final judgment made in China or Hong Kong that meet certain conditions of the aforementioned regulations.

**Shanghai-Hong Kong Stock Connect**

On April 10, 2014, CSRC and Hong Kong Securities and Futures Commission (hereinafter referred to as "HKSFC") issued the Joint Announcement of China Securities Regulatory Commission and Hong Kong Securities and Futures Commission – Principles that Should be Followed when the Pilot Program that Links the Stock Markets in Shanghai and Hong Kong is Expected to be Implemented and approved in principle the launch of the pilot program that links the stock markets in Shanghai and Hong Kong (hereinafter referred to as "Shanghai-Hong Kong Stock Connect") by the Shanghai Stock Exchange (hereinafter referred to as "SSE"), the Stock Exchange, China Securities Depository and Clearing Corporation Limited (hereinafter referred to as "CSDCC") and HKSCC. Shanghai-Hong Kong Stock Connect comprises the two portions of Northbound Trading Link and Southbound Trading Link. Southbound Trading Link refers to the entrustment of China securities houses by China investors to trade stocks listed on the Stock Exchange within a stipulated range via filing by the securities trading service company established by the SSE with the Stock Exchange. During the initial period of the pilot program, the stocks of Southbound Trading Link consist of constituent stocks of the Stock Exchange Hang Seng Composite Large Cap Index and the Hang Seng Composite MidCap Index as well as stocks of A+H stock companies concurrently listed on the Stock Exchange and the SSE. The total limit of Southbound Trading Link is RMB250 billion and the daily limit is RMB10.5 billion. During the initial period of the pilot program, it is required by HKSFC that China investors participating in Southbound Trading Link are only limited to institutional investors and individual investors with a securities account and capital account balance of not less than RMB500,000.

On November 10, 2014, CSRC and HKSFC issued a Joint Announcement, approving the official launch of Shanghai-Hong Kong Stock Connect by SSE, the Stock Exchange, CSDCC and HKSCC. Pursuant to the Joint Announcement, trading of stocks under Shanghai-Hong Kong Stock Connect will commence on November 17, 2014.

On September 30, 2016, CSRC issued the Filing Provision on the Placement of Shares by Hong Kong Listed Companies with Domestic Original Shareholders under Southbound Trading Link which came into effect on the same day. The act of the placement of shares by Hong Kong listed companies with domestic original shareholders under Southbound Trading Link shall be filed with CSRC. Hong Kong listed companies shall file the application materials and approved documents with CSRC after obtaining approval from the Stock Exchange for their share placement applications. CSRC will carry out supervision based on the approved opinion and conclusion of the Hong Kong side.

## SUMMARY OF MATERIAL DIFFERENCES BETWEEN HONG KONG AND PRC COMPANY LAW

The Hong Kong law applicable to a company incorporated in Hong Kong is based on the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Companies Ordinance and is supplemented by common law and the rules of equity that are applicable to Hong Kong. As a joint stock limited company established in the PRC that is seeking a listing of shares on the Hong Kong Stock Exchange, we are governed by the Company Law and all other rules and regulations promulgated pursuant to the Company Law.

Set out below is a summary of certain material differences between Hong Kong company law applicable to a company incorporated in Hong Kong and the Company Law applicable to a joint stock limited company incorporated and existing under the Company Law. This summary is, however, not intended to be an exhaustive comparison.

### Corporate Existence

Under Hong Kong company law, a company with share capital, is incorporated by the Registrar of Companies in Hong Kong which issues a certificate of incorporation to the Company upon its incorporation and the company will acquire an independent corporate existence. A company may be incorporated as a public company or a private company. Pursuant to the Companies Ordinance, the articles of association of a private company incorporated in Hong Kong shall contain certain preemptive provisions. A public company's articles of association do not contain such pre-emptive provisions.

Under the Company Law, a joint stock limited company may be incorporated by promotion or public subscription.

Hong Kong law does not prescribe any minimum capital requirement for a Hong Kong company.

**Share Capital**

The Hong Kong company law does not provide for authorized share capital. The share capital of a Hong Kong company would be its issued share capital. The full proceeds of a share issue will be credited to share capital and becomes a company's share capital. The directors of a Hong Kong company may, with the prior approval of the shareholders if required, issue new shares of the company. The Company Law does not provide for authorized share capital, either. Our registered capital is the amount of our issued share capital. Any increase in our registered capital must be approved by our shareholders' general meeting and file with the relevant PRC governmental and regulatory authorities.

Under the Company Law, the shares may be subscribed for in the form of money or non-monetary assets (other than assets not entitled to be used as capital contributions under relevant laws and administrative regulations). For non-monetary assets to be used as capital contributions, appraisals and verification must be carried out to ensure no overvaluation or undervaluation of the assets. There is no such restriction on a Hong Kong company under Hong Kong Law.

**Restrictions on Shareholding and Transfer of Shares**

Generally, overseas listed shares, which are denominated in Renminbi and subscribed for in a currency other than Renminbi, may only be subscribed for, and traded by, investors from Hong Kong, Macau and Taiwan or any country and territory outside the PRC, or qualified domestic institutional investors as allowed under Tentative Regulatory Measures for Qualified Domestic Institutional Investors Investing in Overseas Securities (《合格境內機構投資者境外證券投資管理試行辦法》). If the H shares are eligible securities under the Southbound Trading Link, they are also subscribed for and traded by PRC investors in accordance with the rules and limits of Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect.

Under the Company Law, a promoter of a joint stock limited company is not allowed to transfer the shares it holds for a period of one year after the date of establishment of the company. Shares in issue prior to our public offering cannot be transferred within one year from the listing date of the shares on a stock exchange. Shares in a joint stock limited liability company held by its directors, supervisors and managers and transferred each year during their term of office shall not exceed 25% of the total shares they held in the company, and the shares they held in the company cannot be transferred within one year from the listing date of the shares, and also cannot be transferred within half a year after the said personnel has left office. The articles of association may set other restrictive requirements on the transfer of the company's shares held by its directors, supervisors and officers. There are no such restrictions on shareholdings and transfers of shares under Hong Kong law apart from the six-month lockup on the company's issue of shares and the 12-month lockup on controlling shareholders' disposal of shares, as illustrated by the undertakings given by the Company and our controlling shareholder to the Hong Kong Stock Exchange.

**Financial Assistance for Acquisition of Shares**

The Company Law does not prohibit or restrict a joint stock limited company or its subsidiaries from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares. However, the Mandatory Provisions contain certain restrictions on a company and its subsidiaries on providing such financial assistance similar to those under the Hong Kong company law.

**Variation of Class Rights**

The Company Law has no special provision relating to variation of class rights. However, the Company Law states that the State Council can promulgate regulations relating to other kinds of shares. The Mandatory Provisions contain elaborate provisions relating to the circumstances which are deemed to be variations of class rights and the approval procedures required to be followed in respect thereof. These provisions have been incorporated in the Articles of Association, which are summarized in "Appendix VI – Summary of the Articles of Association."

Under the Companies Ordinance, no rights attached to any class of shares can be varied except:

(i) If there are provisions in the articles of association relating to the variation of those rights, then in accordance with those provisions;

(ii) If there are not relevant provisions in the articles of associations, then (1) with the consent in writing of at least three fourths of the total voting rights of holders of the shares in the class in question, or (2) with the approval of a special resolution of the holders of the relevant class at a separate meeting.

**Directors, Senior Management and Supervisors**

The Company Law, unlike Hong Kong company law, does not contain any requirements relating to the declaration of directors' interests in material contracts, restrictions on directors' authority in making major dispositions, restrictions on companies providing certain benefits to directors and guarantees in respects of directors' liability and prohibitions against compensation for loss of office without shareholders' approval. The Mandatory Provisions, however, contain certain restrictions on major disposals and specify the circumstances under which a director may receive compensation for loss of office.

**Board of Supervisors**

Under the Company Law, a joint stock limited company's directors and managers are subject to the supervision of a supervisors committee. There is no mandatory requirement for the establishment of a board of supervisors for a company incorporated in Hong Kong. The Mandatory Provisions provide that each supervisor owes a duty, in the exercise of his powers, to act in good faith and honestly in what he considers to be in the best interests of the Company and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

**Derivative Action by Minority Shareholders**

Hong Kong law permits minority shareholders to initiate a derivative action on behalf of all shareholders against directors who have committed a breach of their fiduciary duties to the company if the directors control a majority of votes at a general meeting, thereby effectively preventing a company from suing the directors in breach of their duties in its own name. The Company Law provides shareholders of a joint stock limited company with the right so that in the event where the directors and senior management violate their fiduciary obligations to a company, the shareholders individually or jointly holding over 1% of the shares in the company for more than 180 consecutive days may request in writing the board of supervisors to initiate proceedings in the people's court. In the event that the board of supervisors violates their fiduciary obligations to a company, the above said shareholders may send written request to the board of directors to initiate proceedings in the people's court. Upon receipt of such written request from the shareholders, if the board of supervisors or the board of directors refuses to initiate such proceedings, or has not initiated proceedings within 30 days upon receipt of the request, or if under urgent situations, failure of initiating immediate proceeding may cause irremediable damages to the company, the above said shareholders shall, for the benefit of the company's interests, have the right to initiate proceedings directly to the court in their own name.

The Mandatory Provisions provide further remedies against the directors, supervisors and senior management who breach their duties to the company. In addition, as a condition to the listing of shares on the Hong Kong Stock Exchange, each director and supervisor of a joint stock limited company is required to give an undertaking in favor of the company acting as agent for the shareholders. This allows minority shareholders to take action against directors and supervisors in default.

**Protection of Minorities**

Under Hong Kong law, the company may be wound up by the court if the court considers that it is just and equitable to do so, in addition, a shareholder who complains that the affairs of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his interests may petition to the court to make an appropriate order regulating the affairs of the company. Furthermore, under certain circumstances, the Financial Secretary of Hong Kong may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated in Hong Kong. The PRC law does not contain similar safeguards.

The Mandatory Provisions, however, contain provisions that a controlling shareholder may not exercise its voting rights in a manner prejudicial to the interests of the shareholders generally or of a proportion of the shareholders of a company to relieve a director or supervisor of his duty to act honestly in the best interests of the company or to approve the expropriation by a director or supervisor of the company's assets or the individual rights of other shareholders.

**Notice of Shareholders' Meetings**

Under the Company Law, notice of a shareholder's annual general meeting must be given not less than 20 days before the meeting. According to the Official Reply of the State Council on Adjusting the Provisions Governing Matters Including the Application of the Notice Period for the Convening of Shareholders' General Meetings by Companies Listed Overseas (《國務院關於調整適用在境外上市公司召開股東大會通知期限等事項規定的批覆》) promulgated by the State Council on October 17, 2019, the notice period for a shareholders' meeting, the shareholder proposal right, and the procedures for convening a shareholders' meeting, for those joint stock companies established within the territory of China but listed outside the territory of China, should be governed by the PRC Company Law. For a company incorporated in Hong Kong, the notice period for an annual general meeting is at least 21 days and in any other case, at least 14 days for a limited company and at least 7 days for an unlimited company.

**Quorum for Shareholders' Meetings**

Under Hong Kong law, the quorum for a general meeting must be at least two members unless the articles of association of the company otherwise provide. For companies with only one member, the quorum must be one member. The Company Law does not specify any quorum requirement for a shareholders' general meeting, but the Special Regulations and the Mandatory Provisions provide that general meetings may only be convened when replies to the notice of that meeting have been received from shareholders whose shares represent at least 50% of the voting rights at least 20 days before the proposed date of the meeting, or if that 50% level is not achieved, the company shall within five days notify its shareholders again by way of a public announcement and the shareholders' general meeting may be held thereafter.

**Voting**

Under Hong Kong law, an ordinary resolution is passed by a simple majority of votes cast by members present in person or by proxy at a general meeting and a special resolution is passed by a majority of not less than three-fourths of votes cast by members present in person or by proxy at a general meeting. Under the Company Law, the passing of any resolution requires affirmative votes of shareholders representing more than half of the voting rights represented by the shareholders who attend the general meeting except in cases of proposed amendments to a company's articles of association, increase or decrease of registered capital, merger, division or dissolution, or change of corporation form, which require affirmative votes of shareholders representing more than two-thirds of the voting rights represented by the shareholders who attend the general meeting.

**Financial Disclosure**

Under the Company Law, a joint stock limited company is required to make available at the company for inspection by shareholders its financial report 20 days before its shareholders' annual general meeting. In addition, a joint stock limited company of which the shares are publicly offered must publish its financial report. The Companies Ordinance requires a company incorporated in Hong Kong to send to every shareholder a copy of its balance sheet, auditors' report and directors' report, which are to be presented before the company in its annual general meeting, not less than 21 days before such meeting. A joint stock limited liability company is required under the PRC law to prepare its financial statements in accordance with the PRC GAAP. The Mandatory Provisions require that a company must, in addition to preparing financial statements according to the PRC GAAP, have its financial statements prepared and audited in accordance with international or Hong Kong accounting standards and its financial statements must also contain a statement of the financial effect of the material differences (if any) from the financial statements prepared in accordance with the PRC GAAP.

The Special Regulations require that there should not be any inconsistency between the information disclosed within and outside the PRC and that, to the extent that there are differences in the information disclosed in accordance with the relevant PRC and overseas laws, regulations and requirements of the relevant stock exchanges, such differences should also be disclosed simultaneously.

**Information on Directors and Shareholders**

The Company Law gives shareholders the right to inspect the company's articles of association, minutes of the shareholders' general meetings and financial and accounting reports. Under the Articles of Association, shareholders have the right to inspect and copy (at reasonable charges) certain information on shareholders and on directors which is similar to the shareholders' rights of Hong Kong companies under Hong Kong law.

**Receiving Agent**

Under the Company Law and Hong Kong law, dividends once declared are debts payable to shareholders. The limitation period for debt recovery action under Hong Kong law is six years, while under the PRC law this limitation period is three years. The Mandatory Provisions require the relevant company to appoint a trust company registered under the Hong Kong Trustee Ordinance (Chapter 29 of the Laws of Hong Kong) as a receiving agent to receive on behalf of holders of shares dividends declared and all other monies owed by the company in respect of its shares.

**Corporate Reorganization**

Corporate reorganization involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company in the course of voluntary winding up to another company pursuant to Section 237 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members pursuant to Section 673 and Section 674 of the Companies Ordinance, which requires the sanction of the court. Under PRC law, merger, division, dissolution or change to the status of a joint stock limited liability company has to be approved by shareholders in general meeting.

**Dispute Arbitration**

In Hong Kong, disputes between shareholders on the one hand, and a company incorporated in Hong Kong or its directors on the other, may be resolved through legal proceedings in the courts. The Mandatory Provisions provide that such disputes should be submitted to arbitration at either the HKIAC or the CIETAC, at the claimant's choice.

**Mandatory Deductions**

Under the Company Law, a joint stock limited liability company is required to make transfers equivalent to certain prescribed percentages of its after tax profit to the statutory common reserve fund. There are no corresponding provisions under Hong Kong law.

**Remedies of the Company**

Under the Company Law, if a director, supervisor or manager in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or manager should be responsible to the company for such damages. In addition, the Listing Rules require listed companies' articles of association to provide for remedies of the company similar to those available under Hong Kong law (including rescission of the relevant contract and recovery of profits from a director, supervisor or senior management).

**Dividends**

The company has the power in certain circumstances to withhold, and pay to the relevant tax authorities, any tax payable under PRC law on any dividends or other distributions payable to a shareholder. Under Hong Kong law, the limitation period for an action to recover a debt (including the recovery of dividends) is six years, whereas under PRC laws, the relevant limitation period is two years now or three years beginning from January 1, 2021. The company must not exercise its powers to forfeit any unclaimed dividend in respect of shares until after the expiry of the applicable limitation period.

**Fiduciary Duties**

In Hong Kong, there is the common law concept of the fiduciary duty of directors. Under the Special Regulations, directors, supervisors are not permitted to engage in any activities which compete with or damage the interests of their company.

**Closure of Register of Shareholders**

The Companies Ordinance requires that the register of shareholders of a company must not generally be closed for the registration of transfers of shares for more than 30 days (extendable to 60 days in certain circumstances) in a year, whereas, as required by the Company Law and the Mandatory Provisions, share transfers shall not be registered within 30 days before the date of a shareholders' meeting or within five days before the base date set for the purpose of distribution of dividends.

Any person wishing to have detailed advice on PRC law or the laws of any jurisdiction is recommended to seek independent legal advice.

This Appendix sets out summaries of the main clauses of our Articles of Association adopted on January 6, 2021 which shall become effective as at the date on which the H shares are listed on the Stock Exchange. As the main purpose of this Appendix is to provide potential investors with an overview of the Articles of Association, it may not necessarily contain all information that is important for prospective investors. As discussed in the appendix headed "Appendix VII – Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection" to this document, the full document of the Articles of Association in Chinese is available for examination.

## 1 DIRECTORS AND BOARD OF DIRECTORS

### (1) Power to allocate and issue shares

The Articles of Association does not contain clauses that authorize the Board of Directors to allocate or issue shares. The Board of Directors shall prepare suggestions for share allotment or issue, which are subject to approval by the Shareholders at the general Shareholders' meeting in the form of a special resolution. Any such allotment or issue shall be in accordance with the procedures stipulated in appropriate laws, administrative regulations and supervision rules of shares listed region.

### (2) Power to dispose assets of our Company or any subsidiary

In any case that the Board of Directors intends to dispose assets, if the sum of the expected value of the fixed assets to be disposed of, and the amount or value of the value received from the fixed assets of our Company disposed of within the four months immediately preceding this suggestion for disposal exceeds 33% of the value of fixed assets of our Company indicated on the latest audited balance sheet submitted at the Shareholders' meeting, the Board of Directors shall not dispose of or agree to dispose of the fixed assets without the approval of the Shareholders' meeting.

For the purposes of the Articles of Association, a disposition of fixed assets includes certain acts of transfer of interests in assets but does not include the provision of fixed assets as security.

The validity of the transactions with respect to the disposal of fixed assets of our Company shall not be affected by the violation of the above restrictions contained in the Articles of Association.

### (3) Emoluments or compensation for Directors and Supervisors

As provided in the written contract entered between our Company and the Directors or Supervisors in connection with their emoluments, they are entitled to compensation or other payments subject to the approval of the Shareholders at the Shareholders' meeting in advance. The aforesaid emoluments include:

i. Emoluments in respect of his service as a Director, Supervisor or senior management of our Company;

ii. Emoluments in respect of his service as a Director, Supervisor or senior management of any subsidiary of our Company;

iii. Emoluments in respect of other service in relation to the management of our Company and any subsidiary of our Company; and

iv. Payment by way of compensation for loss of office or retirement from office of a Director or Supervisors.

It should be concluded in the emolument contract that where our Company is to be acquired, the Directors and Supervisors should be entitled to compensation or other payments for loss of office or retirement from office subject to the approval of the Shareholders at the Shareholders' meeting in advance.

Acquisition of our Company refers to any of the following circumstances:

i. An offer made by any person made to all Shareholders; or

ii. An offer is made by any person with a view to the offeror becoming the controlling shareholder of our Company. The definition of controlling shareholder is the same as defined in the Articles of Association.

If the relevant Director or Supervisor fails to comply with the above requirements, any payment received shall belong to the person who sells the shares for accepting the aforesaid offer. The Director or Supervisor shall bear all expenses arising from the distribution of such payments to the person in a proportional manner and all related expenses shall not be deducted from these payments distributed.

**(4) Loans or Guarantees of Loans to Directors, Supervisors or other management personnel**

Our Company shall neither provide the Directors, Supervisors or senior management of our Company or our parent company with loans or loan guarantees either directly or indirectly nor provide persons related to the above personnel with loans or loan guarantees. In the event that our Company provides loans in violation of this restriction, the person who receives the loan(s) must pay off the loan(s) immediately, regardless of the conditions of loans. Any loan guarantee provided by our Company in violation of the above requirements shall not be mandatorily enforced against us, unless under the following circumstances:

i. The loan provider unknowingly provides loans to personnel related to the Directors, Supervisors or senior management of our Company or its parent company; or

ii. The collateral provided by our Company is sold lawfully by the lender to the buyer in good faith.

The following circumstances are exempted from the above clauses:

(i) Our Company provides our subsidiaries with loans or loan guarantees;

(ii) Our Company provides any of the Directors, Supervisors or senior management with loans, loan guarantees or any other fund pursuant to the employment contracts approved at the Shareholders' meeting to pay all expenses incurred for the purpose of our Company or performing his duties owed to our Company; and

(iii) In case that the normal scope of business of our Company covers the provision of loans or loan guarantees, our Company may provide any of the Directors, Supervisors or senior management and other related personnel with loans or loan guarantees, provided that the conditions governing the above loans or loan guarantees shall be normal commercial conditions.

**(5) Provide financial assistance for acquiring the shares of the Company or shares of any subsidiary**

Subject to the Articles of Association, our Company or our subsidiaries (including our affiliated enterprises) shall not provide any financial assistance at any time or in any kind to personnel that acquires or plans to acquire our shares. Such personnel include any who undertake obligations, directly or indirectly, from acquiring the shares; and our Company or any of our subsidiaries (including our affiliated enterprises) shall not provide personnel mentioned in the preceding paragraph with financial assistance at any time or in any manner, to mitigate or exempt the obligations of the above personnel.

For the purpose of the above provisions, "Financial assistance" includes, but is not limited to:

i. Gifts;

ii. Guarantees (including acts of the guarantor assuming liabilities or providing properties to ensure that the obligor performs the obligations), compensation (excluding compensation arising from mistakes of our Company), release or waiver of rights;

iii. Provision of loans or signing of contracts whereby our Company performs some obligations before others, change of the parties to the loans/contracts as well as the assignment of the rights in the loans/contracts; and

iv. Financial assistance provided by our Company in any other manner when it is insolvent, has no net assets, or will suffer significant decreases in net assets.

"Assuming obligations" includes obligator undertaking obligations by way of contract or the making of an arrangement (whether enforceable or not, and whether made on its own account or with any other persons), or changing its financial status in any other manner.

The following transactions are not deemed to be prohibited, unless prohibited by relevant laws, administrative regulations, regulations of the authorities and regulatory documents:

i. Related financial assistance provided by our Company which is in good faith in our interest and the main purpose of the financial assistance is not to acquire our shares or is an incidental part of a master plan of our Company;

ii. The lawful distribution of our properties by way of dividend;

iii. The allotment of bonus shares as shares;

iv. Reducing the registered capital, redeeming the shares or adjusting the equity structure pursuant to the Articles of Association;

v. Our Company granting loans within our scope of business and in the ordinary course of our business, provided that such loans shall not result in reduction in the net assets of our Company or even if the net assets are reduced, such financial assistance is paid from the profit available for distribution; and

vi. Our Company providing the employee stock ownership plan with fund, provided that such financial assistance shall not result in reduction in the net assets of our Company or, even if the net assets are reduced, such financial assistance is paid from the profit available for distribution.

**(6) Disclosure of interests in contracts, transactions or arrangements with the Company**

Where a Directors, Supervisors and senior management has material interests in the contracts, transactions or arrangements that our Company has entered into or plans to enter into directly or indirectly (except for employment contracts that our Company has entered into with the Directors, Supervisors and senior management), the above personnel shall disclose the nature and degree of their interests to the Board of Directors as soon as possible no matter whether the above contracts, transactions or arrangements are subject to the approval of the Board of Directors in normal circumstances.

With respect to any contract, transaction or arrangement in which a Director or his Associates (defined in Hong Kong Listing Rules) have a material interest, the Director shall not vote and shall not be included in the quorum, except for the exceptions provided in Note 1 Appendix 3 in Hong Kong Listing Rules.

Unless the Directors, Supervisors and senior management who have interests have made disclosure to the Board of Directors in accordance with the above requirements and the Board of Directors approves the matters at the meeting in which they are not included in the quorum nor participate in voting, our Company shall have the right to cancel the contracts, transactions or arrangements, except where the opposite party is a party in good faith without knowledge of the acts of related Directors, Supervisors and senior management violating their obligations.

Where related personnel of the Directors, Supervisors and senior management have interests in certain contracts, transactions and arrangements, the relevant Directors, Supervisors and senior management shall be deemed to have interests.

Prior to our Company's first considering the relevant contracts, transactions or arrangements, if the Directors, Supervisors and senior management have notified the Board of Directors in writing and stated that with regard to the content of such notice, they have interest in certain contracts, transactions and arrangements thereafter. And within the scope specified by such notice, the relevant Directors, Supervisors and senior management should be considered having made disclosures which are in accordance with this Article of Association.

**(7) Remuneration**

Our Company shall sign written agreements with the Directors and Supervisors regarding remuneration, which shall be subject to prior approval of the general Shareholders' meeting.

**(8) Appointment, Resignation and Dismissal**

The Board of Directors consists of nine Directors, at least three of whom are independent non-executive Directors. The Board of Directors has one chairman. Directors are elected at the general Shareholders' meeting. The Directors need not hold any of our shares.

The chairman of the Board shall be elected and dismissed by a vote of more than one half of the Directors. Provided that it is in compliance with relevant laws, regulations and rules as well as the regulatory rules of which the Company's shares are listed, the general Shareholders' meeting may remove any Director whose term has not expired by an ordinary resolution without affecting any claim for damages that may be made pursuant to any contract.

The chairman of the Board and other Directors serve three-year terms. Upon expiration of the term, the Director may be re-elected. Director can be the general manager or other senior management personnel at the same time. However, the number of the Directors who are also general manager or other senior management personnel shall not be more than half of the total number of Directors. There is no provision in the Articles of Association that imposes any age limit for Directors beyond which retirement of a Director is mandatory.

None of the following persons shall serve as our Director, Supervisor or senior management:

i. A person who has no civil capacity or has limited civil capacity;

ii. A person who has been imposed penalty for the offense of corruption, bribery, embezzlement, larceny, or disrupting the social economic order and is within five years of the expiry date of punishment or has been deprived of political rights because of this conviction and is within five years of the expiry date of the sentence;

iii. A person who is a former director, factory manager or general manager of a company or enterprise that is bankrupt and liquidated because of poor operation, was personally liable for the bankruptcy of such company or enterprise, and is within three years of the date of completion of bankruptcy and liquidation of such company or enterprise;

iv. A person who has served as the legal representative of a company or enterprise whose business license was revoked or was ordered to close due to violation of laws, was personally liable, and is within three years of the date on which the business license of such company or enterprise was revoked;

v. A person who has a relatively large sum of debt, which was not paid at maturity;

vi. A person who is investigated by the judicial agencies for violation of criminal law and whose case is pending;

vii. A person who is prohibited to serve leadership in a company pursuant to laws and administrative regulations;

viii. A person judged by the competent agencies to have violated the provisions of relevant securities laws, being involved in deceptive or dishonest acts and is within five years of the date on which the judgment was made;

ix. A person who is not a natural person; or

x. Any other person who is otherwise not eligible under laws, administrative regulations, regulations of the authorities, regulatory documents and other conditions set out by the relevant regulatory bodies.

The election, appointment or employment of the Directors, Supervisors or other senior management shall be invalid if such election, appointment or employment is against the Articles of Association. If the Directors, Supervisors or senior management falls into the situations provided in the above-mentioned situations during their term of office, they would be dismissed by our Company.

The validity of an act of the Directors or senior management on behalf of our Company to bona fide third parties shall not be affected by any irregularities in their appointment, election or qualifications.

**(9) Borrowing powers**

The Board of Directors shall be entitled to decide to borrow money within the scope of authorization by the general Shareholder's meeting or it is required according to the listing rules of the stock exchange where our Company is listed.

The Board of Directors shall be entitled to develop proposals for our Company to issue bonds and to list its Shares, and that such bond issues must be approved by the Shareholders by a special resolution at the general Shareholders' meeting.

**(10) Duties**

The Directors, Supervisors and senior management shall bear the obligations of good faith and diligence towards our Company. In the event of violation of obligations owed to our Company by the Directors, Supervisors and senior management, we shall have the right to take the following measures in addition to various rights and remedial measures stipulated in laws and administrative regulations:

i. Require related Directors, Supervisors or senior management to compensate our Company for losses sustained as a result of their neglect of duty;

ii. Cancel any contract or transaction entered into between our Company and related Directors, Supervisors or senior management as well as any contract or transaction entered into between our Company and third person when the third person knew or should have known that the Directors, Supervisors or senior management acting on behalf of our Company violated their obligations owed to our Company;

iii. Require the relevant Directors, Supervisors or senior management to turn over the proceeds obtained from the violation of their obligations;

iv. Recover funds collected by the relevant Directors, Supervisors or senior management that should have been collected for our Company, including but not limited to commissions;

v. Require the relevant Directors, Supervisors or senior management to return the interest earned or that may be earned from funds that should have been paid to our Company;

When performing their duties, the Directors, Supervisors and senior management of the Company must comply with the principle of integrity and shall not put themselves in situations where their own interests may conflict with the obligations they have undertaken. This principle includes, without limitation, performing the following obligations:

i. Acting honestly in the best interests of our Company as the starting point of any action;

ii. Exercising powers within and not exceeding the scope of authority;

iii. Exercising conferred discretionary powers personally without being manipulated by others; not transferring discretionary powers to other persons unless permitted by laws, administrative regulations or with the informed consent given in a general Shareholders' meeting;

iv. Treating Shareholders of the same class equally and Shareholders of different classes fairly;

v. Entering into contract, transaction or arrangement with our Company is not allowed, unless in line with the Articles of Association or otherwise by the approval of the general Shareholders' meeting with its full knowledge;

vi. Seeking private gain using the properties of our Company in any manner is not allowed, unless agreed by the general Shareholders' meeting with its full knowledge;

vii. Using one's position to take bribes or other illegal income is not allowed, nor is any form of embezzlement of our property, including, but not limited to, opportunities beneficial to our Company;

viii. Accepting commissions associated with transactions of our Company is not allowed unless agreed by the general Shareholders' meeting with its full knowledge;

ix. Compliance with the Articles of Association, faithfully execute one's duties and protect the Company's interests, and not to exploit one's position and power in the Company to advance one's own private interests;

x. Not to compete with our Company in any kind unless agreed by the general Shareholders' meeting with its full knowledge;

xi. Not to lend our Company's funds to any other person, misappropriate our funds or deposit the assets or funds of our Company in an account opened in one's own name or other names, and not to provide securities for the debt of our shareholder or any other people using our Company's assets, unless otherwise provided by the laws, regulations or the Articles of Association;

xii. Disclosure of confidential information relating to our Company obtained during employment without the consent of the general Shareholders' meeting with its full knowledge; unless in the interest of our Company, using such information is also not allowed; however, under the following circumstances the information may be disclosed to a court or other competent government agencies as required by:

(i) The provisions of the law;

(ii) For the public interests;

(iii) The interests of the Directors, Supervisors or senior management.

The relevant personnel shall return the income obtained from violation of the above provisions to our Company and shall bear the liability of compensation if our Company suffers damage.

The Directors, Supervisors and senior management may not direct the following personnel or institutions ("related personnel") to do what they are prohibited from doing:

i. Spouses or minor children of the Directors, Supervisors and senior management;

ii. Trustors of the Directors, Supervisors and senior management or the persons mentioned in the preceding paragraph;

iii. Partners of the Directors, Supervisors and senior management or persons mentioned in i and ii above;

iv. Any company under de facto control by the Directors, Supervisors and senior management individually or jointly with the persons or other directors, supervisors and senior management of companies mentioned in i, ii and iii above; and

v. Directors, Supervisors or senior management of the controlled companies mentioned in the preceding paragraph.

The good faith obligation of the Directors, Supervisors and senior management may not necessarily cease with the termination of their terms; their obligation to keep the trade secrets of our Company in confidence shall survive the termination of their terms. Other duties may continue for such period as fairness may require depending on the time lapse between the termination and the act concerned and any circumstance and condition under which the relationships between them and the Company are terminated.

Unless otherwise provided in the Articles of Association, liabilities of Directors, Supervisors and senior management arising from the violation of specific duties may be dissolved by informed general Shareholders' meeting.

Apart from the obligations set forth in related laws, administrative regulations or the listing rules of the stock exchange where the shares of the Company are listed, the Directors, Supervisors or senior management shall assume the following obligations for each of the Shareholders when exercising their rights and performing their responsibilities:

i. They shall not cause our Company to operate beyond the scope of business indicated on our business license;

ii. They shall sincerely take the best interests of our Company as the starting point of any action;

iii. They may not deprive our Company of our assets in any manner, including, but not limited to, opportunities beneficial to our Company; and

iv. They shall not deprive the Shareholders of personal rights and interests, including, but not limited to, the right to receive dividends and to vote, except for restructuring of our Company approved at the Shareholders' meeting pursuant to the provisions of the Articles of Association.

The Directors, Supervisors and senior management of the Company have the responsibility when exercising their rights or carrying out their obligations to act with the care, diligence and skill due from a reasonably prudent person under similar circumstances.

In the event of any loss caused to our Company as a result of violation of any laws, administrative regulations or Articles of Association by the Directors or senior management when performing their duties in our Company, the Shareholders holding 1% or more shares separately or jointly for over 180 consecutive days may submit a written request to the Board of Supervisors to file an action with the people's court. Where supervisors violate laws, administrative regulations or the Articles of Association in their duty performance and cause loss to our Company, the Shareholders may submit a written request to the Board of Directors to file an action with the people's court.

In the event that the Board of Supervisors or the Board of Directors refuse to file an action upon receipt of the Shareholders' written request specified in the preceding paragraph, or fail to file an action within 30 days upon receipt thereof, or in the event that the failure to immediately file an action in an emergency case will cause irreparable damage to the interests of our Company, the Shareholder(s) specified in the preceding paragraph may, in their own name, directly file an action to the court for the interest of our Company.

In the event of any other person infringes upon the legitimate rights and interests of our Company and causes losses thereto, the shareholder(s) specified in this Articles of Association may file an action with the competent court pursuant to the provisions of the preceding two paragraphs.

In the event of a Director or senior management person violates laws, administrative regulations or our Company's Articles of Association, thereby damaging the interests of the Shareholder(s), the Shareholder(s) may file an action with the competent court.

## 2 MODIFICATION OF THE ARTICLES OF ASSOCIATION

Our Company may amend the Articles of Association based on the provisions of the laws, administrative regulations and Articles of Association.

Where the amendments to the Articles of Association passed by the general Shareholders' meetings need the examination and approval of the competent authorities, these amendments shall be submitted hereto for approval. Where the amendment of the Articles of Association involves registration, it shall be necessary to carry out the lawfully prescribed procedures for registration change.

## 3 VARIATION OF RIGHTS OF EXISTING SHARES OR CLASSIFIED SHARES

Any plan of our Company of changing or abolishing the rights of a classified Shareholder is subject to the approval of the general Shareholders' meeting in the form of a special resolution and the approval of the affected classified Shareholders at a separately convened the Shareholders' meeting before it can be implemented.

The rights of a classified Shareholder shall be deemed as changed or abolished under the following circumstances:

i. Increase or decrease the number of the classified shares, or increase or decrease the number of classified shares with equal or more voting rights, distribution rights, other privileges than this type of classified shares;

ii. Convert all or part of the classified shares into other classes or convert another class of shares, partly or wholly, into the shares of such class;

iii. Remove or reduce the right of the classified shares to accrued dividends generated or rights to cumulative dividends;

iv. Reduce or remove a dividend preference or a liquidation preference attached to shares of such class;

v. Add, remove or reduce the right of the classified shares to convert share rights, options rights, voting rights, transfer rights, and pre-emptive rights, or the right to obtain the securities of our Company;

vi. Remove or reduce the right of the classified shares to receive funds payable of our Company in specified currencies;

vii. Create new classified shares entitled to equal or more voting rights, distribution rights, or other privileges than the classified shares;

viii. Restrict the transfer or ownership of the classified shares or increase such restrictions;

ix. Issue subscription or conversion rights for this or other classified shares;

x. Increase the rights and privileges of other classes of shares;

xi. The restructuring plan of our Company may constitute different classes of Shareholders to assume responsibilities disproportionately in restructuring; and

xii. Amend or abolish clauses stipulated in this section of our Articles of Association.

Whether or not the affected classified Shareholders have voting rights at the Shareholders' meeting, in the event of matters described above from ii through viii, xi to xii, they have voting rights at the classified Shareholders' meeting, but the Shareholders that have interests at stake shall have no voting rights at the classified Shareholders' meeting.

Shareholders that have interests at stake include:

i. Where the Company makes an offer to all the Shareholders at the same ratio according to this Articles of Association or purchase their own shares through public transaction in the Stock Exchange, Shareholders that have interests at stake refer to controlling shareholders as defined in this Articles of Association;

ii. Where our Company purchase its own shares through reaching an agreement outside the Stock Exchange and in accordance with the Articles of Association, Shareholders that have interests at stake shall mean the Shareholders who are relevant to such agreement;

iii. In our Company's re-organization plan, Shareholders that have interests at stake shall mean Shareholder who bear liability at a rate that is lower than other Shareholders in the same class or who hold different interests with other Shareholders in the same class.

The resolution of the classified Shareholders' meeting shall be passed by votes representing more than two thirds of shareholding with voting rights attending the classified Shareholders' meeting.

At least 20 business days before convening an annual classified Shareholders' meeting, or 15 days or 10 business days (the longer one would prevail, excluding the day sending the notice and the day convening the meeting) before convening an extraordinary classified Shareholders' meeting, our Company shall send a written notice to inform all registered holders of the classified shares on matters to be deliberated at the meeting, as well as the date and venue of the meeting.

For shareholders holding domestic shares, the notice of Shareholder's meeting could be in the form of announcement, which should be published on one or more newspapers designated by the security regulatory authority of the State Council. All the shareholders holding domestic shares would be considered having received the notice regarding Shareholder's meeting once the announcement is published. For shareholders holding overseas listed foreign shares, the announcement could be published on the website designated by Hong Kong Exchange Stock or the website of our Company. All the shareholders holding overseas listed foreign shares would be considered having received the notice regarding Shareholder's meeting once the announcement is published.

Where there are special rules in the listing rules of the stock exchange where the shares are listed, the special rules prevail.

Insofar as possible, any classified Shareholders' meeting shall be held in accordance with the same procedures as those of the Shareholders' meeting, and unless otherwise provided in the Articles of Association, any clause that relates to the procedures for convening the Shareholders' meeting in the Articles of Association shall apply to classified Shareholders' meeting.

Apart from the holders of other classified shares, the holders of domestic shares and the holders of overseas listed foreign shares are deemed as different classified Shareholders.

The special procedures for voting by the classified Shareholders shall not apply under the following circumstances:

i. Upon the approval by a special resolution at the general Shareholders' meeting, our Company either separately or concurrently issues domestic shares and overseas listed foreign shares once every 12 months, and the number of those domestic shares and overseas listed foreign shares to be issued shall not account for more than 20% of each of its outstanding shares;

ii. The plan to issue domestic shares and overseas listed foreign shares upon the establishment of our Company is completed within 15 months of the date of approval by the securities regulatory authorities of the State Council; and

iii. Transfer of shares held by holders of Domestic shares to overseas investors or Domestic Shares to be converted into foreign shares listed overseas under the approval by the securities regulatory authority of the State Council and Hong Kong Stock Exchange, and are dealt with on overseas stock exchanges.

iv. Upon the approval by the securities regulatory authorities of the State Council, the domestic shares and foreign shares under unlisted transactions are converted to overseas listed foreign shares which are listed and traded overseas markets.

## 4 SPECIAL RESOLUTIONS NEEDED TO BE ADOPTED BY ABSOLUTE MAJORITY VOTE

The resolutions of the Shareholders' meeting shall be divided into ordinary resolutions and special resolutions.

An ordinary resolution may be adopted by a simple majority of the votes held by the Shareholders (including proxies of Shareholders) attending the general Shareholders' meeting.

A special resolution can be adopted by a two-thirds majority of the votes held by the Shareholders (including proxies of Shareholders) attending the general Shareholders' meeting.

## 5 VOTING RIGHTS

The ordinary Shareholders have the right to attend or appoint a proxy to attend and vote at the general Shareholders' meeting. When voting at the general Shareholders' meeting, the Shareholder (including proxy) may exercise his or her voting rights in accordance with the number of shares with voting power held with each share representing one vote.

General Shareholders' meeting adopt vote by hands or open ballot. When voting at a general Shareholders' meeting, Shareholders (including their proxies) who are entitled to two or more votes are not required to vote against or in favour with their total number of votes.

When the number of dissenting votes equals the number of supporting votes, regardless of voting by ballot or show of hands, the chairman of the Board of Directors is entitled to one additional vote.

## 6 RULES ON GENERAL SHAREHOLDERS' MEETINGS

The general Shareholders' meetings are divided into annual general Shareholders' meetings and extraordinary general Shareholders' meetings. The annual general shareholders' meeting shall be convened once a year and be held within six months of the end of the previous fiscal year.

## 7 ACCOUNTING AND AUDITS

### (1) Financial and accounting policies

Our Company shall develop its financial accounting policies pursuant to laws, administrative regulations and rules developed by the competent department. Where there are special rules in the listing rules of the stock exchange where the shares are listed, the special rules would prevail.

The Board of Directors shall submit the financial reports to Shareholders, as required by the laws, rules and regulations or regulatory documents to be prepared by our Company, at every annual general Shareholders' meetings.

Apart from the PRC accounting standards and regulations, the financial statements of our Company shall also conform to international accounting standards or the accounting standards of overseas areas where the shares are listed. In the event of any major discrepancy between the financial statements prepared in accordance with the two types of accounting standards, such difference must be provided in the notes to the financial statements. As to the distribution of after-tax profits of our Company in a fiscal year, the after-tax profits indicated on the two financial reports, whichever is lower shall prevail.

Our Company shall make its financial reports available at the Company for inspection by the Shareholders 20 days before the annual general Shareholders' meeting is convened. Each Shareholder is entitled to obtain one copy of the financial report.

Our Company shall send the financial reports, together with the balance sheet and income statement or income and expenditure statement to each of the holders of overseas listed foreign shares by postage-paid mail or by the manner, including publication on the Company's website or website of the Hong Kong Stock Exchange and other websites provided by Hong Kong Listing Rules revised from time to time, as allowed in laws and regulation of the region where our Company's shares are listed and the listing rules of the stock exchange where our Company's shares are listed at least 21 days before the annual general Shareholders' meeting is convened and the recipient's address shall be the address as registered in the register of Shareholders.

The interim results or financial information published or disclosed by our Company shall at the same time be prepared in accordance with the PRC accounting standards, rules and regulations as well as international accounting standards or the accounting standards of the overseas area in which the shares are listed.

Our Company shall publish the financial reports twice in each accounting year. Interim financial reports shall be published within 60 days of the end of the first six months of a fiscal year, while the annual financial report shall be published within 120 days of the end of each accounting year.

**(2) Appointment and Dismissal of Accountants**

Our Company shall appoint an independent accounting firm that meets appropriate requirements of the relevant regulations of the PRC to be responsible for auditing its annual financial report and reviewing its other financial reports.

The first accounting firm of our Company can be appointed by the founding meeting before the first annual general Shareholders' meeting and the term of the appointment will expire at the close of the first annual general Shareholders' meeting. In event that the founding meeting does not exercise such power, the Board of Directors shall take it.

The term of the accounting firm appointed by our Company shall start at the close of such annual general Shareholders' meeting of the Company and continue until the close of the next annual general Shareholders' meeting.

If the position of an appointed accounting firm is vacant, the Board of Directors may appoint an accounting firm before the start of general Shareholders' meeting. However, if during the vacant period, our Company has other incumbent accounting firm, such accounting firm may take the vacant.

Except the circumstances as above said, our Company shall appoint an accounting firm by the decision of the Shareholders' meeting. The Board of Directors shall not appoint accounting firm before decisions made at Shareholders' meeting. The Shareholders may replace the accounting firm through an ordinary resolution at the general Shareholders' meeting prior to the expiration of the term of any accounting firm notwithstanding the terms and conditions of the contract howsoever entered into between our Company and the accounting firm. With respect to the compensation rights against the Company by the relevant accounting firm due to dismissal shall not be affected thereof.

## 8 NOTICE AND AGENDA OF GENERAL SHAREHOLDERS' MEETINGS

The general Shareholders' meeting is the authorized organ of our Company that performs duties and exercises powers in accordance with the law.

Under any of the following circumstances, the Board of Directors shall convene an extraordinary general Shareholders' meeting within two months:

i. The number of Directors is less than the number specified in the PRC Company Law or less than two thirds of the number required in the Articles of Association;

ii. The uncovered losses of our Company reach one-third of its total paid-in share capital;

iii. The Shareholders with 10% or more shares of the Company separately or jointly request to convene an extraordinary general Shareholders' meeting in writing (the number of shares shall be calculated by the day of the request);

iv. The Board of Directors considers it necessary;

v. The Board of Supervisors considers it necessary;

vi. Any other circumstances stipulated in laws, administrative regulations, regulations of the authorities, the Articles of Association and the listing rules of stock exchange of the place in which our Company's shares are listed.

In the event that the Board of Director agree to convene an extraordinary general Shareholders' meeting, the notice of convening extraordinary general Shareholders' meeting shall be issued within 5 days after the Board of Directors made a resolution. With regard to the proposal of convening an extraordinary general Shareholders' meeting made by the Board of Supervisors, if the Board of Directors made a rejection or does not respond within 10 days after it receiving the proposal, it shall be viewed as the Board of Directors is unable to or fails to perform its meeting duty of convening the general Shareholders' meeting and the Board of Supervisors may convene and preside over the meeting by its own.

Shareholders who separately or jointly hold 10% or more of the shares may request in writing to convene an extraordinary Shareholders' meeting. If the Board of Directors does not issue a notice of convening the meeting within 10 days after receiving the above written requirement, or refused to convene, the shareholders who make the request may request the Board of Supervisors in writing to convene the meeting. If the Board of Supervisors does not issue the notice about convening the meeting within 5 days after receiving the above written requirement, the shareholders who make the request could convene and preside the meeting by themselves.

In the event that the general shareholders' meeting is convened, the Board of Directors, the Board of Supervisors and shareholders who separately or jointly hold more than 3% of the shares of our Company may submit a proposal 10 days before the meeting.

When convening a general shareholders' meeting, our Company shall send a written notice 20 business days before it is convened. When convening an extraordinary shareholders' meeting, our Company shall send a written notice 15 days or 10 business days (the longer would prevail, excluding the day sending the notice and the day convening the meeting) before it is convened. Where there are special rules in the laws, rules and the stock exchange.

Our Company shall calculate the number of shares with voting power represented by the shareholders planning to attend the general shareholders' meeting in accordance with the written replies received 20 days before the meeting is convened. In the event that the number of shares with voting power represented by the shareholders attending the meeting reaches more than one half of our total number of shares with voting power, our Company may convene the general shareholders' meeting. If this number is not reached, our Company shall again inform the shareholders of the matters to be deliberated and the date and venue of the meeting within five days in the form of an announcement and then approved by announcement before the general shareholders' meeting may be convened. The extraordinary general Shareholders' meeting shall not decide on issues which are not listed in the notice.

The notice of the general shareholders' meeting shall be made in writing, including the following contents:

i. the place, the date and the hour of the meeting;

ii. the matters to be discussed at the meeting;

iii. conspicuous statement that all shareholders are entitled to attend the meeting and appoint proxy to attend and vote and that proxy need not be a shareholder;

iv. name and phone number of the standing contact person for affairs;

v. information and explanations necessary for the shareholders to exercise an informed judgment on the proposals before them. It principally includes (but is not limited to), where a proposal is made to amalgamate the Company, to repurchase shares, to reorganize the share capital or to restructure our Company in any other way, the conditions of the proposed transaction must be provided in detail together with the proposed contract (if any), and the cause and consequence of such proposal must be properly explained;

vi. disclosure of the nature and extent, if any, of the material interests of any Director, Supervisor, senior management in the matter to be discussed and the effect of the proposed matter on such Director, Supervisor, or senior management in their capacity as shareholders in so far as it is different from the effect on the interests of the shareholders of the same class;

vii. the full text of any special resolution proposed to be voted at the meeting;

viii. the delivery date and place lodging proxy forms;

ix. the registration date of the share of the holder entitled to attend;

x. other requirements specified in the laws, administrative regulations, regulations of the authorities, regulatory rules where the shares are listed and the Articles of Association, etc.

Unless otherwise provided by laws, rules, Hong Kong Listing Rules, and the Articles of Association, the notice of the general shareholders' meeting shall be sent in person or by postage-paid mail to the shareholders (regardless of whether such shareholders have the right to vote at the shareholders' meeting), whereas recipient's address shall be according to the address registered with the register of shareholders. For domestic shareholders, the notice of our shareholders' meeting may be given in the form of an announcement.

Abovementioned announcement shall be published in one or more newspapers designated by the securities governing authority of the State Council. Once the announcement is made, all domestic shareholders shall be deemed to have received the notice of the general shareholders' meeting.

Where in accordance with the requirements of laws, administrative regulations, regulations of the authorities and regulatory rules where the shares are listed and performing relevant procedures, notice sent to H share shareholders could be published on the websites designated by Hong Kong Stock Exchange and the website of our Company, as alternative to in person or by postage-paid mail. Once the announcement is published, all shareholders holding overseas listed foreign shares shall be deemed to have received the notice of the general shareholders' meeting.

The resolution of the general shareholders' meeting includes ordinary resolution and special resolution. The following matters shall be approved by the general shareholders' meeting through ordinary resolutions:

i. Work report of the Board of Directors and the Board of Supervisors;

ii. Plans of earnings distribution and loss make-up schemes drafted by the Board of Directors;

iii. Appointment or dismissal of the members of the Board of Directors and the Board of Supervisors, and their payment and payment methods;

iv. Annual budget and final account report;

v. Annual report of the Company;

vi. Decide the transaction matters which shall be decided by the general shareholders' meeting listed in the Articles of Association;

vii. Other matters other than those approved by special resolution stipulated in the laws, administrative regulations, listing rules of the stock exchange where the shares are listed or the Articles of Association.

The following matters shall be approved by special resolution at the general shareholders' meeting:

i. the increase or decrease of the registered capital, or the issuance of shares, warrants or other quasi-securities;

ii. resolutions on the issuance of debt or other securities and listing scheme;

iii. Division, merger, dissolution and liquidation of our Company and the change of form of our Company;

iv. Amendment of the Articles of Association;

v. Substantial assets acquired or disposed of or security provided for an amount exceeding 30% of the latest audited total assets of our Company within one year;

vi. the formulation, amendment and performance of share equity incentive plan;

vii. repurchase of the shares of our Company; and

viii. Other matters as required by the laws, administrative regulations, listing rules of the stock exchange where the shares are listed and the Articles of Association, and as approved by ordinary resolution of the general shareholders' meeting which are believed could materially affect our Company and need to be approved by special resolution.

In the event that any resolution of the general Shareholders' meeting or resolution of the Board of Directors violates laws or administrative regulations, any shareholder is entitled to request the court to deem it as invalid.

In the event that the convening procedure or voting formula of the shareholders meeting or meeting of the Board of Directors violates any of laws, administrative regulations or the Articles of Association, or resolution of which violates the Articles of Association, any shareholder is entitled to ask the court to overturn within 60 days after the resolution was adopted.

## 9 SHARE TRANSFERS

The shares of our Company holding by the funders thereof shall not be transferred within one year of the date of establishment of our Company. The shares issued before the public issuance of shares by our Company shall not be transferred within one year of the date on which the stocks of our Company are listed and traded on a securities exchange.

The Directors, Supervisors, and senior management of our Company shall declare, to our Company, information on their holdings of the shares of our Company and the changes thereto. The shares transferrable by them during each year of their term of office shall not exceed 25 percent of their total holdings of the shares of our Company. The shares that they held in our Company shall not be transferred within one year of the date on which the stocks of our Company are listed and traded. The aforesaid persons shall not transfer their shares of our Company within six months from the date of their resignation.

With regard to the H Shares that capital of which has been full-paid could be transferred without limitation in accordance with the Articles of Association. However, unless meeting the following conditions, the Board of Directors may refuse to recognise any transfer document without giving any reason:

i. Document that related to any share ownership or transfer documents that may affect the ownership of the shares shall be registered and such payment shall not exceed the maximum fee provided by the Stock Exchange of Hong Kong in its Listing Rules from time to time;

ii. The transfer documents only involve H Shares listed in Hong Kong;

iii. The stamp duty chargeable on the transfer documents has been paid;

iv. The relevant share certificate, and upon the reasonable request of the Board of Directors, any evidence in relation to the right of the transferor to transfer the shares has been submitted;

v. If the shares are to be transferred to joint holders, the number of the joint holders shall not exceed four;

vi. Our Company does not have any lien on the relevant shares; and

vii. The shares shall not be transferred to minors or the person who is insane or is found to be of unsound mind.

Respective parts of shareholder register's revision or rectification shall be subject to the laws of region where respective parts the revised or rectified shareholder register is stored. No change may be made to the information in the register of shareholders as a result of the share transfer within 30 days before the general shareholders' meeting is convened or within five days prior to the benchmark date on which our Company has decided to distribute dividends.

## 10 RIGHTS OF OUR COMPANY TO PURCHASE OUR OUTSTANDING ISSUED SHARES

Under any of the following circumstances, our Company may submit to relevant competent authorities for approval to buy back our outstanding issued shares according to legal procedures with the approval of procedures stipulated in the Articles of Association:

i. Reduce our Company's registered capital;

ii. Merger with other companies which hold our shares;

iii. Granting shares to the staff of our Company as incentives;

iv. Requesting the Company to buy back its shares from shareholders who vote against any resolutions adopted at the general shareholders' meeting concerning the merger and division of the Company;

v. To convert shares into bond issued by our Company which is convertible to stock of our Company;

vi. Necessary for our Company to maintain our Company's value and Shareholders' equity; or

vii. Other circumstances as permitted by the laws, administrative regulations, regulations of the authorities and listing rules of which the shares of the Company are listed.

Our Company may buy back shares in any of the following ways:

i. Making a comprehensive buyback offer in the same proportion to all shareholders;

ii. Buying back shares through public trading on the securities exchange;

iii. Buying back shares by an agreement outside a stock exchange;

iv. In other ways approved by the laws, administrative regulations and other measures permitted by relevant regulatory authorities.

Where our Company buys back the shares by an agreement outside a stock exchange, it shall obtain prior approval at the general shareholders' meeting pursuant to the Articles of Association. Likewise, subject to the prior approval of the general shareholders' meeting, our Company may cancel or amend the contract signed in the aforesaid manner or waive any of its rights in the contract.

The contract that buys back the shares includes (but is not limited to) an agreement that consents to undertake the obligation to buy back the shares and obtain the rights to buy them back.

Our Company shall not transfer any contract that buys back the shares or any rights conferred under the contract.

Unless our Company has entered into the liquidation process, we must observe the following provisions for the buyback of issued shares:

i. Where our Company buys back shares at book value, the funds shall be deducted from the book balance of our distributable earnings and the proceeds obtained from the issue of new shares to buy back the old shares;

ii. Where our Company buys back the shares at a premium to the book value, the portion equivalent to book value shall be deducted from the book balance of our distributable earnings and the proceeds obtained from the issue of new shares made for the purpose of buying back of old shares, while the portion higher than book value shall be dealt with in the following manner:

   (i) Where the shares bought back were issued at book value, the funds shall be deducted from the book balance of our distributable revenue;

   (ii) Where the shares bought back were issued at a premium to the book value, the funds shall be deducted from the book balance of our distributable revenue and the proceeds obtained from the issue of new shares made for the purpose of buying back of old shares. However, the amount deducted from the proceeds obtained from the issue of new shares shall not exceed the total premium amount obtained when the shares bought back were issued or the amount in our premium account (or capital reserve account) when the old shares are bought back (including the premium amount of the issue of new shares).

iii. The funds paid by our Company for the following purposes shall be expensed from our distributable earnings:

   (i) To obtain the right to buy back the shares;

   (ii) To modify contract to buy back the shares;

   (iii) To release obligation of our Company under the share buyback contract.

iv. After the total book value of the cancelled shares is deducted from our registered capital pursuant to the relevant provisions, the amount deducted from the distributable earnings for paying up the book value portion of the shares bought back shall be credited to our premium account (or capital reserve account).

## 11 POWER FOR ANY SUBSIDIARY OF OUR COMPANY TO OWN SHARES IN ITS PARENT

There are no provisions in the Articles of Association relating to ownership by subsidiary of our Company of shares in its parent.

## 12 DIVIDEND AND OTHER DISTRIBUTION METHODS

The Company may distribute dividends in the following manner of cash or stock.

A shareholder is entitled to receive interest with regard to payment of the shares which was paid before reminder notice. However, advance payment of the shares is not subject to any further dividend thereof.

Our Company shall appoint receiving agents on behalf of shareholders holding overseas listed foreign shares.

Receiving agents shall receive dividends and other payable funds that are distributed with respect to our overseas listed foreign shares for relevant shareholders. Receiving agents appointed by our Company shall on behalf of shareholders of shares listed in Stock Exchange shall be a trust company registered under the Trustee Ordinance of Hong Kong.

After the shareholders' meeting of our Company make a resolution on dividends distribution plan, the Board of Directors shall complete the distribution within 2 months after the convening of the shareholders' meeting.

## 13 SHAREHOLDER PROXIES

Any shareholder who is entitled to attend and vote at general shareholders' meeting has the right to appoint one or more persons (who may not necessarily be shareholders) as his or her shareholder proxy to attend and vote at the meeting in his or her place. Pursuant to the authorisation of the shareholder, the proxy may exercise the following rights:

i. Speak for the shareholder at the general shareholders' meeting;

ii. Demand a poll individually or with others;

iii. exercise the right to vote by a show of hands or a poll, but the shareholder proxy may only exercise the right to vote by a poll when more than one proxy is appointed.

The proxy appointment shall be in writing and shall be signed by the appointor or a person duly authorised in writing. Where the appointor is a legal person, the stamp of the legal person shall be affixed, or signed by its Director or a duly authorised agent.

The power of attorney must be kept at the residential address or other location designated in the notice convening the meeting no later than 24 hours before the meeting at which the power of attorney is put to vote is convened or 24 hours before the designated time. If the power of attorney is signed by another person authorised by the appointor by means of power of attorney or other instrument of authorisation, the power of attorney or other instrument must be verified by a notary. The power of attorney or other instrument verified by the notary must be kept together with the power of attorney at our residential address or other location designated at the notice convening the meeting.

A legal person shareholder should attend the meeting by its legal representatives or persons authorised by its Board of Directors or other decision-making authorities.

Any blank power of attorney form sent by the Directors to the shareholder for appointing a shareholder proxy shall allow the shareholder, according to his or her free will, to instruct the proxy to vote and provide instructions separately for matters to be put to vote on each item on the meeting agenda. The power of attorney shall specify whether the shareholder proxy could vote at his or her own discretion if the shareholder does not provide specific instructions.

The votes of the shareholder proxy given pursuant to the terms of the power of attorney shall remain valid notwithstanding the death, loss of capacity of the appointor or revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the shares in respect of which the proxy is given, provided that our Company does not receive written notice concerning such matters before the related meeting is convened.

## 14 REVIEW THE REGISTER OF SHAREHOLDERS AND OTHER RIGHTS OF SHAREHOLDERS

Our Company shall make a register of shareholders in accordance with evidentiary documents provided by the securities registration authorities.

Pursuant to the understanding reached and agreement entered into between the competent agency in charge of securities of the PRC and the overseas securities regulatory authorities, our Company may keep the original register of the shareholders of the overseas listed foreign shares overseas and entrust an overseas entity to manage it. The original register of the shareholders of the overseas listed foreign shares listed in Hong Kong shall be kept in Hong Kong.

Our Company shall keep a copy of the register of the holders of the overseas listed foreign shares at our residential address. The overseas entrusted agency shall at all times maintain consistency between the original and copy of the register of the holders of the overseas listed foreign shares.

In case of inconsistency between the original and copy of the register of the holders of the overseas listed foreign shares, the original shall prevail.

Our Company must keep a complete register of shareholders. The register of Shareholders shall include the following:

i. Register of shareholders kept at our residential address other than those specified in ii and iii below;

ii. Register of the holders of our overseas listed foreign shares kept at the location of the stock exchange where such shares are listed; and

iii. Register of shareholders kept in other locations according to the decision of the Board of Directors as required for the listing of the shares.

Different parts of the shareholders' register shall not overlap. The transfer of shares registered in a certain part of the register of shareholders shall not be registered elsewhere in the register of shareholders as long as the shares remain registered.

Any alteration or rectification to any part of the register of shareholders shall be made in accordance with the laws in the place where such part of the register of shareholders is maintained.

No change of the register of shareholders as a result of share transfer shall be made within 30 days before the general shareholders' meeting is convened or within five days prior to the record date on which our Company decides to pay dividends.

When our Company convenes the general shareholders' meeting, pays dividends, goes into liquidation or is involved in other actions that require the confirmation of identities, the Board of Directors shall fix a date as the equity registration date, upon expiration of which the shareholders whose names registered on the register of shareholders shall be the shareholders entitled to relevant equity.

Any person who objects to the register of shareholders and requests to register his or her name (title) in the register of shareholders or to remove his or her name (title) from the register of shareholders may apply to the court with jurisdiction to amend the register of shareholders.

## 15 RESTRICTIONS ON RIGHTS OF CONTROLLING SHAREHOLDERS

Apart from the obligations required in laws, administrative regulations, or the listing rules of the stock exchange on which our shares are listed, our Controlling Shareholders shall not make any decision that is detrimental to the interest of all or part of the shareholders on the following issues by exercising his or her shareholder voting rights:

i. Releasing the Directors and Supervisors from the responsibility of acting honestly in the best interest of our Company;

ii. Permitting the Directors and Supervisors (for their own or others' interests) to deprive our Company of assets in any form, including, but not limited to, any opportunity that is beneficial to our Company; and

iii. Permitting the Directors and Supervisors (for their own or others' interests) to deprive other shareholders of their personal rights and interests, including, but not limited to, any distribution or voting right, but excluding the restructuring of the Company approved at the general shareholders' meeting pursuant to the Articles of Association.

## 16 PROCEDURES FOR LIQUIDATION

Under any of the following circumstances, our Company shall be lawfully dissolved and liquidated:

i. The term of business of our Company has expired;

ii. The general shareholders' meeting adopts a resolution to dissolve our Company;

iii. Our Company needs to be dissolved for the purpose of merger or division;

iv. Our Company is declared legally bankrupt as a result of failure to pay debts as they fall due;

v. The business license is revoked, or our Company is ordered to close or be eliminated according to applicable law; or

vi. Where our Company encounters significant difficulties in business and management, continuous survival may be significantly detrimental to the interests of the shareholders, and the difficulties may not be overcome through other means, shareholders who hold more than 10% of all voting rights of the Company's shareholders may request the People's Court to dissolve the Company.

vii. Other circumstances that may lead to the liquidation of our Company as stipulated in the Articles of Association.

Where our Company is dissolved due to the provisions set forth in i, ii, v, vi and vii above, the liquidation team shall be established within 15 days from the date of the event leading to liquidation to commence dissolution and the personnel of the liquidation team shall consist of the persons determined by the Directors or the general shareholders' meeting. In the event the liquidation team is not established to conduct liquidation during such period, the creditors can request the people's court to appoint relevant personnel to establish the liquidation team for liquidation. In the event that our Company is dissolved in accordance with the provisions set forth in iv above, the people's court shall organise the shareholders, related agencies and professionals to form the liquidation team pursuant to relevant provisions of the law.

If the Board of Directors decides to liquidate our Company (except where our Company is liquidated after declaring bankruptcy), the Board of Directors shall state in the notice of the general shareholders' meeting convened for this purpose that the Board of Directors has performed a comprehensive investigation of the status of our Company and believes that our Company is able to pay off all of our debts within 12 months of the commencement of the liquidation.

After the resolution to liquidate our Company is adopted by the general shareholders' meeting, the powers of the Board of Directors shall terminate immediately.

In accordance with the instructions of the general shareholders' meeting, the liquidation team shall at least once a year report at the general shareholders' meeting on the income and expenditure of the liquidation team, progress of the business and liquidation of our Company, and submit a final report at the general shareholders' meeting upon completion of liquidation.

Within 10 days of the establishment of the liquidation team, the creditors shall be notified and an announcement shall be published in the newspaper within 60 days. The creditors shall declare their claims to the liquidation team within 30 days of the date on which the notice is received or 45 days of the date of announcement if the notice is not received.

Creditors who declare claims shall state relevant issues related to the claims and provide proofs. The liquidation team shall carry out registration of the claims. During the period for declaration of claims, the liquidation group shall not make any repayment to the creditors.

During the liquidation, our Company shall continue to exist, but shall not carry out business activities irrelevant to the liquidation. The property of our Company shall not be distributed to any shareholder before full payments have been made out of the property according to the aforesaid provision.

Upon liquidation for the purpose of company dissolution, in the event the liquidation team finds that, after taking stock of our Company's property and preparing the balance sheet and list of property, that the assets are insufficient to pay the debts, it shall immediately apply to the people's court to declare bankruptcy.

After our Company is declared bankrupt by ruling of the people's court, the liquidation team shall turn over matters regarding the liquidation to the people's court.

Upon closure of liquidation of our Company, the liquidation team shall prepare a liquidation report, income and expenditure statement and financial record during the liquidation period, which, after being verified by a China-registered accountant, shall be submitted to our general shareholders' meeting or the people's court for recognition. Within 30 days of the date of confirmation by the shareholders' meeting or people's court, the liquidation team shall submit the above-mentioned documents to our Company registration authority and apply for cancellation of our registration and publish an announcement on our termination.

## 17 OTHER IMPORTANT PROVISIONS FOR OUR COMPANY OR THE SHAREHOLDERS

### (1) General Provisions

Our Company is a permanently existing joint stock limited company.

Our Company may invest in other limited liability companies or joint stock limited company, provided that except as otherwise provided by law, the liabilities of our Company to be invested in are limited to the amount of its capital contribution and our Company could not assume joint and several liability to the invested company.

The Articles of Association regulate our Company's organisation and conduct guidance and is binding on our Company, the shareholders, Directors, Supervisors and senior management. Subject to no violation of the relevant provisions of the Articles of Association, shareholders may sue shareholders; shareholders may sue the Directors, Supervisors and senior management; shareholders may sue our Company, and our Company may sue shareholders, Directors, Supervisors, general manager or other senior management.

The above said suing includes filing an action and applying for an arbitration with an arbitral institution.

### (2) Share and Transfer

Our Company may increase stock capital by the following means:

i. Issuing new shares to unspecified investors;

ii. Placing new shares to specified investors;

iii. Allocating or giving new shares to existing shareholders;

iv. Converting the reserve funds into share capital;

v. Other means approved by the laws, administrative regulations and relevant regulatory authorities.

Upon approval to increase our Company's capital via an issue of new shares according to the provisions of the Articles of Association, the matter shall be dealt with in accordance with the procedures of related laws, administrative regulations of the PRC and of Hong Kong Listing Rules. etc.

Our Company may decrease our registered share capital and shall comply with the procedures stipulated in Company Law of the PRC, other related regulations and the Articles of Association.

If our Company decreases our registered capital, we shall prepare a balance sheet and a list of properties.

Upon approval by the competent securities department of the State Council, our Company may issue shares to domestic and overseas investors.

For the purpose of the preceding paragraph, overseas investors shall refer to investors from foreign countries and Hong Kong, Macao or Taiwan region who subscribe for shares issued by our Company; domestic investors shall refer to investors within the territory of the PRC apart from above-mentioned region who subscribe for shares issued by our Company.

Where permitted by the laws, administrative regulations and regulations of authorities, upon approval by the competent securities department of the State Council, the not listed shares of the Company can be listed and traded on an overseas stock exchange. Such domestic shares shall be in compliance with the regulatory procedures, provisions and requirements of overseas securities market after being listed and traded on an overseas stock exchange.

**(3) Shareholders**

The shareholders of our Company are persons lawfully holding the Company's shares and whose names (titles) are already listed in the register of shareholders. Shareholder is entitled to rights and assumes obligations pursuant to the classification and ratio of his or her shares. Shareholder holding the same classified share has the same rights and assumes the same obligations.

The rights of our ordinary shareholders are as follows:

i. To receive distribution of dividends and other forms of benefits according to the number of shares held;

ii. To legally require, convene, preside over, participate in or appoint a shareholder proxy to participate in and exercise corresponding voting rights at the Shareholders' meeting;

iii. To supervise and manage business and operational activities of our Company, provide suggestions or submit queries;

iv. To transfer, grant and pledge the Company's shares held according to the provisions of the laws, administrative regulations and the Articles of Association;

v. To obtain relevant information according to the provisions of the Articles of Association;

vi. To participate in the distribution of the remaining assets of our Company according to the proportion of shares held upon our termination or liquidation;

vii. To require our Company to acquire the shares from Shareholders voting against any resolutions adopted at the general Shareholders' meeting concerning the merger and division of the Company;

viii. To submit a written extraordinary proposal 10 days before the meeting for shareholder(s) who separately or jointly hold(s) more than 3% of the shares of our Company; and

ix. Other rights conferred by laws, administrative regulations, regulations of the authorities, regulatory rules where our Company's shares are listed, or the Articles of Association.

When any person is interested directly or indirectly in the shares of our Company, our Company shall not freeze or otherwise impair any of the rights attaching to any share by reason only that the person has not disclosed his interests to our Company.

The share certificates are signed by the chairman of the Board of Directors. Where the stock exchange on which our Company's shares are listed requires our general manager or other senior management to sign the share certificates, they shall also be signed by other such personnel. The share certificates shall become effective after being affixed with the stamp of our Company or print-stamped. Affixing our Company stamp to the share certificates is subject to the authorisation of the Board of Directors. The signature of the chairman of the Board of Director, general manager or other senior management may also be printed. Under conditions of paperless issuance and trading, the provisions of securities administrative authorities of the region where the Company's shares listed shall apply.

If any person whose name appears in the register of shareholders or requests to register his or her name (title) in the register of shareholders loses his or her share certificates (that is, "original share certificates"), he or she may apply to our Company to reissue new share certificates for those shares.

In the event holder of Domestic shares applies to our Company for a reissue after losing the share certificates, the matter shall be dealt with pursuant to related provisions of the Company Law.

In the event a holder of overseas listed foreign shares applies to our Company for a reissue after losing the share certificates, the matter may be dealt with pursuant to the laws, rules of the stock exchange where the original register of holders of the overseas listed foreign shares is kept, or other related provisions.

If a H shareholder loses share certificates and applies to the Company for a replacement issue, the share certificates shall be issued in compliance with the following requirements:

i. The applicant shall submit the application in the standard format designated by our Company and attach a notary certificate or legal declaration. The contents of the notary certificate or legal declaration shall include the reason for the applicant's request, circumstances and evidence of loss of share certificates, as well as a statement that nobody else may request to be registered as a shareholder with respect to the pertinent shares;

ii. Before deciding to issue new share certificates, our Company does not receive any statement in which any person other than the applicant requests to be registered as the shareholder with respect to the shares;

iii. If our Company decides to issue new share certificates to the applicant, we shall publish an announcement in an eligible newspaper designated by the Board of Directors indicating that we plan to reissue new share certificates. The announcement period shall be 90 days and the announcement shall be published at least once every 30 days;

iv. Before publishing the announcement indicating that we plan to re-issue new share certificates, our Company shall submit a copy of the announcement to be published to the stock exchange on which the shares are listed and may publish the announcement after receiving a reply from the stock exchange confirming that the announcement has been displayed at the stock exchange. The period of displaying the announcement at the stock exchange is 90 days. If the registered shareholders of the related shares do not approve the application for reissue of new share certificates, our Company shall mail the copy of the announcement to be repeatedly published to the Shareholders;

v. In the event that nobody raises any objection to the reissue of new share certificates to our Company, upon expiration of the 90-day display period of the announcement specified in iii and iv above, the new share certificates may be reissued according to the application made by the applicant;

vi. When re-issuing new share certificates according to the Articles of Association, our Company shall immediately cancel the original share certificates and register the cancellation and replacement issue on the register of shareholders;

vii. All expenses incurred by our Company from the cancellation of the original share certificates and replacement issue of the new share certificates shall be borne by the applicant. Before the applicant has provided reasonable security, our Company shall have the right to refuse to take any action.

**(4) Shareholders Failing to be Contacted**

In compliance with the provisions of related laws and regulations of the PRC, our Company may exercise expropriate right to unclaimed dividend. However, our Company can only exercise such right after the expiration of the applicable corresponding valid period which started after the distribution of dividend was declared.

Our Company may terminate sending dividend coupons by mail to any holder of the overseas listed foreign shares. However, the said termination can only be made after the holder fails to withdraw from the dividend coupons for consecutive two times or the dividend coupons cannot be delivered to the receiver and returned thereof.

In compliance with the conditions indicated below, Our Company is entitled to dispose the stock held by overseas listed foreign shareholders whom we fail to contact at first time in accordance with appropriate manner as considered by the Board of Directors:

i. Our Company has paid dividends at least three times on these Shares within 12 years, but no one has claimed the dividends during that period;

ii. Upon expiration of the 12-year period, our Company publishes an announcement in one or more newspaper of the Company's listing place, indicating our intention to sell the Shares and notifies the stock exchange where such Shares are listed of such intention.

**(5) The Board of Directors**

The Board of Directors is responsible to the general Shareholders' meeting and exercises the following powers:

i. To convene the general Shareholders' meeting and report on work to the general Shareholders' meeting;

ii. Implement the resolutions of the general Shareholders' meeting;

iii. Determine the business and investment plans of our Company;

iv. Devise the annual financial budget and closing account plans of our Company;

v. Devise the earnings distribution and loss offset plans of our Company;

vi. Formulate the plans for increasing or decreasing our Company's registered capital, the issuance of corporate bonds or other securities, as well as the listing of the stock of our Company;

vii. Formulate plans for major acquisitions of the Company, the buy-back of shares of our Company, corporate merger, separation of our Company, changing the form and dissolution of our Company;

viii. Determine external guarantee matters which fail to meet the approval criteria of the general shareholders' meeting;

ix. Examine and approve the transaction matters specified in the Articles of Association that shall be approved by the Board of Directors;

x. Determine such matters as connected transaction as decided by the Board of Directors pursuant to the Measures for the administration of connected transaction of the Company;

xi. Decide on the setup of our Company's internal management organisation;

xii. Appoint or dismiss the general manager of our Company, the secretary of the Board of Directors and the Secretary of our Company; based on the nomination of the general manager, appoint or dismiss senior management of our Company such as vice manager, the chief financial officer, and determine their remuneration;

xiii. Set the basic management systems of our Company;

xiv. Make the modification plan to the Articles of Association;

xv. Propose the appointment or replacement of the accounting firm that performs audits for our Company at the general Shareholders' meeting;

xvi. Attend to the work report of our Company's general manager and review the work of the general manager;

xvii. Manage the disclosure of company information;

xviii. Other powers and duties authorised by the laws, administrative regulations, regulations of the authorities, listing rules of the place where the shares of our Company are listed and the Articles of Association.

The above resolutions adopted by the Board of Directors, except those in vi, vii and xiv must be approved by more than a two-thirds vote of the Directors, may be approved by more than half of the votes by the Directors.

Meetings of the Board of Directors shall be attended by more than one-half of the Directors (including proxies) before the Board of Directors meeting can be convened.

**(6) Independent Non-executive Director**

At least one-third of member of the Board of Directors of the Company shall be the independent non-executive Directors and the amount shall not be less than three. At least one independent non-executive Director shall have applicable professional qualification or are equipped with applicable accounting or relevant financial management expertise.

**(7) Secretary of the Board of Directors**

Our Company shall have one secretary of the Board of Directors. The secretary of the Board of Directors must be a natural person with the requisite expertise and experience and be appointed by the Board of Directors.

**(8) Board of Supervisors**

Our Company shall set up a Board of Supervisors.

The Board of Supervisors consists of three Supervisors and includes one chairman. The chairman of the Board of Supervisors shall be elected and dismissed by more than a two-thirds vote of the members of the Board of Supervisors.

The Board of Supervisors shall consist of Shareholder's representatives and employee's representatives. The Supervisors assumed by the employee representatives shall be elected and dismissed democratically by the employees and shall account for no less than one-third of the Board of Supervisors of our Company.

Meetings of the Board of Supervisors shall be attended by more than half of the Supervisors before it may be convened. Resolutions of the Board of Supervisors shall require approval from two-third of all the Supervisors. The Supervisors serve three-year terms.

The Supervisors may, after the expiration of the term of office, be re-elected and re-appointed.

The Directors and senior management shall not also serve as Supervisors.

The Board of Supervisors is responsible to the general Shareholders' meeting and lawfully exercises the following powers:

i. Examine the financial standing of our Company;

ii. Supervise the Company's duties performing of Directors and senior management, and put forward suggestions for dismissing any Directors or senior management who are in breach of the laws, administrative regulations, the Articles of Association or resolutions of the general Shareholders' meetings;

iii. Require the Directors and senior management to take corrective measures when their actions are detrimental to the Company's interests;

iv. Propose to convene an extraordinary general Shareholders' meeting, and where the Board of Directors fails to perform the duties in relation, to convene or preside over the general Shareholders' meeting, to convene and preside over the general Shareholders' meeting;

v. Submit proposals at the general Shareholders' meetings;

vi. Negotiate with Directors on behalf of the Company or initiate litigations against Directors;

vii. Investigate into any abnormalities in operation of our Company; if necessary, to engage accounting firms, law firms and other professional institutions to assist its work, and the expenses shall be borne by our Company;

viii. Verify the financial information such as the financial reports, business reports and profit distribution plans to be submitted by the Board to the general Shareholders' meetings and, should any queries arise, to authorize, in the name of our Company, a re-examination by the certified public accountants and practicing auditors;

ix. Other powers and duties stipulated in the Articles of Association.

The Supervisors may attend the meetings of the Board of Directors, query or provide suggestions on the resolution matters of the Board meeting.

**(9) General manager**

Our Company has one general manager, appointed or dismissed by the Board of Directors. The general manager of our Company is responsible to the Board of Directors and exercises the following powers:

i. Be in charge of the producing and operational management of our Company, organise the enforcement of resolutions of the Board of Directors and report to the Board of Directors on work;

ii. Organise the implementation of the annual operation plans and investment schemes decided by the Board of Directors;

iii. Formulate the structure scheme of the internal department of our Company;

iv. Formulate the fundamental management policies of our Company;

v. Formulate the specific management rules of our Company;

vi. Propose the appointment or dismissal of the Company's vice general manager, financial officer to the Board of Directors.

vii. Appoint or dismiss other management personnel except those who shall be appointed or dismissed by the Board of Directors;

viii. Decide the transaction matters which fail to meet the approval criteria of the general shareholders' meeting or the Board of Directors;

ix. Other responsibilities authorised by the Articles of Association and the Board of Directors.

**(10) Reserves**

When the annual after-tax earnings of our Company are distributed, our Company must allocate 10% of the earnings to the statutory reserve of the Company.

When the total amount of the statutory reserve exceeds 50% of our Company's registered capital, no more allocations need to be drawn.

If the Company's statutory reserve is insufficient to offset our losses during the previous year, the earnings generated during the current year must be used to make up the losses before allocating the statutory reserve in accordance with the requirements set forth above.

After allocation to the statutory reserve from the after-tax earnings of our Company, we may also allocate to the reserves at will from after-tax earnings in line with the resolution(s) adopted at the general Shareholders' meeting.

After our Company has made up for its losses and made allocations to its statutory reserve fund, the remaining profits are distributed in proportion to the number of shares held by the Shareholders, unless otherwise specified by the Articles of Association.

If the general Shareholders' meeting or Directors violates the above provisions and profits are distributed to the Shareholders before the Company makes up for losses or makes allocations to the statutory reserve fund, the profits distributed in violation of the provisions must be returned by such Shareholders to the Company.

The shares held by our Company itself shall not be subject to profit distribution.

The Company's reserves must be used only for offsetting losses of the Company, expanding the scale of business and operations or for conversion into capital to increase our capital, but the capital reserve shall not be used to offset losses of the Company.

Where the statutory reserve converses into capital, the remaining statutory reserve shall not be less than 25% of the registered capital of our Company before such conversion.

**(11) Settlement of Disputes**

Our Company shall comply with the following rules governing the settlement of disputes:

i. Whenever there occur any dispute or claim between shareholders of the overseas listed foreign Shares and our Company, shareholders of foreign Shares (including shareholders of overseas listed or non-listed foreign Shares) and our Company's Directors, Supervisors, general manager or other senior management, or shareholders of the overseas listed foreign Shares and shareholders of overseas non-listed foreign shares or shareholders of domestic Shares regarding the rights or

obligations relating to the affairs of our Company conferred or imposed by the Articles of Association, the Company Law or any other relevant laws and administrative regulations, such disputes or claims shall be referred by the relevant parties to arbitration.

Where the aforesaid dispute or claim of rights is referred to arbitration, the entire claim or the dispute as a whole must be referred to arbitration, and any parties who have a cause of action based on the same facts giving rise to the dispute or the claim or whose participation is necessary for the settlement of such dispute or claim, are bound by the award of the arbitration provided that such person is our Company or a shareholder of our Company, a Director, a Supervisor, general manager or other senior management.

Disputes in relation to the definition of shareholders and disputes in relation to the shareholders' register need not be resolved by arbitration;

ii. A claimant may elect for arbitration at either the China International Economic and Trade Arbitration Commission in accordance with its rules or the Hong Kong International Arbitration Centre in accordance with its arbitration rules. Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body so elected by the applicants.

If a claimant elects for arbitration at HKIAC, any party to the dispute or claim may request the arbitration to be conducted in Shenzhen in accordance with the Securities Arbitration Rules of the HKIAC;

i. The laws of the PRC are applicable to the arbitration for the disputes or claims of rights referred to in paragraph (i) above, unless otherwise provided in the laws and administrative regulations;

ii. The award of an arbitration body shall be final and binding on all parties.

## A. FURTHER INFORMATION ABOUT OUR COMPANY

### 1. Incorporation

Our Company was established as a limited liability company in the PRC on June 16, 2016 and converted into a joint stock limited liability company in the PRC on December 3, 2020. Our registered address is currently at Room 201, Building 4, 590 Ruiqing Avenue, Zhangjiang High Technology Park, Shanghai, PRC and Company's principal place of business in the PRC is at Building 9 South, 590 Ruiqing Avenue, Zhangjiang High Technology Park, Shanghai. Our Company has applied to register with the Hong Kong Companies Registry as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on [●], 2020. Mr. AU-YEUNG Wai Ki has been appointed as our agent for the acceptance of service of process in Hong Kong. As our Company was established in the PRC, its corporate structure and Articles of Association are subject to the relevant laws and regulations of the PRC. A summary of the relevant provisions of the Articles of Association of our Company is set out in Appendix V to this document. A summary of certain relevant aspects of the laws and regulations of the PRC is set out in Appendix IV to this document.

### 2. Changes in Share Capital

Save as disclosed in the section headed "History, Development and Corporate Structure", the changes in share capital in our Company are set out as the following:

In January, 2018, our registered capital increased from RMB2,768,100 to RMB15 million by conversion of capital reserve from Ms. Hong Jiaqi, Mr. Wang, Mr. Ding Kui, Ms. Zhang Kun, Bello, Speed and Sinena amounted to RMB3,093,125, RMB2,209,435, RMB2,209,435, RMB1,325,669, RMB519,660, RMB623,949 and RMB415,811, respectively.

Upon completion of the [**REDACTED**], but without taking into account the exercise of the [**REDACTED**], our registered capital will increase to RMB[**REDACTED**], comprising [**REDACTED**] Unlisted Shares and [**REDACTED**] H Shares, representing approximately [**REDACTED**]% and [**REDACTED**]% of our total issued share capital, respectively.

### 3. Changes in the Share Capital of our Subsidiaries

Save as disclosed in the section headed "History, Development and Corporate Structure", there has been no alteration in the share capital of the subsidiaries of the Company within two years immediately preceding the date of this document.

### 4. Resolutions of our Shareholders Passed on January 6, 2021

At the extraordinary general meeting of our Company held on January 6, 2021, among other things, the following resolutions were passed by the Shareholders:

(a) the issue by our Company of H Shares of nominal value of RMB1.00 each and such H Shares be [**REDACTED**] on the Stock Exchange;

(b) authorization of the Board and its authorized persons to handle all matters relating to, among other things, the issue, and the [**REDACTED**] of the H Shares; and

(c) subject to the completion of the [**REDACTED**], the Articles of Association effective on the [**REDACTED**] has been approved and adopted, and the Board has been authorized to amend the Articles of Association in accordance with relevant laws and regulations and upon the request from the Stock Exchange and relevant PRC regulatory authorities.

### 5. Restrictions on Repurchase

Please refer to Appendices IV and V to this document for details.

## B. FURTHER INFORMATION ABOUT OUR BUSINESS

### 1. Summary of our Material Contracts

We have entered into the following contracts (not being contracts entered into in our ordinary course of business) within the two years preceding the date of this document, which are or may be material:

(a) an investment agreement dated September 2, 2019 entered into among Hidea, Huipu, Dadao, Sharewin Heike, Grandyangtze Jiyuan and our Company, pursuant to which Hidea, Huipu, Dadao, Sharewin Heike and Grandyangtze Jiyuan agreed to acquire 3.2833%, 1.6667%, 0.05%, 4.1667% and 3.3333% of the equity interest in our Company by capital injection, each at a consideration of RMB19.7 million, RMB10 million, RMB0.3 million, RMB25 million and RMB20 million, respectively;

(b) an equity transfer agreement dated June 30, 2020 entered into among our Company, Speed, Sinena, Bello, Hidea, Huipu, Grandyangtze Jiyuan, LYFE Columbia, Sherpa Zhuhai and SherpaStrokemed, pursuant to which Speed, Sinena, Bello, Hidea, Huipu and Grandyangtze Jiyuan agreed to transfer a total of 5.8747%, 2.8839% and 1.9226% of the equity interest in our Company to LYFE Columbia, Sherpa Zhuhai and SherpaStrokemed, each at a consideration of then equivalent RMB67.1 million in USD, RMB33.0 million and then equivalent RMB22.0 million in USD;

(c) an investment agreement dated June 30, 2020 entered into among Mr. Wang, Ms. Zhang Kun, Xinwei Investment, Kaiyuan Investment, Speed, Sinena, Bello, Mr. Ding Kui, Tongchuangsuwei, Hidea, Huipu, Dadao, Sharewin Heike, Grandyangtze Jiyuan, SDIC Unity Capital, Huajinjintian, LYFE Columbia, Sherpa Zhuhai, SherpaStrokemed and our Company, pursuant to which LYFE Columbia, Sherpa Zhuhai and SherpaStrokemed agreed to acquire 5%, 2.4545% and 1.6364% of the equity interest in our Company by capital injection, each at a consideration of then equivalent RMB66 million in USD, RMB32.4 million and RMB21.6 million, respectively;

(d) an investment agreement date August 25, 2020 entered into among Mr. Wang, Ms. Zhang Kun, Xinwei Investment, Kaiyuan Investment, Speed, Sinena, Mr. Ding Kui, Tongchuangsuwei, Hidea, Huipu, Dadao, Sharewin Heike, Grandyangtze Jiyuan, SDIC Unity Capital, Huajinjintian, LYFE Columbia, Sherpa Zhuhai, SherpaStrokemed, Weiyu Shanghai, Weiyun Shanghai and our Company, pursuant to which LYFE Columbia, Sherpa Zhuhai and SherpaStrokemed agreed to acquire 2.5063%, 1.0253% and 1.0253% of the equity interest in our Company by capital injection, at a consideration of then equivalent RMB44 million in USD, RMB18 million and RMB18 million, respectively;

(e) the equity transfer agreement dated September 1, 2020 entered into among Ms. Wu Yuting, Prosperico Ventures, Ms. Hu Xiaoping, our Company and Nanjing SealMed, pursuant to which Ms. Wu Yuting and Prosperico Ventures agreed to transfer 55.88% of the equity interest in Nanjing SealMed to our Company at a consideration of RMB25.146 million;

(f) an equity transfer agreement dated October 23, 2020 entered into among Ms. Zhang Kun, Mr. Ding Kui, Xinwei Investment, Tongchuangsuwei, Kaiyuan Investment, LYFE Ohio, Sharewin Heike, CICC Pucheng, Mr. Ren Yi and our Company, pursuant to which Mr. Ding Kui, Ms. Zhang Kun and Kaiyuan Investment transferred 2.2314% of the equity interest in our Company to LYFE Ohio at a consideration of then equivalent RMB65.5 million in USD, Xinwei Investment and Kaiyuan Investment transferred 0.6814% of the equity interest in our Company to CICC Pucheng at a consideration of RMB20 million, and Tongchuangsuwei transferred 0.3407% and 0.6814% of the equity interest in our Company to Mr. Renyi and Sharewin Heike at a consideration of RMB10 million and RMB20 million, respectively;

(g) an investment agreement dated October 23, 2020 entered into among Mr. Wang, Ms. Zhang Kun, Xinwei Investment, Kaiyuan Investment, Weiyu Shanghai, Weiyun Shanghai, Speed, Sinena, Mr. Ding Kui, Tongchuangsuwei, Hidea, Huipu, Dadao, Sharewin Heike, Grandyangtze Jiyuan, SDIC Unity Capital, Huajinjintian, LYFE Columbia, Sherpa Zhuhai, SherpaStrokemed, CICC Pucheng, Mr. Ren Yi, Temasek, Raritan River, Lake Bleu, LYFE Ohio, SherpaStrokecure and our Company, pursuant to which Temasek, Raritan River, Lake Bleu, SherpaStrokecure and LYFE Ohio acquired 5.0505%, 4.0404%, 2.0202%, 0.9091% and 1.1111% of the equity interest in the Company by capital injection at a consideration of approximately RMB171 million, RMB137 million, RMB68 million, RMB31 million and RMB38 million, respectively;

(h) the [**REDACTED**].

## 2. Intellectual Property Rights

### *(a) Trademarks*

As of the Latest Practicable Date, our Group has registered the following trademarks in the PRC:

| No. | Trademark | Registrant | Registration number | Class | Expiry date |
|---|---|---|---|---|---|
| 1 | 心玮医疗 | Our Company | 20486071 | 44 | 2027.08.20 |
| 2 | 通玮 | Our Company | 37479094 | 35 | 2030.01.13 |
| 3 | 玮畅 | Our Company | 37468920 | 10 | 2030.02.06 |
| 4 | 通玮 | Our Company | 37468777 | 10 | 2030.01.13 |
| 5 | 玮脉 | Our Company | 37466113 | 10 | 2030.01.13 |
| 6 | SUPSELER | Our Company | 37998948 | 10 | 2030.04.13 |
| 7 | PFsorb | Our Company | 37527553 | 10 | 2029.12.13 |
| 8 | FullBlock | Our Company | 26932895 | 10 | 2028.09.20 |
| 9 | ERUSS | Our Company | 23357205 | 10 | 2029.02.27 |
| 10 | FLOWPLUS | Our Company | 35213608 | 10 | 2029.08.27 |

| No. | Trademark | Registrant | Registration number | Class | Expiry date |
|---|---|---|---|---|---|
| 11 |  | Our Company | 38730290 | 35 | 2030.03.06 |
| 12 |  | Our Company | 37985118 | 10 | 2029.12.27 |
| 13 |  | Our Company | 37982990 | 10 | 2030.01.13 |
| 14 | Captor | Our Company | 24445122 | 10 | 2028.06.20 |
| 15 | PFsorb | Our Company | 37513100 | 35 | 2029.12.13 |
| 16 |  | Our Company | 33472280 | 10 | 2029.06.13 |
| 17 |  | Our Company | 30769753 | 10 | 2029.02.20 |
| 18 |  | Our Company | 38706417 | 35 | 2030.02.27 |
| 19 |  | Our Company | 37998933 | 10 | 2030.04.06 |
| 20 |  | Our Company | 37976571 | 35 | 2030.04.13 |
| 21 |  | Our Company | 37985122 | 35 | 2030.01.06 |
| 22 | Laager | Our Company | 20485926 | 10 | 2028.04.20 |
| 23 |  | Our Company | 38713784 | 10 | 2030.02.20 |
| 24 |  | Our Company | 37982993 | 35 | 2030.01.06 |
| 25 | 畅玮 | Our Company | 37472006 | 10 | 2030.01.13 |
| 26 | 玮脉 | Our Company | 37466812 | 35 | 2030.02.06 |
| 27 | 玮通 | Our Company | 37465025 | 10 | 2030.02.06 |
| 28 | Complug | Our Company | 26931842 | 10 | 2028.09.20 |
| 29 | Laager | Our Company | 20485926 | 10 | 2028.04.20 |
| 30 | Trueexframe | Nanjing SealMed | 32208904 | 10 | 2029.03.27 |

| No. | Trademark | Registrant | Registration number | Class | Expiry date |
|---|---|---|---|---|---|
| 31 | Trueexsoft | Nanjing SealMed | 32214190 | 10 | 2029.04.06 |
| 32 | Vasseal | Nanjing SealMed | 32214177 | 10 | 2029.03.27 |
| 33 | 脉合 | Nanjing SealMed | 32208893 | 10 | 2029.03.27 |
| 34 | 斯尔脉 | Nanjing SealMed | 32216060 | 10 | 2029.03.27 |

As of the Latest Practicable Date, we have applied for the registration of the following trademarks in the PRC:

| No. | Trademark | Applicant | Application number | Application date | Class |
|---|---|---|---|---|---|
| 1 | CAPTOR | Our Company | 47209792 | 2020.06.12 | 10 |
| 2 | 舒进 | Our Company | 45631586 | 2020.04.21 | 10 |
| 3 | QUICKBLOCK | Our Company | 38713735 | 2019.06.06 | 10 |
| 4 | STROKE CARE | Our Company | 49739426 | 2020.09.14 | 35 |
| 5 | 心玮 | Our Company | 49735457 | 2020.09.14 | 35 |
| 6 | 心玮医疗 | Our Company | 49726754 | 2020.09.14 | 35 |
| 7 | | Our Company | 49723783 | 2020.09.14 | 35 |
| 8 | | Our Company | 497233782 | 2020.09.14 | 10 |

As of the Latest Practicable Date, our Group [has registered] the following trademarks in Hong Kong:

| No. | Trademark | Registrant | Registration number | Class | Expiry date |
|---|---|---|---|---|---|
| 1. | | Our Company | 305387842 | 10 | [●] |

| No. | Trademark | Registrant | Registration number | Class | Expiry date |
|---|---|---|---|---|---|
| 2. |  | Our Company | 305387789 | 35 | [●] |
| 3. |  | Our Company | 305387743 | 35 | [●] |
| 4. | 心玮 | Our Company | 305387176 | 35 | [●] |
| 5. | 心玮医疗 | Our Company | 305387149 | 35 | [●] |

*(b) Patents*

As of the Latest Practicable Date, we have registered the following patents which are material to our business:

| No. | Name of patent holder | Patents | Type of patent | Registration no. | Date of registration | Valid period |
|---|---|---|---|---|---|---|
| 1 | The Company | A left atrial appendage occluder delivery system (一種左心耳封堵器輸送系統) | Utility Model | 201621329207.4 | December 6, 2016 | December 5, 2026 |
| 2 | The Company | A left atrial appendage occluder device (一種左心耳封堵器) | Utility Model | 201621010160.5 | August 30, 2016 | August 29, 2026 |
| 3 | The Company | An endoloop (一種圈套器) | Utility Model | 201720342531.8 | April 1, 2017 | March 31, 2027 |
| 4 | The Company | A left atrial appendage occluder (一種左心耳封堵器) | Utility Model | 201621359466.1 | December 12, 2016 | December 11, 2026 |

| No. | Name of patent holder | Patents | Type of patent | Registration no. | Date of registration | Valid period |
|---|---|---|---|---|---|---|
| 5 | The Company | An occluder with embedded steel sleeves (一種具有嵌入式鋼套封堵器) | Utility Model | 201720884134.3 | July 20, 2017 | July 19, 2027 |
| 6 | The Company | A drug balloon (一種藥物球囊) | Utility Model | 201920070533.5 | January 16, 2019 | January 15, 2029 |
| 7 | The Company | An oval hole non-closing occluder (一種卵圓孔未閉封堵器) | Utility Model | 201720883661.2 | July 20, 2017 | July 19, 2027 |
| 8 | The Company | A stent for closing bifurcation aneurysm (一種用於封閉分叉動脈瘤的支架裝置) | Utility Model | 201821518693.3 | September 17, 2018 | September 16, 2028 |
| 9 | The Company | An intravascular medical device (一種用血管內的醫療裝置) | Utility Model | 201820258398.2 | February 13, 2018 | February 12, 2028 |
| 10 | The Company | Intravascular medical device (用於血管內的醫療裝置) | Utility Model | 201820009031.7 | January 3, 2018 | January 2, 2028 |
| 11 | The Company | A stent retriever system (一種取栓支架系統) | Utility Model | 201720231839.5 | March 10, 2017 | March 9, 2027 |
| 12 | The Company | A delivery sheath tube and left atrial appendage occluder delivery system (輸送鞘管管體以及左心耳封堵器輸送系統) | Utility Model | 201621183258.0 | October 27, 2016 | October 26, 2026 |
| 13 | The Company | An intravascular medical device (一種用血管內的醫療裝置) | Utility Model | 201820113828.1 | January 23, 2018 | January 22, 2028 |

| No. | Name of patent holder | Patents | Type of patent | Registration no. | Date of registration | Valid period |
|---|---|---|---|---|---|---|
| 14 | The Company | A retriever system (一種取栓器系統) | Utility Model | 201720856792.1 | July 14, 2017 | July 13, 2027 |
| 15 | The Company | A new anti-embolism protection device (一種新型防栓塞保護裝置) | Utility Model | 201922134112.7 | December 3, 2019 | December 2, 2029 |
| 16 | The Company | A self-selecting stent retriever with strong capturing ability (一種具有強捕獲力的自篩選式取栓支架) | Invention | 202010900937.X | September 1, 2020 | August 31, 2040 |
| 17 | The Company | A drug balloon with controllable drug metabolism and its preparation method (一種藥物代謝可控的藥物球囊及其製備方法) | Invention | 201910711649.7 | August 2, 2019 | August 1, 2039 |
| 18 | The Company | A guidewire with adjustable stiffness (一種可調彎導絲) | Invention | 202011213578.7 | November 4, 2020 | November 3, 2040 |
| 19 | Weiming Medical | A balloon catheter for curved vessels (一種適用於彎曲血管的球囊導管) | Utility Model | 202020188462.1 | February 20, 2020 | February 19, 2030 |
| 20 | Weiming Medical | An adjustable balloon catheter (一種可調節球囊導管) | Utility Model | 202020191270.6 | February 21, 2020 | February 20, 2030 |

| No. | Name of patent holder | Patents | Type of patent | Registration no. | Date of registration | Valid period |
|---|---|---|---|---|---|---|
| 21 | Weiming Medical | A balloon catheter with targeted drug release (一種可定向釋放藥物的球囊導管) | Utility Model | 202020189754.7 | February 20, 2020 | February 19, 2030 |
| 22 | Nanjing SealMed | An embolism spring delivery device (一種栓塞彈簧圈輸送裝置) | Utility Model | 201821516633.8 | September 17, 2018 | September 16, 2028 |
| 23 | Nanjing SealMed | Torque tube solidification and protection integrated device (扭力管固化防護一體化裝置) | Utility Model | 201921715243.8 | October 14, 2019 | October 13, 2029 |
| 24 | Nanjing SealMed | Medical embolic spring automatic winding machine with multi-degree of flexibility (醫用栓塞彈簧多自由度自動繞線機) | Utility Model | 201921910604.4 | November 7, 2019 | November 6, 2029 |
| 25 | Nanjing SealMed | Heteromorphic aneurysm spring coil winding mold (異形動脈瘤彈簧圈纏繞模具) | Utility Model | 201921910523.4 | November 7, 2019 | November 6, 2029 |
| 26 | Nanjing SealMed | Medical spring electromagnetic release mechanism (醫用彈簧圈電磁解脫機構) | Utility Model | 201921911180.3 | November 7, 2019 | November 6, 2029 |

| No. | Name of patent holder | Patents | Type of patent | Registration no. | Date of registration | Valid period |
|---|---|---|---|---|---|---|
| 27 | Nanjing SealMed | Self-expanding blood occluder structure (自膨脹封血塞結構) | Utility Model | 201921910525.3 | November 7, 2019 | November 6, 2029 |
| 28 | Nanjing SealMed | Occluder dispense platform (封堵器點膠平臺) | Utility Model | 201921943223.6 | November 12, 2019 | November 11, 2029 |

As of the Latest Practicable Date, we have applied for the registration of the following patents, which we consider to be material to our business:

| No. | Name of applicant | Patents | Type of patent | Application no. | Date of application |
|---|---|---|---|---|---|
| 1 | The Company | A new anti-embolism protection device (一種新型防栓塞保護裝置) | Invention | 201911220148.5 | December 3, 2019 |
| 2 | The Company | An endoloop (一種圈套器) | Invention | 201710217794.0 | April 1, 2017 |
| 3 | The Company | A stent for closing bifurcation aneurysm (一種用於封閉分叉動脈瘤的支架裝置) | Invention | 201811081590.X | September 17, 2018 |
| 4 | The Company | A delivery sheath tube and left atrial appendage occluder delivery system (輸送鞘管管體以及左心耳封堵器輸送系統) | Invention | 201610955830.9 | October 27, 2016 |
| 5 | The Company | A retriever system (一種取栓器系統) | Invention | 201710575843.8 | July 14, 2017 |
| 6 | The Company | A retriever (一種取栓器) | Invention | 201710198720.7 | March 29, 2017 |
| 7 | The Company | A left atrial appendage occluder and its preparation method (一種左心耳封堵器及其製備方法) | Invention | 201610768300.3 | August 30, 2016 |
| 8 | The Company | A left atrial appendage occluder (一種左心耳封堵器) | Invention | 201611141817.6 | December 12, 2016 |
| 9 | The Company | Intravascular medical device (用血管內的醫療裝置) | Invention | 201810005480.9 | January 3, 2018 |
| 10 | The Company | An intravascular medical device (一種用血管內的醫療裝置) | Invention | 201810149489.7 | February 13, 2018 |
| 11 | The Company | A stent retriever system (一種取栓支架系統) | Invention | 201710142837.3 | March 10, 2017 |

| No. | Name of applicant | Patents | Type of patent | Application no. | Date of application |
|---|---|---|---|---|---|
| 12 | The Company | A drug balloon and its usage method (一種藥物球囊及其使用方法) | Invention | 201910040327.4 | January 16, 2019 |
| 13 | The Company | An intravascular medical device (一種用血管內的醫療裝置) | Invention | 201810064436.5 | January 23, 2018 |
| 14 | The Company | An occluder with embedded steel sleeve (一種具有嵌入式鋼套封堵器) | Invention | 201710597889.X | July 20, 2017 |
| 15 | The Company | A left atrial appendage occluder delivery system (一種左心耳封堵器輸送系統) | Invention | 201611110437.6 | December 6, 2016 |
| 16 | The Company | An oval hole non-closing occluder (一種卵圓孔未閉封堵器) | Invention | 201710595575.6 | July 20, 2017 |
| 17 | The Company | An asymmetric three-dimensional spiral stent retriever (一種非對稱三維螺旋取栓支架) | Invention | 202010352717.8 | April 28, 2020 |
| 18 | The Company | An asymmetric three-dimensional spiral stent retriever (一種非對稱三維螺旋取栓支架) | Utility Model | 202020681274.2 | April 28, 2020 |
| 19 | The Company | A double-umbrella adjustable retriever (一種雙傘式可調節取栓裝置) | Utility Model | 202020591735.7 | April 20, 2020 |
| 20 | The Company | A double-umbrella adjustable retriever (一種雙傘式可調節取栓裝置) | Invention | 202010311557.2 | April 20, 2020 |
| 21 | The Company | An intravascular delivery system (一種用血管內的輸送系統) | Utility Model | 202020500547.9 | April 8, 2020 |
| 22 | The Company | An intravascular delivery system (一種用血管內的輸送系統) | Invention | 202010269389.5 | April 8, 2020 |
| 23 | The Company | A double-layer stent retriever with adjustable grids (一種網格可調節的雙層取栓支架) | Invention | 202010424509.4 | May 19, 2020 |
| 24 | The Company | A double-layer stent retriever with adjustable grids (一種網格可調節的雙層取栓支架) | Utility Model | 202020849363.3 | May 19, 2020 |
| 25 | The Company | A double-layer retractable thrombus catching device (一種雙層可伸縮血栓抓捕裝置) | Utility Model | 202020921661.9 | May 27, 2020 |

| No. | Name of applicant | Patents | Type of patent | Application no. | Date of application |
|---|---|---|---|---|---|
| 26 | The Company | A double-layer retractable thrombus catching device (一種雙層可伸縮血栓抓捕裝置) | Invention | 202010462784.5 | May 27, 2020 |
| 27 | The Company | A three-dimensional stent retriever (一種立體式取栓支架) | Utility Model | 202020995588.X | June 3, 2020 |
| 28 | The Company | A three-dimensional stent retriever (一種立體式取栓支架) | Invention | 202010495608.1 | June 3, 2020 |
| 29 | The Company | A highly compliant embolism protector (一種高順應性的栓塞保護器) | Utility Model | 202021571684.8 | July 31, 2020 |
| 30 | The Company | A highly compliant embolism protector and its filter production method (一種高順應性的栓塞保護器及其濾網製作方法) | Invention | 202010756378.X | July 31, 2020 |
| 31 | The Company | A three-dimensional spiral intracranial stent retriever (一種三維螺旋顱內取栓支架) | Invention | 202010716545.8 | July 23, 2020 |
| 32 | The Company | A drug-carrying guidewire (一種載藥導絲) | Invention | 202010708805.7 | July 22, 2020 |
| 33 | The Company | A step-free tapered catheter (一種無階漸變式導管) | Invention | 202010805636.9 | August 12, 2020 |
| 34 | The Company | A hollow guidewire (一種空腔導絲) | Invention | 202010805637.3 | August 12, 2020 |
| 35 | The Company | A multi-coating circumferentially-selectively distributed drug balloon catheter and its production device (一種多塗層周向選擇性分佈的藥物球囊導管及製作裝置) | Utility Model | 202021676063.6 | August 12, 2020 |
| 36 | The Company | A frozen balloon catheter with uniform cooling (一種製冷均勻的冷凍球囊導管) | Invention | 202010806030.7 | August 12, 2020 |
| 37 | The Company | A radially adjustable embolism retriever (一種徑向可調節取栓裝置) | Invention | 202011314518.4 | November 20, 2020 |

| No. | Name of applicant | Patents | Type of patent | Application no. | Date of application |
|---|---|---|---|---|---|
| 38 | Weiming Medical | A balloon catheter with targeted drug release (一種可定向釋放藥物的球囊導管) | Invention | 202010104533.X | February 20, 2020 |
| 39 | Weiming Medical | A balloon catheter for curved vessels (一種適用於彎曲血管的球囊導管) | Invention | 202010106025.5 | February 20, 2020 |
| 40 | Weiming Medical | A precisely therapeutic cryoballoon catheter device with a controlled freezing range (一種冷凍範圍可控的精准治療冷凍球囊導管裝置) | Utility Model | 202020733605.2 | May 7, 2020 |
| 41 | Weiming Medical | A precisely therapeutic cryoballoon catheter device with a controlled freezing range (一種冷凍範圍可控的精准治療冷凍球囊導管裝置) | Invention | 202010377382.5 | May 7, 2020 |
| 42 | Weiming Medical | A spiral balloon forming mold (一種螺旋形球囊成型模具) | Invention | 202010316860.1 | April 21, 2020 |
| 43 | Weiming Medical | A spiral balloon forming mold (一種螺旋形球囊成型模具) | Utility Model | 202020602718.9 | April 21, 2020 |
| 44 | Weiming Medical | A balloon aspiration catheter device for intracranial embolism retrieval (一種用於顱內取栓的球囊抽吸導管裝置) | Invention | 202010291121.1 | April 14, 2020 |
| 45 | Weiming Medical | A balloon aspiration catheter device for intracranial embolism retrieval (一種用於顱內取栓的球囊抽吸導管裝置) | Utility Model | 202020544506.X | April 14, 2020 |
| 46 | Weiming Medical | An elastic balloon reversion device (一種彈性球囊回復裝置) | Invention | 202010275126.5 | April 9, 2020 |
| 47 | Weiming Medical | An elastic balloon protection sleeve (一種彈性球囊保護套) | Utility Model | 202020510747.2 | April 9, 2020 |
| 48 | Weiming Medical | An adjustable balloon catheter (一種可調節球囊導管) | Invention | 202010106518.9 | February 21, 2020 |
| 49 | Weiming Medical | An aspiration catheter device for intracranial large vessel embolism (一種用於顱內大血管栓塞的抽吸導管裝置) | Invention | 202010715460.8 | July 23, 2020 |
| 50 | Weiming Medical | A multifunctional treatment catheter (一種多功能治療導管) | Invention | 202010965912.8 | September 15, 2020 |

| No. | Name of applicant | Patents | Type of patent | Application no. | Date of application |
|---|---|---|---|---|---|
| 51 | Nanjing SealMed | A multi-ball and multi-shank tandem-shaped embolism spring (一種多球多柄串接形栓塞彈簧圈) | Invention | 201811082677.9 | September 17, 2018 |
| 52 | Nanjing SealMed | A double-peak, triple-valley shaped radially variable two-dimensional embolism spring (一種雙波峰三波谷形變徑二維栓塞彈簧圈) | Invention | 201811081755.3 | September 17, 2018 |
| 53 | Nanjing SealMed | An embolism spring delivery device (一種栓塞彈簧圈輸送裝置) | Invention | 201811092698.9 | September 17, 2018 |
| 54 | Nanjing SealMed | A blood occluder structure for vascular occluder device (一種血管封堵器用封血塞結構) | Invention | 201811086682.7 | September 18, 2018 |
| 55 | Nanjing SealMed | A blood occluder structure for vascular occluder device (一種血管封堵器用封血塞結構) | Utility Model | 201821522787.8 | September 18, 2018 |
| 56 | Nanjing SealMed | A blood occluder formation mold structure for vascular occluder device (一種血管封堵器用封血塞成型模具結構) | Utility Model | 201821521458.1 | September 18, 2018 |
| 57 | Nanjing SealMed | A hemorrhage port structure for vascular occluder (一種血管封堵器用出血口結構) | Utility Model | 201821522781.0 | September 18, 2018 |
| 58 | Nanjing SealMed | A embolism delivery tube structure for vascular occluder (一種血管封堵器用封血塞輸送管結構) | Utility Model | 201821522760.9 | September 18, 2018 |
| 59 | Nanjing SealMed | Torque tube solidification and protection integrated device (扭力管固化防護一體化裝置) | Invention | 201910972594.5 | October 14, 2019 |
| 60 | Nanjing SealMed | Medical embolic spring automatic winding machine with multi-degree of flexibility (醫用栓塞彈簧多自由度自動繞線機) | Invention | 201911081558.6 | November 7, 2019 |

*(c) Domain Names*

As of the Latest Practicable Date, our Group has registered the following domain names:

| No. | Registered owner | Registration number | Domain name | Expiry date |
|---|---|---|---|---|
| 1 | Our Company | N/A | strokecare.top | 2026.6.25 |
| 2 | Our Company | N/A | strokemedical.cn | 2025.11.2 |
| 3 | Our Company | 18012275 | strokemedical.com | 2025.11.2 |
| 4 | Our Company | N/A | strokecare.vip | 2026.6.25 |
| 5 | Our Company | N/A | heart-laa.com | 2027.5.10 |
| 6 | Nanjing SealMed | 17074053 | sealmed.com | 2022.11.22 |

## C. FURTHER INFORMATION ABOUT OUR DIRECTORS, SUPERVISORS AND SUBSTANTIAL SHAREHOLDERS

### 1. Disclosure of Interests

#### *(a) Interests of Directors, Supervisors and chief executives in Our Company*

Save as disclosed in this document, immediately following the completion of the [**REDACTED**], assuming that the [**REDACTED**] is not exercised, the interest and/or short position of our Directors, Supervisors or chief executives of our Company in the Shares, underlying Shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short position which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules to be notified to our Company, once the Shares are [**REDACTED**] on the Stock Exchange, will be as follows:

| Name of Director/ Chief executive | Title | Nature of Interest | Class of Shares | Number of shares | Approximate percentage of shareholding in our Company immediately after Completion of the [REDACTED] (assuming the [REDACTED] is not exercised) | Approximate percentage of shareholding in the relevant class of Shares after the [REDACTED] (assuming no exercise of the [REDACTED]) |
|---|---|---|---|---|---|---|
| Mr. Ding Kui | Director | Beneficial owner | Unlisted Shares | [REDACTED] | [REDACTED] | [REDACTED] |
| | | | H Shares | [REDACTED] | [REDACTED] | [REDACTED] |
| Mr. Ouyang Xiangyu[(1)] | Director | Interest in controlled corporation | Unlisted Shares | [REDACTED] | [REDACTED] | [REDACTED] |
| | | | H Shares | [REDACTED] | [REDACTED] | [REDACTED] |

*Note:*

(1) Sherpa Zhuhai will directly hold [**REDACTED**] Unlisted Shares and [**REDACTED**] H Shares upon completion of the [**REDACTED**]. Sherpa Zhuhai is a is a limited partnership established in the PRC with Zhuhai Sherpa Phase I Medical Investment Management Partnership (LP) (珠海夏爾巴一期醫療投資管理合伙企業(有限合伙)) as its general partner. The general partner of Zhuhai Sherpa Phase I Medical Investment Management Partnership (LP) is Zhuhai Sherpa Equity Investment Management Corporation Limited (珠海夏爾巴股權投資管理有限公司), which is controlled by Mr. Ouyang Xiangyu. By virtue of the SFO, Mr. Ouyang Xiangyu is deemed to be interested in the [288,164] Unlisted Shares and [1,152,660] H Shares held by Sherpa Zhuhai.

*(b) Interests of the substantial shareholders in Our Company*

Save as disclosed in this document, immediately following the completion of the [**REDACTED**] and assuming that the [**REDACTED**] is not exercised, our Directors are not aware of any other person (excluding us and not being a Director, Supervisor, or chief executive of our Company) who is deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of Shareholders of our Company.

*(c) Interests of the substantial shareholders of other members of our Group*

Save as disclosed in this document, as of the Latest Practicable Date, our Directors are not aware of any person (excluding us and not being a Director, Supervisor, or chief executive of our Company) who will, immediately following the completion of the [**REDACTED**] and assuming that the [**REDACTED**] is not exercised, be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group or had option in respect of such capital.

## 2. Particulars of Service Contracts

Pursuant to Rules 19A.54 and 19A.55 of the Listing Rules, we have entered into a contract with each of our Directors and Supervisors in respect of, among other things, compliance with relevant laws and regulations, observance of the Articles of Association and provisions on arbitration.

Save as disclosed above and in this document, none of the Directors or Supervisors has or is proposed to have a service contract with any member of our Group (other than contracts expiring or determinable by the relevant employer within one year without the payment of compensation (other than statutory compensation)).

## 3. Directors' and Supervisors' Remuneration

The aggregate amount of fees, salaries, allowances and retirement benefit scheme contributions we paid to our Directors in respect of the financial year ended December 31, 2019 and the nine months ended September 30, 2020 were approximately RMB850,000 and RMB987,000, respectively.

The aggregate amount of equity-settled share award expenses paid or payable by us to the Directors in respect of the financial year ended December 31, 2019 and the nine months ended September 30, 2020 were approximately RMB28,351,000 and RMB21,814,000, respectively.

The aggregate amount of fees, salaries, allowances and retirement benefit scheme contributions we paid to our Supervisors in respect of the financial years ended December 31, 2019 and the nine months ended September 30, 2020 was RMB210,000 and RMB398,000, respectively.

The aggregate amount of equity-settled share award expenses paid or payable by us to the Supervisors in respect of the financial year ended December 31, 2019 and the nine months ended September 30, 2020 were nil and RMB347,000, respectively.

Under the arrangements currently in force, the aggregate amount of remuneration (excluding any discretionary bonus which may be paid) payable by our Company to our Directors and Supervisors for the financial year ending December 31, 2021 is expected to be approximately RMB38.3 million.

## 4. Personal Guarantees

No Director or Supervisor has provided any personal guarantee for the benefit of the lenders in connection with any Company facilities granted to us as of the Latest Practicable Date.

## 5. Agency Fees or Commissions Paid or Payable

Save as disclosed in this document, none of the Directors, Supervisors or any of the persons whose names are listed in the paragraph headed "– D. Other Information – 7. Qualifications of Experts" in this Appendix had received any commissions, discounts, agency fees, brokerages or other special terms from us in connection with the issuance or sale of any capital of our Company within the two years preceding the date of this document.

## 6. Disclaimers

(a) Save as disclosed in the paragraph headed "– C. Further Information about our Directors, Supervisors and Substantial Shareholders – 1. Disclosure of interests" above, none of the Directors, Supervisors or chief executive of our Company has any interest or short positions in the Shares, underlying Shares or debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to in that section, or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors and Listed Companies, in each case once our H Shares are [**REDACTED**];

(b) Save as disclosed in this document, none of the Directors or Supervisors nor any of the parties listed in the paragraph headed "– D. Other Information – 7. Qualification of Experts" of this Appendix is interested in our Company's promotion, or in any assets which have, within the two years immediately preceding the issue of this document, been acquired or disposed of by or leased to our Company, or are proposed to be acquired or disposed of by or leased to our Company;

(c) Save as disclosed in the paragraph headed "– C. Further Information about our Directors, Supervisors and Substantial Shareholders – 1. Disclosure of interests" above, none of the Directors or Supervisors is a director or employee of a company which is expected to have an interest in the Shares falling to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO once the H Shares are [**REDACTED**] on the Stock Exchange; save as disclosed in this document, none of the Directors or Supervisors of our Company nor any of the parties listed in paragraph headed "– D. Other Information – 7. Qualification of Experts" of this Appendix is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to our business;

(d) Save as disclosed in this document, none of the parties listed in the paragraph headed "– D. Other Information – 7. Qualification of Experts" of this Appendix: (i) is interested legally or beneficially in any of the Shares of our Company or any shares in any of its subsidiaries; or (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for the securities of our Company; and

(e) Save as disclosed in this document, none of the Directors or Supervisors or the respective close associates or any shareholders (who to the knowledge of our Directors and Supervisors owns more than 5% of our issued share capital) has any interest in our five largest suppliers or our five largest customers.

## D. OTHER INFORMATION

### 1. Estate Duty

Our Directors have been advised that currently no material liability for estate duty under PRC law is likely to fall upon our Company or any of our subsidiaries.

### 2. Litigation

Our Company is not involved in any litigation, arbitration or administrative proceedings of material importance and, so far as we are aware, no litigation, arbitration or administrative proceedings of material importance is pending or threatened against us as of the Latest Practicable Date.

## 3. Joint Sponsors

The Joint Sponsors has made an application on behalf of our Company to the Listing Committee for the [**REDACTED**] of, and permission to deal in, our H shares. All necessary arrangements have been made to enable such Shares to be admitted into [**REDACTED**].

Each of the Joint Sponsors satisfied the independence criteria set out in Rule 3A.07 of the Listing Rules.

We have entered into an engagement agreement with the Joint Sponsors pursuant to which we agreed to pay a total amount of USD1 million to the Joint Sponsors to act as the sponsors to our Company in the [**REDACTED**].

## 4. Compliance Advisor

Our Company has appointed Somerley Capital Limited to act as the Compliance Advisor in compliance with Rule 3A.19 of the Listing Rules.

## 5. Preliminary Expenses

Our estimated preliminary expenses are insignificant.

## 6. Promoters

The promoters of our Company are Mr. Wang, Ms. Zhang Kun, Xinwei Investment, Kaiyuan Investment, Weiyu Shanghai, Weiyun Shanghai, Speed, Sinena, Mr. Ding Kui, Tongchuangsuwei, Hidea, Huipu, Dadao, Sharewin Heike, Grandyangtze Jiyuan, SDIC Unity Capital, Huajinjintian, LYFE Columbia, Sherpa Zhuhai, SherpaStrokemed, CICC Pucheng, Mr. Ren Yi and LYFE Ohio.

Save for the [**REDACTED**] and as disclosed in this document, within the two years immediately preceding the date of this document, no cash, securities or other benefits has been paid, allotted or given, or has been proposed to be paid, allotted or given, to any of the promoters named above in connection with the [**REDACTED**] or the related party transactions described in this document.

## 7. Qualifications of Experts

The qualifications of the experts (as defined under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) who have given opinions or advice in this document are as follows:

| Name | Qualification |
|---|---|
| Goldman Sachs (Asia) L.L.C. | A corporation licensed to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) of the regulated activities as defined under the SFO |
| China International Capital Corporation Hong Kong Securities Limited | A corporation licensed to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) of the regulated activities as defined under the SFO |
| Tian Yuan Law Firm | Legal advisor as to PRC law |
| Ernst & Young | Certified public accountants |
| China Insights Consultancy (Shanghai) Corporation Limited | Independent industry consultant |

## 8. Consents of Experts

Each of the experts as referred to in the paragraph headed "– 7. Qualification of Experts" above has given, and has not withdrawn their written consents to the issue of this document with the inclusion of their reports and/or letters and/or opinions and/or the references to their names included herein in the form and context in which they are respectively included.

None of the experts named above has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries as of the Latest Practicable Date.

## 9. Taxation of Holders of H Share

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty if such sale, purchase and transfer are effected on the H Share register of members of our Company, including in circumstances where such transaction is effected on the Stock Exchange. The current rate charged on each of the purchaser and seller is 0.1% of the consideration of or, if higher, of the fair value of our Shares being sold or transferred. For further details in relation to taxation, please refer to "Appendix III – Taxation and Foreign Exchange" to this document.

## 10. No Material Adverse Change

Our Directors confirm that save as disclosed in this document there has been no material adverse change in our financial or trading position since September 30, 2020 (being the date of the latest audited consolidated statements of financial position of our Group as set out in the Accountants' Report in Appendix I to this document and up to the date of this document.

## 11. Miscellaneous

Save as disclosed in this document:

(a) within the two years preceding the date of this document, (i) our Company has not issued nor agreed to issue any share or loan capital fully or partly paid either for cash or for a consideration other than cash; and (ii) no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any shares or loan capital of our Company or any of our subsidiaries;

(b) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(c) we have not issued nor agreed to issue any founder shares, management shares or deferred shares;

(d) none of our equity and debt securities is listed or dealt with on any other stock exchange nor is any listing or permission to deal being or proposed to be sought;

(e) there are no arrangements under which future dividends are waived or agreed to be waived;

(f) there are no procedures for the exercise of any right of pre-emption or transferability of subscription rights;

(g) there are no contracts for hire or hire purchase of plant to or by us for a period of over one year which are substantial in relation to our business;

(h) there have been no interruptions in our business which may have or have had a significant effect on our financial position in the last 12 months; and

(i) we have no outstanding convertible debt securities.

## 12. Binding Effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

## 13. Bilingual Document

The English language and Chinese language versions of this document are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

## DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were:

(a) a copy of each of the [**REDACTED**];

(b) the written consents referred to in the section headed "Statutory and General Information – D. Other Information – 8. Consents of Experts" in Appendix VI to this document; and

(c) a copy of the material contract referred to in the section headed "Statutory and General Information – B. Further Information about our Business – 1. Summary of our Material Contracts" in Appendix VI to this document.

## DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Herbert Smith Freehills at 23/F, Gloucester Tower, 15 Queen's Road Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this document

(a) the Articles of Association;

(b) the Accountants' Report prepared by Ernst & Young, the text of which is set out in Appendix I to this document;

(c) the report on the unaudited pro forma financial information prepared by Ernst & Young, the text of which is set out in Appendix II to this document;

(d) the audited consolidated accounts of our Group for the one year ended December 31, 2019 and the nine months ended September 30, 2020;

(e) the PRC legal opinions issued by Tian Yuan Law Firm, our PRC legal advisor, in respect of certain aspects of the Group;

(f) the materials contracts referred to in the section headed "Statutory and General Information – B. Further Information about our Business – 1. Summary of our Material Contracts" in Appendix VI to this document;

(g) the written consents referred to in the section headed "Statutory and General Information – D. Other Information – 8. Consents of Experts" in Appendix VI to this document;

(h) the service contracts referred to in the section headed "Statutory and General Information – C. Further Information about our Directors, Supervisors and Substantial Shareholders – 2. Particulars of Service Contracts" in Appendix VI to this document;

(i) the industry report issued by China Insights Consultancy Limited, the summary of which is set forth in the section headed "Industry Overview" in this document; and

(j) the PRC Company Law, the PRC Securities Law, the Mandatory Provisions and the Special Regulations together with their unofficial English translations.