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Post Hearing Information Pack of

Peijia Medical Limited
沛嘉醫療有限公司

(the "**Company**")

(Incorporated in the Cayman Islands with limited liability)

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Peijia Medical Limited
沛嘉醫療有限公司

(Incorporated in the Cayman Islands with limited liability)

[REDACTED]

Number of [REDACTED] under the [REDACTED]	**:**	**[REDACTED] Shares (subject to the [REDACTED])**
Number of [REDACTED]	**:**	**[REDACTED] Shares (subject to reallocation)**
Number of [REDACTED]	**:**	**[REDACTED] Shares (subject to reallocation and the [REDACTED])**
Maximum [REDACTED]	**:**	**HK$[REDACTED] per [REDACTED], 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	**:**	**US$0.0001 per Share**
Stock code	**:**	**[●]**

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

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The [**REDACTED**] will be not more than HK$[**REDACTED**] per [**REDACTED**] and is currently expected to be not less than HK$[**REDACTED**] per [**REDACTED**]. Applicants for [**REDACTED**] are required to pay, on application, the maximum [**REDACTED**] of HK$[**REDACTED**] for each [**REDACTED**] together with a brokerage fee of 1%, a SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this document, including the risk factors set out in the section headed "Risk Factors".

The [REDACTED] (for themselves and on behalf of the [REDACTED]), with our consent, may reduce the number of [REDACTED] being offered under the [REDACTED] and/or the [REDACTED] stated in this document at any time on or prior to the morning of the last day for lodging applications under the [REDACTED]. In such a case, an announcement will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.peijiamedical.com not later than the morning of the day which is the last day for lodging applications under the [REDACTED]. Details of the arrangement will then be announced by us as soon as practicable. For further information, please refer to the sections headed "Structure of the [REDACTED]" and "How to Apply for [REDACTED]" in this document.

The obligations of the [**REDACTED**] under the [**REDACTED**] Agreement are subject to termination by the [**REDACTED**] (for themselves and on behalf of the [**REDACTED**]) if certain grounds arise prior to 8:00 a.m. on the [**REDACTED**]. Please refer to the paragraphs headed "[**REDACTED**]" in this document.

EXPECTED TIMETABLE[(1)]

[**REDACTED**]

EXPECTED TIMETABLE[1]

[**REDACTED**]

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You should rely only on the information contained in this document and the [**REDACTED**] *to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this document. Any information or representation not made in this document must not be relied on by you as having been authorized by us, the* [**REDACTED**]*, the* [**REDACTED**]*, the* [**REDACTED**]*, the Joint Sponsors, the* [**REDACTED**]*, any of our or their respective directors, officers, employees, partners, agents or representatives, or any other party involved in the* [**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 the entire document carefully before making your investment decision. There are risks associated with any investment. ***In particular, we are a biotechnology company seeking to*** **[REDACTED]** ***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.*** *Some of the particular risks in investing in the* **[REDACTED]** *are set out in the section headed "Risk Factors" in this document. You should read that section carefully before you decide to invest in the* **[REDACTED]**.

OVERVIEW

We focus on the high-growth interventional procedural medical device market in China, and are a leading domestic player in each of the transcatheter valve therapeutic medical device market and the neurointerventional procedural medical device market in China.

- *Transcatheter valve therapeutic medical devices:* We are one of the only four domestic players in the China market with transcatheter aortic valve replacement ("**TAVR**") products at the clinical trial or more advanced stage, and ranked third in the China transcatheter valve medical device market in terms of the combined number of commercialized products and product candidates in the clinical trial stage, according to Frost & Sullivan. We are in the process of completing the confirmatory clinical trial for TaurusOne®, our first-generation TAVR product, and expect to receive the NMPA approval for and launch TaurusOne® in the first or second quarter of 2021. We are also developing our second- and third-generation TAVR products incorporating innovative features. Our product pipeline includes transcatheter devices for aortic, mitral and tricuspid valves.

- *Neurointerventional procedural medical devices:* We ranked first among domestic players in the China market in terms of the combined number of commercialized products and product candidates in the clinical trial stage, and were the first domestic player to commercialize an embolization coil product in China, according to Frost & Sullivan.

Our products and product candidates target large, fast-growing and under-penetrated markets with high entry barriers. According to Frost & Sullivan, heart diseases and neurovascular diseases are among the top causes of death, both in China and globally. Interventional therapies, especially catheter-based interventional therapies, can effectively treat such diseases, but the markets for transcatheter valve therapeutic and neurointerventional procedural medical devices in China are still at an early stage of development with considerable potential for growth.

According to Frost & Sullivan, the current treatment options for aortic valve diseases include surgical aortic valve replacement ("**SAVR**"), the traditional open-heart surgery, and TAVR. According to Frost & Sullivan, the global TAVR product market is expected to increase from US$4.1 billion in 2018 to US$10.4 billion in 2025 at a CAGR of 14.3%. China's TAVR product market is also estimated to grow significantly from RMB196.6 million in 2018 to RMB6,332.6 million in 2025, at a CAGR of 64.2%. Only approximately 1,000 TAVR procedures were conducted in China in 2018, representing a penetration rate of approximately 0.1%, indicating huge unmet demand and growth potential. It is estimated that the TAVR penetration rate in China will continue to grow, reaching 4.7% in 2025. The transcatheter mitral valve replacement ("**TMVR**") and transcatheter tricuspid valve replacement ("**TTVR**") markets in China are also still in their early stages of development, with significant growth potential. According to Frost & Sullivan, a few domestic companies are enjoying leading positions in the transcatheter valve therapeutic medical device market in China, but there is not yet any single dominating player in the market. 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, according to Frost & Sullivan.

Similarly, the neurointerventional procedural medical device market in China has also been growing rapidly. Specifically, the embolization coil market in China is estimated to expand to RMB2,646.7 million in 2025 at a CAGR of 12.3% from 2018 to 2025, and the intracranial aneurysm stent market is estimated to expand to RMB812.2 million in 2025 at a CAGR of 15.0% from 2018 to 2025. According to Frost & Sullivan, the neurointerventional procedural medical device market in China is currently dominated by several international medical device giants, but a number of domestic players are expected to gradually increase their market shares over the next few years, thanks to the progress of their technology advancements, the improvements in their products, as well as more favorable policies encouraging the development of domestic brands. The ability to develop a comprehensive product portfolio tailored to the needs of Chinese patients and physicians is expected to be one of the major factors for domestic players to differentiate from multinational players in the market, according to Frost & Sullivan.

We have a comprehensive portfolio of interventional procedural medical device products and product candidates focusing on these two fields. As of the Latest Practicable Date, we had developed six registered products, and had an additional 20 product candidates in various stages of development.

We have built a synergetic platform encompassing research and development, manufacturing and commercialization capabilities.

- *Research and development*. We have developed deep relationships with global leaders in both the transcatheter valve therapeutic and neurointerventional domains, including world-class scientists, physicians and industry practitioners, giving us a deep understanding of the clinical needs and demands of patients and physicians.

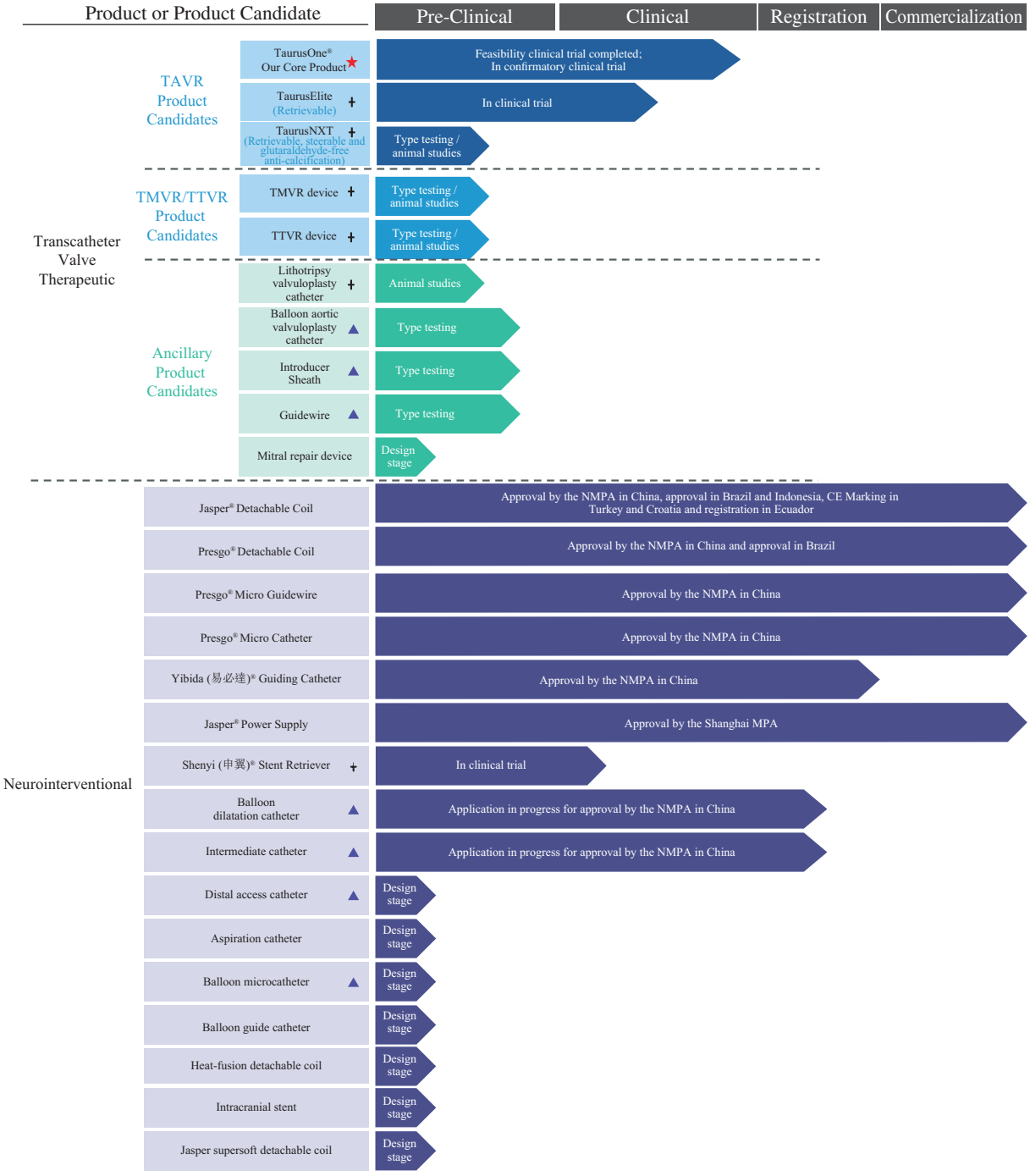
- *Manufacturing*. Our two state-of-the-art manufacturing facilities located in Suzhou and Shanghai support both our transcatheter valve therapeutic and neurointerventional businesses, and comply with the GMP requirements in the EU and China. We follow rigorous manufacturing and quality control standards to ensure high product quality and safety.

- *Commercialization*. We have established an extensive distribution network to sell our commercialized products, comprising 65 distributors as at December 31, 2019, including 62 distributors in China and three overseas. We believe that the strength of our working relationship with key opinion leaders ("**KOLs**"), physicians and hospitals, our established distributor network, the extensive experience we accumulated from the commercialization of our existing products, and our well-established reputation in the medical device industry in China, will greatly benefit our future commercialization of our product candidates upon their approval.

We believe that with our strong research and development capabilities, comprehensive product portfolio with advanced features tailored to the needs of Chinese patients and physicians, and our proven track-record of successfully commercializing our products, we are well positioned to capture the significant growth potential in both markets.

OUR PRODUCTS AND PRODUCT CANDIDATES

As of the Latest Practicable Date, we had six registered products and 20 product candidates in various development stages, including our Core Product, TaurusOne®. Our products and product candidates are interventional procedural medical devices targeting valvular heart diseases and neurovascular diseases, which are summarized as follows:



★ Core Product + Major product candidates ▲ Among our product candidates, these devices are exempted from clinical trial requirements in accordance with the Catalogue of Medical Device Exempted from Clinical Trials (《免於進行臨床試驗醫療器械目錄》) promulgated by the NMPA, as amended.

Notes:

1. The "retrievable" function allows physicians to retrieve the valve during a TAVR procedure if the initial release position of the valve is not ideal.
2. The "steerable" function allows physicians to steer the position and orientation of the valve during a TAVR procedure.
3. The "glutaraldehyde-free anti-calcification" technology can effectively resist valve calcification, and significantly improve the durability of the valve.

OUR STRENGTHS

We believe the following strengths have contributed to our success and differentiated us from our competitors:

- leading domestic player in the high-growth transcatheter valve therapeutic and neurointerventional procedural medical device markets;
- strong research and development capabilities supporting robust development of technologically advanced next-generation products;
- proven commercialization capabilities with well-established commercialization infrastructure and robust distribution network;
- platform strategy that allows improved operational efficiency and supports long term growth; and
- visionary and experienced management team with strong shareholder support.

OUR STRATEGIES

Leveraging on our strengths, we plan to implement the following strategies to achieve our mission:

- commercialize our product candidates;
- further strengthen our research and development capabilities;
- expand our product portfolio; and
- continue to synergize our business and boost operational efficiency.

TaurusOne® – OUR CORE PRODUCT

Our first-generation TAVR device, TaurusOne®, is designed to treat aortic valve diseases using a catheter-based approach. As of the Latest Practicable Date, we held eight patents in relation to TaurusOne®. We specifically designed the frame of our prosthetic aortic valve ("**PAV**") so that it applies a level of radial force especially suitable for Chinese patients: having sufficient radial force so that the PAV can overcome the calcification of the native aortic valve and remain in the ideal position without slipping upwards or downwards, while at the same time not applying too much radial force or adding too much pressure to the nerves nearby, thereby reducing the need for surgical intervention or permanent pacemaker implantation. For valve tissue, we chose bovine pericardium over porcine pericardium because many research papers demonstrated that as compared with porcine pericardium, bovine pericardium (i) is more durable, (ii) is less likely to incur complications, and (iii) performs better in terms of hemodynamic profiles. In spite of the fact that bovine pericardium is thicker than porcine pericardium, the profile of the delivery catheter system ("**DCS**") of our TAVR products is comparable with many competing products in the market using porcine pericardium, thanks to the advanced heat treatment technology we use for the self-expanding frame in the PAV of our TAVR products.

TaurusOne® has been recognized as an "innovative medical device" by the NMPA in February 2017, and is therefore eligible for an expedited approval process. We have successfully completed a single-center feasibility clinical trial for TaurusOne® on ten patients in cooperation with Beijing Fuwai Hospital in 2017 in accordance with the principles set forth in the Principles for Clinical Trial Review for Transcatheter Aortic Valve Implantation (Draft) (《經導管植入式人工主動脈瓣膜臨床試驗審查原則

(徵求意見稿)》) (the "**Draft TAVR Clinical Trial Principles**"). The protocols of the single-center feasibility clinical trial were approved by the NMPA, and the feasibility clinical trial forms a key part of the application required by the NMPA. For details, please refer to the paragraphs headed "Business—Research and Development—Regulatory Bodies' Guidance Relating to Medical Device Clinical Trials" in this document. Throughout the 30-day follow-up period for the feasibility clinical trial, among all the ten subjects, we observed nil all-cause mortality, nil stroke, one atrioventricular block, one cardiovascular surgical intervention during procedure, one permanent pacemaker implantation before discharge and one moderate paravalvular leak, and the subjects' cardiac functions improved significantly after the procedures. We are also in the process of conducting a confirmatory clinical trial on 125 patients in cooperation with six hospitals. As of the Latest Practicable Date, we had completed the 30-day, six-month and 12-month follow-ups for all the trial subjects, and are in the process of conducting data analysis and preparing the clinical trial report. Based on the 12-month interim clinical trial report, after excluding certain trial subjects following the standards set forth in the clinical trial protocols, the 12-month all-cause mortality rate, the primary endpoint of the confirmatory trial, was 6.67%[1]. Whereas the maximum 12-month all-cause mortality rate acceptable by the NMPA as provided under the Guidelines for Clinical Trials of Transcatheter Aortic Valve Implantation (《經導管植入式人工主動脈瓣膜臨床試驗指導原則》) (the "**TAVR Clinical Trial Guidelines**") was 30%. We currently expect to make the registration submission with the NMPA for TaurusOne® in the third quarter of 2020, and to commercialize it in the first or second quarter of 2021. We expect that our TaurusOne® will become the fourth commercialized TAVR product in the China market.

For our commercialization efforts, we intend to manufacture, assemble and test all of our transcatheter valve therapeutic product candidates, including TaurusOne®, in our production facility located in Suzhou, Jiangsu province. As of the Latest Practicable Date, we had a team of 45 employees dedicated to the production of our transcatheter valve therapeutic product candidates. Furthermore, with our established sales and marketing team and our experience in managing our comprehensive distribution network, we believe we are well prepared for the future launch of our TaurusOne®.

As of the Latest Practicable Date, there were three commercialized TAVR products in China, all manufactured by domestic Chinese companies. We expect that upon commercialization, TaurusOne® would face fierce competition from TAVR products manufactured by the other players in the TAVR product market in China, as well as traditional SAVR procedures already in the market, for patients with high, medium or low surgical risks. According to Frost & Sullivan, the TAVR product market in China is at an early stage of development, without any single dominating player, and the current market shares of the existing players are not likely to be indicative of the mid- to long-term competitive landscape in the market. The market is estimated to continue to be led by a few domestic Chinese players, and 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, according to Frost & Sullivan. TaurusOne® has several features specifically designed to suit the needs of Chinese patients and physicians, and we expect that it will become a competitive product in the market.

For details of TaurusOne®, please refer to the paragraphs headed "Business—Our Products and Product Candidates—TaurusOne®—Our Core Product" in this document.

Note:

1. Primarily because of the impact of the outbreak of COVID-19, with respect to 23 trial subjects of the confirmatory clinical trial, the 12-month follow-ups for them were conducted through telephone interviews between them and the principal investigators, as permitted by the protocols of the confirmatory clinical trial. Therefore, the 12-month interim clinical data on the primary endpoint of the confirmatory trial was based partially on telephone interviews. In addition, the efficacy data of the confirmatory trial is subject to further analysis. Please see the paragraphs headed "Business—Our Products and Product Candidates—TaurusOne®—Our Core Product—Multi-Center Confirmatory Clinical Trial Data" and "Business—Research and Development—Regulatory Bodies' Guidance Relating to Medical Device Clinical Trials" for more information about the all-cause mortality rate and the trial subject exclusion standards.

OUR ACQUISITION OF ACHIEVA

Our Founders have managed our Company and Achieva for years. As part of our strategy to build an integrated interventional procedural device platform, our Company acquired Achieva through a share swap arrangement with Achieva Medical and its then shareholders. In March 2019, we integrated Achieva's business in our newly established neurointerventional business unit. We also streamlined the organizational structure of the enlarged group by merging certain teams shared by both business units, such as human resources, finance, clinical trial management, and marketing. We have consolidated Achieva's results of operations since March 29, 2019. For details of the acquisition of Achieva, please refer to the paragraph headed "History, Development and Corporate Structure—Corporate Development —Our Company—5. Acquisition of Achieva Medical through Share Swap" in this document. For details of the financial results of Achieva prior to the acquisition, please refer to the paragraphs headed "Financial Information—Financial Information of Achieva" this document.

RESEARCH AND DEVELOPMENT

Our research and development team possesses a global vision and vast industry experience. Our research and development team is led by Dr. Zhang, our Chairman of the Board, Chief Executive Officer and Chief Technology Officer, Mr. Kongrong Karl Pan, our Chief Operating Officer, and Dr. Jian Fong Tan, our Vice President of Advanced Technology. Each of them is an industry veteran with an impressive academic and professional background, having previously worked in managerial positions at leading industry players complementary to our business. We have deep relationships with global leaders in both the transcatheter valve therapeutic and neurointerventional domains, including world-class scientists, physicians and industry practitioners, giving us a deep understanding of the clinical needs and demands of patients and physicians.

In 2018 and 2019, we incurred research and development expenses of RMB27.9 million and RMB55.1 million, respectively (such research and development expenses did not include Achieva's research and development expenses in 2018 and for the period from January 1, 2019 to March 29, 2019 of RMB13.5 million and RMB5.2 million, respectively). Furthermore, we have a robust intellectual property portfolio, consisting of a total of 31 registered patents and 60 patents under application.

OUR CUSTOMERS AND DISTRIBUTION

Our customers are the distributors who further sell our products to hospitals. We only started recognizing revenue after our acquisition of Achieva in March 2019. In 2019, revenue generated from our five largest customers and largest customer amounted to RMB6.9 million and RMB2.3 million, respectively, representing 36.8% and 12.4% of our total revenue during the same period, respectively.

We generate substantially all of our revenue through distributors in China. As at December 31, 2019, we had 62 domestic distributors covering 17 provinces, four directly-administered municipalities and three autonomous regions in China.

RAW MATERIALS AND SUPPLIERS

During the Track Record Period, the suppliers for our transcatheter valve therapeutic business unit mainly included suppliers of raw materials, and institutions that provided testing or clinical trial related services; the suppliers for our neurointerventional business unit mainly included suppliers of raw materials. In 2018 and 2019, purchases from our five largest suppliers amounted to RMB8.4 million and RMB8.1 million, respectively, representing 40.1% and 19.8% of our total purchases for the same periods, respectively; purchases from our largest supplier amounted to RMB2.3 million and RMB2.5 million, respectively, representing 10.8% and 6.1% of our total purchases for the same periods, respectively.

SUMMARY HISTORICAL FINANCIAL INFORMATION

The tables below include, for the years indicated, selected financial data derived from our consolidated statements of comprehensive loss, the details of which are set forth in Appendix I, and these should be read in conjunction with the financial statements in Appendix I, including the related notes.

Our Consolidated Statements of Comprehensive Loss

The table below sets forth our consolidated statements of comprehensive loss, in absolute amounts and as percentages of our revenue for the years indicated:

	Year ended December 31,		
	2018	2019	
	RMB'000	*RMB'000*	*% of revenue*
Revenue	–	18,699	100.0
Cost of sales	–	(6,686)	(35.8)
Gross profit	–	12,013	64.2
Selling and distribution expenses	–	(7,482)	(40.0)
Administrative expenses	(45,680)	(173,367)	(927.1)
Research and development expenses	(27,851)	(55,134)	(294.9)
Other income	3,027	4,049	21.7
Other gains/(losses) – net	282	(7,002)	(37.4)
Operating loss	(70,222)	(226,923)	(1,213.6)
Finance costs – net	(4,559)	3,121	16.7
Fair value change in financial instruments issued to investors	(8,095)	(308,175)	(1,648.1)
Loss before income tax	(82,876)	(531,977)	(2,844.9)
Income tax expenses	–	–	–
Loss for the year	(82,876)	(531,977)	(2,844.9)

We only started recognizing revenue as well as incurring cost of sales and selling and distribution expenses after our acquisition of Achieva in March 2019. Our net losses increased significantly from RMB82.9 million in 2018 to RMB532.0 million in 2019, primarily as a result of the significant fair value change in financial instruments issued to investors of RMB308.2 million in 2019 and an increase in administrative expenses of RMB127.7 million from 2018 to 2019. For more details, please refer to the paragraphs headed "Financial Information—Discussion of Certain Selected Items from the Consolidated Statements of Financial Position—Financial Instruments Issued to Investors" in this document.

Selected Line Items of Our Consolidated Statements of Financial Position

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

	As at December 31, 2018	As at December 31, 2019
	RMB'000	*RMB'000*
Total non-current assets	33,368	321,858
Total current assets	140,996	557,626
Total assets	174,364	879,484
Total non-current liabilities	224,174	1,387,503
Total current liabilities	44,527	50,187
Net current assets	96,469	507,439
Total liabilities	268,701	1,437,690
Net liabilities	94,337	558,206

Our total assets increased significantly from RMB174.4 million as at December 31, 2018 to RMB879.5 million as at December 31, 2019, primarily because of (i) the significant increases in our intangible assets from RMB0.3 million to RMB219.3 million, which was in turn primarily resulting from the goodwill and technologies acquired in relation to our acquisition of Achieva in March 2019, and (ii) the significant increases in our cash and cash equivalents from RMB94.8 million to RMB504.6 million, primarily resulting from our issuance of Series C Preferred Shares and Series C-1 Preferred Shares at cash consideration in USD.

Our total liabilities increased significantly from RMB268.7 million as at December 31, 2018 to RMB1,437.7 million as at December 31, 2019, primarily because of the significant increase in financial instruments issued to investors from RMB220.6 million as at December 31, 2018 to RMB1,362.3 million

as at December 31, 2019. We recorded net liabilities of RMB94.3 million and RMB558.2 million as at December 31, 2018 and December 31, 2019, respectively. The net liabilities position during the Track Record Period was primarily attributable to the significant amount of financial instruments issued to investors that we recorded as non-current liabilities. Our financial instruments issued to investors mainly included the Preferred Shares and a convertible loan during the Track Record Period. We expect to reverse our net liabilities position following the completion of the [**REDACTED**], since our Preferred Shares will convert to Ordinary Shares and will no longer be recorded as liabilities. For more details, please refer to the paragraphs headed "Financial Information—Discussion of Certain Selected Items from the Consolidated Statements of Financial Position—Financial Instruments Issued to Investors" in this document.

Financial Instruments Issued to Investors

We recorded significant fair value losses in financial instruments issued to investors of RMB8.1 million and RMB308.2 million in 2018 and in 2019, respectively. Our financial instruments issued to investors mainly included Preferred Shares and a convertible loan during the Track Record Period. The financial instruments issued to investors are designated as financial liabilities at fair value on our consolidated balance sheets. They are initially recognized at fair value, and the increases in their fair value are recognized as fair value losses on our consolidated statements of comprehensive loss. Key valuation assumptions used to determine the fair value of such financial instruments included discount rate, risk-free interest rate, volatility and the possibility to achieve a qualified initial public offering. The fair value loss of the Preferred Shares is a non-cash item that will not recur after the closing of [**REDACTED**], as the Preferred Shares issued by us will be automatically converted into Shares, but we may still retain accumulated losses due to the fair value loss of our Preferred Shares prior to the closing of the [**REDACTED**]. Further, the convertible loan was reclassified as other payables in 2018 and was fully settled in 2019. For more details, please refer to the paragraphs headed "Financial Information—Discussion of Certain Selected Items from the Consolidated Statements of Financial Position—Financial Instruments Issued to Investors" in this document. Please also refer to the paragraph headed "Risk Factors—Risks Relating to Our Financial Position and Need for Additional Capital—Fair value changes in our financial instruments issued to investors and related valuation uncertainty had materially affected, and may continue to materially affect, our financial condition and results of operations" for a description of the relevant risks.

Summary Consolidated Statements of Cash Flows

	Year ended December 31,	
	2018	**2019**
	RMB'000	*RMB'000*
Cash outflow from operating activities before movements in working capital	(36,350)	(98,886)
Changes in working capital	(2,540)	(3,819)
Interest received	238	239
Interest paid	(76)	(124)
Net cash outflow from operating activities	(38,728)	(102,590)
Net cash (outflow)/inflow from investing activities	(8,383)	31,957
Net cash inflow from financing activities	104,432	475,737
Net increase in cash and cash equivalents	57,321	405,104
Cash and cash equivalents at beginning of the year	35,103	94,762
Exchange gains on cash and cash equivalents	2,338	4,761
Cash and cash equivalents at end of the year	94,762	504,627

In 2018 and 2019, our net cash used in operating activities amounted to RMB38.7 million and RMB102.6 million, respectively, which was primarily attributable to the significant research and development expenses and administrative expenses we incurred during the relevant periods.

Our operating cash flow will continue to be affected by our research and development expenses. For more details, please refer to the paragraph headed "Financial Information—Liquidity and Capital Resources—Net Cash Outflow from Operating Activities" in this document. During the Track Record Period, we primarily funded our working capital through capital injections from our Shareholders. Our Directors are of the opinion that, taking into account (i) the financial resources currently available to us, including our cash and cash equivalents of RMB504.6 million and our investments in wealth management products of RMB15.0 million as of December 31, 2019, (ii) the expected improved future operating cash inflows, particularly in light of the prospective launch and commercialization of TaurusOne®, subject to obtaining relevant approvals, and the estimated increase in sales volume of our commercialized neurointerventional procedural medical devices, and (iii) the estimated net [**REDACTED**] from the

[**REDACTED**], we will have sufficient working capital to cover at least 125% of our costs and expenses for normal operations, for at least the next 12 months from the date of this document. Even without taking into account the expected improved future cash inflows and the estimated net [**REDACTED**] from the [**REDACTED**], our Directors estimate that our cash and cash equivalents and our investments in wealth management products in total of RMB519.6 million as of December 31, 2019 are sufficient to maintain our financial viability for approximately 28 months, assuming our cash burn rate going forward will be approximately two times of the cash burn rate in 2019. Our cash burn rate refers to the average monthly cash used in operations plus payments for property, plant and equipment. Our Directors and our management team will continue to monitor our cash flows from operating and investing activities. In the event our business operations experience any material and adverse impact (for example, if COVID-19 is not successfully contained for a prolonged period of time), we will proactively manage our cash flows and control our cash burn rate, for example, by reducing our research and development as well as sales and marketing efforts, and only pay for the essential fixed costs (which primarily comprise staff costs and rentals). Our Directors estimate that in this scenario, our cash and cash equivalents and our investments in wealth management products in total of RMB519.6 million as of December 31, 2019 are sufficient to maintain our financial viability for approximately 113 months in settling our monthly essential fixed costs.

KEY FINANCIAL RATIOS

The table below sets forth the key financial ratios of our Group for the periods or as of the dates indicated:

	As at December 31, 2018	As at December 31, 2019
Current ratio[1]	3.2	11.1
Quick ratio[2]	3.1	10.9

Notes:

1. Current ratio represents current assets divided by current liabilities as of the same date.
2. Quick ratio represents current assets less inventories and divided by current liabilities as of the same date.

Please refer to the paragraphs headed "Financial Information—Key Financial Ratios" in this document for descriptions of the calculations of the above ratios.

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 the section headed "Risk Factors" in this document. Some of the major risks we face include: (i) we have incurred significant operating losses since our inception, and may continue to incur operating losses for the foreseeable future; (ii) we had net cash outflows from our operating activities during the Track Record Period and we will need to obtain additional financing to fund our operations; (iii) we have intangible assets recorded on our consolidated balance sheet as at December 31, 2019, and if we determine our intangible assets to be impaired, our results of operations and financial condition may be adversely affected; (iv) our future growth depends substantially on the successful development of our product candidates to commercialization; (v) clinical product development involves a lengthy and expensive process with an uncertain outcome; (vi) the initial or interim results of clinical trials may not be predictive of the final clinical trial results and may be subject to adjustments; (vii) the regulatory approval processes are lengthy, time-consuming and inherently unpredictable; (viii) undesirable adverse events related to our products and product candidates could subject us to regulatory discipline and other liabilities; (ix) the manufacture of our products is highly complex and subject to strict quality controls. Our business could suffer if our products and product candidates are not produced in compliance with all the applicable quality standards; (x) failure to adequately protect our intellectual property rights may adversely affect our reputation and disrupt our business; and (xi) 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.

Given the high risks involved in our business and our industry in general, you may lose substantially all your investments in us. You should read the entire section headed "Risk Factors" in this document before you decide to invest in the [**REDACTED**].

PRE-[REDACTED] INVESTMENTS

The Pre-[**REDACTED**] Investments included: (i) Series A financing, (ii) Series B financing, (iii) Series A-1 financing (investments in class B ordinary shares of Achieva Medical, which were re-designated as Series A-1 Preferred Shares of our Company after the Share Swap), (iv) Series C financing, and (v) Series C-1 financing. For details, refer to "History, Development and Corporate Structure—Pre-[**REDACTED**] Investments".

Our Pre-[**REDACTED**] Investors consist of private equity and venture capital funds and investment holding companies, some with specific focus on the healthcare industry. For details, refer to "History, Development and Corporate Structure—Pre-[**REDACTED**] Investment—3. Information about the Pre-[**REDACTED**] Investors".

OUR FOUNDERS AND CONCERT PARTY ARRANGEMENT

Dr. Zhang, Mrs. Ping Ye Zhang and Ms. Hong Ye are our Founders and our executive Directors. Dr. Zhang and Mrs. Zhang are spouses and Mrs. Zhang and Ms. Ye are sisters. Our Founders have directly or indirectly held interests in our Company and our Group's subsidiaries and acted in concert in the management, operation and all major decisions of our Group based on mutual trust, cooperation and agreement since January 1, 2018. Our Founders, their respective trusts holding the Shares and XinYue International Limited have entered into the Concert Party Agreement to confirm and record this arrangement. For details, please refer to the paragraphs headed "History, Development and Corporate Structure—Our Founders and Concert Party Arrangement" in this document.

As of the Latest Practicable Date, our Founders were directly or indirectly interested in [**REDACTED**]% of our total issued share capital. Immediately upon completion of the [**REDACTED**], assuming that the [**REDACTED**] is not exercised and without taking in account any Shares which may be allotted and issued under the Share Incentive Schemes, our Founders will be directly or indirectly interested in [**REDACTED**]% of our total issued share capital. Accordingly, there will be no controlling shareholders upon [**REDACTED**].

SHARE OPTION PLAN

In recognition of the contributions of our directors, employees and consultants and to incentivize them to further promote our development, our Company adopted the Share Option Plan on December 27, 2019. As of the Latest Practicable Date, options to subscribe for an aggregate of 47,585,473 Shares (as adjusted after the [**REDACTED**]), representing [**REDACTED**]% of the total issued share capital of the Company immediately following the [**REDACTED**] (assuming the [**REDACTED**] is not exercised and no Shares are allotted and issued under the Share Incentive Schemes), had been granted to 184 grantees under the Share Option Plan. For details and principal terms of the Share Option Plan, please refer to the paragraphs headed "Appendix IV—Statutory and General Information—D. Share Incentive Schemes" in this document.

DIVIDEND

No dividend has been paid or declared by our Company or the companies now comprising our Group during 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 pay any dividends in the near future. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Cayman Companies Law. The declaration and payment of any dividends in the future will be determined by our Board, in its discretion, and will depend on a number of factors, including our earnings, capital requirements, overall financial condition and contractual restrictions. Our Shareholders in a general meeting may approve any declaration of dividends, which must not exceed the amount recommended by our Board. As advised by our Cayman legal adviser, under the Cayman Companies Law a Cayman Islands company may pay a dividend out of either profits or share premium account, provided that in no circumstances may a dividend be paid if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business.

We have recorded significant amounts of intangible assets and net losses during the Track Record Period. In light of our accumulated losses as disclosed in this document, it is unlikely that we will be eligible to pay a dividend out of our profits in the near future. We may, however, pay a dividend out of our share premium account unless the payment of such a dividend would result in our Company being unable to pay our debts as they fall due in the ordinary course of business. There is no assurance that dividends of any amount will be declared to be distributed in any year. For more details, please refer to the paragraphs headed "Financial Information—Dividend" in this document.

THE [REDACTED]

The [**REDACTED**] by us consists of:

- the [**REDACTED**] by us of initially [**REDACTED**] Shares, or [**REDACTED**], for subscription by the public in Hong Kong, referred to in this document as the [**REDACTED**]; and
- the [**REDACTED**] by us of initially [**REDACTED**] Shares, or [**REDACTED**], outside the United States (including to professional, institutional and other [**REDACTED**] within Hong Kong) in offshore transactions in reliance on [**REDACTED**] and in the United States to [**REDACTED**] in reliance on Rule [**REDACTED**] or another exemption from the registration requirements under the U.S. [**REDACTED**], referred to in this document as the [**REDACTED**].

The number of [**REDACTED**] and [**REDACTED**], or together, [**REDACTED**], is subject to reallocation as described in the section headed "Structure of the [**REDACTED**]" in this document.

APPLICATION FOR [REDACTED] ON THE STOCK EXCHANGE

We have applied to the [**REDACTED**] Committee for the granting of the [**REDACTED**] of, and permission to [**REDACTED**] in, the Shares in issue (including the Shares issued pursuant to the

conversion of the Preferred Shares and the [**REDACTED**]), the [**REDACTED**] to be issued by us pursuant to the [**REDACTED**] (including any Shares which may be issued pursuant to the exercise of the [**REDACTED**]) and the Shares which may be issued pursuant to the Share Incentive Schemes.

[**REDACTED**] STATISTICS

	Based on the [REDACTED] of	**Based on the [REDACTED] of**
	HK$[**REDACTED**]	*HK$*[**REDACTED**]
Market [**REDACTED**] of our Shares[1]	HK$[**REDACTED**] million	HK$[**REDACTED**] million
[**REDACTED**] adjusted consolidated net tangible assets of the Group attributable to owners of our Company per Share[2]	RMB[**REDACTED**] (HK$[**REDACTED**])	RMB[**REDACTED**] (HK$[**REDACTED**])

Notes:

1. The calculation of market [**REDACTED**] is based on [**REDACTED**] Shares expected to be in issue immediately after completion of the [**REDACTED**].
2. The pro forma adjusted consolidated net tangible assets of the Group attributable to owners of our Company per Share is calculated after making the adjustments referred to in "Financial Information—Unaudited [**REDACTED**] Adjusted Consolidated Net Tangible Assets" and on the [**REDACTED**] Shares (including the conversion of Preferred Shares and the [**REDACTED**]) expected to be in issue immediately after completion of the [**REDACTED**].

USE OF [**REDACTED**]

Using the mid-point [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**], we estimate that we will receive net [**REDACTED**] from the [**REDACTED**] of approximately HK$[**REDACTED**], assuming that there is no exercise of the [**REDACTED**]. In the event that the [**REDACTED**] is exercised in full, we estimate that we will receive additional net [**REDACTED**] of approximately HK$[**REDACTED**]. In line with our business strategies, we intend to use our net [**REDACTED**] from the [**REDACTED**] for the following purposes:

Amount of the estimated net [REDACTED]	**Intended use of net [REDACTED]**
[35.0]%, or HK$[**REDACTED**]	For the development and commercialization of our Core Product, TaurusOne®
[30.0]%, or HK$[**REDACTED**]	For the development and commercialization of our other major product candidates, including TaurusElite, TaurusNXT and Shenyi® Stent Retriever
[10.0]%, or HK$[**REDACTED**]	For our ongoing pre-clinical studies and planned clinical trials, preparation for registration filings and potential commercial launches (including sales and marketing) of our other product candidates in our pipeline
[8.0]%, or HK$[**REDACTED**]	For strengthening our research and development capabilities to enrich our product pipeline
[10.0]%, or HK$[**REDACTED**]	For expanding our product portfolio and intellectual property portfolio through potential strategic acquisitions, investments, partnership and licensing opportunities
[7.0]%, or HK$[**REDACTED**]	For working capital and other general corporate purposes

For details, please refer to the section headed "Future Plans and Use of [**REDACTED**]" in this document.

[**REDACTED**] EXPENSES

[**REDACTED**] expenses to be borne by us are estimated to be approximately RMB[**REDACTED**] (HK$[**REDACTED**]) (including [**REDACTED**] commission), assuming an [**REDACTED**] of HK$[**REDACTED**] per Share, being the mid-point of the indicative [**REDACTED**] of HK$[**REDACTED**] to HK$[**REDACTED**] per Share), and assuming the [**REDACTED**] is not exercised.

As of December 31, 2019, we incurred a total of RMB[**REDACTED**] (HK$[**REDACTED**]) in [**REDACTED**], among which RMB[**REDACTED**] were recognized in our consolidated statement of comprehensive loss, and RMB[**REDACTED**] were capitalized.

We estimate that additional [**REDACTED**] of approximately RMB[**REDACTED**] (HK$[**REDACTED**]) (including [**REDACTED**] commissions of approximately RMB[**REDACTED**] (HK$[**REDACTED**]), assuming the [**REDACTED**] is not exercised and based on the mid-point of our [**REDACTED**] range of HK$[**REDACTED**] to HK$[**REDACTED**] per [**REDACTED**]) will be incurred by our Company, approximately RMB[**REDACTED**] (HK$[**REDACTED**]) of which is expected to be charged to our consolidated statements of profit or loss, and approximately RMB[**REDACTED**] (HK$[**REDACTED**]) of which is expected to be capitalized. The [**REDACTED**] above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Since the end of the Track Record Period, we have continuously developed our business, but we expect that our net losses will increase in 2020, primarily because (i) we plan to further increase our research and development expenses as we further strengthen our research and development capabilities; (ii) we plan to further increase our selling and distribution expenses as we expand our marketing teams and enhance our marketing efforts for both our transcatheter valve therapeutic and neurointerventional business units; and (iii) we expect to record an increase in fair value losses in financial instruments issued to investors, as a result of the expected increase in fair value of our Preferred Shares from December 31, 2019 to the [**REDACTED**].

Outbreak of Novel Coronavirus Disease 2019

There has been an outbreak of an infectious disease ("**COVID-19**") caused by a novel coronavirus. The first patient of COVID-19 was identified in Wuhan, Hubei province in late 2019, but as of the Latest Practicable Date, there has yet to be any concrete evidence as to the origin of the coronavirus. The disease quickly spread within the PRC and globally, and the affected cases and death tolls continued to increase. The World Health Organization (the "**WHO**") declared the outbreak a Public Health Emergency of International Concern on January 30, 2020, and on March 11, 2020, amid the escalating situation, the WHO further characterized COVID-19 as a global pandemic.

Our Directors currently expect that the outbreak of COVID-19 will have the following impact on our business, financial condition and results of operations:

- Product sales: The sales of our commercialized neurointerventional procedural products are expected to be adversely impacted. With the outbreak of COVID-19, many hospitals in China allocated significant resources to contain COVID-19, and patients suffering from other diseases generally avoided going to hospitals in order to prevent being infected. Therefore, many neurointerventional procedures which are not emergency in nature were postponed or cancelled, and some of our distributors reduced their purchases in response to the lowered demand. Additionally, we were marketing Presgo® Detachable Coil to hospitals when the outbreak occurred. Now that the priority of many of the hospitals and physicians became the treatment and containment of COVID-19, the timing and the effectiveness of our marketing efforts for Presgo® Detachable Coil would be adversely affected. We currently expect that the sales of Jasper® Detachable Coils and Presgo® Detachable Coil in 2020 will decrease as compared to the amount originally forecasted for 2020.
- Production: (i) Shanghai facility: As required by the competent authorities in Shanghai, we postponed the resumption of operations of our Shanghai facility to February 12, 2020. The delay in resuming operations after the Chinese New Year holiday and the self-quarantine of certain employees had resulted in a decrease of production capacity of Jasper and Presgo Detachable Coils as compared to the originally planned production capacity for 2020. (ii) Suzhou facility: We originally targeted to obtain the necessary production license for our new Suzhou facility, and to start production, in April 2020. Due to the outbreak of COVID-19, the review process of the competent authorities for the production license was delayed, and we currently expect to receive the production license and commence production in June 2020. The delay of operation of the new Suzhou facility will result in a decrease of production capacity for the year with respect to Jasper and Presgo Detachable Coils as compared to the amount originally planned for 2020. To mitigate the negative effect, we plan to increase the overtime of our production workers once COVID-19 is contained in China, to the extent such overtime is allowed under applicable laws. Up to March 16, 2020, we had not experienced, and do not expect, any material shortage of our major products for sales.
- Supply chain: We currently do not expect our supply chain to be materially and negatively impacted by COVID-19. As of the Latest Practicable Date, all of our domestic suppliers had resumed normal operations and none of our overseas suppliers had reported being affected by COVID-19.

- Clinical trials: We are conducting clinical trials for TaurusOne®, TaurusElite and Shenyi® Stent Retriever. To the knowledge of our Directors, due to the outbreak of COVID-19, certain hospitals did not have sufficient medical resources to arrange for such follow-ups for trial subjects, and certain trial subjects were reluctant to visit the hospitals for follow-ups. For such patients, the principal investigator for the clinical trial conducted telephone interviews with them, to ensure that at the minimum, the information for the primary endpoint of the clinical trial, namely all-cause mortality rate, was available. As of the Latest Practicable Date, we had completed the 30-day, six-month and 12-month follow-ups for all the trial subjects, and are in the process of conducting data analysis and preparing the clinical trial report. However, with respect to the clinical trials for TaurusElite and Shenyi® Stent Retriever, the patient enrollment process was delayed. We currently expect that the completion of the clinical trials for TaurusElite will be delayed from the first quarter of 2021 to the second quarter of 2021, and the completion of the clinical trial for Shenyi® Stent Retriever will be delayed from the fourth quarter of 2020 to the second quarter of 2021.
- Product registration: To the knowledge of our Directors, after the outbreak of COVID-19, the NMPA allocated a significant portion of its resources to evaluate and register products that may benefit the prevention and treatment of COVID-19, and the evaluation process for other medicines and medical devices was delayed. To the knowledge of our Directors, the NMPA had resumed normal operations in April 2020. We did not plan to submit any NMPA registration in the first half of 2020, so we currently expect that the delayed resumption of normal operations by the NMPA would not have a material adverse impact on our product registration efforts. However, if the NMPA could not finish the evaluation of the backlogged applications in time, our product registration may be delayed.
- Research and development: Our research and development team have already resumed working, and we do not expect our research and development process to be materially and adversely impacted. With that said, there were slight delays in conducting certain studies. For example, our third-party sterilization service delayed normal operations. Therefore, the type testing and animal studies for TaurusNXT and TMVR devices were delayed as they required sterilization beforehand, and accordingly, we estimate that the research and development progress for these two product candidates have been delayed by approximately one month.
- Operations: We adopted a thorough disease prevention scheme to reduce the risk of our workers from infection of COVID-19. The measures implemented include, among others, sterilizing our facilities twice a day, ventilating the facilities, requiring employees to return to work in batches, segmenting lunch time, monitoring the body temperature of employees twice a day, and keeping track of the travel history and health of employees and their immediate family members. As of the Latest Practicable Date, all of our employees had returned to work.
- Financial outlook: We believe that we have sufficient cash position and other available financial resources to cover at least 125% of our costs for normal operations for at least the next 12 months from the date of this document. Other than the above-mentioned negative impact on our sales in 2020, and certain one-off direct expenses incurred in response of the prevention of COVID-19 (including an RMB600,000 donation to hospitals in Wuhan), we do not expect our financial condition to be materially and adversely affected.

It is uncertain when, and whether, COVID-19 could be contained. The above analysis are made by our management team based on currently available information concerning COVID-19, assuming it will be substantially contained in China by the end of the first half of 2020. If COVID-19 is not successfully contained in China by that time, the above analysis may be subject to further changes. Please refer to the paragraphs headed "Risk Factors—Risks Relating to Our Operations—Our business, results of operations and financial position could be adversely affected by the outbreak of COVID-19" and "Risk Factors—Risks Relating to Our Operations—Business disruptions could seriously harm our future revenue and financial condition and increase our costs and expenses" for more information of the relevant risks.

Our Directors confirm that, other than the financial impact of the outbreak of COVID-19 as stated above, there has been no material adverse change in our business, financial condition and results of operations since December 31, 2019, being the latest balance sheet date of our consolidated financial statements as set out in the Accountants' Report included in Appendix I to this document, and up to the date of this document.

In this document, the following expressions shall have the meanings set out below unless the context otherwise requires.

"Achieva" or "Achieva Group"	includes Achieva Medical and its subsidiaries, i.e., Achieva HK, Achieva Shanghai, Achieva Suzhou and Jiangxi Zhisheng
"Achieva HK"	Achieva Medical HK Limited, an exempted company incorporated under the laws of Hong Kong on March 25, 2009, being an indirect wholly-owned subsidiary of our Company
"Achieva Medical"	Achieva Medical Limited, an exempt limited liability company incorporated under the laws of the Cayman Islands on November 2, 2005, being a wholly-owned subsidiary of our Company
"Achieva Shanghai"	Achieva Medical (Shanghai) Co., Ltd. (加奇生物科技(上海)有限公司), a limited liability company incorporated under the laws of PRC on March 21, 2006, being an indirect wholly-owned subsidiary of our Company
"Achieva Suzhou"	Achieva Medical (Suzhou) Co., Ltd. (上海加奇生物科技蘇州有限公司), a limited liability company incorporated under the laws of PRC on November 29, 2016, being an indirect wholly-owned subsidiary of our Company
"affiliate(s)"	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
	[**REDACTED**]
"Articles" or "Articles of Association"	the amended and restated articles of association of our Company conditionally adopted on [●] and will come into effect upon [**REDACTED**] (as amended, supplemented or otherwise modified from time to time), a summary of which is set out in Appendix III to this document
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Board"	the board of Directors

"Business Day"	a day that is not a Saturday, Sunday or public holiday in Hong Kong
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate
	[**REDACTED**]
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant, which may be an individual, joint individuals or a corporation
"CCASS Operational Procedures"	the Operational Procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to operations and functions of CCASS, as from time to time in force
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"CDME"	Center for Medical Device Evaluation
"CE Marking"	a certification mark that indicates conformity with health, safety, and environmental protection standards for products sold within the European Economic Area
"China" or "the PRC"	the People's Republic of China excluding, for the purposes of this document, Hong Kong, Macau and Taiwan
"close associate(s)"	has the meaning ascribed thereto under the Listing Rules

"CNIPA"	the China National Intellectual Property Administration
"Companies Law"	the Companies Law (2018 Revision) of the Cayman Islands (as amended, supplemented or otherwise modified from time to time)
"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)
"Company" or "our Company"	Peijia Medical Limited (沛嘉醫療有限公司), an exempt limited liability company incorporated under the laws of the Cayman Islands on May 30, 2012
"Concert Parties"	Dr. Zhang, Mrs. Ping Ye Zhang, Ms. Hong Ye, Jinnius Drive Trust, Hanlindale Trust and XinYue International Limited, being parties to the Concert Party Agreement, and each a "Concert Party"
"Concert Party Agreement"	the agreement entered into among the Concert Parties dated January 21, 2020, further information on which is set out in "History, Development and Corporate Structure—Our Founders and Concert Party Arrangement"
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"connected transaction(s)"	has the meaning ascribed thereto under the Listing Rules
"core connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Core Product"	has the meaning ascribed thereto in Chapter 18A of the Listing Rules, which, for purposes of this document, refers to TaurusOne®
"Director(s)"	the director(s) of our Company
"Dr. Zhang"	Dr. Yi Zhang, one of our Founders, and our Chairman, Chief Executive Officer, Chief Technology Officer, an executive Director of our Company and our substantial shareholder upon [**REDACTED**]

"EIT"	enterprise income tax
"EIT Law"	the PRC Enterprise Income Tax Law
"FDA"	the Food and Drug Administration, a federal agency of the United States Department of Health and Human Services
"Founders" or "our Founders"	Dr. Zhang, Mrs. Ping Ye Zhang and Ms. Hong Ye
"General Rules of CCASS"	the General Rules of CCASS published by the Stock Exchange and as amended from time to time
	[**REDACTED**]
"Group," "our Group," "our," "we," or "us"	our Company and all of its subsidiaries (including but not limited to Achieva), or any one of them as the context may require or, where the context refers to any time prior to its incorporation or the Share Swap, the business which its predecessors or the predecessors of its present subsidiaries, or any one of them as the context may require, were or was engaged in and which were subsequently assumed by it
"HKSCC"	the Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly owned subsidiary of the HKSCC
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK$"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
	[**REDACTED**]

[**REDACTED**]

"Independent Third Party" or "Independent Third Parties"	a person or entity who is not a connected person of our Company under the Listing Rules

[**REDACTED**]

	[**REDACTED**]
"Jiangxi Zhisheng"	Jiangxi Zhisheng Medical Equipment Co., Ltd. (江西智勝醫療器械有限公司), a limited liability company incorporated under the laws of PRC on April 3, 2018, being an indirect wholly-owned subsidiary of our Company
	[**REDACTED**]
"Joint Sponsors" and [**REDACTED**]	Morgan Stanley Asia Limited and Huatai Financial Holdings (Hong Kong) Limited
"Latest Practicable Date"	April 20, 2020, being the latest practicable date for the purpose of ascertaining certain information contained in this document prior to its publication
	[**REDACTED**]
"Listing Committee"	the listing committee of the Stock Exchange
	[**REDACTED**]
"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)
"Marvel Finder"	Marvel Finder Limited (誠啟有限公司), a limited liability company incorporated under the laws of Hong Kong on August 25, 2017, being a wholly-owned subsidiary of our Company
"Memorandum of Association" or "Memorandum"	the memorandum of association of our Company, conditionally adopted on [●] and will come into effect upon [**REDACTED**] (as amended from time to time)
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)

"NDRC"	the National Development and Reform Commission (中華人民共和國國家發展和改革委員會)
"NMPA"	the National Medical Products Administration of the PRC (國家藥品監督管理局), formerly known as the China Food and Drug Administration or the CFDA
"NPC"	the National People's Congress of the PRC (全國人民代表大會)

[**REDACTED**]

"PBOC"	People's Bank of China (中國人民銀行)
"Peijia Shanghai"	Peijia Medical Technology (Shanghai) Co., Ltd. (沛嘉醫療科技(上海)有限公司), a limited liability company incorporated under the laws of PRC on February 24, 2012, being an indirect wholly-owned subsidiary of our Company
"Peijia Suzhou"	Peijia Medical Technology (Suzhou) Co., Ltd. (沛嘉醫療科技(蘇州)有限公司), a limited liability company incorporated under the laws of PRC on March 4, 2013, being an indirect wholly-owned subsidiary of our Company
"PRC Government"	the central government of the PRC and all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof or, where the context requires, any of them
"PRC Legal Advisers"	Hengtai Law Offices and Jingtian & Gongcheng Law Firm

"Pre-[**REDACTED**] Investment(s)"	the pre-[**REDACTED**] investment(s) in our Company undertaken by the Pre-[**REDACTED**] Investor(s), details of which are set out in the section headed "History, Development and Corporate Structure" in this document
"Pre-[**REDACTED**] Investor(s)"	Matrix Partners China IV, L.P., Matrix Partners China IV-A, L.P., Tianfeng Healthcare Company Limited, Shanghai Zhangjiang Torch Venture Capital Co., Ltd. (上海張江火炬創業投資有限公司), LAV Aero Limited, Joyful Bliss Holdings Limited, Shanghai Founder KIP Equity Investment Partnership (LP) (上海方正韓投股權投資合夥企業(有限合夥)), Shanghai Liyi Biotech, L.P. (上海禮軼生物科技合夥企業(有限合夥)), Tianfeng Healthcare Fund I Management, L.P., Kortex Limited, Future Pearl Limited, Halcyon Ocean Limited, Tianjin Yuanyi Yongxuan Management Center (Limited Partnership) (天津遠翼永宣企業管理中心(有限合夥)), HH SUM-XXIV Holdings Limited, Future Industry Investment Fund, Everest Lu Holding Limited and Skycus China Fund, L.P.
"Preferred Shares"	the Series A Preferred Shares, Series A-1 Preferred Shares, Series B Preferred Shares, Series C Preferred Shares and/or Series C-1 Preferred Shares
"Qualified Institutional Buyers" or "QIBs"	qualified institutional buyers within the meaning of Rule 144A
"Regulation S"	Regulation S under the U.S. Securities Act
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"RSU"	a restricted share unit award granted to a participant under the RSU Scheme
"RSU Scheme"	the restricted share unit award scheme of the Company conditionally approved and adopted by our Shareholders on [●], the principal terms of which are set out in "Appendix IV — Statutory and General Information — D. Share Incentive Schemes"
"Rule 144A"	Rule 144A under the U.S. Securities Act
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國外匯管理局)

"SAMR"	the State Administration for Market Regulation (國家市場監督管理總局) of the PRC, formerly known as the State Administration for Industry and Commerce or the SAIC
"SAT"	the State Taxation Administration of the PRC (中華人民共和國國家税務總局)
"Securities and Futures Commission" or "SFC"	the Securities and Futures Commission of Hong Kong
"Series A Preferred Shares"	the 1,900,000 series A preferred shares of our Company, par value US$0.0001 per share
"Series A-1 Preferred Shares"	the 2,088,204 series A-1 preferred shares of our Company, par value US$0.0001 per share
"Series B Preferred Shares"	the 1,527,110 series B preferred shares of our Company, par value US$0.0001 per share
"Series C Preferred Shares"	the 1,969,118 series C preferred shares of our Company, par value US$0.0001 per share
"Series C-1 Preferred Shares"	the 3,406,191 series C-1 preferred shares, par value US$0.0001 per share
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (as amended, supplemented or otherwise modified from time to time)
"Shanghai MPA"	Shanghai Medical Products Administration (上海市藥品監督管理局)
"Share(s)"	ordinary share(s) with nominal value of US$0.0001 each in the share capital of our Company
"Shareholder(s)"	holder(s) of the Share(s)
"Share Incentive Schemes"	the Share Option Plan, the RSU Scheme and the Share Option Scheme

"Share Option Plan"	the share option plan approved and adopted by our Company on December 27, 2019 for the benefit of any director, employee, adviser and consultant, of our Company or any of our subsidiaries; a summary of the principal terms is set forth in the paragraph headed "Appendix IV—Statutory and General Information—D. Share Incentive Schemes—1. Share Option Plan" in this document
"Share Option Scheme"	the share option scheme conditionally adopted by our Company on [●], a summary of the principal terms of which is set forth in the paragraph headed "Appendix IV—Statutory and General Information—D. Share Incentive Schemes—2. Share Option Scheme" in this document
"Share Swap"	the share swap arrangement pursuant to the Share Swap Agreement
"Share Swap Agreement"	the share swap agreement dated November 19, 2018 entered into by and amongst our Company, Achieva Medical and the then shareholders of Achieva Medical pursuant to which the then shareholders of Achieva Medical transferred to our Company all the outstanding shares of Achieva Medical in consideration of the allotment and issuance by our Company to each of the then shareholders of Achieva Medical certain number of our Shares in the proportion of 3.5682 shares of Achieva Medical to 1 Share of our Company
"sophisticated investor(s)"	has the meaning ascribed to it under Guidance Letter HKEX-GL92-18 issued by the Stock Exchange
	[**REDACTED**]
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary"	has the meaning ascribed thereto under the Listing Rules
"substantial shareholder(s)"	has the meaning ascribed thereto under the Listing Rules

"Takeovers Code"	the Code on Takeovers and Mergers and Share Buy-backs, as published by the SFC (as amended, supplemented or otherwise modified from time to time)
"TAVR Clinical Trial Guidelines"	the Guidelines for Clinical Trials of Transcatheter Aortic Valve Implantation (《經導管植入式人工主動脈瓣膜臨床試驗指導原則》), promulgated by the NMPA on February 25, 2019
"Track Record Period"	the years ended December 31, 2018 and 2019
	[**REDACTED**]
"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"USPTO"	the United States Patent and Trademark Office
"U.S. dollars", "US$" or "USD"	United States dollars, the lawful currency of the United States
"U.S. Securities Act"	the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
	[**REDACTED**]

The English names of PRC laws, regulations, governmental authorities, institutions, and of companies or entities established in the PRC included in this document are translations of their Chinese names or vice versa and are included for identification purposes only. In the event of inconsistency, the Chinese versions shall prevail.

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.

"AIS"	acute ischemic stroke, one subtype of ischemic cerebrovascular diseases, which is caused by thrombotic or embolic occlusion of a cerebral 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
"aortic regurgitation"	a condition where the aortic valve is not able to close completely, causing a backflow of blood from the aorta into the left ventricle during diastole
"aortic stenosis"	the narrowing of the aortic valve that obstructs blood flow from the left ventricle to the ascending aorta during systole
"aortic valve"	a valve in the human heart between the left ventricle and the aorta
"atrioventricular block"	a partial or complete interruption or delay of impulse transmission from the atria to ventricles, which will give rise to slow heart rate
"BAV"	bicuspid aortic valve, a heart disease where the aorta has two leaflets instead of three as in the normal case
"CAS"	calcific aortic stenosis, a condition where the opening of the aortic valve narrows because of the progressive calcium deposits on a patient's aortic valve leaflets
"cerebral aneurysm"	a cerebrovascular disorder in which weakness in the wall of a cerebral artery or vein causes a localized dilation or ballooning of the blood vessel; also known as intracranial aneurysm
"cerebral aneurysm endovascular coiling procedure" or "endovascular coiling procedure"	an interventional procedure for cerebral aneurysm treatment, which is performed to block blood flow into an aneurysm to isolate an aneurysm from the normal circulation without blocking off any small arteries nearby or narrowing the main vessel

"Class II hospital"	a medium-level hospital in China, as hospitals in China are divided into three classes by the Ministry of Health, among which Class II hospitals are at the second level, typically having more than 100 but less than 500 beds, providing comprehensive healthcare services on a regional basis and performing general medical teaching and research tasks
"Class III hospital"	a top-level hospital in China. Among the hospital classes, Class III hospitals are the highest level, typically having more than 500 beds, providing high-level specialist medical and healthcare services to several regions and performing advanced teaching and research tasks. Class III hospitals are divided into Special, A, B, and C grades
"confirmatory clinical trial"	a controlled clinical trial of a medical device product designed to demonstrate statistically significant clinical efficacy and safety of such product as used in human patients (in conjunction with the performance of a therapeutic procedure), for regulatory approval of such product
"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
"DCS"	delivery catheter system, an integral delivery catheter with a tip, a sheath tube, a catheter and a handle system used to deliver and release the PAV to the target position
"dural arteriovenous fistula"	a vascular anomaly formed by an abnormal connection between an artery and a vein within the dura mater, which may cause neurological symptoms and intracerebral hemorrhage
"EO reduction"	a procedure to reduce the ethylene oxide residual in the delivery catheter system to an acceptable level
"feasibility clinical trial"	a clinical trial of a medical device product designed to preliminarily demonstrate the safety of such product as used in human patients (in conjunction with the performance of a therapeutic procedure)

"Fr"	the abbreviation of French scale or French gauge system, commonly used to measure the size of a catheter or the sheath. The diameter of a round catheter in millimeters can be determined by dividing the French size by 3
"GCP"	good clinical practice, an international ethical and scientific quality standard for the performance of a clinical trial on medicinal products involving humans
"GLP"	good laboratory practice, a quality system of management controls for research laboratories and organizations to ensure the uniformity, consistency, reliability, reproducibility, quality, and integrity of chemical (including pharmaceuticals) non-clinical studies
"glutaraldehyde"	a chemical commonly used for pre-processing valve leaflets because it can help (i) chemical cross link the protein and increase the strength of the valve tissue, (ii) prevent tissue bio-degradation, (iii) inactivate any virus in the tissue, and (iv) reduce the immunogenicity profile of the tissue. However, after glutaraldehyde treatment, there would be residual aldehyde on the leaflets, which is a major cause for tissue calcification, which in turn reduces the durability of the valve
"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
"hemorrhagic stroke"	a condition where a blood vessel ruptures within the brain (intracerebral hemorrhage) or into the space surrounding the brain (subarachnoid hemorrhage)
"ICH-GCP"	International Conference on Harmonisation-Good Clinical Practice
"ischemic cerebrovascular disease"	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

"LS"	loading system, which is used to compress the PAV to a suitable diameter for loading
"LVEF"	left ventricular ejection fraction, one of the measures for evaluating the severity of aortic stenosis
"mechanical thrombectomy" or "MT"	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
"mitral regurgitation" or "MR"	a condition where the mitral valve is not able to close completely, causing a backflow of blood from the left ventricle into the left atrium during ventricular systole
"mitral valve"	the valve that lets blood flow from one chamber of the heart, the left atrium, to another called the left ventricle
"mm^3"	cubic microlitre, a unit of measure for volume
"mmHg"	millimeter of mercury, a unit of measure for pressure
"neurointerventional procedural medical devices"	medical devices for treatment of neurovascular diseases using interventional endovascular technique
"neurointerventional procedure"	an interventional procedure using endovascular surgery technology to diagnose and treat neurovascular diseases
"neurovascular diseases"	also known as cerebrovascular diseases, including any abnormality of the blood vessels within the brain and spine or abnormality with supplying blood to such areas
"New York Heart Association Functional Classification" or "NYHA classification"	a rating system developed by the New York Heart Association. It provides a simple way of classifying the extent of heart failure, and classifies patients into four categories from Class I to Class IV (except for cases where no NYHA class is listed or can be determined) during physical activity in an ascending order of severity of symptoms and/or limitations
"orifice area"	the area of the orifice of heart valves, which is one of the measures for evaluating the severity of heart valve stenosis
"PAV"	prosthetic aortic valve, the artificial valve of our TAVR products

"permanent pacemaker implantation"	a common procedure where a pacemaker (which is an electronic device that prevents one's heart from beating too slowly) is inserted just under the skin in the chest with wires attached to the heart
"ppm"	parts-per-million, a unit of measure for concentration of a contaminant
"PTFE"	polytetrafluoroethylene, a synthetic fluoropolymer of tetrafluoroethylene
"PVL" or "paravalvular leak"	a complication associated with the implantation of a prosthetic heart valve using a surgical or transcatheter approach; it refers to blood flowing through a channel between the structure of the implanted valve and cardiac tissue as a result of a lack of appropriate sealing
"SAVR"	surgical aortic valve replacement, a treatment of severe aortic stenosis through open-chest surgery
"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
"STS Score" or "STS risk"	Society of Thoracic Surgery risk score or percentage point, a validated risk-prediction model for open surgery, the higher value of which indicates the higher risk of patients to conduct a surgery
"TAVR"	transcatheter aortic valve replacement, a catheter-based technique to implant a new aortic valve in an interventional procedure that does not involve open-chest surgery
"TMVR"	transcatheter mitral valve replacement, a catheter-based technique to implant a new mitral valve in an interventional procedure that does not involve open-chest surgery
"trans-aortic valve pressure gradient"	one of the measures for evaluating the severity of aortic stenosis
"trans-aortic valve velocity"	one of the measures for evaluating the severity of aortic stenosis

"transcatheter valve therapeutic medical devices"	medical devices for the treatment of valvular heart diseases using cardiovascular interventional technique by implanting a prosthetic valve through an artery
"transfemoral approach" or "transfemoral procedural approach"	an approach of TAVR procedure, with the femoral artery as the entry point of the new valve. The femoral artery is accessed in the groin without an incision but with a needle, catheter and long wires allowing access to the diseased valve
"tricuspid regurgitation" or "TR"	a condition where the tricuspid valve is not able to close completely, causing a backflow of blood from the right ventricle to the right atrium during systole
"tricuspid valve"	the valve on the right dorsal side of the mammalian heart, between the right atrium and the right ventricle, the function of which is to prevent back flow of blood from the right ventricle into the right atriums
"TTVR"	transcatheter tricuspid valve replacement, a catheter-based technique to implant a new tricuspid valve in an interventional procedure that does not involve open-chest surgery
"valvular heart diseases"	the failure or dysfunction of one or more of the four heart valves, where the valves become too narrow and hardened to open fully, or are unable to close completely
"valvuloplasty"	a procedure using balloons to repair a heart valve with a narrowed opening and to improve blood flow through the valve

FORWARD-LOOKING STATEMENTS CONTAINED IN THIS DOCUMENT ARE SUBJECT TO RISKS AND UNCERTAINTIES

This document contains forward-looking statements relating to our plans, objectives, expectations and intentions, which may not represent our overall performance for the periods of time to which such statements relate. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this document. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our Company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business strategies and plans to achieve these strategies;
- 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 future debt levels and capital needs;
- changes to the political and regulatory environment in the industry and markets in which we operate;
- our expectations with respect to our ability to acquire and maintain regulatory licenses or permits;
- changes in competitive conditions and our ability to compete under these conditions;
- future developments, trends and conditions in the industry and markets in which we operate;
- general economic, political and business conditions in the markets in which we operate;
- effects of the global financial markets and economic crisis;
- our financial conditions and performance;
- our dividend policy; and
- change or volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends.

In some cases, we use the words "aim," "anticipate," "believe," "can," "continue," "could," "estimate," "expect," "going forward," "intend," "ought to," "may," "might," "plan," "potential," "predict," "project," "seek," "should," "will," "would" and similar expressions to identify forward-looking statements. In particular, we use these forward-looking statements in the "Business" and "Financial Information" sections in this document in relation to future events, our future financial,

business or other performance and development, the future development of our industry and the future development of the general economy of our key markets.

These forward-looking statements are based on current plans and estimates, and speak only as of the date they were made. We undertake no obligation to update or revise any forward-looking statements in light of new information, future events or otherwise. Forward-looking statements involve inherent risks and uncertainties and are subject to assumptions, some of which are beyond our control. We caution you that a number of important factors could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statements.

Our Directors confirm that the forward-looking statements are made after reasonable care and due consideration. Nonetheless, due to the risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this document might not occur in the way we expect, or at all.

Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this document are qualified by reference to this cautionary statement.

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.

We believe there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks relating to our financial position and need for additional capital; (ii) risks relating to our products and product candidates, comprising (a) risks relating to the development of our product candidates, (b) risks relating to commercialization of our products, (c) risks relating to extensive government regulations, (d) risks relating to manufacture and supply of our products, and (e) risks relating to our intellectual property rights; (iii) risks relating to our operations; (iv) risks relating to doing business in China; and (v) risks relating to the [**REDACTED**].

Additional risks and uncertainties that are presently not known to us or not expressed or implied below or that we currently deem immaterial could also harm our business, financial condition and operating results. You should consider our business and prospects in light of the challenges we face, including those discussed in this section.

RISKS RELATING TO OUR FINANCIAL POSITION AND NEED FOR ADDITIONAL CAPITAL

We have incurred significant operating losses since our inception, and may continue to incur operating losses for the foreseeable future. You may lose substantially all your investments in us given the high risks involved in the medical device business.

We are a development-stage biotechnology company. Investment in medical device development is highly speculative because it entails substantial upfront capital expenditures and significant risks that a product candidate may fail to gain regulatory approval or become commercially viable. You may lose substantially all of your investments in our Company given the nature of the biotechnology industry. We have incurred significant expenses related to the research and development of our products and product candidates in the past. In 2018 and 2019, our research and development expenses amounted to RMB27.9 million and RMB55.1 million, respectively (and such research and development expenses did not include Achieva's research and development expenses in 2018 and the period from January 1, 2019 to March 29, 2019, which amounted to RMB13.5 million and RMB5.2 million, respectively). In addition to our significant research and development expenses, we also incurred costs in connection with the commercialization of our approved products as well as selling and distribution expenses, and administrative expenses associated with our operations. As a result, we have incurred operating losses amounted to RMB70.2 million and RMB226.9 million in 2018 and 2019, respectively.

We expect to continue to incur operating losses in the foreseeable future, and such operating losses may even increase as we continue to conduct pre-clinical and clinical trials for our product candidates, seek regulatory approvals for our product candidates, manufacture our products for clinical trials and for commercial sale, commercialize our approved products, attract and retain qualified personnel, maintain, protect and expand our intellectual property portfolio, and comply with applicable laws, regulations and rules as a public company in Hong Kong, among others. The size of our future net operating losses will depend, in part, on the number, scope and complexity 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.

We are unable to predict when, or whether, we will be able to achieve or maintain profitability. To become and remain profitable, we must be successful in a range of challenging activities, including completing the clinical trials for our product candidates, obtaining regulatory approval from the NMPA and other competent regulatory bodies, and commercializing our approved products to achieve market acceptance. We may encounter unforeseen expenses, difficulties, complications, delays and other unknown facts, and may never succeed in any or all of these activities. For example, if our products are not widely accepted by physicians and hospitals, we may be unable to increase or sustain our sales and we may fail to achieve and sustain growth or profitability. Even if we do succeed in all of the above activities, we may not be able to generate revenues that are significant or sufficient enough to achieve profitability. 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 may impact investors' perception of the potential value of our Group and could impair our ability to raise capital, maintain our research and development efforts, expand our business or continue our operations. Any decline in the value of our Group could also cause you to lose all or part of your investment.

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

Our product candidates will require completion of clinical development, regulatory review, significant marketing efforts and substantial investment before we can commercialize the approved products and generate revenue. Our operations have consumed substantial amounts of cash since inception. We had net cash outflows from our operating activities of RMB38.7 million and RMB102.6 million in 2018 and 2019, respectively. We cannot assure you that we will be able to generate positive cash flows from operating activities in the future. 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 of capital on conducting research and development activities, advancing the clinical development of our product candidates and commercializing our approved products. Our existing capital resources may not be sufficient to enable us to complete all of our planned development and the commercialization of our current product candidates for the anticipated indications and to invest in additional product development 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.

We cannot assure you that we will have sufficient financing 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. If we are unable to raise capital when needed or on acceptable terms, we would be forced to delay, reduce or eliminate our research and development programs or future commercialization efforts.

If we determine our goodwill to be impaired, our results of operations and financial condition may be adversely affected.

As of December 31, 2019, we recorded goodwill of RMB51.7 million. which were derived from our acquisition of Achieva. Goodwill represented 23.6% of the intangible assets on our consolidated balance sheet as at December 31, 2019. Goodwill is not amortized but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. The value of goodwill is based on a number of assumptions made by the management. If any of these assumptions does not materialize, or if the performance of our business is not consistent with such assumptions, we may be required to have a significant write-off of our goodwill and record a significant impairment loss. Furthermore, our determination on whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated, which depends on the expected future cash flows from the cash-generating units. If we determine the expected future cash flow to decrease, our goodwill may be impaired. Any significant impairment of goodwill could have a material adverse effect on our business, financial condition and results of operations. For more information regarding our impairment policy in relation to intangible

assets, please refer to Note 2.7 headed "Intangible Assets", Note 2.8 headed "Impairment of Non-financial Assets" and Note 4 headed "Critical Accounting Estimates—Estimated impairment of goodwill and acquired technologies" of the Accountant's Report set out in Appendix I to this document.

If we determine our intangible assets (other than goodwill) to be impaired, our results of operations and financial condition may be adversely affected.

As at December 31, 2019, we recorded technologies of RMB167.4 million which were derived from our acquisition of Achieva. Technologies represented 76.3% of the intangible assets on our consolidated balance sheet as at December 31, 2019. Technologies acquired in a business combination are recognized at fair value at the acquisition date. Technologies have a finite useful life and are carried at cost less accumulated amortization. Technologies are tested whenever events or changes in circumstances indicate that the carrying amount of such technologies exceeds its recoverable amount. The value of intangible assets is based on a number of assumptions made by our management. There are inherent uncertainties in the estimates, judgments and assumptions used in assessing the carrying value of intangible assets. Certain factors, including economic, legal, regulatory, competitive, reputational, contractual, and other factors, might have a negative impact on the carrying value of our intangible assets. If any of our assumptions does not materialize, or if the performance of our business is not consistent with such assumptions, we may be required to have a significant write-off of our intangible assets and record a significant impairment loss. Any significant impairment of intangible assets could have a material adverse effect on our business, financial condition and results of operations. For more information regarding our impairment policy in relation to intangible assets, please refer to Note 2.7 headed "Intangible Assets", Note 2.8 headed "Impairment of Non-financial Assets" and Note 4 headed "Critical Accounting Estimates—Estimated impairment of goodwill and acquired technologies" of the Accountant's Report set out in Appendix I to this document.

We had a net liabilities position during the Track Record Period, which may adversely affect our liquidity.

As of December 31, 2019, we had net liabilities of RMB558.2 million, primarily attributable to the significant amount of financial instruments issued to investors that we recorded as non-current liabilities. Our financial instruments issued to investors mainly included Preferred Shares and a convertible loan during the Track Record Period. Our balance of Preferred Shares amounted to RMB220.6 million and RMB1,362.3 million as of December 31, 2018 and 2019, respectively. They are initially recognized at fair value and the increases in the fair value are recognized as fair value losses on our consolidated statements of comprehensive loss. The fair value loss of the Preferred Shares is a non-cash item that will not recur after the closing of the [**REDACTED**], as the Preferred Shares issued by us will be automatically converted into Ordinary Shares, but we may still retain accumulated losses due to the fair value loss of our Preferred Shares prior to the closing of the [**REDACTED**]. We cannot guarantee that we will not incur net liabilities in the future. If we are to record net liabilities again, it will affect our liquidity, as well as our ability to raise funds, obtain bank loans, pay debts when they become due and declare and pay dividends.

Fair value changes in our financial instruments issued to investors and related valuation uncertainty had materially affected, and may continue to materially affect, our financial condition and results of operations.

The financial instruments issued to investors included preferred shares and convertible loans during the Track Record Period. The financial instruments issued to investors were not traded in an active market and the respective fair value is determined by using valuation techniques. The discounted cash flow method was used to determine the total equity value of our Company and the equity allocation model was adopted to determine the fair value of the financial instruments. Key valuation assumptions used to determine the fair value of the preferred shares and the convertible loan included discount rate, risk-free interest rate, volatility and the possibility to achieve a qualified initial public offering. Please refer to the paragraphs headed "Financial Information—Discussion of Certain Selected Items from the Consolidated Statements of Financial Position—Financial Instruments Issued to Investors" and Note 25 of the Accountant's Report set out in Appendix I to this document for more details. Any change in the assumptions may lead to different valuation results and, in turn, changes in the fair value of these financial instruments issued to investors. Further, our preferred shares will be automatically converted to Shares upon the closing of the [**REDACTED**]. To the extent we need to revalue the preferred shares prior to the closing of the [**REDACTED**], any change in fair value of these preferred shares and related valuation uncertainty could materially affect our financial position and performance. As at December 31, 2018 and December 31, 2019, we recorded financial instruments issued to investors as our non-current liabilities of RMB220.6 million and RMB1,362.3 million, respectively. We also recorded fair value loss in financial instruments issued to investors of RMB8.1 million and RMB308.2 million in 2018 and 2019, respectively. The financial instruments are designated as financial liabilities at fair value through profit or loss on our consolidated balance sheets; they were initially recognized at fair value, and the increases in the fair value of such financial instruments were recognized as fair value loss on our consolidated income statement. The fair value loss of financial instruments is a non-cash item that will not recur in financial years after the closing of the [**REDACTED**], but we may recognize additional losses on the fair value changes of the preferred shares from December 31, 2019 to the [**REDACTED**]. After the automatic conversion of all preferred shares into Shares upon the closing of the [**REDACTED**], we do not expect to recognize any further gains or losses on fair value changes from these preferred shares in the future.

RISKS RELATING TO OUR PRODUCTS AND PRODUCT CANDIDATES

Risks Relating to the Development of Our Product Candidates

Our future growth depends substantially on the successful development of our product candidates to commercialization.

Our ability to complete the development of our product candidates, obtain the relevant requisite regulatory approvals of the product candidates and successfully commercialize our approved products in a timely manner is critical to the success of our business. We have invested significant efforts and financial resources in the development of our product candidates. As of the Latest Practicable Date, we had developed six registered products, and had an additional 20 product candidates in various development stages. The successful development of our product candidates to commercialization 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 ability of our CROs and SMOs to conduct or assist in conducting our clinical trials safely and efficiently and in accordance with our specified trial protocols;
- the performance by any other 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;
- obtaining required marketing authorizations and launching commercial sales in China and other targeted markets, if and when approved;
- obtaining favorable governmental and private medical reimbursement for our products, if and when approved;
- appropriately pricing our product candidates and timely collecting payments;
- competition with other transcatheter valve therapeutics medical devices and neurointerventional procedural medical devices; 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 our product candidates, and/or to successfully commercialize our approved products, which would materially harm our business and we may not be able to generate sufficient revenues and cash flows to continue our operations.

Clinical product development involves a lengthy and expensive process with an uncertain outcome.

In China, medical devices are classified according to a catalogue issued by the NMPA into three different categories, Class I, Class II and Class III, depending on the degree of risk associated with each medical device and the extent of control needed to ensure safety and effectiveness. All of our products and product candidates are classified as Class II and Class III medical devices. To obtain product registrations for medical devices of Class II and Class III in China, we may need to conduct, at our own expense, adequate and well-controlled clinical trials to demonstrate the safety and efficacy of our products.

Clinical testing is expensive and can take several years to finish, 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. We may experience numerous unexpected events before and during the clinical trials that could delay or prevent our ability to receive regulatory approval or commercialize our product candidates, including but not limited to: (i) regulators 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; (ii) our inability to reach agreements on acceptable terms with prospective CROs, SMOs and hospitals as trial centers, the terms of which can be subject to extensive negotiation and may vary significantly among different CROs, SMOs and hospitals as trial centers; (iii) 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; (iv) 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; (v) 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; (vi) we might have to suspend or terminate clinical trials of our product candidates for various reasons, including a finding of unexpected characteristics or a finding that participants are being exposed to unacceptable health risks (including deaths in the worst case scenario); (vii) regulators 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; (viii) the cost of clinical trials of our product candidates may be greater than we anticipate; and (ix) the supply or quality of our product candidates or other materials necessary to conduct clinical trials of our product candidates may be insufficient or inadequate.

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.

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 in a timely manner or at all, we may incur additional costs or experience delays in completing, or ultimately be unable to complete, the development and commercialization of our product candidates.

During the clinical trial process, failure can occur at any time. The results of preclinical studies and feasibility clinical trial of our product candidates may not be predictive of the results of confirmatory clinical trial. Product candidates in confirmatory clinical trials may fail to show the desired safety and efficacy traits despite having progressed through preclinical studies and/or feasibility clinical trials. In some instances, 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, and differences in the physical conditions of the patient populations. We cannot assure that our future clinical trial results of our product candidates may be favorable. Even if our future clinical trial results show favorable efficacy, not all patients may benefit. For our certain product candidates, including TAVR, TMVR and TTVR medical devices, it is likely that they may not suit the conditions of certain patients, and severe adverse events and complications may occur for some patients after the procedure. If we are required by competent government authorities such as the NMPA to conduct additional clinical trials or other testing of our product candidates beyond those that we currently

contemplate, or if we are unable to successfully complete clinical trials of our product candidates or other testing, or 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 subject to substantial liabilities, (ii) be delayed in obtaining regulatory approval for our product candidates, (iii) not be able to obtain regulatory approval at all, (iv) obtain approval for indications that are not as broad as intended, (v) have the product removed from the market after obtaining regulatory approval, (vi) be subject to additional post-marketing testing requirements, (vii) be subject to restrictions on how the product is distributed or used; or (viii) be unable to obtain reimbursement for use of the product. Any of such events could materially and adversely affect our ability to commercialize the subject products and generate sales revenues.

The initial or interim results of clinical trials may not be predictive of the final clinical trial results and may be subject to adjustments.

We have successfully completed a single-center feasibility clinical trial for TaurusOne®, our first-generation TAVR product, on ten patients in cooperation with Beijing Fuwai Hospital in 2017. We subsequently started a multi-center confirmatory clinical trial in China for TaurusOne® to evaluate its safety and efficacy in September 2017, and are in the post-procedural follow-up for such confirmatory clinical trial. As of the Latest Practicable Date, we had completed the 30-day, six-month, and 12-month follow-ups for the confirmatory clinical trial. However, the confirmatory clinical trial of TaurusOne® is not yet completed. We are currently in the process of conducting data analysis and preparing the clinical trial report. Certain clinical trial results for TaurusOne® disclosed in this document were cited from the interim clinical trial reports. Some of such data and results of clinical trials are slightly different from the raw data observed from the clinical trial, because as set forth in the protocols of the clinical trial and in line with industry practice, the data generated from certain patients may be excluded. In addition, some of such data and results of clinical trials are dependent on physicians' subjective judgment, for example, whether certain adverse events occurred to the trial subjects during the follow-up period were cardiogenic or not. As a result, when preparing the final report of such confirmatory clinical trial, it is possible that Beijing Fuwai Hospital or other medical institutions participating in the confirmatory clinical trial may need to make additional adjustments to the clinical data depending on their judgements, and may make other necessary adjustments following the relevant rules promulgated by the NMPA. We cannot assure you that the interim clinical trial results disclosed in this document will be the same as those in the final clinical trial report. As such, you are cautioned not to place undue reliance on the interim data presented herein.

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

The timely completion of clinical trials in line with their protocols depends on, among other things, 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, the patient eligibility criteria defined in the protocol, the accessibility of trial sites for the patients, our ability to recruit clinical trial site investigators with competence and relevant experience, and the patients' perceptions as to the potential advantages and side effects of the product candidates being studied in relation to other available products, product candidates or therapies.

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. If we experience delays in the completion of, or even termination of, any clinical trial of our product candidates, our ability to obtain requisite regulatory approvals and then commercialize our products will be delayed. In addition, any delays in completing our clinical trials will increase our costs, slow down our development and approval process for our product candidates and jeopardize our ability to commence product sales and generate revenues. Any of these occurrences may have a material adverse effect our business, financial condition and prospects.

We may not be able to develop new products that are competitive in the market, or in a timely manner or at all.

The markets for transcatheter valve therapeutics medical devices and neurointerventional procedural medical devices are competitive in China. Please refer to the paragraphs headed "Risks relating to Our Operations—We face substantial competition, which may result in others discovering, developing or commercializing competing products before or more successfully than we do" in this section for more details. Our success therefore depends on our ability to anticipate industry trends and continuously identify, develop and market in a timely manner new and advanced products that meet our customers' demand. We expect the transcatheter valve therapeutics medical devices and neurointerventional procedural medical devices markets to evolve towards newer and more advanced products, some of which we do not currently produce. Developing new products in a timely manner can be difficult, particularly because product designs can change with market conditions and hospitals' and physicians' preferences. Our research and development efforts may not lead to new products that will be commercially successful. We may also experience delays or be unsuccessful in any stage of product development, manufacturing, clinical trials, product registration, marketing or pricing. Even if we are able to launch new products, it takes time for the new product to gain market acceptance. We may not be able to successfully market our new products or our end customers may not be receptive to our new products.

The success of any of our new product offerings will depend on several factors, including our ability to:

- properly identify and anticipate industry trends and market demand;
- complete product development process successfully in a timely manner;
- optimize our manufacturing and procurement processes to predict and control costs;
- manufacture and deliver new products in a timely manner;
- minimize the time and costs required to obtain required regulatory approvals;
- anticipate and compete effectively with other medical device developers, manufacturers and marketers;
- price our products at both competitive and commercially justifiable levels; and
- increase end-customer awareness and acceptance of our new products.

If we are not successful in producing or selling our new products to meet market demand, or if there is insufficient demand for our new products once they are introduced to the market, our business, financial condition, results of operations and prospects could be materially adversely affected.

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 the Commercialization of Our Products

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 train physicians and hospitals in the proper application of our products accompanied by our distributors. If our products and product candidates (upon commercialization) are not widely accepted by physician and hospital communities, our sales of our currently commercialized neurointerventional procedural medical devices may decline, and we may not be able to effectively market our transcatheter valve therapeutic product candidates and neurointerventional procedural medical device product candidates (in each case, upon commercialization).

Currently, only a limited number of hospitals and physicians are proficient in the use of some of our product candidates in the development stage, such as the TAVR devices. 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 for adequate training 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. Following completion of training, 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. For example, as a treatment recently developed and introduced to the market, transcatheter valve therapeutic procedure may fail to receive broad acceptance from patients or physicians as anticipated. As an alternative, open-chest surgery may have a competitive advantage over transcatheter valve therapeutic procedure, given its established market acceptance, comparatively lower price and coverage by governmental and private medical insurance.

If any of our products or product candidates (upon commercialization) fails to gain sufficient market acceptance by physicians, patients, third-party payors or others in the industry, the sales of our products will be adversely affected, and we may fail to effectively market our product candidates (upon commercialization). For example, currently commercialized neurointerventional procedural medical devices, such as the detachable coils developed by some of our competitors are well established in the market, and physicians may continue to rely on these treatments to the exclusion of our products. 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 our distributors fail to expand or maintain their sales network, or if we fail to educate or manage our distributors effectively, our sales may decline.

In the medical device industry, it is customary to rely on distributors for sale of medical devices to hospitals. Consistent with the industry practice, since the acquisition of Achieva in March 2019, we sell our neurointerventional procedural medical devices to third party distributors in China and overseas, which then sell these devices to hospitals. We intend to continue engaging distributors to sell our products and product candidates (upon commercialization) in the foreseeable future. However, we may not be able to identify or engage a sufficient number of distributors with an extensive sales network. If our distributors fail to expand or maintain their sales network, or otherwise encounter any difficulties in selling our products, our sales will decline and our business, results of operations and prospects may be materially and adversely affected.

In addition to ensuring that our reputation is associated with high quality products and responsive services, our highly trained sales team works with our distributors to help them become more effective. We also provide our distributors with technical support, including training in the basic technologies of our products, participating in presentations to physicians and hospitals, and assisting in preparing documents for contracts awarded through competitive biddings and tenders. Our distributors face a learning process with respect to our products and product candidates, particularly for those newly introduced to the market. We cannot assure you that our distributors will be able to gain the required knowledge in order to market our products and product candidates (upon commercialization) effectively in a timely manner or at all.

In addition, we have limited control to manage the activities of our distributors, who are independent from us. We cannot assure that our distributors will not violate our distribution agreements with them. Such violations may include, among other things, (i) failing to meet certain target sales amounts; (ii) selling our products outside their designated distribution territories or to hospitals without further authorization, possibly in violation of the exclusive distribution rights of our other distributors; (iii) failing to comply with regulatory requirements when selling our products; (iv) failing to provide proper training and other services to our end customers; (v) failing to adequately promote our products; (vi) selling products that compete with ours; or (vii) violating applicable laws, including the anti-corruption laws of China or other countries, in the marketing and sale of our products. Failure to adequately manage our network of distributors, or non-compliance by distributors with our distribution agreements could harm our corporate reputation and disrupt our sales. Our distributors may violate applicable laws or otherwise engage in illegal practices, including improper payments to hospitals and physicians, in relation to their sales and marketing of our products. In such cases, our financial condition and results of operations could be materially adversely affected.

The growth and success of our business depends on the performance of us and our distributors in government-administered tender processes.

Our future growth and success significantly depend on our ability to successfully market our products to hospitals and other medical institutions through our distributors. Hospitals and medical institutions may organize public tenders either by themselves or through local governments. The procedures of such public tenders vary from hospital to hospital and from region to region, and there could be uncertainties with respect to the timing of such procedures. As a result, we are primarily dependent on experienced local distributors to assist us during such procedures. However, we may not always be able to locate a sufficient number of experienced local distributors to sell our products to hospitals and other medical institutions.

Furthermore, even if we could locate a sufficient number of experienced distributors, our bids during the public tender process may not be successful and our products may not be chosen for a number of reasons, including where: (i) our prices are not competitive; (ii) our products fail to meet the technical or quality requirements imposed by the hospitals or are less clinically effective than competing products; (iii) our reputation is adversely affected by unforeseeable events; or (iv) our service quality or any other aspect of our operation fails to meet the relevant requirements. If we fail in the tender process, we may face difficulties in maintaining the existing level of sales of our products, and we may find it difficult to sell our product candidates (upon commercialization) and our revenue may decline, materially adversely affecting our results of operations and financial condition.

Our current revenue is generated from sales of a limited number of neurointerventional procedural medical devices.

We only started to recognize revenue after our acquisition of Achieva in March 2019. During the Track Record Period, the sales of five neurointerventional procedural medical devices, including Jasper® Detachable Coil, Presgo® Detachable Coil, Presgo® Micro Guidewire, Presgo® Micro Catheter and Jasper® Power Supply, contributed to all of our revenue. Prior to our successful commercialization of our TAVR devices, we expect to continue to derive all of our revenue from sales of neurointerventional procedural medical devices in the near future. Continued market acceptance and demand for these neurointerventional procedural medical devices are thus critical to our revenue. If we are unable to manufacture or sell these products due to commercial, regulatory, intellectual property or any other reasons, or if demand for these products is reduced due to the ever increasing competition or advances in alternative treatments or products, our revenue would significantly decline.

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.

Our ability to successfully market our products or product candidates (after obtaining the approval) may involve more inherent risks, take longer and cost more than it would if we were a company with sufficient experience launching such products and product candidates. For the transcatheter valve therapeutic business unit, we had no product approved for commercialization. For the neurointerventional business unit, many of our products were approved for commercialization by the NMPA in or after 2016. Therefore, we have relatively limited experience in commercializing such products.

In China, which is expected to be our major target market, each of our sales and marketing teams is divided into two sub-teams for the sales and marketing of transcatheter valve therapeutic products and neurointerventional procedural products. The sales and marketing sub-teams have separate responsibilities but collaborate together. We intend to continue integrating our business functions, in particular the integration of the marketing forces of the aforementioned two sub-teams for promoting our comprehensive product offerings to the market. However, such integration process may take longer than expected, and our sales could decline if we fail to integrate our sales and marketing teams in an effective and efficient manner.

The success of our sales and marketing efforts also 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 expertise in the valvular heart diseases and neurovascular diseases areas and are able to communicate effectively with medical professionals. Furthermore, since we expect to launch new products in both the transcatheter valve therapeutic and neurointerventional domains, including TaurusOne® and TaurusElite 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.

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

We generally price our products and product candidates (upon commercialization) by taking into consideration a variety of factors, including pricing guidance set by the government authorities, bargaining power and preferences of hospitals, prices of similar products offered by our competitors, our operating costs and the continuous upgrades of existing products, among others, and some of which are beyond our control:

- If the PRC government issues pricing guidance for our products and product candidates (upon commercialization), it may negatively affect the price at which we can sell our products and therefore have a material adverse effect on our business and results of operations. We may also face downward pricing pressure if our products are included in the medical insurance reimbursement list, even if such inclusion in the medical insurance reimbursement list is expected to increase the sales volume of our products.

- Also, when setting the prices for our products, hospitals may gain more bargaining power depending on the availability of alternative products, demands of patients and the preferences of physicians. If hospitals seek to 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.

- Furthermore, along with our increasing efforts to promote our product candidates, particularly our TAVR product candidates, as well as our competitors' continuous development of these product candidates, awareness of these products is expected to increase. More competing products may become available, which will offer alternatives for hospitals and patients to choose.

- In addition, with the development of technologies and increasing competition in the industry, we may experience reduced pricing from our existing products, particularly along with the launch of new products that can replace or further improve the safety and efficacy profile of our existing products, while the manufacturing and material costs may remain constant or increase. If we are unable to successfully introduce more advanced and/or more profitable new products to the market, or if we fail to effectively control our operating and manufacturing costs, our business, financial condition and results of operations could be materially and adversely affected.

Risks Relating to Extensive Government Regulations

The regulatory approval processes are lengthy, time-consuming and inherently unpredictable.

We are subject to extensive government regulations for all material aspects of our operations. For example, we are required to obtain and renew registrations and licenses with the NMPA for the commercialization and manufacturing of our products, as well as with competent regulatory authorities in other jurisdictions where we sell our products. The regulatory approval processes are generally lengthy and time-consuming.

We currently market and intend to continue to market a substantial portion of our products in China in the foreseeable future. We are required to obtain the NMPA or the local counterparts approval before we can market our products in China. Significant time, effort and expense are required to bring our products to market in compliance with the regulatory process, and we cannot assure you that any of our products will be approved for sale. In addition, as the PRC government has been increasing the level of regulatory control over the medical device industry in recent years, the regulatory approval process tends to take a longer time to complete than before. We are also required to report any serious or potentially serious incidents involving our products to the NMPA or the local counterparts. Even if regulatory approval or clearance of our products is granted, the approval or clearance could limit the uses for which our products may be labeled and promoted, which may in turn limit the market for our products. Any failure to obtain, or delay in obtaining, regulatory approvals or clearances or to renew registrations for our products could prevent us from successfully marketing our products, which could materially and adversely affect our business, financial condition and results of operation.

Furthermore, results of the regulatory approval process are unpredictable. We could fail to receive regulatory approval for product candidates for many reasons, including: (i) failing to begin or complete clinical trials; (ii) failing to demonstrate that a product candidate is safe and effective; (iii) failing to deliver clinical trial results to meet the level of statistical significance required for approval; (iv) encountering data integrity issues related to our clinical trials; (v) encountering government authority's disagreement with our interpretation of data from pre-clinical studies or clinical trials; and (vi) failing to conduct a clinical trial in accordance with regulatory requirements or our clinical trial protocols, among other factors. The NMPA or a comparable regulatory authority may require more information, including additional pre-clinical or clinical data, to support approval, which may delay or prevent approval and our commercialization plans, or we may decide to abandon the development program. In addition, before selling our products in international markets, we are required to obtain various governmental approvals in the relevant jurisdictions. Foreign regulations may vary from jurisdiction to jurisdiction and may be different from PRC regulations and NMPA requirements. For example, certain jurisdictions such as Europe may have more stringent requirements on clinical trials and clinical data than those of NMPA. We

cannot assure you that we will be able to meet regulatory requirements of different jurisdictions or that our products will be approved for sale in those jurisdictions. Additional time, effort and expense may be required to bring our products to the international markets in compliance with different regulatory processes. Any failure to obtain, or delay in obtaining, regulatory approvals or clearances or to renew registrations for our products could prevent us from successfully marketing our products in the international markets.

Our failure to comply with applicable regulatory requirements could result in governmental agencies taking actions in the relevant jurisdictions, including imposing fines and penalties on us, preventing us from manufacturing or selling our products, bringing criminal charges against us, delaying the introduction of our new products into the market, recalling or seizing our products, and/or withdrawing or denying approvals or clearances for our products. We could also be subject to civil liabilities if we fail to comply with applicable regulatory requirements. If any or all of the foregoing were to occur, we may not be able to meet the demands of hospitals and physicians which use our products and they may cancel orders or purchase products from our competitors.

Undesirable adverse events related to our products and product candidates could subject us to regulatory disciplines and other liabilities.

Some of our products and product candidates are still considered as emerging and relatively novel therapeutics, such as our TAVR, TMVR and TTVR medical devices. Undesirable side effects caused by our approved products or product candidates could (i) cause us or regulatory authorities to interrupt, delay or halt clinical trials; (ii) affect patient recruitment or the ability of enrolled patients to complete the trial; (iii) adversely impact our ability to obtain regulatory approval in China and other jurisdictions where we may seek to commercialize our products, and/or (iv) subject us to product liability claims as well as substantial liabilities.

By their nature, clinical trials only assess a sample of the potential patient population. Side effects may only be uncovered when a significantly larger number of patients is exposed to the products. If our product candidates receive regulatory approval, and undesirable side effects caused by such product candidates are identified after such approval, a number of potentially significant negative consequences could follow, including, among others:

- regulatory authorities may withdraw or limit their approval of our products candidates;
- we may be required to change the way our products are distributed or administered, conduct additional clinical trials, change the labeling or add additional warnings on the labelling of such products;
- we may be required to develop risk evaluation and mitigation measures for the products, or if risk evaluation and mitigation measures are already in place, to incorporate additional requirements under the risk evaluation and mitigation measures;
- we may be subject to regulatory investigations and government enforcement actions;
- we may be required to suspend marketing or remove relevant products from the marketplace;
- a severe decrease in the demand for, and sales of, the relevant products;

- we could be sued and held liable for injury caused to individuals using our products; and
- our reputation may suffer.

Any of these events could prevent us from achieving or maintaining market acceptance of the particular products, and could harm our reputation, business, financial condition and prospects significantly.

We may not be able to maintain or renew all the permits, licenses and certificates required for our production.

Companies manufacturing medical devices in China are required to obtain permits and licenses issued by various government authorities, including but not limited to the medical device production permit (醫療器械生產許可證) and the medical device operation permit (醫療器械經營許可證) if such manufacturing companies store and sell medical devices in places other than their domiciles and the places of production of medical devices. Please refer to the paragraphs headed "Regulatory Overview—Laws and Regulations Relating to Medical Devices—Production Permit of Medical Devices" and "Regulatory Overview—Permit for Medical Device Operation" in this document for details. Such permits, licenses and certificates are subject to periodic reviews and renewals by the relevant government authorities, and the standards of such reviews and renewals may change from time to time. There can be no assurance that the relevant authorities will approve our applications or renewal applications in the future. Any failure by us to obtain the necessary permits, licenses and certificates, or procure such renewals and otherwise maintain all the licenses, permits and certificates required for our business at any time could disrupt our business, which could have a material adverse effect on our business, financial condition and operating results. If, as a result of any change in the interpretation or implementation of existing laws and regulations or the implementation of new laws and regulations, we are required to obtain additional licenses, permits or certificates for our production of products and product candidates, we cannot assure you that we will be successful in obtaining these licenses, permits or certificates in a timely manner or at all.

We may not be able to comply with ongoing regulatory obligations which may result in withdrawal of approvals for our products.

Even after our products are approved, they 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 and other applicable jurisdictions where the product candidates are approved. For example, manufacturers and manufacturers' facilities are required to comply with extensive regulatory requirements from the NMPA 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.

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, 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.

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.

Changes in regulatory requirements may adversely affect our business.

In China 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. The implementation of cost containment measures or other healthcare reforms may prevent us from being able to commercialize our products and generate revenue.

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. For example, on June 25, 2018, a revised draft amendment to the Regulations on the Supervision and Administration of Medical Devices (《醫療器械監督管理條例修正案(草案送審稿)》) (the "**Draft Amendment to Medical Device Regulations**") was published by the Ministry of Justice for public comments. As a medical device company, if the Draft Amendment to Medical Device Regulations is passed, 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. Further, 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》), which encourages local governments to adopt the "Two Invoice System" on a case-by-case basis in order to reduce the circulation of high-value medical consumables and promote the transparency of purchase and sales. Please refer to the paragraphs headed "Regulatory Overview—Laws and Regulations Relating to Medical Devices—Two Invoice System" in this document for more details.

If our products are not covered in the medical insurance reimbursement list, our sales may decline or not achieve our expected levels.

Our ability to sell our products depends to a certain extent on the availability of governmental and private health insurance in China. For example, the TAVR procedure is reimbursable in certain countries, such as the U.S. As of the Latest Practicable Date, practice varies among provinces in the PRC for the reimbursement of TAVR procedures. China has a complex medical insurance system that is currently undergoing reform. Governmental insurance coverage or the reimbursement rates in China for treatments using new medical devices such as our products and product candidates are subject to uncertainty and vary from region to region, as local government approvals for such coverage must be obtained in each geographic region. In addition, the PRC government may change, reduce or eliminate the governmental insurance coverage currently available for treatments using our products. Please refer to the paragraphs headed "Regulatory Overview—Laws and Regulations Relating to Medical Devices—National Medical Insurance Program" in this document for more details.

We cannot assure you that our products and product candidates (upon commercialization) will be included in the medical insurance reimbursement list at all times, if at all. To the extent that our products are not included in the medical insurance reimbursement list or if any such insurance schemes are changed or canceled which result in any removal of our products from medical insurance catalogue, our sales may be adversely impacted or not able to achieve our expected levels, which may lead to a material and adverse effect on our business, results of operations and financial condition.

Risks Relating to Manufacture and Supply of Our Products

The manufacture of our products is highly complex and subject to strict quality controls. Our business could suffer if our products and product candidates are not produced in compliance with all the applicable quality standards.

The manufacture of many of our products is highly complex and subject to strict quality controls. We have established a quality control and assurance system and adopted standardized operating procedures in order to prevent quality issues with respect to our products and operation processes. For further details of our quality control and assurance system, please refer to the paragraphs headed "Business—Quality Control" in this document. Despite our quality control and assurance system and procedures, we cannot eliminate the risk of product defects or failure. Problems can arise during the manufacturing process for a number of reasons, including equipment malfunction, failure to follow protocols and procedures, defects or other issues in raw material, or human error. Furthermore, if contaminants are discovered in our products or product candidates or in our manufacturing facilities, we may need to close our manufacturing facilities for an extended period of time to investigate and remedy the contamination. Furthermore, failures and other issues relating to the manufacture of our products or product candidates could occur in the future. Disruptions can also occur during the implementation of new equipment and systems to replace aging equipment, as well as during production line transfers and expansions.

Failure of our products and product candidates to meet the requirements of the NMPA or other applicable regulatory bodies or our internal quality standard could result in patient injury or death, product recalls, safety alerts or withdrawals, license revocation or regulatory fines, product liabilities claims or other negative effects that could seriously harm our reputation, business and results of operations.

We mainly rely on our production facilities in Suzhou and Shanghai for the manufacturing of our products and product candidates; any disruptions to the operation of our production facilities could materially adversely affect our business, financial condition and results of operations.

We manufacture, assemble and test our products at our two production facilities, one on our self-owned properties in Suzhou, Jiangsu province and another located in our leased properties in Shanghai. During the Track Record Period, Jasper® Detachable Coil, Presgo® Detachable Coil, Presgo® Micro Guidewire, Presgo® Micro Catheter and Jasper® Power Supply were manufactured in our Shanghai production facility. The operation of our production facilities may be substantially interrupted due to a number of factors, many of which are outside of our control, including but not limited to fires, floods, earthquakes, power outages, fuel shortages, mechanical breakdowns, terrorist attacks and wars, loss of licenses, certifications and permits, changes in governmental planning for the land underlying these facilities, and regulatory changes.

If the operation of any of our production facilities is substantially disrupted, we may not be able to replace the equipment at such facilities, or use a different facility to continue production in a timely and cost-effective manner. As a result, we may fail to fulfill contract obligations or meet market demand for our products, and our business, revenue and profitability could be materially adversely affected.

We may be exposed to potential product liability claims and product recalls, and our insurance coverage may be inadequate to protect us from all the liabilities we may incur.

Our current products and product candidates are classified as Class II and Class III medical devices. Such classifications represent a high risk to the human body and requires a high level of supervision to ensure safety and effectiveness. We may be subject to product liability claims if our products have quality issues, including latent defects that can only be identified at a later stage. Complex medical devices, such as our transcatheter valve therapeutics medical devices and neurointerventional procedural medical devices, may sometimes experience problems resulting from the use of the products, including the way physicians use such products, which could require review and corrective action by the manufacturer. Component failures, manufacturing errors or design defects could result in danger or injuries to patients. Any serious failures or defects could cause us to withdraw or recall products, and subject us to product liability litigation. The occurrence of any market withdrawals or product recalls of our products may damage our brand name and may have a material adverse effect on our business, financial condition, results of operations and prospects. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material customer complaint or product return from customers. In December 2019, we implemented a class III recall in respect of one production batch of our Presgo® Detachable Coils (324 units in total, among which 144 units were sold to our distributors by the time of the recall). Based on the Measures for the Administration of Medical Device Recalls (《醫療器械召回管理辦法》), a class III recall refers to a recall of medical devices made in a situation where the circumstances leading to the recall are not likely to cause harm. The direct economic losses we suffered from this recall were immaterial. For details, please refer to the paragraphs headed "Business—Product Warranty, Return, Recall and Exchanges" in this document. Except for this recall, we had not experienced any other product recall during the Track Record Period and up to the Latest Practicable Date.

We have not purchased product liability insurance. If a product liability claim or a series of claims is brought against us and we are ultimately held liable for such claim or series of claims, our reputation, business, results of operations or financial condition will be materially and adversely affected.

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

To increase our production capacity in anticipation of our commercialization of a few product candidates (after obtaining the approval), we plan to expand our manufacturing capacity in our Suzhou production facility. 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. As of the Latest Practicable Date, we had obtained the production permit to manufacture the Yibida® Guiding Catheter in our Suzhou production facility. We plan to move the majority of our manufacturing to the Suzhou facility as we are applying for the medical device production permit for Jasper® Detachable Coil, Presgo® Micro Guidewire and Presgo® Micro Catheter. Once our application is approved, our Suzhou facility will become our principal manufacturing facility while our Shanghai facility will continue its operation. We may need to demonstrate that the products manufactured at the new facility are equivalent to the products manufactured at the former facility by physical and chemical methods. Regulatory authorities may also require clinical testing as a way to prove equivalency, which would result in additional costs and time. As a result, we may experience delays in obtaining the medical device production permit, or in the worst case scenario, we may fail to obtain such license.

Other than the risks relating to application of requisite licenses and permits, we could also face other risks in implementing our expansion plan, including construction delays, failure to adopt new manufacturing techniques, implement effective quality control, or recruit a sufficient number of qualified staff to support the increase in production capacity. Given the complexity of our products and product candidates, competition for qualified manufacturing staff is intense. New manufacturing staff are generally required to undergo approximately three months of training before they can commence work on our production lines. There can be no assurance that we will be able to increase our overall production capacity, develop advanced manufacturing techniques, process controls in the manner we contemplate or recruit a sufficient number of qualified manufacturing staff, or at all. In the event we fail to increase our production capacity, we may not be able to 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 not be able to find external subcontractors to help produce our products, and even if we could engage third parties to produce a portion of such products, we would be 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, and we could be subject to liabilities if such third parties deliver products and product candidates with latent defects.

We rely on a limited number of suppliers, and may not be able to secure a stable supply of qualified raw materials at all times or at all.

We rely on a limited number of third-party suppliers to supply key raw materials used in the research, development and manufacturing of our approved products and product candidates. Although we believe that we have stable relationships with our existing suppliers, we cannot assure you that we will be able to secure a stable supply of qualified raw materials at all times going forward. Particularly, we purchased bovine pericardium, one of the principal raw materials, mainly from two suppliers in Australia and New Zealand during the Track Record Period. The number of suppliers for bovine pericardium is limited due to the strict quality requirements. Such suppliers are subject to various regulations and are required to obtain and maintain various qualifications, government licenses and approvals. Particularly, a five-year supply agreement with one of our suppliers for bovine pericardium will expire in December 2020. We cannot assure you that we will be able to renew such agreement upon expiration, or identify an alternative qualified supplier. Further, the custom clearance procedures for importing raw materials including bovine pericardium could be lengthy and thus could adversely affect the timely supply of such raw materials. If any of these suppliers loses its qualification or eligibility for a variety of reasons including its failure to comply with regulatory requirements, or if we encounter lengthy custom clearance procedures to import certain of our raw materials, we may experience delays in the supply of our raw materials and interruption in our manufacturing process.

General economic conditions could also adversely affect the financial viability of our suppliers, resulting in their inability to provide materials and components used in the manufacture of our products. Furthermore, some of our suppliers are located outside China, therefore trade or regulatory embargoes imposed by foreign countries or China could result in delays or shortages of our raw materials that could harm our business. If we are unable to identify alternative materials or suppliers and secure approval for their use in a timely manner, our business could be harmed. Any 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.

An increase in the market price of our raw materials and components may adversely affect our profitability.

Our production processes require substantial amounts of raw materials and components. Some raw materials and components may be susceptible to fluctuations in price and availability. Significant fluctuations in raw material and component prices and availability will have a direct and negative impact on our gross margins. One of our principal raw materials is bovine pericardium that we procure from third-party suppliers. During the Track Record Period, the bovine pericardium was generally available and sufficient for our demands, and the price of bovine pericardium from our suppliers was generally stable. However, we cannot assure you that this will continue to be the case in the future. The prices of bovine pericardium 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 such as fires, outbreak of epidemics or diseases such as bovine spongiform encephalopathy 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.

Failure to manage our inventory effectively would materially and adversely affect our financial condition, results of operations and cash flows.

To operate our business successfully and meet our customers' demands and expectations, we must manage our inventory for our products effectively to ensure immediate delivery when required. Our inventory consists of raw materials, work in progress and finished goods. We regularly monitor our inventory to reduce the risk of overstocking. We physically count all of our raw materials, work in progress and finished goods on a monthly basis to identify products that are damaged, expired to soon-to-be expired. As our inventories are subject to impairment if their net realizable value falls before we sell them, a high inventory level would subject us to significant risk of impairment if there is a significant decrease in the net realizable value of our raw materials, work in progress, or finished goods within a short period of time. Any unexpected change in circumstances, such as a shift in market demand, decline in selling price, or default by or loss of a customer, could materially and adversely affect the net realizable value of our inventories.

Furthermore, as we will not be able to recoup our cash paid for raw materials during the production process until the finished products are sold to customers and the purchase price is settled, our business is subject to significant working capital requirements given the high inventory level and inventory turnover days. Please refer to the paragraphs headed "Business—Inventory Management" in this document. We cannot assure you that these measures will be effective and our inventory level will not increase in the future. If our inventory level increases in the future, our financial condition and cash flow could be materially and adversely affected.

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, the United States 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 research and development 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 research and development output in time to obtain patent protection. In addition, publications of discoveries in the scientific literature often lag behind the actual discoveries. For instance, in China and other jurisdictions, patent applications for inventions 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》) (the "**Patent Law**") promulgated by the Standing Committee of the National People's Congress, as amended, patent

applications for inventions are generally 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 (for example, in the United States). 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, the United States and other countries. We may be subject to a third-party pre-issuance submission of prior art to the CNIPA, the USPTO 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, the USPTO 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 the paragraph headed "Business—Intellectual Property Rights" in 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.

Failure to adequately protect our intellectual property rights may adversely affect our reputation and disrupt our business.

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.

Our success depends, in part, on our ability to protect our proprietary technologies. We have built a comprehensive intellectual property portfolio in China and other overseas jurisdictions to protect our technologies, inventions and know-how and ensure our future success with commercializing our products. Please refer to the paragraphs headed "Business—Intellectual Property Rights" in this document for more details. Due to the different regulatory bodies and varying requirements in these jurisdictions, we cannot assure you that we will be able to obtain patent protection for all or any aspects of our products in all or any of these jurisdictions. The process of seeking patent protection can be lengthy and expensive, and we cannot assure you that our patent applications will result in patents being issued, or that our existing or future issued patents will be sufficient to provide us with meaningful protection or commercial advantage. We cannot assure you that our current or potential competitors, many of which have substantial resources and have made substantial investments in competing technologies, do not have, and will not obtain, patents that will prevent, limit or interfere with our ability to make, use or sell our products in either China or other countries. In addition, 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.

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. 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, the USPTO and other patent agencies in several stages over the lifetime of the patent. The CNIPA, the USPTO 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. The United States has enacted and is currently implementing wide-ranging patent reform legislation. Recent U.S. Supreme Court rulings have narrowed the scope of patent protection available in certain circumstances and weakened the rights of patent owners in certain situations. There could be similar changes in the laws of other jurisdictions that may impact the value of our patent rights or our other intellectual property rights. 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, corporate collaborators, outside scientific collaborators, sponsored researchers, contract manufacturers, consultants, advisers and other third parties. We also enter into employment agreements or consulting agreements with our employees and consultants that include undertakings regarding assignment of inventions and discoveries. However, non-disclosure agreements with employees and related parties may not adequately prevent disclosures of our trade secrets and other proprietary information. 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, some 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 may have executed proprietary rights, non-disclosure and non-competition agreements in connection with such previous employment. Although we try to ensure that our employees do not use the proprietary information or know-how of others in their work for us, 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, consultants and contractors 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 OPERATIONS

Our business, results of operations and financial position could be adversely affected by the outbreak of COVID-19

There has been an outbreak of an infectious disease ("**COVID-19**") caused by a novel coronavirus. The first patient of COVID-19 was identified in Wuhan, Hubei province in late 2019, but as of the Latest Practicable Date, there has yet to be any concrete evidence as to the origin of the coronavirus. The disease quickly spread within the PRC and globally, and the affected cases and death tolls continued to increase. The World Health Organization (the "**WHO**") declared the outbreak a Public Health Emergency of International Concern on January 30, 2020, and on March 11, 2020, amid the escalating situation, the WHO further characterized COVID-19 as a global pandemic.

The outbreak, which has already resulted in a high number of fatalities, is likely to have an adverse impact on the livelihood of the people in and the economy of China, particularly Wuhan city and Hubei province. Although we do not have business operations in Hubei province, our business operation has also been, and may continue to be, negatively affected by the outbreak. For example, many hospitals in China allocated significant resources to contain COVID-19, and patients suffering from other diseases generally avoided going to hospitals in order to prevent being infected. As a result, many neurointerventional procedures were delayed or cancelled, and the demand for our neurointerventional procedural medical devices decreased. In addition, the production volume of our commercialized products decreased because as required by the competent authorities, we delayed the resumption of operation of our production facilities after the Chinese New Year, and the patient enrollment for the ongoing clinical trials for TaurusElite and Shenyi® Stent Retriever is also expected to be delayed because of the outbreak. Please refer to the paragraphs headed "Summary— Recent Developments and No Material Adverse Change" for a more detailed discussion of the relevant impact on us. In addition, we are uncertain as to when, or

whether, the outbreak will be contained, and we also cannot predict if the impact will be short-lived or long-lasting. If the outbreak of the coronavirus is not effectively controlled the negative impact on our business, results of operations and financial position may be even more material.

Our future success depends on our ability to retain key executives and to attract, hire, retain and motivate other qualified and highly skilled personnel.

We are highly dependent on Dr. Zhang, our Chief Executive Officer, Mr. Kongrong Karl Pan, our Chief Operating Officer, and other management members to help us successfully implement our business strategies. We do not maintain key person insurance for our management members. If any of them leaves us for any reason including starting their own business that competes with our business, our business, results of operations and prospects may be materially and adversely affected.

The success of our business also relies on our ability to attract, hire, retain and motivate qualified scientific, technical, clinical, manufacturing, and sales and marketing personnel, as well as other consultants and advisers, including scientific and clinical advisers, who assist us in formulating our development and commercialization strategies. Although we have entered into employment agreements and consulting agreements with each of our employees, consultants and advisers, they may terminate their agreements with us at any time. The loss of the services of any of them could impede the achievement of our research, development and commercialization objectives.

Furthermore, replacing executive officers, key employees and consultants 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 face difficulties for hiring and retaining talents and highly skilled personnel from time to time as our competitors may offer more attractive salary package, higher positions and better training opportunities to such talents. As a result, we may be unable to hire, train, retain or motivate these key personnel or consultants on acceptable terms given the competition among numerous medical device companies for similar personnel. We also experience competition for the hiring of research and development and clinical personnel from universities and research institutions. Our consultants and advisers may be engaged by our competitors and may have commitments under consulting or advisory contracts with other entities that may limit their availability to us. If we are unable to continue to attract and retain high quality personnel, our ability to pursue our growth strategy will be limited.

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

We are a development-stage medical device company with a relatively short operating history. Specifically, the operations of our transcatheter valve therapeutics business to date have primarily been focused on the pre-clinical studies and clinical trials of our TAVR product candidates, and we have not yet obtained any regulatory approval for any such product candidates. We have limited experience in the manufacturing, product registration, and sales and marketing in relation to such transcatheter valve therapeutics product candidates, and have not generated any revenue from them. With respect to our neurointerventional business, we are also still in early stages of their lifecycle.

As a result of our limited operating history, and particularly in light of the rapidly evolving nature of our industry, it may make it difficult to evaluate our current business and reliably predict our future performance. Our historical results of operations might not be indicative of our future performance, and we may encounter unforeseen expenses, difficulties, complications, delays and other known and unknown factors. If we cannot address these risks and difficulties successfully, our business and prospects will suffer.

We may encounter difficulties in managing our growth and expanding our operations successfully.

As we seek to advance our product candidates through clinical trials and commercialization, and further our commercialization of approved products, we plan to continue to expand our development, manufacturing, marketing and sales capabilities. Particularly, our growth strategies include (i) commercializing our product candidates, (ii) further strengthening our research and development capabilities, (iii) expanding our product portfolio, and (iv) continuing to synergize business and boost operational efficiency. Please refer to the paragraphs headed "Business—Our Strategies" in this document for more details. The success of our growth strategy will depend on, among other things, our ability to continue to innovate and develop advanced technologies in the highly competitive medical device market in China, maintain our efficient operating model, attract and retain skilled personnel who have the specialized skills needed to design, develop and manufacture medical devices, obtain and maintain regulatory approvals and effectively market our products using our network of distributors and our own sales and marketing team. However, we have limited operational, administrative and financial resources, which may be inadequate to sustain the growth we seek to achieve. In particular, in order to implement our growth strategy, we will need to increase our investment in, among other things, our research and development, manufacturing facilities, marketing and other areas of operations. If we are unable to manage our growth and expansion effectively, our business may be adversely affected.

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 medical devices is highly competitive. We face competition from other major companies focusing on the development of transcatheter valve therapeutic medical devices and neurointerventional procedural medical devices worldwide. A number of companies in the global and China markets currently market and sell transcatheter valve therapeutic medical devices and/or neurointerventional procedural medical devices, or are pursuing the development of such products for the treatment of valvular heart diseases and neurovascular diseases for which we are commercializing our products or developing our product candidates.

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, 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 the 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 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 our competitors may have significantly greater financial resources and expertise 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.

The medical device industry in China is rapidly evolving, and we may be unable to maintain or enhance our market share in this industry for a variety of reasons.

The medical device industry in China is rapidly evolving due to economic growth in China, changes in government policies and funding levels and other factors discussed in this document. We invest in research and development activities including various pre-clinical studies and clinical trials, build a robust distributor network, establish relationships with hospitals and physicians, implement necessary sales policies and discounts, as well as adjust our prices to distributors, from time to time depending on market conditions.

Our inability to adequately respond to changes in market conditions in a timely manner could have a material adverse effect on our business, financial condition, results of operation and return on capital expenditures, which could cause a decline in our growth rates, reduce our revenues, harm our ability to maintain our current market share in the transcatheter valve therapeutic medical device market and neurointerventional procedural medical device market or to achieve our targeted market share in future periods. If we cannot maintain our market position, our reputation may be materially and adversely affected which could adversely affect our relationships with physicians and hospital administrators and our long-term ability to effectively market and sell our products or conduct clinical trials for our new products.

We may be unable to develop and commercialize our product candidates as anticipated if the third parties with which we contract for and clinical trials do not perform in an acceptable manner, or if we suffer setbacks in these clinical trials.

We rely on third parties, including clinical trial institutions, public hospitals, CROs and SMOs, to assist us in designing, implementing and monitoring our clinical trials. If any of these parties terminates its agreements with us, the development of the product candidates covered by those agreements could be substantially delayed. In addition, these third parties may not successfully carry out their contractual obligations, meet expected deadlines or follow regulatory requirements, including clinical and manufacturing guidelines and protocols. Furthermore, if any of these parties fail to perform their obligations under our agreements with them in the manner specified in those agreements, the NMPA and/or other comparable regulatory authorities may not accept the data generated by those studies, which would increase the cost of and the development time for the relevant product candidate. If any of the pre-clinical studies or clinical trials of our product candidates is affected by any of the above-mentioned reasons, we will be unable to meet our anticipated development or commercialization timelines, which would have a material adverse effect on our business and prospects.

We have entered into collaborations, and may establish or seek collaborations or strategic alliances or enter into licensing arrangements in the future, and we may not realize the benefits of such collaborations, alliances or licensing arrangements.

We may from time to time establish or seek strategic alliances, form joint ventures or collaborations, or enter into licensing arrangements with third parties that we believe will complement or augment our development and commercialization efforts with respect to our product candidates and any future product candidates that we may develop. We face competition in seeking appropriate strategic partners and the negotiation process for the collaboration, alliances or licensing arrangements can be time-consuming and complex. Moreover, we may not be successful in our efforts to establish a strategic partnership or other alternative arrangements for our product candidates because they may be deemed to be at too early of a development stage for collaborative effort and third parties may not view our product candidates as having the requisite potential to demonstrate safety and efficacy or commercial viability. If and when we collaborate with a third party for the development and commercialization of a product candidate, we can expect to relinquish some or all of the control over the future success of that product candidate to the third party. For any products or product candidates that we may seek to in-license from third parties, we may face significant competition from other medical device companies with greater resources or capabilities than us, and any agreement that we do enter may not result in the anticipated benefits.

Further, collaborations involving our products and product candidates are subject to numerous risks, which may include the following:

- collaborators have significant discretion in determining the efforts and resources that they will apply to a collaboration;
- collaborators may not pursue development and commercialization of our product candidates or may elect not to continue or renew development or commercialization programs based on clinical trial results, or change their strategic focus due to the acquisition of competitive products, availability of funding, or other external factors, such as a business combination that diverts resources or creates competing priorities;
- collaborators may delay clinical trials, provide insufficient funding for a clinical trial, stop a clinical trial, abandon a product candidate, repeat or conduct new clinical trials, or require a new design of a product candidate for clinical testing;
- collaborators could independently develop, or develop with third parties, products that compete directly or indirectly with our products or product candidates;
- a collaborator with marketing and distribution rights to one or more products may not commit sufficient resources to their marketing and distribution;
- collaborators may not properly maintain or defend our intellectual property rights or may use our intellectual property or proprietary information in a way that gives rise to actual or threatened litigation that could jeopardize or invalidate our intellectual property or proprietary information or expose us to potential liability;
- disputes may arise between us and a collaborator that cause the delay or termination of the research, development or commercialization of our product candidates, or that result in costly litigation or arbitration that diverts management attention and resources;

- collaborations may be terminated and, if terminated, may result in a need for additional capital to pursue further development or commercialization of the applicable product candidates; and/or

- collaborators may own or co-own intellectual property covering our products that results from our collaborating with them, and in such cases, we would not have the exclusive right to commercialize such intellectual property.

As a result, we may not be able to realize the benefit of current or future collaborations, strategic partnerships or the license of our third-party products if we are unable to successfully integrate such products with our existing operations and company culture, which could delay our timelines or otherwise adversely affect our business. We also cannot be certain that, following a strategic transaction or license, we will achieve the revenue or specific net income that justifies such transaction. If we fail to enter into collaborations and do not have sufficient funds or expertise to undertake the necessary development and commercialization activities, we may not be able to further develop our product candidates or bring them to market and generate product sales revenue, which would harm our business prospects, financial condition and results of operations.

Acquisitions or strategic partnerships may increase our capital requirements, dilute our Shareholders, cause us to incur debt or assume contingent liabilities, and subject us to other risks.

To enhance our growth, we may acquire businesses, products, technologies or know-how or enter into strategic partnerships that we believe would benefit us in terms of product development, technology advancement or distribution network, among others. Any completed, in-process or potential acquisition or strategic partnership may entail numerous risks, including:

- increased operating expenses, including research and development expenses due to an increased number of product candidates, administrative expenses as well as selling and distribution expenses, which result in an increased cash requirements;

- the assumption of additional indebtedness or contingents;

- 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.

We may also discover deficiencies in internal controls, data adequacy and integrity, product quality and regulatory compliance, and product liabilities in businesses we acquire which we did not uncover prior to such acquisition. As a consequence, we may become subject to penalties, lawsuits or other liabilities. Further, any difficulties in the integration of acquired businesses, product or technologies or unexpected penalties, lawsuits or liabilities in connection with such businesses, product or technologies could have a material adverse effect on our business, financial condition and results of operation. 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.

It may be difficult for you to evaluate our business and our prospects due to our Group's limited operating history in its current form.

We acquired Achieva in March 2019, and have a limited history operating on a combined basis. The financial information included in this document includes financial information of our Group in its current state only from the date of the acquisition of Achieva from March 2019 through December 31, 2019. As a result of the limited track record of our Group in its current state, it may be difficult for you to evaluate our combined business, results of operations and prospects.

If we fail to successfully integrate the business of Achieva or any future targets into our operations, our post-acquisition performance and business prospects may be adversely affected.

We acquired Achieva in March 2019. However, we may not be able to integrate Achieva to achieve the expected synergies with our existing operations and to fulfill the contemplated purposes of the acquisition. These synergies are inherently uncertain, and are subject to significant business, economic and competitive uncertainties and contingencies, many of which are difficult to predict and may be beyond our control. Also, the synergies from our acquisition of Achieva may be offset by costs incurred in the acquisition, increases in other expenses, operating losses or other problems in the business. As a result, there can be no assurance that these synergies will be achieved.

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 could be subject to criminal sanctions or civil penalties if we violate any 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.

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. 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 or our business partners fail to protect patient data and privacy, our reputation will be damaged and we might be subject to fines or other regulatory punishments.

The personal information of patients or subjects for our clinical trials is highly sensitive and we are subject to strict requirements under the applicable privacy protect regulations in the relevant jurisdictions. Whilst we have adopted security policies and measures to protect our proprietary data and patients' privacy, privacy leakage incidents might not be avoided due to human error, employee misconduct or system breakdown. We also cooperate with third parties including principal investigators, hospitals, CROs and SMOs for our clinical trials. Any leakage or abuse of patient data by our third-party partners may be perceived by the patients as a result of our failure. Any failure or perceived failure by us to prevent information security breaches or to comply with privacy policies or privacy-related legal obligations, or any compromise of information security that results in the unauthorized release or transfer of personally identifiable information or other patient data, could cause our customers to lose trust in us and could expose us to legal claims. Whilst we have made efforts to ensure our compliance with the applicable privacy regulations in various jurisdictions, we may not be capable of adjusting our internal policies in a timely manner and any failure to comply with applicable regulations could also result in regulatory enforcement actions against us.

If our employees or distributors engage in bribery or corrupt practices or other improper conduct, we may be subject to liability and our reputation and business could be harmed.

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. We could be liable for actions taken by our employees or distributors that violate anti-bribery, anti-corruption and other related laws and regulations in China or other countries. The government authorities may seize the products involved in any illegal or improper conduct engaged in by our employees or distributors. We may be subject to claims, fines or suspension of our operations. Our reputation, our sales activities or the price of our Shares could be adversely affected if our Company is associated with any negative publicity as a result of illegal or improper actions, or allegations of illegal or improper actions, taken by our employees or distributors.

It is also possible that the Chinese government or other government authorities in countries where we sell our products could adopt new or different regulations affecting the way in which medical devices are sold to address bribery, corruption or other concerns. Any such new or different regulations could possibly increase the costs incurred by us, our distributors in selling our products or impose restrictions on sales and marketing activities, which could in turn increase our costs. As we currently depend substantially on distributors for the sale of our products, any misconduct by our distributors or changes in the regulatory environment regarding the sale of medical devices could have a material adverse impact on our business, financial condition and results of operations.

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 chemical materials and special equipment. Our operations also produce hazardous waste. We have entered into hazardous waste disposal agreements 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 insurance policies that cover losses arising from accidents and natural calamities in respect of our machinery, equipment, inventory and other fixed assets in our research and manufacturing facilities, this insurance may not provide adequate coverage against potential liabilities resulting from the use of or exposure to hazardous materials. 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.

We have historically received government grants and subsidies for our research and development activities and we may not receive such grants or subsidies in the future.

We have historically received government grants in the form of subsidies for certain of our product development projects. For the years ended December 31, 2018 and 2019, we recognized government grants of RMB2.3 million and RMB3.6 million, 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—Deferred Income" 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 research and development 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.

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 Incentive Schemes for the benefit of our directors, employees and certain consultants as remuneration for their services provided to us to incentivize and reward the eligible persons who have contributed to the success of our Company. For more details, please refer to the paragraphs headed "Appendix IV—Statutory and General Information—D. Share Incentive Schemes" in

this document. In 2018 and 2019, we incurred share-based compensation expenses for our employees of RMB269,000 and RMB17.4 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.

Fluctuations in exchange rates of the Renminbi could result in foreign currency exchange losses.

Certain of our bank balances and cash, other receivables, financial instruments issued to investors and other payables are denominated in foreign currencies. Therefore, we are exposed to foreign currency risk. We recorded exchange losses on financial instruments issued to investors under finance costs of RMB4.6 million in 2018. We recorded exchange gains on financial instruments issued to investors under finance costs of RMB2.4 million in 2019. The exchange rate of RMB against USD and other foreign currencies fluctuates is affected by, among other things, the policies of the PRC Government and changes in China's and international political and economic conditions, as well as supply and demand in the local market. It is difficult to predict how market forces or government policies may impact the exchange rate between RMB, USD, HKD or other currencies in the future. In addition, the PBOC regularly intervenes in the foreign exchange market to limit fluctuations in RMB exchange rates and achieve policies goals. There remains significant international pressure on the PRC Government to adopt a more flexible currency policy, which, together with domestic policy considerations, could result in a significant appreciation of RMB against USD, HKD or other foreign currencies.

The [**REDACTED**] from the [**REDACTED**] will be received in HKD. As a result, any appreciation of RMB against USD, HKD or any other foreign currencies may result in the decrease in the value of our [**REDACTED**] from the [**REDACTED**]. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. Any of these factors could materially and adversely affect our business, financial condition, results of operations and prospects, and could reduce the value of, and dividends payable on, our Shares in foreign currency terms.

We are exposed to risks in connection with the wealth management products we purchased.

We had financial assets at fair value through profit or loss of RMB15.0 million as at December 31, 2019, which were mainly related to the wealth management products we purchased. Pursuant to the Guidance on Regulating Financial Institution's Asset Management Business (《關於規範金融機構資產管理業務的指導意見》) promulgated by the People's Bank of China, the China Banking and Insurance Regulatory Commission, the China Security Regulatory Commission and the State Administration of Foreign Exchange on April 27, 2019, financial institutions selling wealth management products shall not guarantee the returns of principal and interest of such products. As a result, the returns of our investments on the wealth management products were not guaranteed, and therefore were measured at fair value through profit or loss. We are exposed to credit risks in relation to these financial assets, which may adversely affect their fair value. Net changes in their fair value are recorded as our other income or losses, and therefore directly affect our results of operations. We may continue to invest in wealth management products in the future when we believe that we have surplus cash on-hand and the potential investment returns are attractive. However, there can be no assurance that our internal management and investment strategy will be effective and adequate with respect to our purchased wealth management products. We cannot guarantee that we will not experience losses with respect to such investments in the future or that such losses or other potentially negative consequences due to such investments will not have material adverse effects on our business, results of operations and prospects.

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 research and development 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 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.

Third parties including research institutions, CROs, SMOs, distributors and suppliers on whom we may rely to research, develop, produce, promote, sell and distribute our products, may be required to obtain, maintain and renew various permits, licenses and certificates to develop, produce, promote and sell our products. Third parties on whom we rely may also be 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 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 such third parties' business, and if 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 parties on whom we rely to obtain any additional permits, licenses or certificates that were previously not required to operate their respective businesses, there can be no assurance that parties on whom we rely will successfully obtain such permits, licenses or certificates, which in turn will adversely affect our ability to conduct our business.

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, inventories 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.

We have limited insurance coverage to adequately cover all the risks and hazards associated with our operations.

We operate in the medical device industry, which involves numerous operating risks and occupational hazards. We maintain certain insurance policies as of the Latest Practicable Date. For example, we maintain insurance policies that cover losses arising from accidents and natural calamities in respect of our machinery, equipment, inventories and other fixed assets in our research and manufacturing facilities. We do not maintain product liability insurance policies. For more details of our insurance policies, please refer to the paragraphs headed "Business—Insurance" in this document.

We cannot assure you that the existing insurance coverage is sufficient to compensate for actual losses suffered or incurred. To the extent that such losses or payments are not insured or the insured amount is not adequate, the payments that we may be required to make may have a material and adverse effect on our business, results of operations and financial condition. For the specific risks of inadequate insurance coverage in the event of product liability claims, please refer to the paragraphs headed "We may be exposed to potential product liability claims and product recalls, and our insurance coverage may be inadequate to protect us from all the liabilities we may incur" in this section.

Our business significantly depends on our reputation and customer perception of us, and any negative publicity on us or other harm to our reputation or failure to maintain and enhance our recognition and reputation may materially adversely affect our business, financial condition and results of operations.

Our reputation and customer perception of our brand are critical to our business. Maintaining and enhancing our reputation and recognition depend primarily on the quality and consistency of our products, as well as continued promotion efforts.

Our promotion efforts may be expensive and ineffective. In addition, our reputation and customer perception of our Company could suffer in events that:

- our products fail to gain acceptance by patients, doctors and hospitals;
- our products are defective or malfunction;
- lawsuits or regulatory investigations are instituted against us or relating to our products or industry;
- we provide poor or ineffective customer service; or
- we are subject to product liability claims.

If we are unable to maintain and further enhance our reputation and recognition, our ability to attract and retain customers may be impeded and our business prospects may be materially adversely affected. Any negative incident or negative publicity concerning us, our products, our management, our employees and our distributors, regardless of its veracity, could harm our image and diminish the trust from our customers and the market, which could in turn result in decreased sales of our products and materially and adversely affect our business. 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.

Failure to make adequate statutory social welfare contribution for our employees may subject us to penalties.

Pursuant to PRC laws and regulations, we are required to participate in the employee social welfare plan administered by local governments. Such plan consists of pension insurance, medical insurance, work-related injury insurance, maternity insurance, unemployment insurance and housing provident fund. The amount we are required to contribute for each of our employees under such plan should be calculated based on the employee's actual salary level of previous year, and be subject to a minimum and maximum level as from time to time prescribed by local authorities. During the Track Record Period, we did not pay social insurance and housing provident fund in full for our employees based on their actual salary level. As a result, we may be required by competent authorities to pay the outstanding amount, and could be subject to late payment penalties or enforcement application made to the court. As of the Latest Practicable Date, no competent government authorities had imposed administrative action, fine or penalty to us with respect to this non-compliance incident nor had any competent government authorities required us to settle the outstanding amount of social insurance payments and housing provident fund contributions. We have made provisions for the outstanding balance of relevant social insurance payments and housing provident fund contributions according to applicable PRC regulations. As of December 31, 2018 and December 31, 2019, our provision amount were approximately RMB0.5 million and RMB1.7 million for social insurance underpayment and housing provident fund underpayment (including the provision of Achieva after our acquisition of Achieva in March 2019), respectively. For more details, please refer to the paragraphs headed "Business—Employees" in this document.

On July 20, 2018, the General Office of the Communist Party of China and the General Office of the State Council of the PRC issued the Reform Plan of the State Tax and Local Tax Collection Administration System (《國稅地稅徵管體制改革方案》) (the "**Reform Plan**"). Pursuant to the Reform Plan, starting from January 1, 2019, tax authorities shall be responsible for the collection of social insurance contributions in the PRC. However, no specific implementing rules for the Reform Plan have been issued, and the effect of the Reform Plan is uncertain at the current stage. We cannot guarantee that the amount of social insurance contributions we would be required to pay will not increase, nor that we would not be required to pay any shortfalls or be subject to any penalties or fines, any of which may have a material adverse effect on our business and results of operations.

We cannot assure you that the competent local government authorities will not require us to pay the outstanding amount within a specified time limit or impose late fees or fines on us, which may materially and adversely affect our financial condition and results of operations.

Risks relating to our failure to complete property leasing registrations for our lease properties

As of the Latest Practicable Date, we leased properties of a total gross floor area of 1,456.3 sq.m. Pursuant to the applicable PRC laws and regulations, property lease agreements must be registered with the local branch of the Ministry of Housing and Urban-Rural Development of the PRC. As of the Latest Practicable Date, we had not completed the relevant property leasing registrations for our leased properties. According to our PRC Legal Advisers, the failure to complete the registration process does not affect the validity of the property lease agreements but a maximum penalty of RMB10,000 may be imposed on us for the non-registration of each lease. We cannot assure we will not be subject to any penalties arising from the non-registration of lease agreements and any disputes arising out of our leased properties in the future.

RISKS RELATING 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 the majority of our 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 transcatheter valve therapeutic medical devices and neurointerventional procedural medical devices in China.

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, and 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.

The majority 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 substantially all of our assets are located in the PRC. In addition, a majority of our Directors 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 and senior management personnel, including with respect to matters arising under the U.S. 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. Under the EIT Law of the PRC, our offshore subsidiaries may therefore be subject to PRC income tax on their worldwide taxable income.

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 the Shares and the tax rate applicable thereto are known to us.

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 non-resident 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 HKSCC Nominees). 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.

There remains significant uncertainty as to the interpretation and application of the relevant PRC tax laws by the PRC tax authorities, including whether and how individual income tax or EIT on gains derived by holders of our Shares from their disposition of our Shares may be collected. If any such tax is collected, the value of our Shares may be materially and adversely affected.

Under the EIT Law, an enterprise established outside the PRC with "de facto management bodies" within China is considered a "resident enterprise," meaning that it is treated in a manner similar to a Chinese enterprise for PRC EIT purposes. The implementing rules of the EIT Law define "de facto management bodies" as "management bodies that exercise substantial and overall management and control over the production and operations, personnel, accounting, and properties" of the enterprise. In addition, the Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated

Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (《國家税務局關於境外註冊中資控股企業依據實際管理機構標準以定為居民企業有關問題的通知》), or Circular 82, specifies that certain Chinese-controlled offshore incorporated enterprises, defined as enterprises incorporated under the laws of foreign countries or territories and that have PRC enterprises or enterprise groups as their primary controlling shareholders, will be classified as resident enterprises if all of the following are located or resident in China: (i) senior management personnel and departments that are responsible for daily production, operation and management; (ii) financial and personnel decision-making bodies; (iii) key properties, accounting books, company seal, and minutes of board meetings and shareholders' meetings; and (iv) half or more of senior management or directors having voting rights. State Administration of Taxation of the PRC, or the SAT, has subsequently provided further guidance on the implementation of Circular 82.

As substantially all of the operational management of our Company is currently based in the PRC, our offshore subsidiaries may be deemed to be "PRC resident enterprises" for the purpose of the EIT Law. If our offshore subsidiaries are deemed PRC resident enterprises, they could be subject to the EIT at 25% on our global income, except that the dividends we receive from our PRC subsidiaries may be exempt from the EIT to the extent such dividend income constitutes "dividends received by a PRC resident enterprise from its directly invested entity that is also a PRC resident enterprise." It is, however, unclear what type of enterprise would be deemed a "PRC resident enterprise" for such purposes. The EIT on our subsidiaries' global income could significantly increase our tax burden and adversely affect our cash flows and profitability.

The discontinuation of any preferential tax treatment currently available to us could adversely affect our results of operations, cash flow and prospects.

During the Track Record Period, we enjoyed preferential tax treatment. For example, Achieva Shanghai has obtained the "High and New Technology Enterprise" accreditation and, accordingly, was entitled to a preferential income tax rate of 15% on its estimated assessable profits from 2016 to 2018. In addition, we enjoyed super deduction of 175% of qualifying research and development expenses as tax deductible expenses during the Track Record Period, pursuant to the relevant laws and regulations promulgated by the State Administration of Taxation of the PRC which has been effective from 2018 onwards. The tax effect of the super deduction for research and development expenses was RMB5.2 million and RMB10.3 million for 2018 and 2019, respectively. For more details on the preferential tax treatments, please refer to the paragraphs headed "Financial Information—Description of Selected Components of Consolidated Statements of Comprehensive Loss—Income Tax Expenses" and Note 12 of Appendix I to this document.

Our eligibility to receive these preferential tax treatment requires that we continue to qualify for them. The incentives are provided to us at the discretion of the central government or relevant local government authorities, which could determine at any time to eliminate or reduce these preferential tax treatment, generally with prospective effect. Since our receipt of the preferential tax treatment is subject to periodic time lags and changing government practice, as long as we continue to receive these preferential tax treatment, our net income in a particular period may be higher or lower relative to other periods depending on the potential changes in these preferential tax treatment in addition to any business or operational factors that we may otherwise experience. The discontinuation of preferential tax treatment currently available to us could have an adverse effect on our financial condition, results of operations, cash flows and prospects.

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 and joint ventures 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. A substantial portion of our revenue is denominated in RMB. Shortages in availability of foreign currency may then restrict our ability to remit sufficient foreign currency to our offshore entities for our offshore entities to pay dividends or make other payments or otherwise to satisfy our foreign currency denominated obligations. 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 and our PRC subsidiaries 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. Since a portion of our revenue is denominated in RMB, any existing and future restrictions on currency exchange may limit our ability to utilize revenue generated in RMB to fund our business activities outside of the PRC or pay dividends in foreign currencies to holders of our Shares. 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 for our subsidiaries.

Regulations relating to offshore investment activities by PRC residents may subject us to fines or sanctions imposed by the PRC government, including restrictions on our PRC subsidiary's abilities to pay dividends or make distributions to us and our ability to increase our investment in our PRC subsidiary.

The SAFE has promulgated several regulations requiring PRC residents to register with PRC government authorities before engaging in direct or indirect offshore investment activities, including Circular of the State Administration of Foreign Exchange on the Administration of Foreign Exchange Involved in Overseas Investment, Financing and Roundtrip Investment through Special Purpose Vehicles Conducted by domestic Residents in China via Special-Purpose Companies (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) ("**SAFE Circular 37**"), issued and effective on July 4, 2014. SAFE Circular 37 requires PRC residents to register with local branches of the SAFE in

connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with assets or equity interests of onshore companies or offshore assets or interests held by the PRC residents, referred to in SAFE Circular 37 as a "special purpose vehicle." SAFE Circular 37 further requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle. If a shareholder who is a PRC citizen or resident does not complete the registration with the local SAFE branches, the PRC subsidiaries of the special purpose vehicle may be prohibited from distributing their profits and proceeds from any reduction in capital or liquidation to the special purpose vehicle, and the special purpose vehicle may be restricted to contribute additional capital to its PRC subsidiaries. Moreover, failure to comply with the various SAFE registration requirements described above may result in liabilities for the PRC resident under PRC laws for evasion of applicable foreign exchange restrictions, including (1) the requirement by the SAFE to return the foreign exchange remitted overseas within a period of time specified by the SAFE, with a fine of up to 30% of the total amount of foreign exchange remitted overseas and deemed to have been evasive and (2) in circumstances involving serious violations, a fine of no less than 30% of and up to the total amount of remitted foreign exchange deemed evasive. For details, please refer to the paragraphs headed "History, Development and Corporate Structure—PRC Legal Compliance—Circular 37" in this document.

We may not at all times be fully aware or informed of the identities of all our beneficiaries who are PRC nationals, and may not always be able to compel our beneficiaries to comply with the requirements of SAFE Circular 37. As a result, we cannot assure you that all of our Shareholders or beneficiaries who are PRC nationals will at all times comply with, or in the future make or obtain and applicable registrations or approvals required by SAFE Circular 37 or other related regulations.

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 event that China and/or the countries from which we import raw materials 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. We also sell a small portion of our products to certain foreign countries and may continue to do so in the future. Our business is therefore subject to constantly changing international economic, regulatory, social and political conditions, and local conditions in foreign countries and regions. It is notably that the United States government has recently made significant changes in its trade policy and has taken certain actions that may materially impact international trade, such as announcing import tariffs which have led to other countries, including China and members of the European Union, imposing tariffs against the United States in response. These trade wars may escalate going forward and may result in certain types of goods, such as advanced R&D equipment and materials, becoming significantly more expensive to procure from overseas suppliers or even becoming illegal to export. Furthermore, 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. Tensions and political concerns between China and the relevant foreign countries or regions may therefore adversely affect our business, financial condition, results of operations, cash flows and prospects.

RISKS RELATING 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 initial [**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 [**REDACTED**] 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 [●] 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.

You will incur immediate and significant dilution and raising additional capital may cause further dilution or restrict our operation.

The [**REDACTED**] of the [**REDACTED**] is higher than the net tangible asset value per Share immediately prior to the [**REDACTED**]. Therefore, purchasers of the [**REDACTED**] in the [**REDACTED**] will experience an immediate dilution in pro forma consolidated net tangible asset value. There can be no assurance that if we were to immediately liquidate after the [**REDACTED**], any assets will be distributed to Shareholders after the creditors' claims. If we raise additional capital through the sale of equity or convertible debt securities, your ownership interest will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect your rights as a shareholder. Debt financing and preferred equity financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures, limitations on our ability to acquire or license intellectual property rights or declaring dividends, or other operating restrictions.

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 indicative* [REDACTED] *range in this document.

The [**REDACTED**] to the public of our Shares sold in the public market is expected to be determined on the [**REDACTED**]. However, the Shares will not commence trading 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 [**REDACTED**] 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 indicative [**REDACTED**] range 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.10 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.10. 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 continue the research and development activities of our product candidates to commercialization, strengthen our research and development capabilities, and to expand our product portfolio, among others. For details, please refer to the "Future Plans and Use of [**REDACTED**]—Use of [**REDACTED**]" in this document.

However, our management will have discretion as to the actual application of our net proceeds. 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 transcatheter valve therapeutic medical devices and neurointerventional procedural medical device industry may not be fully reliable.

Facts, forecasts and statistics in this document relating to the transcatheter valve therapeutic medical device industry and neurointerventional procedural medical 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 Frost & Sullivan that we commissioned. However, we cannot guarantee the quality or reliability of these sources. Neither we, the Joint Sponsors, 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.

In preparation for the [**REDACTED**], our Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules and exemptions from compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 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 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 China. Our Company considers that the Group's management is best able to attend to its functions by being based in the PRC. 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 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) pursuant to Rule 3.05 of the Listing Rules, we have appointed and will continue to maintain two authorized representatives, namely Ms. Hong Ye, our executive Director and the Board Secretary of our Company and Ms. Pui Chun Hannah Suen, our company secretary, to be the principal communication channel at all times between the Stock Exchange and our Company. Each of our authorized representatives will be readily contactable by the Stock Exchange by telephone and/or e-mail to promptly deal with enquiries from the Stock Exchange. Both of our authorized representatives are authorized to communicate on our behalf with the Stock Exchange;

b) we will implement a policy to provide the contact details of each Director (such as mobile phone numbers, office phone numbers, residential phone numbers, email addresses and fax numbers, if any) to each of the authorized representatives and to the Stock Exchange. This will ensure that the authorized representatives and the Stock Exchange will have the means to contact all Directors (including the independent non-executive Directors) promptly as and when required, including a means to communicate with our Directors when they are traveling;

c) we will ensure that all Directors who are not ordinarily resident in Hong Kong have valid travel documents to visit Hong Kong and will be able to come to Hong Kong to meet with the Stock Exchange within a reasonable period of time when required;

d) we have retained the services of Maxa Capital Limited as the compliance adviser (the "Compliance Adviser") in accordance with Rule 3A.19 of the Listing Rules. The Compliance Adviser will serve as an alternative channel of communication with the Stock Exchange in addition to the authorized representatives of our Company. The Compliance Adviser will provide our Company with professional advice on ongoing compliance with the Listing Rules. We will ensure that the Compliance Adviser has prompt access to our Company's authorized representatives and Directors who will provide to the Compliance Adviser such information and assistance as the Compliance Adviser may need or may reasonably request in connection with the performance of the Compliance Adviser's duties. The Compliance Adviser will also provide advice to us in compliance with Rule 3A.23 of the Listing Rules;

e) meetings between the Stock Exchange and our Directors could be arranged through the authorized representatives or the Compliance Adviser, or directly with our Directors within a reasonable time frame; and

f) we maintain a principal place of business in Hong Kong.

Our Company will inform the Stock Exchange as soon as practicable in respect of any change in the authorized representatives and/or the Compliance Adviser in accordance with the Listing Rules.

WAIVER AND EXEMPTION IN RELATION TO THE SHARE OPTION PLAN

Under the Third Schedule to the Companies (Winding up and Miscellaneous Provisions) Ordinance, this document of the Company is required to include, among other things, details of the number, description and amount of any shares in or debentures of the Company which any person has, or is entitled to be given, an option to subscribe for, together with certain particulars of each option, namely the period during which it is exercisable, the price to be paid for the Shares or debentures subscribed for under it, the consideration (if any) given or to be given for it and the names and addresses of the persons to whom it was given.

Under Rule 17.02(1)(b) of the Listing Rules, a new listing applicant must disclose in the prospectus full details of all outstanding options. Paragraph 27 of Part A of Appendix 1 to the Listing Rules also requires the disclosure of particulars of any capital of any member of the Group which is under option, or agreed conditionally or unconditionally to be put under option, including the consideration for which the option was or will be granted and the price and duration of the option, and the name and address of the grantees.

According to the Guidance Letter HKEx-GL11-09 (July 2009) (Updated in March 2014), the Stock Exchange would normally grant waivers from disclosing the names and addresses of certain grantees if the issuer could demonstrate that such disclosures would be irrelevant and unduly burdensome, subject to certain conditions specified therein.

As of the Latest Practicable Date, our Company had granted options under the Share Option Plan to 184 grantees, including a total of eight Directors and senior management and other connected persons of our Company and 176 other employees, former employees or consultants of our Group, to subscribe for an aggregate of [**REDACTED**] Shares (as adjusted after [**REDACTED**]), representing [**REDACTED**]% of the total number of Shares in issue immediately after completion of the [**REDACTED**] (assuming there will be no allotment or issuance of Shares, whether pursuant to the exercise of the [**REDACTED**], or under the Share Incentive Schemes), on the terms set out in the paragraph headed "Statutory and General Information—D. Share Incentive Schemes—1. Share Option Plan" in Appendix IV to this document.

Amongst the total number of Shares granted under the Share Option Plan, as of the Latest Practicable Date, awards of options for an aggregate of 35,675,766 Shares (as adjusted after [**REDACTED**]) representing [**REDACTED**]% of the total number of Shares in issue immediately after completion of the [**REDACTED**] (assuming there will be no allotment or issuance immediately after completion of the [**REDACTED**], whether pursuant to the exercise of the [**REDACTED**] or under the Share Incentive Schemes) have been granted to eight eligible participants (being a Director or member of the senior management) by the Company under the Share Option Plan. For details, please refer to the section headed "Statutory and General information—D. Share Incentive Schemes—1. Share Option Plan" in Appendix IV to this document.

Our Company has applied to the Stock Exchange and the SFC, respectively for, (i) a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of, and paragraph 27 of Part A of Appendix 1 to, the Listing Rules; and (ii) a certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting our Company from strict compliance with the disclosure requirements under paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, on the ground that strict compliance with the above requirements would be unduly burdensome for our Company for the following reasons:

(a) given that 184 grantees are involved, strict compliance with such disclosure requirements in setting out full details of all the grantees under the Share Option Plan in the document would be costly and unduly burdensome for our Company in light of a significant increase in cost and timing for information compilation, document preparation and printing;

(b) as of the Latest Practicable Date, among all the grantees, eight grantees were Directors or, the senior management or other connected persons of our Company and the remaining 176 grantees are only employees, former employees or consultants of our Group, and strict compliance with the Share Option Disclosure Requirements to disclose names, addresses, and entitlements on an individual basis in this document will therefore require about 16 pages of additional disclosure that does not provide any material information to the investing public;

(c) given the nature of the business of our Company, it is extremely important for our Company to recruit and retain talents and the success of our Company's long-term development plan will very much depend on the loyalty and contribution of the grantees;

(d) the grant and exercise in full of the options under the Share Option Plan will not cause any material adverse impact to the financial position of our Company;

(e) non-compliance with the above disclosure requirements would not prevent our Company from providing its potential investors with an informed assessment of the activities, assets, liabilities, financial position, management and prospects of our Company; and

(f) material information relating to the options under the Share Option Plan will be disclosed in this document, including the total number of Shares subject to the Share Option Plan, the exercise price per Share (if applicable), the potential dilution effect on the shareholding and impact on earnings per Share upon full allotment and issuance under the Share Option Plan. Our Directors consider that the information that is reasonably necessary for potential investors to make an informed assessment of our Company in their investment decision making process has been included in this document.

In light of the above, our Directors are of the view that the grant of the waiver and exemption sought under this application will not prejudice the interests of the investing public.

The Stock Exchange has [agreed] to grant to our Company a waiver under the Listing Rules on the conditions that:

(a) full details of the options granted under the Share Option Plan to each of our Directors, the senior management and the other connected persons of our Company, as well as employees, former employees or consultants of our Group who had received outstanding options of 400,000 shares or more, will be disclosed in the paragraph headed "Statutory and General Information—D. Share Incentive Schemes—1. Share Option Plan" in Appendix IV to this document as required under Rule 17.02(1)(b) of, and paragraph 27 of Part A of Appendix 1 to, the Listing Rules, and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;

(b) for the remaining grantees (being the other grantees who are not Directors, the senior management or other connected persons of our Company, or who, as employees, former employees or consultants of our Group, did not receive outstanding options of 400,000 shares or more), disclosure will be made, on an aggregate basis, of (1) their aggregate number of grantees and number of Shares underlying the options under the Share Option Plan, (2) the consideration paid for the grant of the options under the Share Option Plan (if any), and (3) the exercise period and the exercise price of the options granted under the Share Option Plan;

(c) there will also be disclosure in this document for the aggregate number of Shares underlying the Share Option Plan and the percentage of our Company's total issued share capital represented by such number of Shares;

(d) the dilutive effect and impact on earnings per Share upon the full exercise of the options under the Share Option Plan will be disclosed in the paragraph headed "Statutory and General Information—D. Share Incentive Schemes—1. Share Option Plan in Appendix IV to this document;

(e) a summary of the major terms of the Share Option Plan will be disclosed in the paragraph headed "Statutory and General Information—D. Share Incentive Schemes—1. Share Option Plan" in Appendix IV to this document;

(f) the particulars of the waiver will be disclosed in this document;

(g) a full list of all the grantees (including those persons whose details have already been disclosed in this document) who have been granted options under the Share Option Plan, containing all the particulars as required under the Share Option Disclosure Requirements, will be made available for public inspection in accordance with the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix V to this document;

(h) further information relating to the grantees who have been granted options is provided to the Stock Exchange; and

(i) the grant of certificate of exemption under the Companies (Winding Up and Miscellaneous Provisions) Ordinance from the SFC exempting our Company from the disclosure requirements provided in paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

The SFC [has agreed to grant] to our Company the certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance on condition that:

(a) full details of the options under the Share Option Plan granted to each of our Directors, the senior management of our Group and the other connected persons of our Company, as well as employees, former employees or consultants of our Group who had received outstanding options of 400,000 shares or more, will be disclosed in the paragraph headed "Statutory and General Information—D. Share Incentive Schemes—1. Share Option Plan in Appendix IV to this document, as required by paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;

(b) for the remaining grantees (being the other grantees who are not Directors, the senior management or other connected persons of our Company, or who, as employees, former employees or consultants of our Group, did not receive outstanding options of 400,000 shares or more), disclosure will be made of, on an aggregate basis, (1) their aggregate number of grantees and the number of Shares underlying the options under the Share Option Plan, (2) the consideration paid for the grant of the options under the Share Option Plan (if any), and (3) the exercise period and the exercise price for the options granted under the Share Option Plan;

(c) a full list of all the grantees (including those persons whose details have already been disclosed in this document) who have been granted options under the Share Option Plan, containing all the particulars as required in paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, will be made available for public inspection, as described in the paragraph headed "Documents Available for Inspection" in Appendix V to this document; and

(d) the particulars of the exemption will be disclosed in this document.

Further details of the Share Option Plan are set forth in the section headed "Statutory and General Information—D. Share Incentive Schemes—1. Share Option Plan" in Appendix IV to this document.

EXEMPTION IN RESPECT OF FINANCIAL STATEMENTS IN THIS DOCUMENT

Section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires all prospectuses to include matters specified in Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, and set out the reports specified in Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Paragraph 27 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires a company to include in its prospectus a statement as to the gross trading income or sales turnover (as the case may be) of the company during each of the three financial years immediately preceding the issue of the prospectus, 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.

Paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance further requires the company to include in its prospectus a report by the auditors of the company with respect to (i) the profits and losses of the company and (ii) the assets and liabilities of the company for each of the three financial years immediately preceding the issue of the prospectus.

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

Section 342A(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance provides that the SFC may issue, subject to such conditions (if any) as the SFC thinks fit, a certificate of exemption from the compliance with the relevant requirements 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 interests of the investing public and compliance with any or all of such requirements would be irrelevant or unduly burdensome, or would otherwise be 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 this document be included in the Accountants' Report to this document.

The Listing Rules require that an eligible biotech company 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 accountants' report of our Company set out in Appendix I to this document is currently prepared to cover the two financial years ended December 31, 2019.

As such, the Joint Sponsors have applied on behalf of our Company to the SFC for a certificate of exemption from 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 regarding the inclusion of the accountants' report covering the full three financial years immediately preceding the issue of this document on the following grounds:

(i) Our Company is primarily engaged in the research and development, application and commercialization of medical devices, and falls within the scope of biotech company as defined under Chapter 18A of the Listing Rules. Our Company will fulfil the additional conditions for listing applicable to a Chapter 18A company;

(ii) the Accountants' Report for each of the two financial years ended December 31, 2018 and 2019 has been prepared and is set out in Appendix I to this document in accordance with Rule 18A.06 of the Listing Rules;

(iii) notwithstanding that the financial results set out in this document are only for the two financial years ended December 31, 2018 and 2019 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;

(iv) given that our Company is only required to disclose its financial results for the two financial years ended December 31, 2018 and 2019 in accordance with Chapter 18A of the Listing Rules and preparation of the financial results for the year ended December 31, 2017 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

(v) the Accountant's Report covering the two financial years ended December 31, 2018 and 2019, 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 that 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.

The SFC has [granted] a certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting our Company from strict compliance with section 342(1)(b) 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 on the condition that particulars of the exemption are set out in this document and that this document will be issued on or before [**REDACTED**].

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

DIRECTORS

Name	Address	Nationality
Executive Directors		
Yi ZHANG (張一)	No. 170 1 Xiu Yan Road Kangqiao Town Pudong New Area Shanghai PRC	American
Ping Ye ZHANG (張葉萍)	No. 170 1 Xiu Yan Road Kangqiao Town Pudong New Area Shanghai PRC	American
Hong YE (葉紅)	No. 141, Baoli-Linyuxi 68 West Xiuyan Road Pudong New Area Shanghai PRC	Canadian
Non-executive Directors		
Zhiyun YU (喻志雲)	Room 7C, Block 5 No. 801 Wuding Road Jing'an District Shanghai PRC	Chinese
Jifeng GUAN (關繼峰)	Suite 801, Door 1 Block 11, Qixian Village Haidian District Beijing PRC	Chinese
Fei CHEN (陳飛)	Room 92-501 Lane 88 Guoxiu Road Shanghai PRC	Chinese

Name	Address	Nationality
Bing SHANG (尚兵)	Room 25-102 Shanghai Tan Huayuan Yang Fang South District Lane 506 Ru Shan Road Pudong New Area Shanghai PRC	Chinese
Independent Non-executive Directors		
Stephen Newman OESTERLE	2410 Oliver Ave. S. Minneapolis MN 55405 USA	American
Robert Ralph PARKS	176 South Beach Road Hobe Sound Florida 33455 USA	American
Wayne WU	741 Barracuda Way Laguna Beach California 92651 USA	American
Wai Ming YIP (葉偉明)	Flat H, 38/F Tower 6, Sorrento 1 Austin Road West Tsim Sha Tsui Kowloon Hong Kong	Chinese

For further information regarding our Directors, please refer to the section headed "Directors and Senior Management" in this document.

PARTIES INVOLVED IN THE [REDACTED]

Joint Sponsors and [REDACTED]	**Morgan Stanley Asia Limited** 46/F, International Commerce Centre 1 Austin Road West Kowloon Hong Kong **Huatai Financial Holdings (Hong Kong) Limited** 62/F, The Center 99 Queen's Road Central Hong Kong [**REDACTED**]
Legal Advisers to our Company	*As to Hong Kong & U.S. laws:* **O'Melveny & Myers** 31/F, AIA Central 1 Connaught Road Central Hong Kong *As to PRC law:* **Hengtai Law Offices** Suite 1701, North Tower Shanghai Stock Exchange Building 528 Pudong Nan Lu Shanghai, PRC

Jingtian & Gongcheng Law Firm
45/F, K. Wah Centre
1010 Huaihai Road (M)
Xuhui District
Shanghai, PRC

As to Cayman Islands law:

Campbells
Floor 35, Room 3507, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

As to PRC intellectual property laws

Guangdong Junlong Law Firm
Room A509
Zhongdi Building
High-Tech Industrial Park
Nanshan District
Shenzhen, PRC

Legal Advisers to the [REDACTED]

As to Hong Kong & U.S. laws:

Herbert Smith Freehills
23/F, Gloucester Tower
15 Queen's Road Central
Hong Kong

As to PRC law:

Commerce & Finance Law Offices
6/F, NCI Tower
A12 Jianguomenwai Avenue
Chaoyang District
Beijing, PRC

Auditor and Reporting Accountants

PricewaterhouseCoopers
Certified Public Accountants and Registered Public Interest Entity Auditor
22/F, Prince's Building
Central
Hong Kong

Industry Consultant

Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.
Room 1018, Tower B
Greenland Hui Center
No. 500 Yunjin Road
Xuhui District
Shanghai, PRC

Compliance Adviser	**Maxa Capital Limited** Unit 1908 Harbour Center 25 Harbour Road Wanchai Hong Kong
	[**REDACTED**]

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*Certain information and statistics set out in this section have been extracted from various official government publications, market data providers and an Independent Third Party source, Frost & Sullivan. The report (the "**Frost & Sullivan Report**") prepared by Frost & Sullivan in December 2019 and cited in this document was commissioned by us. We believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. However, the information has not been independently verified by our Company, the Joint Sponsors, any of their respective directors, employees, agents or advisers or any other person or party involved in the* [**REDACTED**] *(except for Frost & Sullivan), and no representation is given as to its accuracy. Certain information and statistics contained herein may not be consistent with other information and statistics compiled within or outside China. As such, investors are cautioned not to place any undue reliance on the information, including statistics and estimates, set forth in this section or similar information included elsewhere in this document. For a discussion of the risks relating to our industry, please refer to the section headed "Risk Factors."*

OVERVIEW OF CARDIOVASCULAR DISEASES AND INTERVENTIONAL THERAPIES

Cardiovascular diseases generally refer to conditions that affect the circulatory system, consisting of the heart, blood vessels and neurohumoral tissues that regulate blood circulation. Within the domain of cardiovascular diseases, valvular heart diseases and neurovascular diseases (also known as cerebrovascular diseases) have high prevalence and mortality rates in China, but currently there are limited effective treatments for such diseases. In recent years, interventional therapies are developing rapidly for treating these diseases, and are progressively replacing traditional surgeries, because they generally involve shorter procedure time, cause fewer post-procedural complications and allow faster recovery.

In China, the markets for interventional therapies targeting valvular heart diseases and neurovascular diseases are at their emerging stages. With the escalating incidence of valvular heart diseases and neurovascular diseases, enhanced patient health awareness, increased patient affordability, and improved clinical practice of physicians, it is expected that the markets for interventional therapies targeting valvular heart diseases and neurovascular diseases will exhibit strong growth in the upcoming years.

THE TRANSCATHETER VALVE THERAPEUTIC MEDICAL DEVICE MARKET

Overview of Valvular Heart Diseases and Treatment

Valvular heart diseases are characterized by damage to or defects in one or more of the four heart valves: aortic, mitral, tricuspid and pulmonary valves. Normal and functioning valves ensure proper blood flow, but valvular heart diseases cause the valves to become too narrow and hardened (aortic stenosis) to open fully, or unable to close completely (aortic regurgitation). Aortic stenosis is a common heart valve disease in China. Rheumatic diseases are a major cause of aortic stenosis for Chinese patients. Due to improving living standards and the aging population, the degenerative change in valves is becoming another main cause of heart valve diseases in Chinese patients.

Currently, procedures to treat valvular heart diseases are generally divided into three categories: traditional thoracotomy heart valve replacement and repair surgery, minimally invasive valve surgery, and transcatheter valve therapy. The transcatheter valve therapy method is expected to be the key direction for the development of valvular heart disease treatment globally.

Aortic Valve Diseases

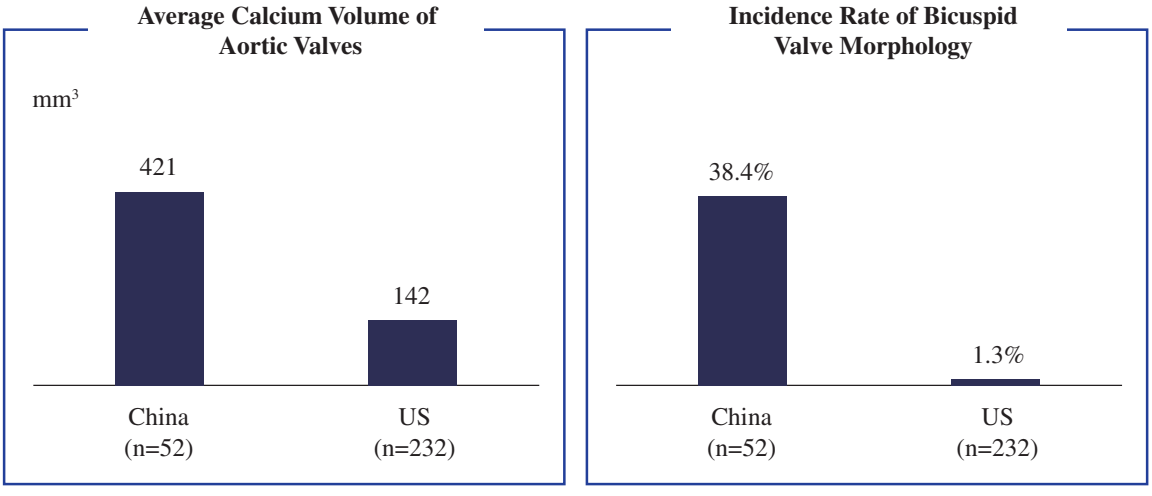
Aortic Stenosis

Aortic stenosis is the narrowing of the aortic valve opening. Aortic stenosis restricts the blood flow from the left ventricle to the ascending aorta during systole. CAS and BAV are two main characteristics of aortic stenosis patients in China.

CAS is a progressive calcification of leaflets. Calcification happens when calcium deposits form on a patient's aortic valve, causing the opening of the aortic valve to narrow. This narrowing can become severe enough to reduce blood flow through the aortic valve. Due to shear stress, inflammation, lipid infiltration and myofibroblast differentiation, leaflet calcification worsens in patients, leading to progressive aortic stenosis, and eventually the patient's valve becomes obstructed, requiring valve replacement. It has been further evidenced that certain demographic factors also increase the risk of CAS prevalence in the Chinese population, such as the Chinese population's typical dietary habits, genetic predisposition for CAS and common osteoblast phenotype.

BAV is a heart disease where the aorta has two leaflets (bicuspid valve) instead of the normal three leaflets, mainly causing valvular dysfunction and severe aortopathy leading to aortic stenosis. BAV is a common form of cardiac valvular disease in China. Demographic factors such as cholesterol level, genes and gender are found to relate to the prevalence of BAV.

Based on studies conducted on 52 sampled patients in China and 232 sampled patients in the U.S., Chinese patients suffer from a more severe degree of aortic stenosis conditions in terms of the aortic valve's calcium volume and the incidence rate of bicuspid valve morphology. The average calcium volume of aortic valves in the sampled Chinese patients was 421mm^3 in comparison to 142mm^3 in the sampled U.S. patients. The incidence rate of bicuspid valve morphology among the sampled Chinese patients was 38.4% in comparison to 1.3% among the sampled U.S. patients.



Source: Literature review and Frost & Sullivan analysis.

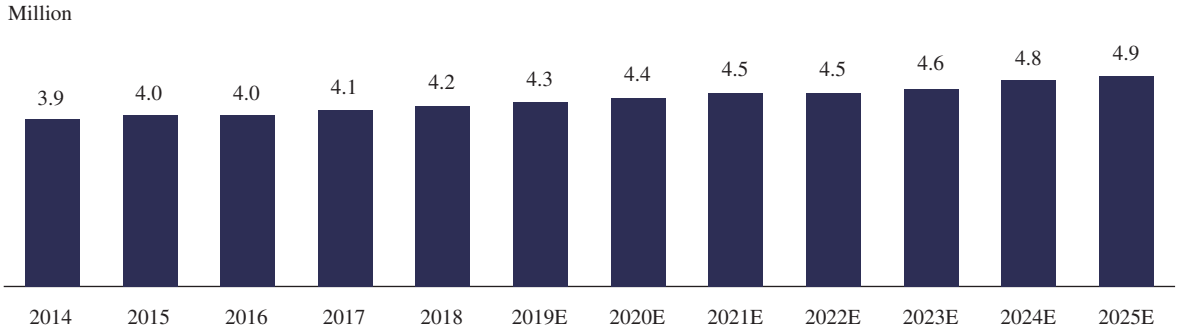
Prevalence of Aortic Stenosis

The prevalence of aortic stenosis globally increased from 18.0 million patients in 2014 to 19.3 million patients in 2018 at a CAGR of 1.7%, and is estimated to further increase to 22.1 million patients in 2025 at a CAGR of 1.9% from 2018 to 2025.

The prevalence of aortic stenosis in China increased from 3.9 million patients in 2014 to 4.2 million patients in 2018 at a CAGR of 1.9%, and is estimated to further increase to 4.9 million patients in 2025 at a CAGR of 2.2% from 2018 to 2025. The chart below shows the prevalence of aortic stenosis in China:

Prevalence of Aortic Stenosis in China, 2014-2025E

Period	CAGR
2014-2018	1.9%
2018-2025E	2.2%



Source: Literature review and Frost & Sullivan analysis.

Aortic Regurgitation

Aortic regurgitation is a condition where the aortic valve is not able to close completely, causing a backflow of blood from the aorta into the left ventricle during diastole. Causes of aortic regurgitation include valvular degeneration and aortic root dilation (with or without a bicuspid valve), rheumatic fever, endocarditis, myxomatous degeneration, aortic root dissection, connective tissue disorders (e.g., Marfan syndrome) and rheumatologic disorders.

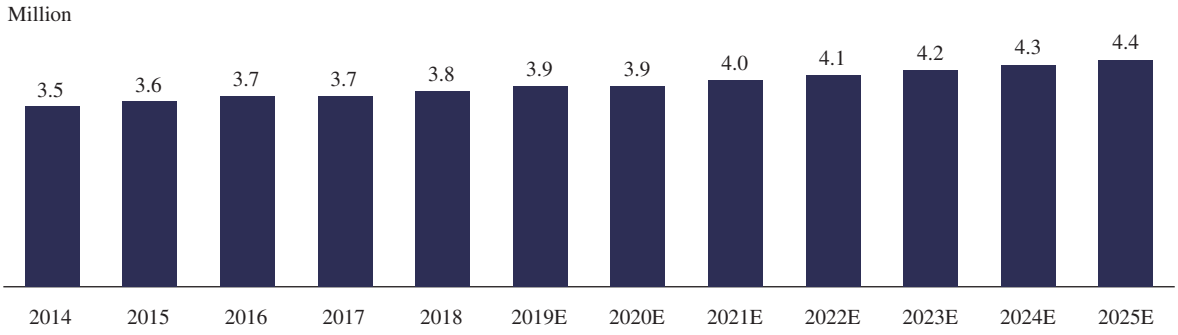
Prevalence of Aortic Regurgitation

The prevalence of aortic regurgitation globally increased from 24.1 million patients in 2014 to 26.0 million patients in 2018 at a CAGR of 1.8%, and is estimated to further increase to 29.9 million patients in 2025 at a CAGR of 2.0% from 2018 to 2025.

The prevalence of aortic regurgitation in China increased from 3.5 million patients in 2014 to 3.8 million patients in 2018 at a CAGR of 1.7%, and is estimated to further increase to 4.4 million patients in 2025 at a CAGR of 2.0% from 2018 to 2025. The chart below shows the prevalence of aortic regurgitation in China:

Prevalence of Aortic Regurgitation in China, 2014-2025E

Period	CAGR
2014-2018	1.7%
2018-2025E	2.0%



Source: Literature review and Frost & Sullivan analysis.

Treatment for Aortic Valve Diseases

Overview

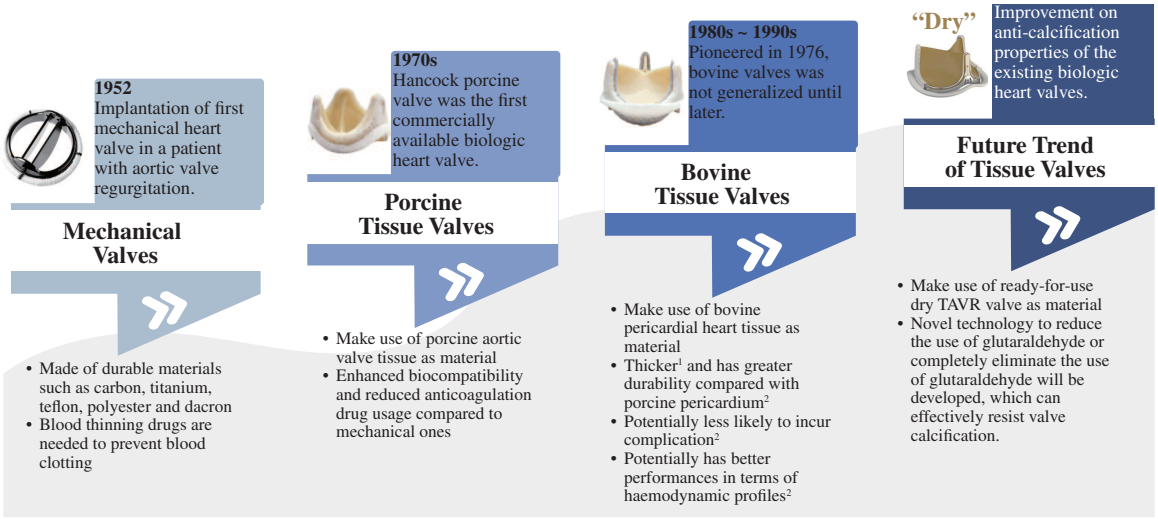
Valvular aortic stenosis is a life-threatening disease which can be treated by pharmacological approach, surgical procedures or interventional procedures. The pharmacological approach can only help alleviate the patients' symptoms, but cannot prevent aortic stenosis from progressing to severe aortic stenosis. If severe aortic stenosis is not treated by replacing heart valves through surgeries or interventional procedures, patients will experience worsening symptoms, which can lead to death. Among surgeries, balloon valvotomy is used primarily in children and very young adults with congenital aortic stenosis, and SAVR, the traditional open-heart surgery, is a common choice for patients younger than 75 years old and for patients with low surgical risk.

With the first treatment performed in France in 2002, TAVR is a globally advanced cardiovascular interventional technique by implanting a prosthetic valve through a vascular path to treat aortic stenosis. Unlike traditional thoracotomy, TAVR does not require complex tracheal intubation and extracorporeal procedures, and has the advantages of smaller trauma to patients and shorter postoperative recovery periods. TAVR may cause paravalvular leak, but certain manufacturers of TAVR devices have introduced anti-paravalvular leak function to their devices which can effectively prevent paravalvular leak. TAVR procedures are suitable for patients with inoperable aortic stenosis, and severe aortic stenosis patients with high surgical risk who cannot withstand the traditional open-heart surgery. TAVR procedures are also increasingly being performed on intermediate to low surgical risk patients. In August 2019, in the U.S., the FDA expanded the indications of TAVR to cover patients with low surgical risk, which account for 79.9% of all SAVR operable patients.

TAVR procedures can generally be performed with local anesthesia through three different transcatheter methods based on the entry point of the new valve: transfemoral, transapical and transaortic. The transfemoral and transapical approaches are relatively less invasive than the transaortic method, which may require cutting through patients' breastbone. Between the transfemoral and transapical approaches, the transfemoral approach is generally the first choice for most patients as it does not require an incision in the heart during the procedure. For a small number of patients who are currently not eligible for the transfemoral approach for reasons such as peripheral vascular stenosis or sclerosis, the transapical approach can be considered. With technological advancements, safer TAVR products are expected to overcome these limitations, allowing the transfemoral approach to be used for these patients as well. The transfemoral approach, however, imposes higher requirements to the delivery system of the TAVR products. The delivery system needs to be thin and flexible, while maintaining sufficient axial stiffness, in order to allow physicians to accurately release the replacement valve in the targeted position, while minimizing the risks of vascular complications during procedures.

Evolvement of Aortic Valve Replacement and Valve Leaflet Materials

The diagram below shows the evolvement trends of aortic valve replacement and valve leaflet materials. There are mainly two types of replacement valves: mechanical and biological valves. Mechanical valves have high durability, but patients implanted with mechanical valves need to use anticoagulation medication for the remainder of their lives and tend to be prone to thromboembolism and hemorrhage. Biological valves have better hemodynamic properties and low occurrence rate of thrombosis, and patients implanted with biological valves generally only need anticoagulation medication for a short period of time. However, the durability of biological valves is less optimal than mechanical valves. In order to reduce patients' need to undergo a second valve replacement procedure and to attract more patients to adopt TAVR, it is crucial for TAVR device manufacturers to improve the durability of the biological valves.



1. Legg, M., Mathews, E., & Pelzer, R. (2012). The design and development of a stented tissue mitral and aortic heart valve replacement for human implantation. Cardiovascular journal of Africa, 23(3), 126.
2. Yap, K. H., Murphy, R., Devbhandari, M., & Venkateswaran, R. (2012). Aortic valve replacement: is porcine or bovine valve better?. Interactive cardiovascular and thoracic surgery, 16(3), 361-373.

Source: Literature review and Frost & Sullivan analysis.

Currently, most TAVR device manufacturers use one of the following two types of valve leaflet materials: porcine pericardium and bovine pericardium. Because TAVR procedures are still relatively new, currently there are insufficient long-term clinical data conclusively demonstrating the differences in porcine pericardium and bovine pericardium as used in TAVR products. However, comprehensive studies have been conducted on the valve tissue as used in SAVR products, and based on such studies, more research papers demonstrated that as compared with porcine pericardium, bovine pericardium (i) is more durable, (ii) is less likely to incur complications, and (iii) has better performance in terms of hemodynamic profile.

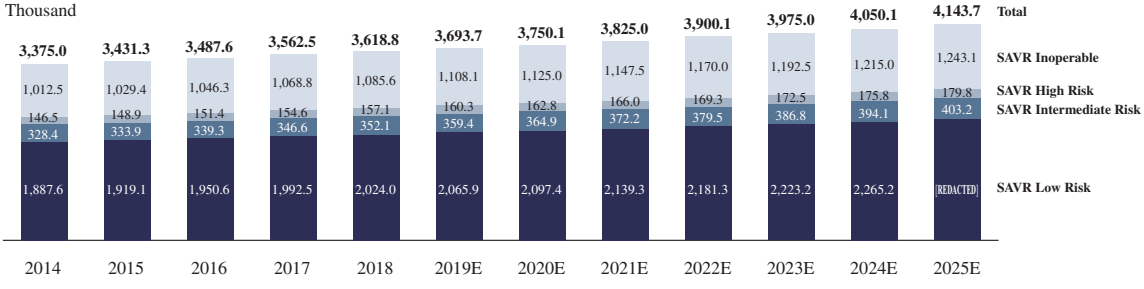
Currently, the valve leaflets of most commercially available TAVR products are treated with glutaraldehyde because it can help (i) chemical cross-link the protein and increase the strength of the valve tissue, (ii) prevent tissue bio-degradation, (iii) inactivate any virus in the tissue, and (iv) reduce the immunogenicity profile of the tissue. However, glutaraldehyde treatment causes cellular level changes that result in aldehyde contamination and passive calcific deposition, which reduces the durability of valves. In order to further prolong the durability of valves, many TAVR product manufacturers are searching for more advanced anti-calcification technologies. A handful of companies had made initial progress in such efforts. For example, Edwards Lifesciences has developed technologies that seek to minimize the negative effects of glutaraldehyde treatments, and we have developed technologies that seek to completely alleviate the need for glutaraldehyde treatment while providing even better chemical cross-linking and immunogenicity profile than glutaraldehyde treatment, and maintaining comparable biological compatibility and anti-virus features.

Patients Eligible for TAVR Procedures

Patients eligible for TAVR procedures are patients with severe aortic stenosis but have life expectancy of more than one year, except for the ones with anatomical limitations or endocardial infection that render them not suitable for the procedure. Patients eligible for TAVR procedures can be divided into (i) SAVR inoperable patients, (ii) patients with high SAVR risk as measured by a STS risk greater than 8%, (iii) patients with intermediate SAVR risk as measured by a STS risk between 4% to 8%, and (iv) patients with low SAVR risk as measured by a STS risk lower than 4%. Globally, the last three types of patients account for 6.2%, 13.9% and 79.9%, respectively, of all SAVR operable patients. Based on the above classification, the number of patients eligible for TAVR procedures globally increased from 3.4 million in 2014 to 3.6 million in 2018 at a CAGR of 1.8%, and is estimated to reach 4.1 million in 2025 at a CAGR of 2.0% from 2018 to 2025. The diagram below shows the total number of patients eligible for TAVR procedures globally.

Global Total Eligible Patients for TAVR Procedures, 2014-2025E

Period	CAGR
2014-2018	1.8%
2018-2025E	2.0%

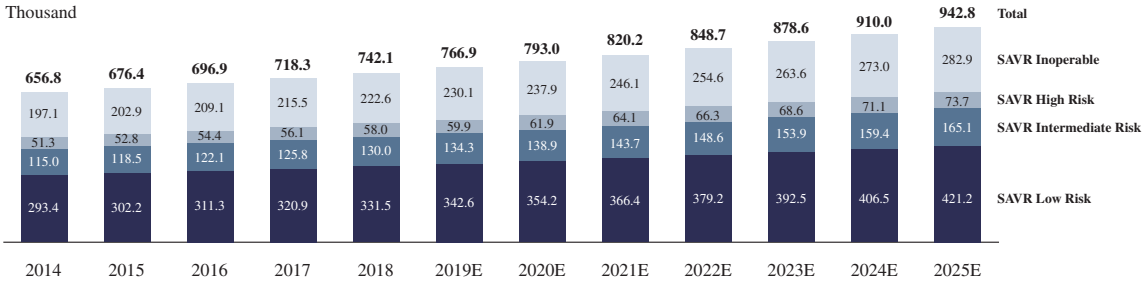


Source: Literature review and Frost & Sullivan analysis.

The number of patients eligible for TAVR procedures in China increased from 656.8 thousand in 2014 to 742.1 thousand in 2018 at a CAGR of 3.1%, and is estimated to further increase to 942.8 thousand in 2025 at a CAGR of 3.5% from 2018 to 2025. The number of patients eligible for TAVR procedures in China is calculated based on the prevalence of aortic stenosis in China, among which approximately 23% have severe aortic stenosis. Among this population of patients with severe aortic stenosis, approximately 80% have life expectancy of more than one year and do not have anatomical limitations or endocardial infection, and are therefore eligible for TAVR procedures. These patients can also be classified into SAVR inoperable patients, and patients with high, intermediate, and low SAVR risk. The diagram below shows the total number of patients eligible for TAVR procedures in China.

China's Total Eligible Patients for TAVR Procedures, 2014-2025E

Period	CAGR
2014-2018	3.1%
2018-2025E	3.5%



Source: Literature review and Frost & Sullivan analysis.

TAVR Equipment Requirements

The facilities where TAVR diagnostic tests and procedures can be performed are gradually shifting from hybrid operation rooms (hybrid ORs) to cardiac catheterization rooms (cardiac cath rooms). A hybrid OR is a compound procedural space that combines a traditional operation room with an image guided interventional suite. Hybrid ORs are equipped with fixed imaging systems that allow physicians to perform high-risk minimally invasive endovascular procedures with real-time imaging guidance and, if needed, convert instantly to surgical use. A hybrid OR can have up to 100 different medical devices including imaging equipment as well as interventional and surgical equipment. To accommodate all equipment, up to 80 m^2 of space is needed for a hybrid OR. In contrast, a cardiac cath room is a procedure room supporting an array of diagnostic tests and therapeutic interventional procedures. A cardiac cath room mainly contains imaging equipment, hemodynamic angiographic systems and data/imaging archival, so its space is generally half that of a hybrid OR's space.

According to the Consensus of Chinese Experts on Transcatheter Aortic Valve Replacement (《經導管主動脈瓣置換術中國專家共識》), in China, only hospitals that have the ability to perform more than 100 SAVRs per year and more than 200 interventional operations per year can perform TAVR procedures. Furthermore, TAVR procedures must be performed in modified cardiac cath rooms or hybrid ORs with a multiple disciplinary heart team consisting of two to three interventional procedure physicians, one to two cardiac surgeons, one radiologist, one anesthesiologist, one echocardiography doctor and two to three nurses.

In 2012, scholars proposed the concept of a minimalist-approach TAVR, which refers to TAVR procedures performed using the transfemoral approach in an upgraded cardiac cath room without the use of general anesthesia or transesophageal echocardioagraphy. Since then, attempts have been made to evaluate the clinical outcomes of minimalist-approach TAVR procedures compared to that of standard-approach TAVR procedures, with the latter referring to TAVR procedures performed in a hybrid OR. Performing TAVR procedures in a cardiac cath room can minimize invasive procedural steps, simplify the overall procedure, reduce the overuse of medical resources and reduce the financial burden for patients. In comparison to TAVR procedures performed in hybrid ORs, it has been evidenced that TAVR procedures performed in cardiac cath rooms have equivalent effectiveness while resulting in minimal morbidity and mortality. In recent years, cardiac cath rooms have increasingly been used for TAVR procedures around the world. In France, approximately 60% of TAVR procedures are performed in cardiac cath rooms. In the U.S., practitioners generally consider that the performance of TAVR procedures will eventually migrate to cardiac cath rooms, thus resulting in substantial cost savings. However, currently in China, most TAVR procedures are still performed in hybrid ORs. It is expected that performing TAVR procedures in cardiac cath rooms will also become more prevalent in China due to the increase of TAVR penetration and advancement in TAVR technology.

TAVR Centers

In the U.S., the number of TAVR centers enrolled in the STS/ACC TVT ™ Registry increased from 252 in 2013 to 600 in 2018 at a CAGR of 18.9%. TAVR procedures must be performed in a center with appropriate infrastructures that include at least the following features:

- on-site heart valve surgery program,
- cardiac cath room or hybrid OR/catheterization lab equipped with a fixed radiographic imaging system with flat-panel fluoroscopy that offers quality imaging,
- non-invasive imaging such as echocardiography, vascular ultrasound, computed tomography and magnetic resonance,
- sufficient space, in a sterile environment, to accommodate necessary equipment for cases with and without complications,
- post-procedure intensive care facility with personnel experienced in managing patients who have undergone open-heart valve procedures, and
- prescribed number of surgeons and procedures per year for centers with or without TAVR procedure experience.

In China, over 150 hospitals performed TAVR procedures in 2018. While China had over 1,700 cardiac cath rooms in 2018, the majority of TAVR procedures were performed in hybrid ORs due to a lack of valve center facilities and physicians with TAVR experience. However, it is estimated that the number of hospitals eligible for TAVR procedures will greatly increase. As physicians in China accumulate more experience performing TAVRs after a larger number of advanced TAVR products become commercialized, it is expected that more TAVR procedures will be performed in cardiac cath rooms instead of hybrid ORs due to better clinical safety and effectiveness as well as lower costs. The number of TAVR centers in China will therefore also increase since there are more cardiac cath rooms set up.

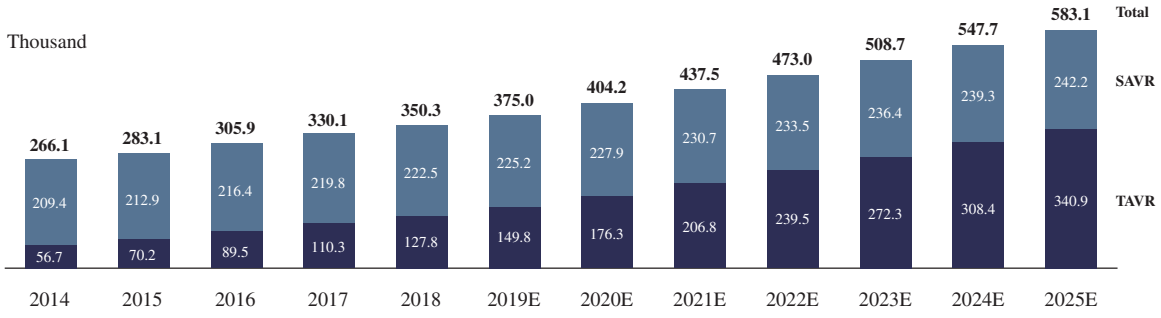
TAVR Product Market

Global Number of TAVR Procedures[1]

The number of TAVR procedures globally increased from 56.7 thousand in 2014 to 127.8 thousand in 2018 at a CAGR of 22.5%, and is estimated to further increase to 340.9 thousand in 2025 at a CAGR of 15.0% from 2018 to 2025. As a result, the percentage of TAVR procedures out of the total number of TAVR and SAVR procedures is estimated to increase from 36.5% in 2018 to 58.5% in 2025. The diagram below shows the number of TAVR and SAVR procedures conducted globally:

Number of Global SAVR and TAVR Procedures, 2014-2025E

Period	CAGR		
	SAVR	TAVR	Total
2014-2018	1.5%	22.5%	7.1%
2018-2025E	1.2%	15.0%	7.5%



Source: Literature review and Frost & Sullivan analysis.

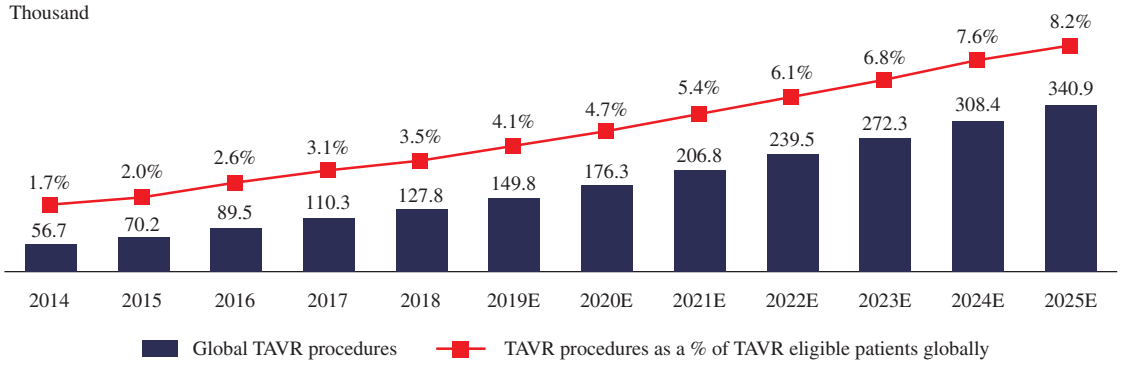
1. In this section, when presenting the number of procedures performed, only procedures performed with commercialized products were included (i.e., excluding procedures performed with product candidates at clinical trial stage).

Global Penetration of TAVR Procedures

The penetration rate of TAVR procedures globally, measured by the number of TAVR procedures as a percentage of the number of patients eligible for TAVR procedures, increased from 1.7% in 2014 to 3.5% in 2018, and is expected to further increase to 8.2% in 2025. The diagram below shows the penetration rate of TAVR procedures globally:

Global TAVR Procedures and Penetration Rate, 2014-2025E

Period	CAGR
2014-2018	22.5%
2018-2025E	15.0%



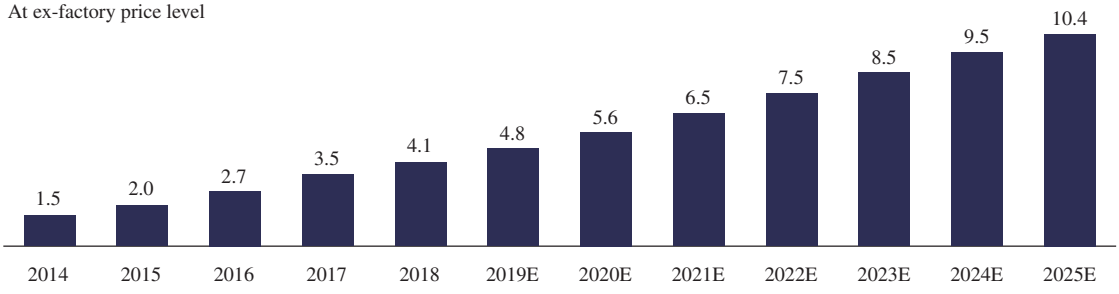
Source: Literature review and Frost & Sullivan analysis.

Global TAVR Product Market

The global TAVR product market increased from US$1.5 billion in 2014 to US$4.1 billion in 2018 at a CAGR of 27.8%, and is expected to further increase to US$10.4 billion in 2025 at a CAGR of 14.3% from 2018 to 2025. The diagram below shows the global market size for TAVR products:

Global Market Size of TAVR Products, 2014-2025E

Period	CAGR
2014-2018	27.8%
2018-2025E	14.3%



Source: Literature review and Frost & Sullivan analysis.

Growth Drivers for Global TAVR Product Market

The global TAVR product market is expected to maintain its high growth rate mainly due to the following factors:

- *Application expansion*. In 2017, the American College of Cardiology/American Heart Association released the 2017 edition of the guidelines for the management of patients with valvular heart diseases, which officially included SAVR intermediate-risk patients into the indications for TAVR. In August 2019, the conditions of patients with low surgical risk were included in the indications for TAVR by the FDA in August 2019.

- *Rapid technology development*. TAVR technology has experienced rapid development since its inception, and many configurations have been and are expected to be investigated, leading to more product varieties and improvements.

- *Aging population*. Aging causes degenerative changes in aortic valves, which lead to aortic valve diseases. The growing aging population will significantly increase the prevalence of aortic stenosis, and thereby increase the clinical demand for treatments, especially TAVR.

- *Clinical advantage*. Through fast iterations of technology upgrades, TAVR is now recognized as a more effective and safer alternative to SAVR. Because of its lower mortality rate and fewer complications, TAVR is expected to be widely accepted in clinical practice within the next ten years.

- *Increasing competition in the TAVR product market*. To fulfill the unmet need of aortic valve diseases, new companies continuously emerge to compete in this field while existing players make continued efforts to incorporate advanced features to their existing TAVR products. The corresponding increase in the number of the TAVR product market competitors will provide a wider range of choices for patients, and therefore enhance patients' accessibility and market knowledge.

Future Trends for Global TAVR Product Market

The global TAVR product market is expected to experience the following trends:

- *Guideline recommendation*. Clinical outcomes may be improved if factors such as patient selection, procedural planning and device implantation are optimized. It is expected that more of such authoritative guidelines and the standardization of TAVR procedures will be available.

- *Rapid technology improvement in effectiveness and safety*. TAVR was initially applied to elderly severe aortic stenosis patients with multiple co-morbidities, and the application has since expanded to patients with lower surgical risk and degenerated surgical complications, especially for paravalvular leak. Additionally, TAVR products' retrievable and steerable delivery systems dramatically improve the valve positioning accuracy and stability during deployment. The field of TAVR products is rapidly evolving, with major refinements in technology, procedural techniques, patient selection and biomedical engineering.

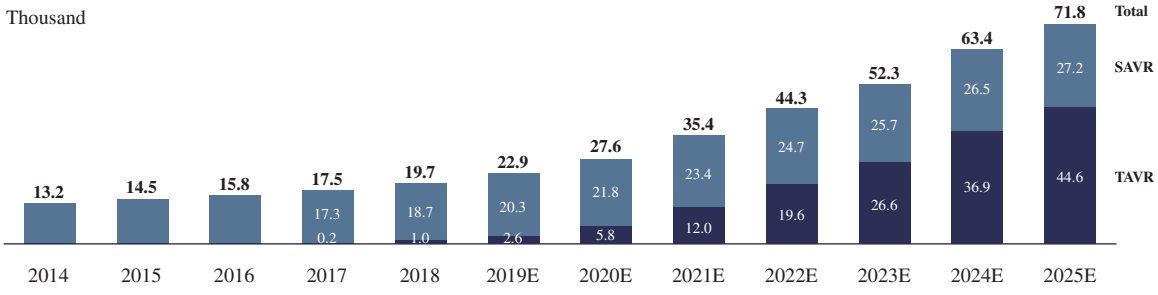
- *Increase in follow-up valve-in-valve treatment*. As more patients with aortic valve disease receive TAVR treatment, their lifespan is expected to increase significantly. As a result, such patients may need second or third follow-up valve-in-valve surgeries. Longer expected lifespan will also bring opportunities for chronic disease management and a second TAVR procedure six to eight years after the first one for patients with moderate and low surgical risk.

Number of TAVR Procedures in China

The number of TAVR procedures in China increased from nil in 2014 to 1.0 thousand in 2018, and is estimated to further increase to 44.6 thousand in 2025 at a CAGR of 20.3% from 2018 to 2025. The diagram below shows the number of TAVR and SAVR procedures conducted in China:

Number of China SAVR and TAVR Procedures, 2014-2025E

Period	CAGR		
	SAVR	TAVR	Total
2014-2018	9.1%	–	10.5%
2018-2025E	5.5%	73.2%	20.3%



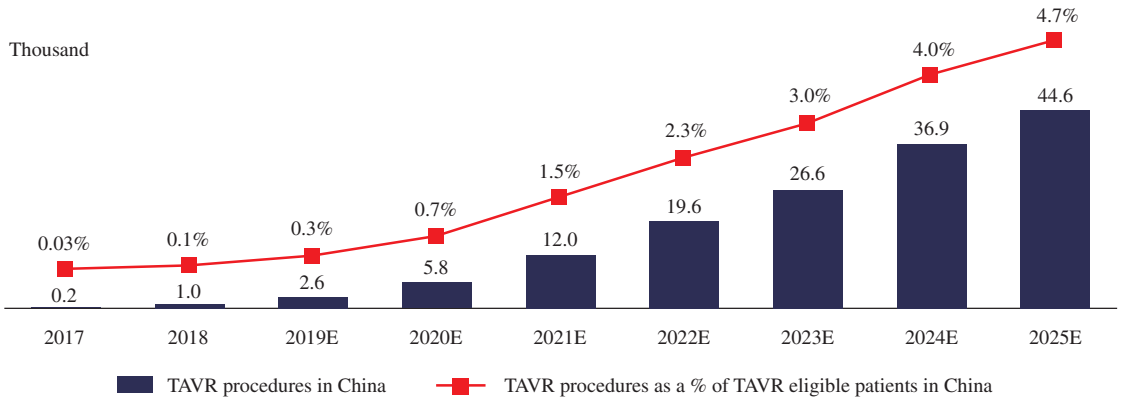
Source: Literature review and Frost & Sullivan analysis.

Penetration of TAVR Procedures in China

The penetration rate of TAVR procedures in China is expected to increase from 0.1% in 2018 to 4.7% in 2025 at a CAGR of 73.2%. The diagram below shows the penetration rate of TAVR procedures in China:

TAVR Procedures and Penetration Rate in China, 2017-2025E

Period	CAGR
2017-2018	440.9%
2018-2025E	73.2%



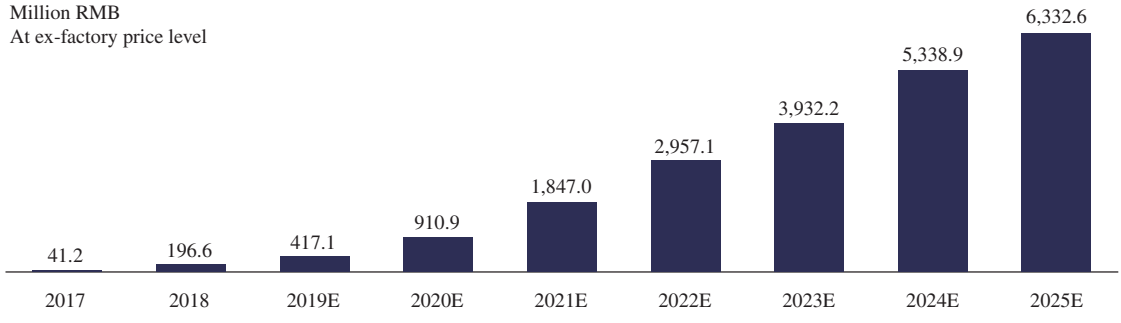
Source: Literature review and Frost & Sullivan analysis.

TAVR Product Market in China

The TAVR product market in China is expected to increase from RMB196.6 million in 2018 to RMB6,332.6 million in 2025 at a CAGR of 64.2%. The diagram below shows the market size for TAVR products in China:

Market Size of TAVR Products in China, 2017-2025E

Period	CAGR
2017-2018	377.0%
2018-2025E	64.2%



Source: Literature review and Frost & Sullivan analysis.

Growth Drivers for TAVR Product Market in China

China's TAVR product market is expected to grow significantly due to the following factors:

- *Unmet medical needs*. For elderly patients with co-morbidities, traditional SAVR is more risky and post-operative recovery is relatively slow. The newly available TAVR procedure is an effective and safer alternative for such patients, especially for those that are not suitable for SAVR procedures. The number of TAVR procedures performed has been increasing rapidly since the launch of TAVR products in China.

- *Increase in qualified TAVR practitioners*. TAVR procedures have high requirements for surgical equipment, personnel configuration and technical operation. The Consensus of Chinese Experts on Transcatheter Aortic Valve Replacement (《經導管主動脈瓣置換術中國專家共識》) was released in 2015 to promote the development of TAVR in China. In 2018, more than 150 hospitals in China have carried out approximately 1,000 TAVR operations cumulatively, and the growth rate is accelerating, which will effectively promote the growth of the TAVR product market in China.

- *Application expansion to intermediate and low surgical risk patient*s. Being similarly effective but less invasive with a shorter recovery period than SAVR, TAVR's application is expanding from high risk to intermediate and low risk patients in general. Because intermediate and low risk patients account for approximately three times the size of the current addressable market, the application expansion is expected to bring significant growth opportunities for the TAVR product market in China.

- *Favorable policy environment*. The Guidelines of the Plan for Development of the Pharmaceutical Industry (《醫藥工業發展規劃指南》) was issued to encourage the research and development and commercialization of innovative medical devices. Moreover, the Health and Wellness Plan of the Thirteenth Five-Year Plan (《"十三五"衛生與健康規劃》) aims to implement an expanded national reimbursement list for innovative medical devices. These favorable government policies are expected to support further TAVR product market expansion.

- *Preference for domestic products*. Chinese physicians generally show a preference for domestic products in the treatment of aortic stenosis. Currently, only domestic producers develop and commercialize TAVR products in China, and they enjoy the first-mover advantage in the local market.

Future Trends in TAVR Product Market in China

China's TAVR product market has been experiencing the following trends:

- *Products tailored to Chinese patients*. Compared with patients in the U.S., there are a greater number of patients in China with BAV and CAS, which brings more challenges to the existing TAVR technology, so the research and development of TAVR in China is expected to address those clinical challenges.

- *Technology upgrades to reduce TAVR complications*. Common TAVR complications include stroke, paravalvular leak and arrhythmia, which lead to increased postoperative mortality and readmission rates, which will prompt future research and development of new cerebral embolic protection devices, and new designs such as smaller sheath, anti-paravalvular leak functions and others.

- *Physician education*. There are currently three commercialized TAVR products in China and a number of product candidates of domestic and multinational brands in the clinical stage. With more domestic and international competitors entering the market in the following three to five years, physicians' and the society's recognition and acceptance of TAVR are expected to gradually increase as existing and future competitors will likely promote training and education to physicians on TAVR products. Furthermore, Chinese physicians are found to be open-minded to new methods and products in the treatment of aortic stenosis.

- *Increasing investment in research and development*. Advancement in technology is expected to be a key element in future competition. Market players will focus on the research and development of technology to obtain and then maintain a leading position in China's under-penetrated TAVR product market. Companies with an established research and development platform are expected to achieve breakthroughs in a cost-effective manner. Meanwhile, first-movers will also invest in candidate pipeline and robust commercialization networks to maintain their advantages.

- *Platform strategy.* Successful medical device companies generally share a similar growth path that starts with a star core product that defines their area of focus and then build a comprehensive product portfolio with that specific focus. These companies have a platform strategy supported by a sustainable cycle of commercialized products generating ongoing cash flow to support the research and development of innovative product candidates and product iterations.

Competitive Landscape for TAVR Product Market in China

The TAVR product market in China is at its early stage of development and yet to be penetrated with no single dominating player, according to Frost & Sullivan. As of the Latest Practicable Date, only one international company and four domestic companies had TAVR products or product candidates in the clinical trial stage or more advanced stage in China. This market is estimated to continue to be led by a few domestic Chinese players, and 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.

In this regard, market players have continuously added innovative features to next-generation TAVR products, such as a sealing skirt design that lowers the risk of paravalvular leak, retrievable function, steerable function, pre-loaded valve feature, glutaraldehyde-free technology and special designs tailored to BAV patients. The majority of the first generation TAVR products and product candidates provide basic valve replacement function with no retrievable features. Most next-generation TAVR products and product candidates include retrievable and sealing skirt design in order to increase the safety and efficacy of TAVR procedures. The diagram below shows the features of the commercialized and clinical-stage TAVR products in the China market.

Source: Literature review and Frost & Sullivan analysis.

The table below is a summary of the clinical stage and approval status of each of the above-mentioned products:

Competing Products	Status	Clinical Trial Starting Date	NMPA Approval Date	Commercial Launch Date	Date of First Commercial Implant	Price (RMB)[2]
Sapien XT	In clinical trial	September 18, 2017	N/A	N/A	N/A	N/A
Sapien 3	In clinical trial	May 23, 2018	N/A	N/A	N/A	N/A
VenusA-Valve	Commercialized	September 10, 2012	April 27, 2017	May 2017	August 2017	248,000
VenusA- Plus	In clinical trial	November 23, 2017	N/A	N/A	N/A	N/A
J-Valve	Commercialized	March 26, 2014	May 3, 2017	June 2017	July 2017	260,000
Vita Flow	Commercialized	September 24, 2014	July 12, 2019	August 2019	August 2019	196,000
Vita Flow II	In clinical trial	January 31, 2018	N/A	N/A	N/A	N/A

Source: NMPA, company websites, clinical trials, Frost & Sullivan analysis

Notes:

1. N/A refers to "not applicable" as the relevant products are still at clinical trial stages and yet to be approved.

2. The prices of VenusA-Valve, J-Valve and Vita Flow set forth herein are provided by Frost & Sullivan, based on the public wholesale tender prices of the relevant products in China as of the Latest Practicable Date. The prices of such products may be subject to changes, over which we do not have control.

Mitral and Tricuspid Valve Diseases

Overview of Mitral and Tricuspid Valve Diseases

Mitral valve diseases mainly consist of MR, mitral stenosis and mitral valve prolapse. MR, which accounts for 65% of all incidences of mitral valve diseases, refers to the mitral valve's inability to close completely that causes blood to flow from the left ventricle into the left atrium during ventricular systole. MR's prevalence rate increases with age, and is approximately 10% among the population over 75 years old in western countries.

Treatments for MR include medications and procedures. Currently, mitral valve replacement or repair under extracorporeal circulation through open-heart surgery is the standard treatment for severe mitral regurgitation. As for interventional procedure options, there are currently five transcatheter mitral valve repair products with the FDA approval or CE Marking, and there is no commercialized TMVR product globally.

Tricuspid valve diseases mainly consist of TR and tricuspid stenosis. TR, which accounts for approximately 60% of all incidence of tricuspid valve diseases, refers to the tricuspid valve's inability to close completely that causes blood to flow from the right ventricle to the right atrium during systole. Tricuspid regurgitation usually does not cause visible signs or symptoms until the condition is severe, but some patients experience neck pulsations due to elevated jugular pressures.

Treatments for TR include medicines and procedures, with very mild TR only requiring long-term monitoring. Patients with severe TR require operations, including annuloplasty, valve repair and/or valve replacement by thoracotomy surgery. Valve repair or replacement is recommended when the TR is due to primary valve abnormalities or when annuloplasty is not technically feasible. There was only one commercialized transcatheter tricuspid valve repair product, which was approved in Europe, and no commercialized TTVR device globally, as of the Latest Practicable Date.

Prevalence of MR and TR

In China, the number of MR patients increased from 9.4 million in 2014 to 10.3 million in 2018 at a CAGR of 2.3%, and is expected to further increase to 12.1 million in 2025 at a CAGR of 2.3% from 2018 to 2025.

In China, the number of TR patients increased from 8.4 million in 2014 to 8.9 million in 2018, at a CAGR of 1.5%, and is expected to further increase to 9.9 million in 2025, at a CAGR of 1.5% from 2018 to 2025.

TMVR and TTVR Product Markets and Competitive Landscape

In China, mitral valve diseases have the highest prevalence as compared with other valvular heart diseases. As such, the potential size of the TMVR product market in China is estimated to be significant. As of the Latest Practicable Date, there was no commercialized TMVR device globally, and there was only one TMVR product candidate at clinical trial stage in China. We are one of the few companies in China that are developing TMVR product candidates.

In China, tricuspid valve diseases have high prevalence, and the potential size of the TTVR product market in China is estimated to be significant. As of the Latest Practicable Date, there was no commercialized TTVR device globally, and there was only one TTVR product candidate at clinical trial stage in China. We are one of the few companies in China that are developing TTVR product candidates.

Entry Barriers for TMVR and TTVR Product Markets

The entry barriers for TMVR and TTVR product markets in China are high. TMVR and TTVR products are difficult to develop because of the following reasons: firstly, the position of mitral valve and the structure of the mitral annulus increase the difficulty of accurately positioning the artificial valve, which poses more stringent requirements for the design of valve products' delivery system; secondly, if a large stent is implanted in a TMVR procedure to fit into the large-sized mitral annulus, it may cause adverse effects, such as left ventricular outflow, tract obstruction and thrombosis, and as a result, it poses more stringent requirements for the design of valve products; thirdly, the saddle-shaped mitral annulus may lead to higher risks of complications during and after TMVR procedures; finally, the mitral valve is more prone to degradation compared to the aortic valve, since it is affected by higher left ventricular systolic pressure.

Due to the similarities in transcatheter valve therapeutics among TAVR, TMVR and TTVR, it is expected that companies which have experience researching and developing TAVR products or product candidates can further apply their expertise to the research and development of TMVR and TTVR devices. Such companies will have competitive advantages over new market players, such as a better knowledge of valve materials, continuous improvements in clinical study designs, efficient communications with regulatory authorities, enhanced marketing powers and established market reputations.

While two domestic players have advanced their TMVR or TTVR product candidates to the clinical trial stage, each of them only focuses on TMVR or TTVR technology and has not developed a comprehensive transcatheter valve therapeutic pipeline. We are one of the few major market players in the China transcatheter valve therapeutic market that have comprehensive pipelines for TAVR, TMVR and TTVR products and product candidates.

THE NEUROINTERVENTIONAL PROCEDURAL MEDICAL DEVICE MARKET

The common neurovascular diseases include hemorrhagic stroke and ischemic cerebrovascular disease, which nowadays can be treated with neurointerventional procedural methods as a result of technology innovation.

Hemorrhagic Stroke

Stroke is a medical condition in which poor blood flow to the brain results in cell death. The number of deaths caused by stroke in Chinese residents had reached nearly 1.5 million in 2018.

There are two main types of stroke: hemorrhagic stroke and ischemic stroke. A hemorrhagic stroke occurs when a blood vessel ruptures within the brain (intracerebral hemorrhage) or into the space surrounding the brain (subarachnoid hemorrhage). Hemorrhagic stroke accounts for about 20% of all strokes. Among patients older than 60 years old, intracerebral hemorrhage is more common than subarachnoid hemorrhage. The number of deaths associated with hemorrhagic stroke in China has decreased steadily year by year, from 868.1 thousand in 2014 to 772.6 thousand in 2018, due to the establishment of more stroke centers, the development of medical therapies treating hemorrhagic stroke, increasing popularity of early screening and detection, and increased awareness of disease prevention.

Cerebral Aneurysm

Overview

Cerebral aneurysm, also known as intracranial aneurysm, is characterized by a pathological wall structure with internal elastic lamina and media disruption that leads to focal weakened pouches of the arterial wall. Hemodynamic stress initiates early-stage aneurysm formation. Aneurysm formation progresses when degenerative changes exceed vessel repair due to vascular remodeling. Cerebral aneurysm can put pressure on the nerves or brain tissue, thus causing fatigue, peripheral visual impairment, thinking problems, verbal complications, loss of balance and coordination, etc. The most serious condition of cerebral aneurysms is aneurysm rupture and subsequent aneurysm subarachnoid hemorrhage. According to statistics, the mortality rate of patients with ruptured aneurysms is as high as 66.7%, and for the remaining one-third of patients who can survive, many of them become disabled.

Prevalence of Cerebral Aneurysms in China

Currently, the cause of cerebral aneurysms is not clearly understood. The ultimate cause of a cerebral aneurysm is an abnormal degenerative change in the artery wall, either weakening or breaking down. Due to the aging population and more advanced diagnostic technology in China, the prevalence of cerebral aneurysms has shown an upward trend year by year. The overall prevalence of cerebral aneurysms was 50.5 million cases in 2018. Ruptured cerebral aneurysms or aneurysms subarachnoid hemorrhage accounted for 1% of the 50.5 million cases while the rest are unruptured cases.

The incidence of cerebral aneurysms in China increased from 47.7 million cases in 2014 to 50.5 million cases in 2018 at a CAGR of 1.5%, and is estimated to further increase to 54.9 million cases in 2025 at a CAGR of 1.2% from 2018 to 2025.

Treatments for Cerebral Aneurysm

Endovascular coiling can treat all patients with cerebral aneurysm except for those with severe arteriosclerosis or vasospasm or who are dying and cannot receive embolic treatment, etc. Recommended treatments for subsequent aneurysm subarachnoid hemorrhage also include endovascular coiling. The goal of endovascular coiling is to isolate an aneurysm from normal blood circulation without blocking off any small arteries nearby or narrowing the main vessel.

Endovascular coiling is a minimally invasive technique that is a relatively new method for cerebral aneurysm treatment. It is suited for large aneurysms that are difficult to remove or difficult to access by surgery, patients who are elderly or cannot tolerate surgery due to other diseases, patients who have had unsuccessful surgical clipping, fusiform wide-necked aneurysms, no-necked aneurysms or saccular aneurysms. Devices used in endovascular coiling mainly include embolization coils, intracranial aneurysm stent, vessel reconstruction devices and supporting devices.

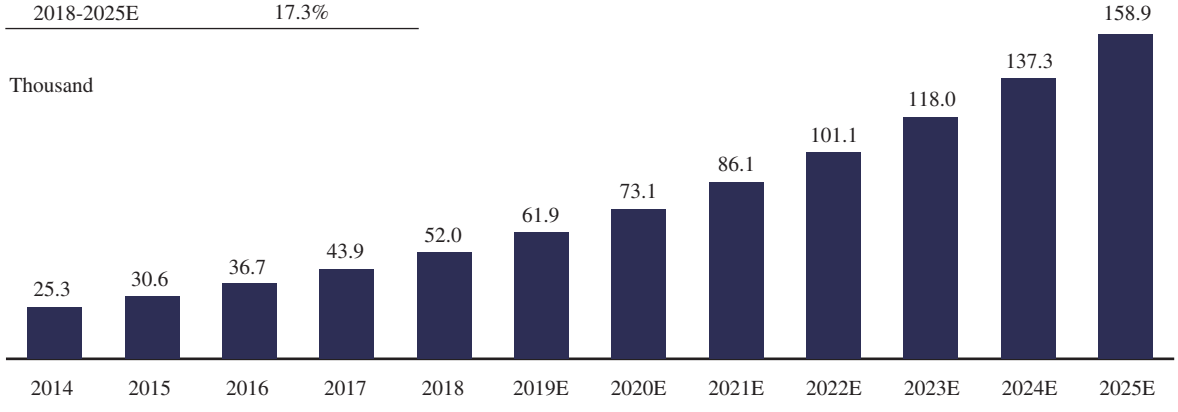
Embolization coils are mainly made of tungsten and platinum alloys that come in different sizes and shapes. The coil is released into the cavity of the intracranial aneurysm, causing the blood clot in the cavity to embolize the aneurysm. Common coil release methods include hydrolytic release, electrolytic release, mechanical release, and heat-fusion release.

Number of Cerebral Aneurysm Endovascular Coiling Procedures in China

In China, driven by the improving public awareness of cerebral aneurysm treatments and increasing affordability of such treatments, the procedure volume of endovascular coiling for cerebral aneurysms increased from 25.3 thousand in 2014 to 52.0 thousand in 2018 at a CAGR of 19.7%, and is expected to further increase to 158.9 thousand in 2025, with a CAGR of 17.3% from 2018 to 2025. The diagram below shows the number of endovascular coiling procedures in China.

Number of Cerebral Aneurysm Endovascular Colling Procedures in China, 2014-2025E

Period	CAGR
2014-2018	19.7%
2018-2025E	17.3%



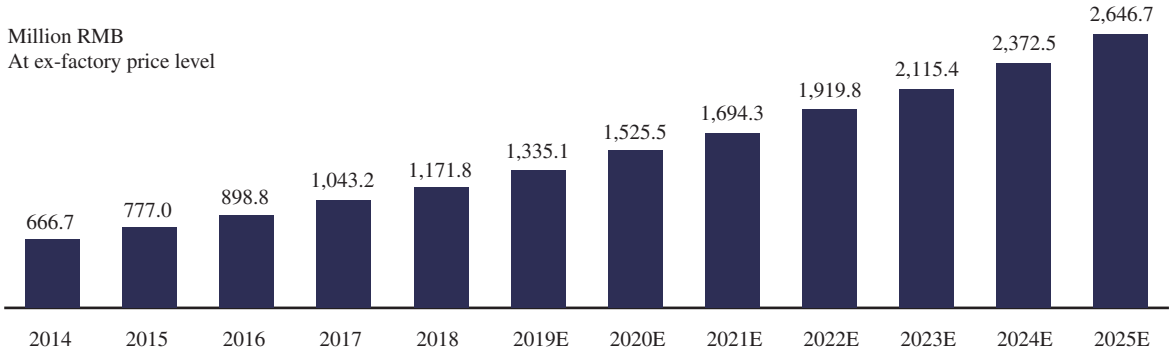
Source: Frost & Sullivan analysis.

Cerebral Aneurysm Endovascular Coiling Devices Market and Embolization Coil Market in China

In China, the market size of cerebral aneurysm endovascular coiling devices grew from RMB996.0 million in 2014 to RMB2,184.4 million in 2018, at a CAGR of 21.7%, and is expected to reach RMB5,537.7 million in 2025, at a CAGR of 14.2% from 2018 to 2025. Notably, the embolization coil is the major contributor to the total cerebral aneurysm endovascular coiling devices market because revenues from embolization coil sales accounted for approximately 50% or more of the total coiling devices sales. The market size for embolization coils alone grew from RMB666.7 million in 2014 to RMB1,171.8 million in 2018, at a CAGR of 15.1%, and is expected to reach RMB2,646.7 million in 2025, at a CAGR of 12.3% from 2018 to 2025. The diagram below shows the market size of embolization coils in China.

Market Size of Embolization Coil Market in China, 2014-2025E

Period	CAGR
2014-2018	15.1%
2018-2025E	12.3%



Source: Frost & Sullivan analysis.

Growth Drivers for Cerebral Aneurysm Endovascular Coiling Device Market in China

China's cerebral aneurysm endovascular coiling device market is expected to grow due to the following factors:

- *High risk of the disease*. Cerebral aneurysm has high risks. The rupture of cerebral aneurysm results in 85% of spontaneous subarachnoid hemorrhage, which has a high mortality and disability rate. Cerebral aneurysms with treatment indications should be actively intervened and treated to reduce the risk of rupture.

- *Increase in qualified practitioners*. As a relatively new and highly sophisticated operation, cerebral aneurysm endovascular coiling has high requirements for surgical equipment, personnel configuration and technical operation. The Consensus of Chinese Experts on Endovascular Interventional Therapy for Intracranial Aneurysms (《顱內動脈瘤血管內介入治療中國專家共識》) has been released to promote the development of cerebral aneurysm endovascular coiling in China. Many hospitals in China have carried out cerebral aneurysm endovascular coiling in recent years and as physicians and hospitals become more experienced in cerebral aneurysm endovascular coiling, this market will also increase in size.

- *Broad indications and better prognosis*. The results of the International Subarachnoid Aneurysm Trial (ISAT) published in 2002 showed that endovascular interventional therapy has advantages of small wound, quick recovery, low residual death rate and better prognosis in comparison to craniotomy, so it is considered as the best choice for the treatment of cerebral aneurysms. Also, endovascular coiling can be broadly applied to elderly patients, patients with wide-necked aneurysms, patients with post-circulation aneurysms or patients with high Hunt-Hess grades.

- *Favorable policy environment*. The Guidelines of Plan for Development of the Pharmaceutical Industry (《醫藥工業發展規劃指南》) was issued to encourage the research and development and commercialization of multi-linked innovative medical devices by domestic companies. Moreover, the Health and Wellness Plan in Thirteenth Five-year (《"十三五"衛生與健康規劃》) implemented an expanded national reimbursement list for innovative medical devices. Policies such as the Health China Initiative (2019-2030) (《健康中國行動(2019-2030年)》) and the Guiding Principles for Hospital Stroke Center Construction and Management (Trial) (《醫院卒中中心建設與管理指導原則(試行)》) all support the further research and development of cures for neurovascular diseases. These government policies will promote the further development of the cerebral aneurysm endovascular coiling market and support the domestic substitution of imported medical devices.

Future Trends for Cerebral Aneurysm Endovascular Coiling Device Market in China

China's cerebral aneurysm endovascular coiling device market has been experiencing the following trends:

- *Domestic products to substitute imported products*. At present, cerebral aneurysm embolization devices on the market are mainly imported products but many domestic devices have achieved satisfactory results in the clinical trial stage. In the future, with domestic manufacturers' improvement in technology and materials, together with the price and policy advantages of domestic devices, it is expected that more domestic devices will be used in clinical practice, thus increasing the market share of domestic manufacturers for the neurointerventional procedural medical device market as a whole.

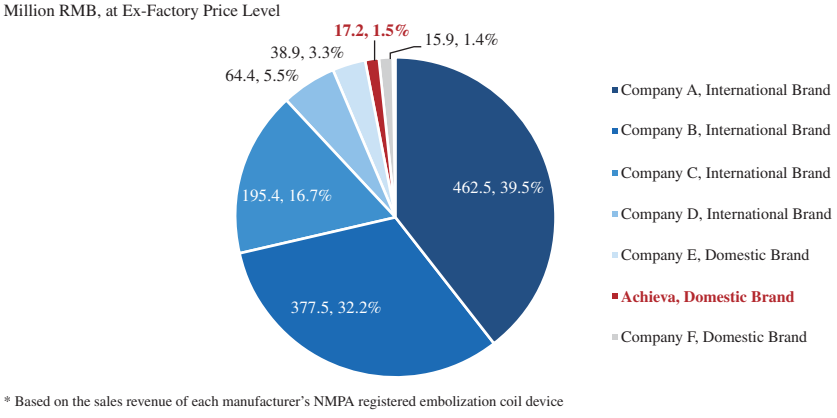
- *Technology upgrade to reduce complications*. Identifying and treating the complications of cerebral aneurysms is a critical step in the development of cerebral aneurysm endovascular coiling. Common complications include aneurysm rapture, vasospasm, thrombosis, etc. These complications can lead to increasing post-operative mortality and re-admission rates. With the development of new cerebral embolization interventional procedural devices in the future, embolization coiling will have higher filling rates and better accessibility, thereby decreasing complications and increasing procedure safety. In addition, due to increasing adeptness of practitioners, complications of cerebral aneurysm endovascular coiling will be effectively reduced, and its safety will further improve.

- *Increased detection rate*. In recent years, the development of imaging technology and its increasing use in clinical practice have led to higher detection rates of unruptured cerebral aneurysms. In the future, due to the popularity of early screening and the development of more accurate detection technology, it is expected that more unruptured aneurysms will be detected, which will lead to more early interventions and increasing the embolization coiling device market.

Competitive Landscape for Embolization Coil Market in China

The embolization coil market in China is relatively concentrated. There were nine imported embolization coil products with the NMPA approval in China produced by four international manufacturers, and four products with the NMPA approval produced by three domestic manufacturers. The top five companies had a market share of 39.5%, 32.2%, 16.7%, 5.5% and 3.3% in terms of sales revenue in 2018, respectively. With a market share of 1.5% in terms of annual sales revenue, our Company ranked sixth among all market players and the second among domestic players in 2018. The diagram below shows the competitive landscape of the China embolization coil market categorized by manufacturer in 2018.

Competitive Landscape of China Embolization Coil Market by Manufacturer, 2018



* Based on the sales revenue of each manufacturer's NMPA registered embolization coil device

Source: Frost & Sullivan analysis.

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 both the embolization coil device market and the neurointerventional procedural medical device market in China as a whole. Among domestic competitors, we have the most comprehensive product portfolio in terms of product type in the cerebral aneurysm endovascular coiling device market, with six products approved by the NMPA or Shanghai MPA.

Ischemic Cerebrovascular Disease

Overview

Ischemic cerebrovascular disease 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. In general, ischemic cerebrovascular diseases can be categorized into five subtypes based on clinical manifestations: transient ischemic attack, AIS, steal syndrome, intracranial atherosclerotic disease, and other chronic cerebral ischemia.

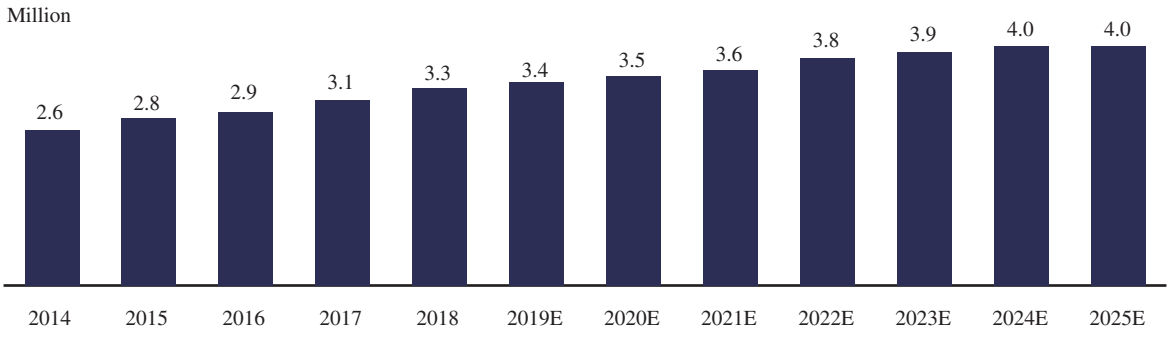
AIS, caused by thrombotic or embolic occlusion of a cerebral artery, is characterized by the sudden loss of blood circulation to an area in the brain, resulting in a corresponding loss of neurologic function. AIS is responsible for almost 90% of all strokes. AIS can be caused by conditions such as old age, gender, race, high blood pressure, unhealthy diet, atrial fibrillation, carotid or other artery disease, physical inactivity and obesity and diabetes.

Epidemiology of AIS in China

Due to the development of diagnostic technology and the growing and aging population in China, the number of new cases of AIS is increasing steadily with a relatively declining growth rate. The number of AIS incidences grew from 2.6 million in 2014 to 3.3 million in 2018, at a CAGR of 5.6%, and is estimated to further increase to 4.0 million in 2025, at a CAGR of 3.1% from 2018 to 2025. The diagram below shows the incidence of AIS in China.

Incidence of Acute Ischemic Stroke (AIS) in China, 2014-2025E

Period	CAGR
2014-2018	5.6%
2018-2025E	3.1%



Source: Frost & Sullivan analysis.

With a growing aging population and high prevalence of unhealthy lifestyle, the number of deaths associated with AIS in China continues to increase. The cases of mortality caused by AIS grew from 657.7 thousand in 2014 to 697.8 thousand in 2018, at a CAGR of 1.5%. In addition, approximately 45% of AIS survivors suffer disability.

Treatments for AIS

The primary therapeutic goal for patients with AIS is the timely restoration of blood flow to salvageable ischemic brain tissue that is not already infarcted. To achieve this objective, intravenous thrombolysis is used as a standard treatment for all eligible patients. Mechanical thrombectomy (MT), as a frontline endovascular therapy, can be operated jointly with intravenous thrombolysis or independently when intravenous thrombolysis is not applicable in specific patients cases.

MT devices encompass a wide array of endovascular tools for removing thrombi from the neurovasculature in AIS patients. Currently, MT devices mainly consist of applying aspiration device and stent retriever, each approved by the FDA in 2008 and 2012, respectively.

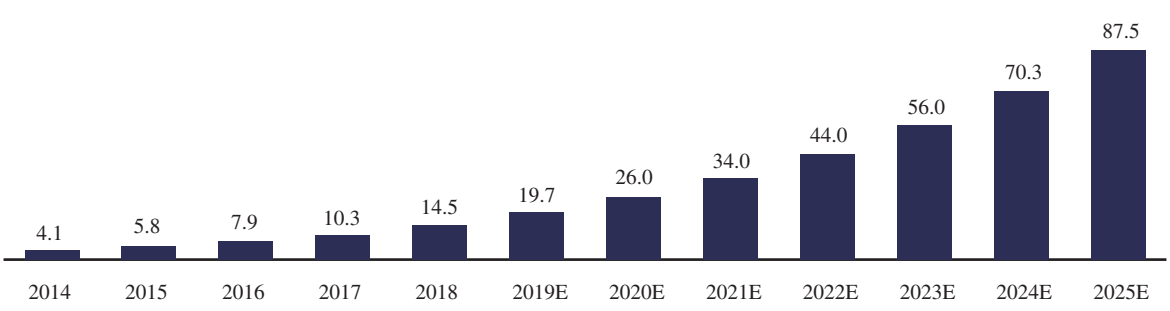
Stent retriever is the latest-generation stroke treatment device. It is a self-expanding stent that is deployed in the occluded vessel to push aside thrombus and entangle it within the stent struts. The stent and thrombus are then withdrawn back into the catheter.

Number of MT Procedures in China

Due to a growing population of AIS patients that require treatment, increasing affordability of MT and heightened healthcare awareness, the number of MT procedures in China increased from 4.1 thousand in 2014 to 14.5 thousand in 2018, at a CAGR of 36.9%, and is expected to further increase to 87.5 thousand in 2025, at a CAGR of 29.3% from 2018 to 2025. The diagram below shows the number of MT procedures in China.

Number of MT Procedures in China, 2014-2025E

Period	CAGR
2014-2018	36.9%
2018-2025E	29.3%



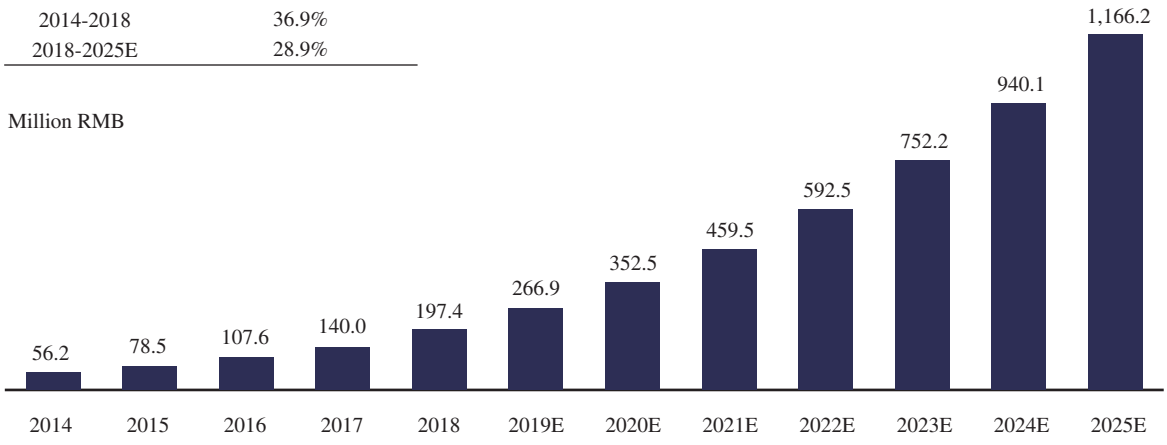
Source: Literature review, expert interview, Frost & Sullivan analysis.

MT Device Market in China

Due to the growing number of MT procedures in China, the market size of MT devices increased from RMB56.2 million in 2014 to RMB197.4 million in 2018, at a CAGR of 36.9%, and is expected to expand to RMB1,166.2 million in 2025, at a CAGR of 28.9% from 2018 to 2025. The diagram below shows the market size of MT devices in China.

Historical and Forecasted Market Size of MT Device in China, 2014-2025E

Period	CAGR
2014-2018	36.9%
2018-2025E	28.9%



Source: Frost & Sullivan analysis.

Growth Drivers for MT Device Market in China

China's MT device market is expected to grow due to the following factors:

- *Increasing number of patients and physicians.* Studies and periodic governmental reports indicate a high and increasing rate of strokes in the population, and this rate will further increase due to aging, ongoing high prevalence of risk factors (e.g., hypertension), and inadequate disease management. The large numbers of patients with AIS create considerable clinical demands for MT devices and will further facilitate the development of MT devices. On the other hand, the number of hospitals and stroke centers that support MT in treatment of AIS is growing rapidly, with more qualified physicians and better equipped procedure rooms. The growing number of patients and the rising number of qualified hospitals and physicians will all contribute to the growth of the MT market.

- *Improving technology of devices.* Over the past decade, rapid advancement in catheter-based and endovascular device technology has led to significant improvements in cerebral reperfusion rates. The use of stent retrievers and aspiration catheters have now surpassed the use of older generation devices due to their degree and rapidity of revascularization, with no concurrent increase in the risk of complications and mortality. In addition, improvement in the technology is expected be accompanied by more available MT products and better clinical outcomes in terms of expanded indications.

- *Favorable government policies.* China has made comprehensive healthcare reforms to provide accessible and efficient healthcare for patients affected by strokes. In 2015, the Chinese Stroke Association (中國卒中學會) initiated the Chinese Stroke Center Alliance (中國卒中中心聯盟) to establish the national hospital-based stroke care quality assessment and improvement platform. In 2017, the State Council further issued the Health and Wellness Plan in the Thirteenth Five-year Plan (《"十三五"衛生與健康規劃》), which, among others, indicated that one of the primary missions is to implement a comprehensive control system for chronic diseases such as stroke. The government's efforts to promote stroke management will lead to progress in stroke care and growth in the MT device market.

- *Extended time window for surgical practice.* Compared to the 2015 version of China AIS Endovascular Therapy Guide, which recommended using a combination of thrombolytic drugs and MT devices in anterior circulation within six hours based on the onset of AIS, the 2018 version of this guide extended that time window to 24 hours based on imaging-aid diagnosis. The extended time window for MT will largely expand its eligible patient group and potentially cause MT to become a more conventional procedure to treat AIS.

Future Trends for MT Device Market in China

China's MT device market has been experiencing the following trends:

- *Rapid growing MT market size.* The prevalence of AIS will continue to increase in China due to an aging population, growing risk factors, and an increasing number of younger patients affected by AIS. Due to the increasing number of certified treatment facilities along with more higher-income patients demanding better healthcare services, both the MT procedure volume and the early-stage MT device market size in China are expected to increase rapidly in the future.

- *Domestic substitution.* At present, the major players in China's MT device market are predominantly international companies. The only available domestic product in the market approved in 2018 is considered as a more economical option with comparable qualities. In addition, domestic device producers enjoy more policy benefits in terms of bidding and public medical insurance reimbursement, which will further improve the popularity of MT devices among AIS patients. Both price advantages and favorable policies will help domestic companies to compete with their international counterparts and gain more market share in this promising field of medical devices.

- *Next-generation technology and combination methods for improved clinical outcome.* Currently, MT devices mainly include the latest generation of aspiration devices and stent retrievers. Several emerging technologies, including stent design and material choice, have been proved in ongoing research to reduce procedure time, enhance revascularization rates and reach thrombi in more distal locations, all factors that represent better functional outcomes for patients. As patients demand higher quality healthcare, medical device companies will focus on developing next-generation technologies to maximize the success of thrombectomy procedures. Moreover, the tendency to utilize stent retrievers combined with aspiration devices during MT procedures can also improve clinical outcomes. As patients demand better quality care, more market players will focus on developing next-generation technologies for their MT products. At the same time, physicians will also make more efforts to incorporate hybrid methods into thrombectomy procedures.

Competitive Landscape for MT Device Market in China

The MT device market in China is currently concentrated and dominated by international companies. The top four players in 2018, all international companies, had market shares of 60.0%, 21.9%, 8.3% and 4.4% in 2018, respectively. As of the Latest Practicable Date, there were eight MT products with the NMPA approval in China market manufactured by five international companies and one domestic company. The majority of the products are stent retrievers, with only one aspiration device available in the China market.

Competitive Landscape of the Neurointerventional Procedural Medical Device Market in China

The top competitors in the neurointerventional procedural medical device market in China are currently international companies. We ranked fifth among all players and first among domestic player in terms of the combined number of commercialized products and product candidates in the clinical trial stage.

THE FROST & SULLIVAN REPORT

In connection with the [**REDACTED**], we commissioned Frost & Sullivan, an Independent Third Party, to prepare a report on China's transcatheter valve therapeutic and neurointerventional procedural medical device markets. We have agreed to pay a total of RMB1.02 million in fees for the preparation of the Frost & Sullivan Report. Frost & Sullivan is a market research and consulting company founded in 1961 that provides market research on a variety of industries including healthcare. In preparing the report, Frost & Sullivan collected and reviewed publicly available data such as government-derived information, annual reports and industry association statistics, as well as market data collected by conducting interviews with key industry experts and leading industry participants. Frost & Sullivan has exercised due care in collecting and reviewing the information so collected and believes that the basic assumptions are factual and correct and the interpretations are reasonable. Frost & Sullivan has independently analyzed the information, but the accuracy of the conclusions of its review largely relies on the accuracy of the information collected.

The market projections in the commissioned report are based on the following key assumptions:

- the overall social, economic and political environment in the PRC is expected to remain stable during the forecast period;
- China's economic and industrial development is likely to maintain steady growth over the next decade;
- key industry drivers, such as the increasing use of medical devices, growing health expenditures and patient affordability, the increasing incidence of chronic diseases, aging population growth, and stricter regulatory policies are likely to drive the growth of China's medical device market during the forecast period; and
- no extreme force majeure or industry regulation will dramatically or fundamentally affect the market.

Except as otherwise noted, all data and forecasts in this section come from the Frost & Sullivan Report. Our Directors confirm that, to the best of their knowledge, after taking reasonable care, there has been no adverse change in market information since the date of the Frost & Sullivan Report which may qualify, contradict or impact the information disclosed in this section.

We primarily conduct our business in the PRC, and during the Track Record Period, substantially all of our revenue was generated from the PRC. Accordingly, PRC laws and regulations are most relevant to our business.

Medical device industry of the PRC is subject to a large number of laws and regulations and extensive government supervision. Such laws and regulations encompass the areas including manufacturing, sales of medical devices, labor and intellectual property. Principal regulatory authorities of the industry are the NMPA and its local regulatory branches. In March 2018, the State Council Institutional Reform Proposal passed by the First Session of the Thirteenth NPC decided the CFDA shall cease to exist, and the NMPA was established to undertake the duties of the former CFDA.

LAWS AND REGULATIONS RELATING TO MEDICAL DEVICES

Regulation and Classification of Medical Devices

Pursuant 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**") amended by the State Council and coming into effect 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.

In the PRC, medical devices have been classified into three categories based on the degree of risk. Class I medical devices shall refer to those devices with low risk and whose safety and effectiveness can be ensured through routine administration. Class II medical devices shall refer to those devices with medium risk and whose safety and effectiveness should be strictly controlled. Class III medical devices shall refer to those devices with high risk and whose safety and effectiveness must be strictly controlled with special measures.

The products we currently produce and sell in China are the Class II medical devices and the Class III medical devices.

Registration and Filings of Medical Device Products

Pursuant to the Regulations of Medical Devices and the Administrative Measures for the Registration of Medical Devices (《醫療器械註冊管理辦法》) promulgated by the NMPA on July 30, 2014 and coming into effect on October 1, 2014, for the filings of the Class I medical devices, the parties undergoing the filings of medical devices shall submit the filing materials to the food and drug supervision and administration departments of the local people's government at the districted city level. In case of any amendment to matters stated in the filings, such amendment shall be filed with the original filing department. The Class II and Class III medical devices shall be subject to the product registration administration. Class II medical devices shall be examined by the food and drug supervision and administration departments of the people's governments of the provinces, autonomous regions or municipality where such applicants are located. A registration certificate for such medical device shall be

issued upon approval. Class III medical devices shall be examined by the NMPA. A registration certificate for such medical device shall be issued upon approval. In case of any substantial change of the designs, raw materials, production technologies, scopes of application and application methods, etc., of the registered Class II or Class III medical devices, which may affect the safety and effectiveness of such medical devices, the registrants shall apply to the original registration departments for changing registration.

The registration certificate for a medical device is valid for five years and the registrant shall apply to the food and drug supervision and administration departments for renewal six months prior to its expiration date.

We have obtained the Class II medical device registration certificates and the Class III medical device registration certificates for the products we currently produce and sell in China, which are within the validity term.

Clinical trials are not required for the filing of the Class I medical devices, but necessary 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:

- The medical device has clear working mechanisms, finalized design and mature manufacturing processes, and the medical devices of the same type that are available on the market have been used in clinical application for years without records of any serious adverse events, and the medical device will not change the general purposes;

- The safety and effectiveness of such medical devices can be proved through non-clinical evaluation; or

- The safety and effectiveness of such medical devices can be proved through the analysis and evaluation of the data obtained from the clinical trials or clinical application of the same categories of medical devices.

The medical device catalog of clinical trial exemption shall be formulated, amended and promulgated by the NMPA. Medical device products that are not included in the exemption catalog shall be analyzed and evaluated through the data obtained from the clinical trials or clinical application of the same categories of medical devices. Where the safety and effectiveness of such medical devices can be proved, the applicant may specify in the course of registration application and submit relevant proofing materials.

Production Permit of Medical Devices

Pursuant to the Regulations of Medical Devices and the Administrative Measures on the Production of Medical Devices (《醫療器械生產監督管理辦法》) (the "**Production Measures**") promulgated by the NMPA, amended and coming into effect on November 17, 2017, a manufacturer of medical device shall satisfy all of the following conditions:

- possessing production sites, environmental conditions, production equipment and professional technicians that are suitable for such medical device produced;

- possessing organizations or professional examination staff and examination equipment that carry out quality examination for such medical device produced;

- formulating a management system which ensures the quality of such medical device;
- having capability of after-sale services that is suitable for such medical device produced; and
- satisfying the requirements as prescribed in production R&D and production technique documents.

The enterprises engaging in the production of Class I medical devices shall make filings for such Class I medical devices with the food and drug supervision and administration departments of the local people's governments at the districted city level and submit proofing materials of qualification to engage in the production of such medical devices. The enterprises engaging in the production of Class II and Class III medical devices shall apply for production licenses to the food and drug supervision and administration departments of the local people's governments of the provinces, autonomous regions or municipalities, and submit proofing materials of qualification to engage in the production of such medical devices and registration certificates for such medical devices produced.

A production permit for a medical device is valid for five years and the registrant shall apply to the original departments that issued such permit for renewal six months prior to its expiration date.

We have obtained the Class II medical device production permits and the Class III medical device production permits for the products we currently produce and sell in China, which are within the validity term.

The Draft Amendment to Medical Device Regulations has ended the stage for public consultation on July 24, 2018. As of the Latest Practicable Date, the Draft Amendment to Medical Device Regulations had not been formally promulgated and implemented. Compared with the Medical Device Regulations, which is currently effective, the Draft Amendment to Medical Device Regulations has added 12 articles, deleted two articles and modified 39 articles. The main changes are concentrated on the following aspects: (i) clarifying the system of "holders of medical device marketing license"; (ii) reforming the clinical trial management system; (iii) optimizing the approval process; and (iv) improving post-approval regulatory requirements. In terms of the clinical trial management system, the Draft Amendment to Medical Device Regulations has clarified the definition of "clinical evaluation" (臨床評價) and its application on different class of medical devices. Clinical trials are in principle required for Class III medical devices that are intended to support or sustain life or clinical use with high risk. The Draft Amendment to Medical Device Regulations has also added the term of "clinical trial" (臨床試驗) approval of Class III medical devices which may pose relatively high risks to human bodies according to the clinical trials thereof and has changed the explicit permission to implied permission. The clinical trial requirements of medical devices for the diseases that are seriously life-threatening and have no effective treatments have been reduced conditionally. In terms of medical device marketing, the Draft Amendment to Medical Device Regulations has clarified that the entity under either self-operating or authorized-operating model which shall be responsible for, among others, product quality and quality control system is the holder of medical device marketing license, and has added new requirements on online sales of medical devices. In terms of regulatory requirements, the Draft Amendment to Medical Device Regulations has expanded the scope of supervision to all aspects of development, production, operation and use, and has added extended inspection and monitoring methods. Our Company considered that the implementation of Draft Amendment to Medical Device Regulations if as presently drafted will

not have material impacts on our Company's ongoing and planned clinical trials, sales and registration based on the scope of business and ongoing operation and other activities of our Company.

Production and Quality Management of Medical Devices

Pursuant to the Production Measures and the Standards on Production and Quality Management of Medical Devices (《醫療器械生產質量管理規範》) (the "**Standards on Production and Quality Management**") promulgated by the NMPA on December 29, 2014 and coming into effect on March 1, 2015, an enterprise engaging in the production of medical devices shall establish and effectively maintain a quality control system in accordance to the requirements of the Standards on Production and Quality Management. The enterprise engaging in the production of medical devices shall regularly conduct comprehensive self-inspection on the operation of quality management system in accordance with the requirements of the Standards on Production and Quality Management and submit a self-inspection report to the food and drug supervision and administration departments of the local people's governments of the provinces, autonomous regions, municipalities or at the districted city level before the end of every year. The enterprise shall establish its procurement control procedure and assess its suppliers by establishing an examination system to ensure the purchased products are in compliance with the statutory requirements. The enterprise shall record the procurement, production and inspection of raw materials. Such records shall be true, accurate, complete and traceable. The enterprise shall apply risk management to the whole process of design and development, production, sales and after-sale services. The measures being adopted shall be applicable to risks associated with the related products.

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.

The inspection team had conducted several on-site inspections on our standards of production and quality management of medical devices during the Track Record Period, and the recommended conclusions issued by the inspection team were "Passed."

According to the on-site inspections on our standards of production and quality management conducted by competent authorities, we were in compliance with the requirements of the Standards on Production and Quality Management in all material aspects during the Track Record Period.

Good Clinical Practice for Medical Devices

On March 1, 2016, the NMPA and the National Health and Family Planning Commission jointly promulgated the Good Clinical Practice for Medical Devices (《醫療器械臨床試驗質量管理規範》), which became effective on June 1, 2016. The regulation 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. For conducting clinical trials of medical devices, an applicant shall organize to formulate scientific and reasonable clinical trial protocols based on the categories, risks and intended use of the medical devices for the clinical study. The applicant shall be responsible for (i) organizing to develop and revise the researcher's manual, clinical trial protocols, informed consent form, case report form, relevant standard operating procedures and other relevant documents, and (ii) organizing necessary training for the clinical trials. The applicant shall select the clinical trial institutions and its researchers from the qualified medical device clinical trial institutions according to the characteristics of the medical devices to be used in the clinical study. As an applicant for clinical trials of medical devices, we are responsible for initiating, applying, organizing and monitoring such clinical trials, and shall be responsible for the authenticity and reliability of the clinical trials. For a new product candidate that has not been approved for marketing either in China or overseas, and whose safety and effectiveness have not been medically proven, a feasibility trial on a small sample size of patients shall be conducted first. Upon preliminary confirmation of the safety of the product candidate, subsequent clinical trials shall be conducted and the sample sizes of patients shall be of statistical significance.

Guidelines for Clinical Trials of Transcatheter Aortic Valve Implantation

Pursuant to the TAVR Clinical Trial Guidelines, clinical trials for the prosthetic aortic valves used in TAVR devices are divided into two separate trials, namely the feasibility trial and the confirmatory trial. With respect to a new prosthetic aortic valve candidate, the applicant needs to first conduct a feasibility trial to preliminarily demonstrate the product candidate's safety. Only after the feasibility trial is completed and the safety of the prosthetic aortic valve is preliminarily demonstrated, can the applicant carry out the confirmatory trial to further evaluate the product candidate's safety and effectiveness. Completion of both a feasibility trial and a confirmatory trial is required before an applicant can apply for the registration certificate for a new prosthetic aortic valve.

Permit for 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 November 17, 2017 and coming into effect on November 17, 2017, 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. An enterprise engaged in the operation of Class II medical devices shall file with the municipal level food and 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 food and drug supervision and administration department and provide proofing materials for satisfying the relevant conditions of engaging in the operation of such medical devices.

The food and drug supervision and administration department which receives operation permit application shall grant the operation permit if the enterprise meets the prescribed requirements. An operation permit is valid for five years and may be renewed pursuant to the relevant regulations. An enterprise engaging in medical devices operation shall not operate or use any medical device that has not been legally registered, without qualification certificate, out-dated, invalid or disqualified.

We currently have the Class II record-filing certificate for medical device business operations and the Class III medical device operation permits, which are within the validity term.

Special Procedures for Examination and Approval of Innovative Medical Devices

On October 8, 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》) (the "**Innovation Opinions**"), which aims to encourage the innovation for medical devices. Pursuant to the Innovation Opinions, the priority review and approval will be applicable to innovative medical devices supported by the National Science and Technology Major Projects and the National Key R&D Program of China, and the clinical trials of which have been conducted by the National Clinical Research Center, and approved by the management department of the National Clinical Research Center.

Pursuant to the Special Procedures for Examination and Approval of Innovative Medical Devices (《創新醫療器械特別審查程序》) which were promulgated by the NMPA on November 2, 2018 and came into effect on December 1, 2018, special procedures shall be applicable to the examination and approval for medical devices in the following circumstances:

- The applicant legally owns the invention patent of the core technology of the product through its technological innovation activities in the PRC, or legally obtains the invention patent or the right of use thereof through transfer in the PRC, and the interval between the date of application for the special examination and approval of innovative medical devices and the date of authorized publication should not exceed five years; or the patent administration department of the State Council has disclosed the application for the invention patent of the core technology and the Patent Search and Consultation Center of the National Intellectual Property Administration of the PRC (國家知識產權局專利檢索諮詢中心) has issued the patent search report setting out the novelty and innovation of the core technology solution of the product.

- The applicant has developed the prototype product and completed the preliminary research under a true and controllable process that generated complete and traceable data.

- The product (a) has major working mechanism or mechanism of action which is the first of its kind in the PRC, (b) has fundamental improvement in product performance or safety compared with similar products, (c) is of an internationally leading standard in terms of techniques and has significant clinical 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.

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)》) (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. The Notice requires public medical institutions to gradually implement the "Two Invoice System" for drug procurements and encourages other medical institutions to promote the "Two Invoice System" so that the "Two Invoice System" would strive to be widely promoted nationwide by 2018.

On March 5, 2018, six government departments including National Health Commission of the PRC issued the Notice on Consolidating the Achievements of Cancelling 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》), which encourages local governments 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.

As of the Latest Practicable Date, some provinces including Fujian Province, Shaanxi Province and Anhui Province have implemented the "Two Invoice System" in the field of medical consumables. On 23 July, 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用工作的通知》), 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 Shanxi Province including Deepen Medical and Healthcare System Reform Leading Group Office of Shanxi 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. 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.

Overseas Clinical Trial Data of Medical Devices

On January 10, 2018, the NMPA issued the Technical Guidelines for Accepting Overseas Clinical Trial Data of Medical Devices (《接受醫療器械境外臨床試驗數據技術指導原則》) (the "**Technical Guidelines**"). According to the Technical Guidelines, the overseas clinical trial data refers to all research data or research data of the same stage which generated from the confirmation process of the safety and effectiveness of the medical devices to be registered in China under normal use conditions in the overseas clinical trial institutions in accordance with the requirements of the country (region) where the clinical trial is conducted.

Three basic principles to accept overseas clinical trial data are as follow: (i) Ethical principle: Overseas clinical trials shall follow the ethical guidelines established by the Declaration of Helsinki. Applicants are also required to state the ethics of the country (region) in which the clinical trial is conducted and codes and standards established by laws and regulations of the aforesaid country (region) or international codes and standards; (ii) Legal principle: Overseas clinical trials shall be conducted in a country (region) with clinical trial quality management, and are in accordance with the regulatory requirements for clinical trials of medical devices (including In vitro diagnostic reagents) in China; and (iii) Scientific principle: Overseas clinical trial data shall be true, scientific, reliable and traceable. Applicants shall provide complete trial data and shall not filter.

According to the Technical Guidelines, the overseas clinical trial data submitted by the applicant shall at least include clinical trial protocols, ethical opinions, and clinical trial report which shall include analysis and conclusions on the complete clinical trial data. If the overseas clinical trial data meets the relevant requirements of registration in China, and the data is scientific, complete and sufficient, such data will be accepted. If the overseas clinical trial data meets the basic requirements of the Technical Guidelines, but additional information needs to be supplemented according to the relevant technical requirements for registration in China, supplementary clinical trials can be conducted within or outside China. As the supplementary clinical trial data and original overseas clinical trial data are in accordance with the relevant technical requirements of registration in China after comprehensive evaluation, overseas clinical trial data will be accepted.

Regulations Relating to Advertisements of Medical Devices

The SAMR promulgated the Interim Administrative Measures for Censorship of Advertisements for Drugs, Medical Devices, Dietary Supplements and Foods for Special Medical Purpose (《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》) (the "**Interim Measures for Advertisements**") on December 24, 2019, which came into effect on 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 the Interim Measures for Advertisements, no advertisement for any drug, medical device, dietary supplement or food for special medical purpose may be published without censorship. The SAMR shall be responsible for organizing and guiding the censorship of advertisements for drugs, medical devices, dietary supplements and foods for special medical purpose. Departments for market regulation and drug administration of provinces, autonomous regions and municipalities directly under the central government shall be responsible for the censorship of advertisements for drugs, medical devices, dietary supplements and foods for special medical purpose and may legally entrust other administrative authorities with specifically carrying out advertisement censorship. Advertisements for drugs, medical devices, dietary supplements and foods for special medical purpose shall be authentic and legal, and shall not contain any false or misleading content.

National Medical Insurance Program

The national medical insurance program was adopted pursuant to the Decision of the State Council 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, under which all employers in urban cities are required to enroll their employees in the Urban Employee Basic Medical Insurance Program and the insurance premium is jointly contributed by the employers and employees. Pursuant to the 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》) forwarded by the General Office of the State Council on January 16, 2003, China launched the New Rural Cooperative Medical System to provide medical insurance for rural residents in selected areas which has spread to the whole nation thereafter. The State Council promulgated 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》) on July 10, 2007, under which urban residents of the pilot district, rather than urban employees, may voluntarily join Urban Resident Basic Medical Insurance. In 2015, the PRC government announced the Outline for the Planning of the National Medical and Health Service System (2015-2020) (《全國醫療衛生服務體系規劃綱要(2015-2020年)》) which aims to establish a basic medical and health care system that covers both rural and urban citizens by 2020.

On January 3, 2016, the State Council issued 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》) to integrate the Urban Resident Basic Medical Insurance and the New Rural Cooperative Medical System and the establishment of a unified Basic Medical Insurance for Urban and Rural Residents, which will cover all urban and rural non-working residents except for rural migrant workers and persons in flexible employment arrangements who participate in the basic medical insurance for urban employees.

With regard to reimbursement for medical devices and diagnostic tests, 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 (Lao She Bu Fa [1999] No. 22) (《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》(勞社部發[1999]22號)) prescribes the coverage of diagnostic and treatment devices and diagnostic tests where part of the fees are paid through the basic medical insurance scheme. It also includes a negative list that precludes certain devices and medical services from governmental reimbursement. Detailed reimbursement coverage and rate for medical devices and medical services (including diagnostic tests and kits) are subject to each province's local policies.

Reform Plan on High-Value Medical Consumables

On July 19, 2019, the General Office of the State Council issued the Circular on Reform Plan on Managing High-Value Medical Consumables (Guo Ban Fa No.[2019]37) (《關於印發〈治理高值醫用耗材改革方案〉的通知》(國辦發[2019]37號)) (the "**Circular on High-Value Medical Consumables**"). According to the Circular on High-Value Medical Consumables, high-value medical consumables are defined as medical consumables directly used on human, with strict requirement on safety, in great demand clinically, relatively highly-priced, and that can pose heavy burdens on patients. The Circular on High-Value Medical Consumables releases several reform initiatives aiming at managing high-value medical consumables, including: (i) the classification and codes of high-value medical consumables in the national medical insurance system will be unified gradually, and rules on unique device identification in full life cycle of the high-value medical consumables, including but not limited to registration,

procurement and usage, will be implemented by the National Healthcare Security Administration, the National Medical Products Administration, and the National Health Commission of the PRC by the end of 2020; (ii) the mechanism for including high-value medical consumables in basic medical insurance shall be built, and a list of high-value medical consumables shall be compiled, to strengthen the dynamic adjustment mechanism. The access regulations shall be promulgated by the National Health Commission and the Ministry of Finance by the end of June 2020; (iii) the price markups placed on medical consumables at public hospitals will be abolished, and all medical consumables, including high-value medical consumables will be sold at procurement price at all public hospitals by the end of 2019; and (iv) the medical insurance payment policy shall be formulated and implemented by the National Healthcare Security Administration, the Ministry of Finance and the National Health Commission of the PRC. Meanwhile, the medical insurance payment standards on high-value medical consumables will be formulated and the dynamic adjustment mechanism will be established. The medical insurance funds and patients will share the cost of high-value medical consumables according to the medical insurance payment standards, and medical institutions shall further reduce procurement prices under the guidance of the Circular on High-Value Medical Consumables.

Medical Device Product Export Sales Certificate

Pursuant to the Regulations on the Administration of Export Sales Certificates of Medical Devices (《醫療器械產品出口銷售證明管理規定》) promulgated by the NMPA on June 1, 2015 and coming into effect on September 1, 2015, if the registration certificate for a medical device and production permit for a medical device have been obtained in China, or the medical device registration and production filing have been completed, the food and drug supervision and administration department may issue a Medical Device Product Export Sales Certificate (醫療器械產品出口銷售證明) to the relevant manufacturing enterprise. The validity term of the Medical Device Product Export Sales Certificate should not exceed the earliest deadline for the various documents submitted by the enterprise in the application materials, and the maximum validity term shall also not exceed two years.

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: (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.

In terms of class I recall, the recall notice shall be published on the NMPA website and major media. In terms of class II and class III recalls, the recall notice shall be published on the website of the food and drug administrative authority of the provinces, autonomous regions or municipalities.

As of the Latest Practicable Date, we had been implementing a class III recall plan approved by the relevant governmental authority. For details, please refer to the paragraphs headed "Business—Product Warranty, Return, Recall and Exchanges" in this document.

OTHER LAWS AND REGULATIONS

Hospital Classification

The Hospital Classification Management Measures (for Trial Implementation) (《醫院分級管理辦法(試行)》) (the "**Classification Measures**") promulgated by the Ministry of Health divides the hospitals into three classes and 10 grades. Class III hospitals are the highest level and are further divided into Special, A, B and C grades. The Class I and Class II hospitals are also further divided into A, B and C grades respectively. The Class III hospitals are above regional hospitals that provide high-level specialist medical and healthcare services to several regions and perform advanced teaching and research works. The Class II hospitals are regional hospitals that provide comprehensive medical and healthcare services to a number of communities and undertake certain teaching and research works. The Class I hospitals are primary hospitals or healthcare centers that directly provide preventive, medical care, healthcare, and rehabilitation services to communities of a certain population.

The Classification Measures has been abolished according to the Catalogue of Abolished Regulations of the Health Departments issued by the Ministry of Health on April 13, 1998. However, the hospitals are still classified according to the Classification Measures in practice.

Regulations Relating to Labor and Social Protection

Pursuant to the Labor Law of the PRC (《中華人民共和國勞動法》) promulgated by the Standing Committee of the NPC on July 5, 1994 and amended and coming into effect on December 29, 2018, the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) amended by the Standing Committee of the NPC on December 28, 2012 and coming into effect 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》) promulgated by the State Council and coming into effect on September 18, 2008, an employer shall strictly comply with the national standards, provide training to its employees, protect their labor rights and perform its labor obligations. An employer shall enter into a written labor contract with its employees. Labor contracts shall be categorized into labor contracts with fixed term, labor contracts without fixed term and labor contracts to be expired upon completion of certain tasks. The remuneration payable by an employer to its employees shall not be less than local minimum wage.

Pursuant to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) promulgated by the Standing Committee of the NPC on October 28, 2010, amended and coming into effect on December 29, 2018, the Administrative Regulations on Housing Provident Fund of the PRC (《中華人民共和國住房公積金管理條例》) amended by the State Council and coming into effect on March 24, 2019 and the Provisional Regulations on Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) amended by the State Council and coming into effect on March 24, 2019, a domestic enterprise shall pay premium for basic pension insurance, unemployment insurance, maternity insurance, work injury insurance, basic medical insurance and housing provident fund for its employees at the applicable rates based on the amounts stipulated by the laws. If it fails to pay required amount of premium to local administrative authorities on time or in full, it may be required to settle the overdue amount or subject to fine.

Production Safety

Pursuant to the Production Safety Law of the PRC (《中華人民共和國安全生產法》) amended by the Standing Committee of the NPC 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. An enterprise having more than 100 employees shall establish a department or engage in personnel managing production safety specifically. 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.

Regulations Relating to Intellectual Properties

Trademarks

The Trademark Law of the PRC (《中華人民共和國商標法》) amended by the Standing Committee of the NPC on April 23, 2019 and coming into effect on November 1, 2019 and the Implementation Rules of the Trademark Law of the PRC (《中華人民共和國商標法實施條例》) amended by the State Council on April 29, 2014 and coming into effect on May 1, 2014, stipulate the application, examination and approval, renewal, alternation, transfer, use and invalidation of trademark registration, and protect the trademark rights entitled to trademark registrants. According to the aforesaid laws and regulations, the registration of a trademark shall be valid for 10 years from the date of approval. Upon the expiry of the trademark registration, a renewal shall be made in accordance with requirements within 12 months if necessary. If the renewal is not made within the stipulated period, the valid period may be extended for a further period of six months. Each renewal of registration of trademark shall be valid for 10 years from the date of the expiry of the previous trademark registration. A trademark registrant may license others the right to use his/her trademark by entering into a trademark license agreement.

Patents

Pursuant to the Patent Law of the PRC (《中華人民共和國專利法》) amended by the Standing Committee of the NPC on December 27, 2008 and coming into effect on October 1, 2009 and the Implementation Rules of the Patent Law of the PRC (《中華人民共和國專利法實施細則》) amended by the State Council on January 9, 2010 and coming into effect on February 1, 2010, patents in China are divided into invention patent, utility patent and design patent. Invention patent refers to new technical solutions for a product, method or its improvement; utility patent refers to new technical solutions for the shape,

structure or the combination of both shape and structure of a product, which is applicable for practical use; design patent refers to new designs of the shape, pattern or the combination of shape and pattern, or the combination of the color, the shape and pattern of a product with esthetic feeling and industrial application value. Invention patent shall be valid for 20 years from the date of application while utility patent and design patent shall be valid for 10 years from the date of application. The patent right entitled to its owner shall be protected by the laws. Any person shall be licensed or authorized by the patent owner before using such patent. Otherwise, the use constitutes an infringement of the patent right.

On December 5, 2018, the State Council submitted the draft of the fourth amendment to the Patent Law of the PRC to the NPC (the "**Draft Amendment to the Patent Law**"). The Draft Amendment to the Patent Law was reviewed by the Seventh Session of the 13th NPC Standing Committee and was published for public consultation from January 4, 2019 to February 3, 2019. As of the Latest Practicable Date, the Draft Amendment to the Patent Law has not been formally promulgated and implemented. Compared with the valid Patent Law, the main changes of the Draft Amendment to the Patent Law are concentrated on the following aspects: (i) clarifying the incentive mechanism for inventor or designer relating to service inventions; (ii) extending the duration of design patent; (iii) establishing a new system of "open licensing" (開放許可); (iv) strengthening the joint liability of internet service providers for network patent infringement; (v) improving the distribution of burden of proof in patent infringement cases; and (vi) increasing the compensation for patent infringement.

Our Company considered that the implementation of the Draft Amendment to the Patent Law if as presently drafted will not have material impacts on patent submissions of our Company's major products and product candidates based on the scope of business and ongoing operation and other activities of our Company.

Copyrights

Pursuant to the Copyright Law of the PRC (《中華人民共和國著作權法》) amended by the Standing Committee of the NPC on February 26, 2010 and coming into effect on April 1, 2010, Chinese citizens, legal persons or other organizations shall, whether published or not, enjoy copyright in their works, which include, among others, works of literature, art, natural science, social science, engineering technology and computer software created in writing or oral or other forms. A copyright holder shall enjoy a number of rights, including the right of publication, the right of authorship and the right of reproduction.

Pursuant to the Measures for the Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》) promulgated by the National Copyright Administration on February 20, 2002 and the Regulation on Computers Software Protection (《計算機軟件保護條例》) amended by the State Council on January 30, 2013 and coming into effect on March 1, 2013, the National Copyright Administration is mainly responsible for the registration and management of software copyright in China and recognizes the China Copyright Protection Center as the software registration organization. The China Copyright Protection Center shall grant certificates of registration to computer software copyright applicants in compliance with the regulations of the Measures for the Registration of Computer Software Copyright and the Regulation on Computers Software Protection.

Domain Names

Pursuant to the Administrative Measures for Internet Domain Names (《互聯網功能變數名稱管理辦法》) promulgated by the Ministry of Industry and Information Technology on August 24, 2017 and coming into effect on November 1, 2017, the establishment of any domain name root server and institution for operating domain name root servers, managing the registration of domain name and providing registration services in relation to domain name within the territory of China shall be subject to the approval of the Ministry of Industry and Information Technology or provincial, autonomous regional and municipal communications administration. The registration of domain name shall follow the principle of "first apply first register." The Notice of the Ministry of Industry and Information Technology on Regulating the Use of Domain Names in Internet Information Services (《工業和資訊化部關於規範互聯網資訊服務使用功能變數名稱的通知》) promulgated by the Ministry of Industry and Information Technology on November 27, 2017 and coming into effect on January 1, 2018 specifies the obligation of anti-terrorism and maintaining network security of internet information service providers.

Regulations Relating to EIT

Pursuant to the EIT Law (《中華人民共和國企業所得税法》) amended by the Standing Committee of the NPC and coming into effect on December 29, 2018 and the Implementation Rules of the EIT Law (《中華人民共和國企業所得税法實施條例》) amended by the State Council and coming into effect on April 23, 2019, a domestic enterprise which is established within the PRC in accordance with the laws or established in accordance with any laws of foreign country (region) but with an actual management entity within the PRC shall be regarded as a resident enterprise. A resident enterprise shall be subject to an EIT of 25% of any income generated within or outside the PRC. A preferential EIT rate shall be applicable to any key industry or project which is supported or encouraged by the State. High and new technology enterprises which are supported by the State may enjoy a reduced EIT rate of 15%.

Regulations Relating to Product Liability and Protection of Consumers' Rights

Pursuant to the Product Quality Law of the PRC (《中華人民共和國產品質量法》) amended by the Standing Committee of the NPC and coming into effect on December 29, 2018, producers and sellers shall have their own proper regulations for the management of product quality, rigorously implementing post-oriented quality regulations, quality liabilities and relevant measures for their assessment. Producers and sellers are responsible for the product quality according to the provisions of the laws.

The product quality supervision and administration departments of the State Council are responsible for the supervision and administration of the quality of products of the whole country. All relevant departments of the State Council shall be responsible for the supervision of product quality within their own functions and duties.

Quality of products shall pass standard examinations and it is not allowed to pass off sub-standard products as standard ones. Industrial products which may be hazardous to the health of the people and the safety of lives and property shall conform to the State and trade standards for ensuring the health of the people and safety of lives and property. In absence of such State or trade standards, the products shall conform to the minimum requirements for ensuring the health of the people and the safety of lives and property. It shall be prohibited to produce or sell industrial products that do not meet the requirements and demands for physical health and safety of body and property. Producers or sellers shall be responsible for any compensation arising from their unlawful acts such as production or sales of defective, eliminated

or ineffective products, faking the place of origin or quality marks, mixing or adulterating products or passing off imitations as genuine, substandard products as quality ones or non-conforming products as conforming. Proceeds from the sales may be confiscated, the business license may be revoked and penalties may be imposed. If the case is serious, criminal responsibilities shall be investigated. Producers or sellers shall be liable for any damage to any person or property due to the defects of products resulting from the default of the producers or sellers.

Pursuant to the Tort Law of the PRC (《中華人民共和國侵權責任法》) promulgated by the Standing Committee of the NPC on December 26, 2009 and coming into effect on July 1, 2010, a patient may make a claim against a medical institution or producer for any damage arising from defects of a medical device. In respect of any claim made by a patient, the medical institution is entitled to make a claim against the producer after the settlement of the compensation paid to the patient.

Regulations Relating to Foreign Investment

Pursuant to the PRC Company Law (《中華人民共和國公司法》) amended by the Standing Committee of the NPC and coming into effect on October 26, 2018, limited liability companies and joint stock limited companies established in the PRC have the status of legal persons. The liability of shareholders of a limited liability company and a joint stock limited company is limited to the amount of registered capital they have contributed or shares they have subscribed for. The PRC Company Law shall also apply to foreign-invested companies. Where laws on foreign investment have other stipulations, such stipulations shall apply.

Pursuant to the Special Management Measures (Negative List) for the Access of Foreign Investment (2019) (《外商投資准入特別管理措施(負面清單)(2019年版)》) promulgated by the NDRC and MOFCOM on June 30, 2019 and coming into effect on July 30, 2019, limitations were stipulated for foreign investments in different industries in the PRC and foreign investments shall be classified into two categories, namely the Catalog of Encouraged Industries for Foreign Investment and the Special Management Measures (Negative List) for the Access of Foreign Investment. The Special Management Measures (Negative List) for the Access of Foreign Investment is further classified into Catalog of Industries Limited for Foreign Investment and the Catalog of Industries Prohibited for Foreign Investment. Industries that do not fall within the Special Management Measures (Negative List) for the Access of Foreign Investment are industries permitted for foreign investment.

The Interim Administrative Measures on the Record-filing of the Incorporation and Changes of Foreign-invested Enterprises (2018 Revision) (《外商投資企業設立及變更備案管理暫行辦法(2018年修訂)》) (the "**Interim Administrative Measures**") promulgated by the MOFCOM on June 29, 2018 and coming into effect on June 30, 2018 specify the incorporation and changes of foreign-invested enterprises which are not subject to the special management measures for the access of foreign investment implemented by the State. Foreign-invested enterprises or their investors shall provide true, accurate and complete information for filling and fill in undertakings for filing and reporting in accordance with these measures. No false statement, misleading statement or material omission is allowed.

On December 30, 2019, the MOFCOM and the SAMR issued the Measures for the Reporting of Foreign Investment Information (《外商投資資訊報告辦法》), which came into effect on January 1, 2020 and replaced the Interim Administrative Measures. Since January 1, 2020, for carrying out investment activities directly or indirectly in China, the foreign investors or foreign-invested enterprises shall submit investment information to the commerce authorities pursuant to these measures.

The Foreign Investment Law of the PRC (《中華人民共和國外商投資法》), (the "**Foreign Investment Law**"), was formally adopted by the 2nd session of the thirteenth NPC on March 15, 2019, and became effective on January 1, 2020. The Foreign Investment Law is formulated to further expand opening-up, vigorously promote foreign investment and protect the legitimate rights and interests of foreign investors. According to the Foreign Investment Law, foreign investments are entitled to pre-entry national treatment and are subject to negative list management system. The pre-entry national treatment means that the treatment given to foreign investors and their investments at the stage of investment access is not lower than that of domestic investors and their investments. The negative list management system means that the state implements special management measures for the access of foreign investment in specific fields. Foreign investors shall not invest in any forbidden fields stipulated in the negative list and shall meet the conditions stipulated in the negative list before investing in any restricted fields.

Foreign investors' investment, earnings and other legitimate rights and interests within the territory of the PRC shall be protected in accordance with the law, and all national policies on supporting the development of enterprises shall equally apply to foreign-invested enterprises. The State guarantees that foreign-invested enterprises participate in the formulation of standards in an equal manner. The State guarantees that foreign-invested enterprises participate in government procurement activities through fair competition in accordance with the law. The State shall not expropriate any foreign investment except under special circumstances. In special circumstances, the State may levy or expropriate the investment of foreign investors in accordance with the law for the needs of the public interest. The expropriation and requisition shall be conducted in accordance with legal procedures and timely and reasonable compensation shall be given. In carrying out business activities, foreign-invested enterprises shall comply with relevant provisions on labor protection, social insurance, tax, accounting, foreign exchange and other matters stipulated in the PRC laws and regulation.

Upon taking effect on January 1, 2020, the Foreign Investment Law replaced the Sino-Foreign Equity Joint Venture Enterprise Law (《中華人民共和國中外合資經營企業法》), the Sino-Foreign Cooperative Joint Venture Enterprise Law (《中華人民共和國中外合作經營企業法》) and the Wholly Foreign-Owned Enterprises Law (《中華人民共和國外資企業法》) to become the legal foundation for foreign investment in the PRC.

On December 26, 2019, the State Council issued 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 on January 1, 2020 and replaced the Regulations on Implementing the Sino-Foreign Equity Joint Venture Enterprise Law (《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 Enterprise Law (《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 (《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 Enterprise Law (《中華人民共和國中外合作經營企業法實施細則》).

OVERVIEW

We focus on the high-growth interventional procedural medical device market in China, and are a leading domestic player in each of the transcatheter valve therapeutic medical device market and the neurointerventional procedural medical device market in China. Our Group was founded and managed by Dr. Zhang, Mrs. Ping Ye Zhang and Ms. Hong Ye, being our Founders and executive Directors, and backed by a group of sophisticated healthcare and biotech funds and experienced entrepreneurs. Dr. Zhang and Mrs. Zhang are spouses and Ms. Ye is the sister of Mrs. Zhang. Given Dr. Zhang's and Mrs. Zhang's scientific background and extensive experience in the medical devices industry, they are mainly responsible for the research and development of our medical devices. Ms. Ye is responsible for the day-to-day management and operations of our Group. For further details on each Founder's relevant experience, please refer to the section headed "Directors and Senior Management" in this document.

Our Company was incorporated in the Cayman Islands on May 30, 2012 as the holding company of our subsidiaries that are principally engaged in the research and development of transcatheter valve therapeutic medical devices. We acquired Achieva Medical through the Share Swap and Achieva Medical became our subsidiary in March, 2019.

Achieva Medical was founded in November 2005 and was managed by our Founders as the holding company of its then subsidiaries that were mainly engaged in the research and development of neurointerventional procedural medical devices. Dr. Zhang and Mrs. Zhang led the research and development process of neurointerventional procedural medical devices in their respective roles in Achieva, whilst Ms. Ye was responsible for the day-to-day management and operations of Achieva. Our Founders have been the single largest group of shareholders of Achieva Medical with over 30% equity interests since its incorporation. Given that both Achieva Medical and our Company were managed and operated by our Founders, the Share Swap was carried out for the purpose of achieving greater operational synergies between the two entities. For details of the Share Swap and reasons underlying the Share Swap, please refer to the paragraphs headed "5. Acquisition of Achieva Medical through Share Swap" in this section.

BUSINESS MILESTONES

The following sets forth certain key business development milestones of our Group:

2012 . . . Our Company was incorporated.

2016 . . . We completed our Series A financing and raised a total of USD10 million in June.

2017 . . . We completed a single-center feasibility clinical trial on ten patients in China for TaurusOne® in August.

We started the multi-center confirmatory clinical trial in China for TaurusOne® in September.

2019 . . . Achieva Medical became our subsidiary through the Share Swap in March.

We completed our Series B financing and raised approximately USD29 million in February.

We obtained the NMPA Registration Certificate for our Yibida® Guiding Catheter in May.

We completed our Series C financing and raised a total of USD25 million in September.

We launched sales of our second-generation Presgo® Detachable Coil in October.

We completed our Series C-1 financing and raised a total of USD45 million in December.

We initiated the clinical trial for TaurusElite, our second-generation TAVR device, in December.

OUR PRINCIPAL SUBSIDIARIES

As of the Latest Practicable Date, we had eight subsidiaries in total. The following table sets out certain information of our principal subsidiaries as of the Latest Practicable Date.

Company Name	Principal Business	Place of Incorporation	Date of Incorporation	Registered Capital
Peijia Suzhou	Research and development of our transcatheter valve therapeutic devices	PRC	March 4, 2013	RMB223,311,785
Achieva Shanghai[1]	Research and development, manufacturing and sales of our neurointerventional procedural medical devices	PRC	March 21, 2006	USD27,580,000
Achieva Suzhou[1]	Research and development, manufacturing and sales of other neurointerventional procedural medical devices	PRC	November 29, 2016	RMB15,000,000

Note:

1. Achieva Shanghai and Achieva Suzhou became our subsidiaries upon first closing of the Share Swap in March 2019.

CORPORATE DEVELOPMENT

The following sets forth the major corporate history, shareholding changes and restructuring of our Company and Peijia Suzhou.

Our Company

1. Incorporation of our Company

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on May 30, 2012. The shareholding structure of our Company upon incorporation was as set forth below:

Name of Shareholder	Number of Ordinary Shares	Shareholding (%)
XinYue International Limited ("XinYue")[1]	5,325,000	88.75
Ms. Hong Ye	675,000	11.25
Total	**6,000,000**	**100.00**

Note:

1. XinYue is a BVI company. As of the Latest Practicable Date, it was owned as to 65% by Dr. Zhang and 35% by Ms. Ye.

2. Initial Issuance of Ordinary Shares

Our Company allotted and issued a total of 3,000,000 Ordinary Shares at a purchase price of USD1.00 per share for a total consideration of USD3,000,000.00 on October 23, 2012 as follows:

Name of Shareholder	Number of Ordinary Shares	Purchase Amount (USD)
Country Bay Investment Limited ("Country Bay")[1]	900,000	900,000.00
Flexmed International (HK) Limited ("Flexmed")[1]	900,000	900,000.00
Mega Goal International Limited ("Mega Goal")[1]	900,000	900,000.00
Ms. Hong Ye	240,000	240,000.00
Gateway Medical Innovation Center Limited ("Gateway")[1]	60,000	60,000.00
Total	**3,000,000**	**3,000,000.00**

Note:

1. To the best of our Directors' knowledge, Country Bay, Flexmed, Mega Goal and Gateway (the "Initial Shareholders") are private investors. As of the Latest Practicable Date, the Initial Shareholders and their shareholders were Independent Third Parties of our Company.

3. Series A Financing and Subscription of Shares by Entity for Employee Incentive Purposes

In connection with the Series A financing, our Company allotted and issued (i) a total of 1,700,000 Series A Preferred Shares to Matrix Partners China III Hong Kong Limited and Tianfeng Healthcare Company Limited at the initial closing on March 22, 2016, and (ii) a total of 300,000 Series A Preferred Shares to Shanghai Zhangjiang Torch Venture Capital Co., Ltd. (上海張江火炬創業投資有限公司) at the second closing on June 22, 2016, all at a purchase price of US$5.00 per share for a total consideration of USD10,000,000.00.

Name of Shareholder	Number of Series A Preferred Shares	Purchase Amount (USD)
Matrix Partners China III Hong Kong Limited[1]	1,000,000	5,000,000.00
Tianfeng Healthcare Company Limited ("Tianfeng Healthcare")	700,000	3,500,000.00
Shanghai Zhangjiang Torch Venture Capital Co., Ltd. (上海張江火炬創業投資有限公司) ("ZJ Torch")[2]	300,000	1,500,000.00
Total	**2,000,000**	**10,000,000.00**

Notes:

1. The 1,000,000 Series A Preferred Shares held by Matrix Partners China III Hong Kong Limited were transferred to Matrix Partners China IV Hong Kong Limited ("Matrix Partners IV") as part of their internal corporate restructuring on June 22, 2016.

2. ZJ Torch has transferred 50,000 Series A Preferred Shares and 100,000 Series A Preferred Shares to XinYue and City Dragon Holdings Group Limited, respectively, at a purchase price of USD5.67 per share for a total consideration of USD850,500 on July 23, 2018.

Concurrently with the initial closing of the Series A financing, our Company allotted and issued 125,000 Ordinary Shares at a purchase price of USD4.00 per share for a total consideration of USD500,000.00 to City Dragon Holdings Group Limited ("City Dragon"), a BVI company incorporated for employee incentive purposes and wholly-owned by Ms. Hong Ye.

The shareholding structure of our Company upon completion of the abovementioned subscriptions and share transfers (on a fully converted basis) was as set forth below:

Name of Shareholder	Number of Shares	Shareholding (%)
XinYue	5,375,000	48.31
Ms. Hong Ye	915,000	8.22
City Dragon	225,000	2.02
Matrix Partners IV	1,000,000	8.99
Country Bay	900,000	8.09
Flexmed	900,000	8.09
Mega Goal	900,000	8.09
Tianfeng Healthcare	700,000	6.29
ZJ Torch	150,000	1.35
Gateway	60,000	0.54
Total	**11,125,000**	**100.00**

4. Series B Financing and Repurchase of Shares by our Company

In connection with the Series B financing, our Company issued (i) a total of 1,145,332 Series B Preferred Shares and a total of 445,407 Ordinary Shares to LAV Aero Limited, Matrix Partners IV, Tianfeng Healthcare and Joyful Bliss Holdings Limited ("Joyful Bliss") at the first closing on August 28, 2018 and (ii) a total of 381,778 Series B Preferred Shares and 241,793 Ordinary Shares to Shanghai Liyi Biotech, L.P. (上海禮軼生物科技合夥企業(有限合夥)) ("Liyi Biotech") and Shanghai Founder KIP Equity Investment Partnership (LP) (上海方正韓投股權投資合夥企業(有限合夥)) ("Shanghai Founder KIP") at the second closing on February 2, 2019, all at a purchase price of USD13.0141 per share for a total consideration of USD28,817,251.78.

Name of Shareholder (First Closing)	Number of Series B Preferred Shares	Purchase Amount (USD)
Series B Preferred Shares		
LAV Aero Limited	763,555	9,936,981.13
Matrix Partners IV	229,066	2,981,087.83
Tianfeng Healthcare	152,711	1,987,396.23
Total	**1,145,332**	**14,905,465.19**

	Number of Ordinary Shares	Purchase Amount (USD)
Ordinary Shares		
Joyful Bliss	190,889	2,484,248.53
Matrix Partners IV	152,711	1,987,396.23
LAV Aero Limited	101,807	1,324,926.48
Total	**445,407**	**5,796,571.24**

Name of Shareholder (Second Closing)	Number of Series B Preferred Shares	Purchase Amount (USD)
Series B Preferred Shares		
Liyi Biotech[1]	381,778	4,968,497.07
Total	**381,778**	**4,968,497.07**

	Number of Ordinary Shares	Purchase Amount (USD)
Ordinary Shares		
Shanghai Founder KIP	190,889	2,484,248.53
Liyi Biotech [1]	50,904	662,469.75
Total	**241,793**	**3,146,718.28**

Note:

1. Pursuant to a joinder agreement and an adherence agreement dated September 8, 2018, Suzhou Lirui Equity Investment Center (Limited Partnership) (蘇州禮瑞股權投資中心(有限合夥) ("Suzhou Lirui"), the original party to the transaction agreements for the Series B financing, has assigned its rights and obligations under the relevant transaction documents to its affiliate Liyi Biotech.

Concurrently with the Series B financing, in order to bring in our Series B institutional and professional investors without further diluting the shareholdings of our other investors, our Company repurchased a total of 687,200 Ordinary Shares from the following shareholders at a repurchase price of USD13.0141 per share for a total consideration of USD8,943,289.52 at the first closing on August 28, 2018 and at the second closing on February 2, 2019.

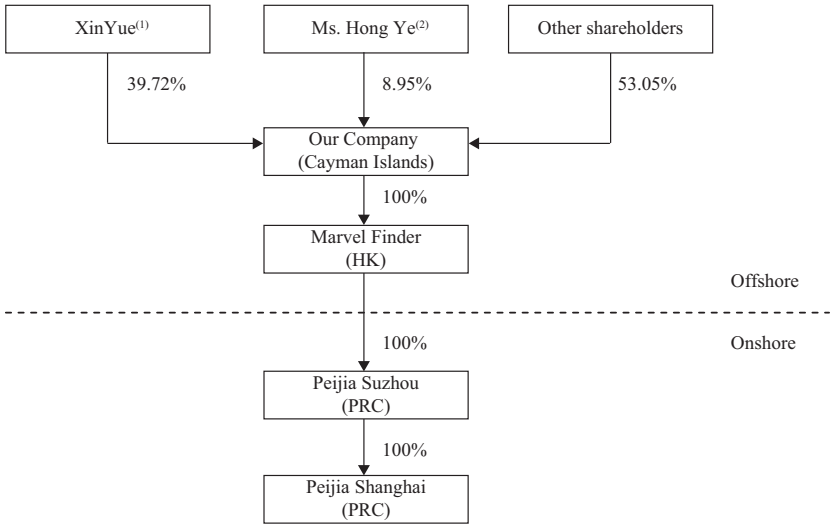
Name of Shareholder (First Closing)	Number of Repurchased Ordinary Shares	Purchase Amount (USD)
XinYue	187,307	2,437,632.03
City Dragon	8,100	105,414.21
Country Bay	95,000	1,236,339.50
Mega Goal	95,000	1,236,339.50
Gateway	60,000	780,846.00
Total	**445,407**	**5,796,571.24**

Name of Shareholder (Second Closing)	Number of Repurchased Ordinary Shares	Purchase Amount (USD)
XinYue	161,793	2,105,590.28
Flexmed	80,000	1,041,128.00
Total	**241,793**	**3,146,718.28**

The shareholding structure of our Company upon completion of the Series B financing and immediately before the Share Swap (on a fully converted basis) was as set forth below:

Name of Shareholder	Number of Shares	Shareholding (%)
XinYue	5,025,900	39.72
Ms. Hong Ye	915,000	7.23
City Dragon	216,900	1.72
Matrix Partners IV	1,381,777	10.92
LAV Aero Limited	865,362	6.84
Liyi Biotech	432,682	3.42
Tianfeng Healthcare	852,711	6.74
Flexmed	820,000	6.48
Country Bay	805,000	6.36
Mega Goal	805,000	6.36
Joyful Bliss	190,889	1.51
Shanghai Founder KIP	190,889	1.51
ZJ Torch	150,000	1.19
Total	**12,652,110**	**100.00**

A simplified corporate structure of our Group upon completion of the Series B financing and immediately before the Share Swap (on a fully converted basis) was as follows:



Notes:

1. XinYue was owned as to 65% by Dr. Zhang and 35% by Ms. Hong Ye as of the Latest Practicable Date.

2. Shares owned by Ms. Ye include Shares directly held by her and indirectly held through City Dragon.

5. Acquisition of Achieva Medical through Share Swap

a) Shareholding changes in Achieva Medical prior to Share Swap

Achieva Medical was founded in November 2005 as the holding company of its subsidiaries that were mainly engaged in the research and development of neurointerventional procedural medical devices. Achieva was managed by our Founders who have also been the single largest group of shareholders of Achieva Medical with over 30% equity interests since its incorporation.

During the Track Record Period, the senior management of the Achieva Group included our Founders, Ms. Chen Wang, and Mr. Ruixin Ding. In particular, Mrs. Ping Ye Zhang and Mr. Ruixin Ding were key players in the research and development of the products of the Achieva Group. During the Track Record Period, Mr. Ruixin Ding served as the Technical Department Manager in the Achieva Group. In this capacity, he was responsible for product development and improvement, and providing technical support for the production of online products. Mr. Ding has over 10 years of experience in the research and development of medical devices, project management, and team management. From August 2014 to January 2017, he worked at SceneRay Medical, a medical device company engaged in the research, development, and commercialization of implantable medical devices, during which he had served as an engineer, and the supervisor of the systems department. From April 2008 to June 2014, he worked at GE Medical (China) Co., Ltd., a company that engages in the research and development of medical equipment and life sciences instruments, amongst other activities, during which he had served as a system engineer. He received a bachelor of science degree in electronic information engineering from Anhui Polytechnic University in July 2004, and a master of science in information and signal processing from Southeast University in April 2008. For details of the respective backgrounds and experience of other members of senior management of the Achieva Group, please refer to the section headed "Directors and Senior Management" in this document.

After several rounds of investments and equity transfers, as at January 1, 2018, being the commencement of the Track Record Period, the shareholders of Achieva Medical and their respective shareholdings were as follows:

Name of Shareholder	Number of Shares	Shareholding (%)
Mrs. Ping Ye Zhang	3,232,000	16.47
Dr. Zhang	2,803,466	14.29
Ms. Hong Ye	381,333	1.94
Otsuka Medical Devices Co., Ltd.	5,626,666	28.67
MGR International Limited	4,039,466	20.58
KOLO Technologies, Inc.	2,028,000	10.33
Matrix Partners China II Hong Kong Limited ("**Matrix Partners II**")	960,000	4.89
Dr. Jian Fong Tan	555,735	2.83
Total	**19,626,666**	**100.00**

On September 21, 2018, due to their respective business decisions and arrangements, KOLO Technologies, Inc. and Otsuka Medical Devices Co., Ltd. exited Achieva Medical through share redemption by Achieva Medical. Achieva Medical repurchased the 2,028,000 shares held by KOLO Technologies, Inc. and the 5,626,666 shares held by Otsuka Medical Devices Co., Ltd. at a purchase price of USD1.35 per share for a total consideration of USD10,333,799.10. Save as disclosed above and in this document, to the best of our Directors' knowledge, neither KOLO Technologies, Inc. nor Otsuka Medical Devices Co., Ltd. had any other relationship with the Group, its shareholders, directors, senior management or any of their respective associates. The remaining shareholders of Achieva Medical subsequently became shareholders of the Company, through arrangements as detailed below.

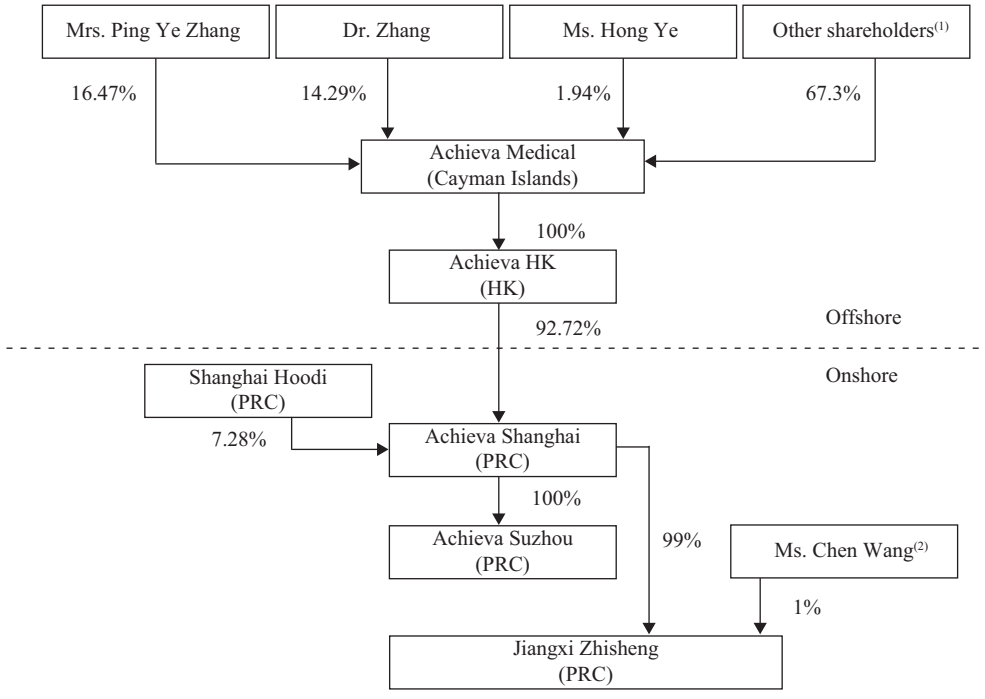
Achieva Medical issued (i) a total of 5,599,069 Class B Ordinary Shares to LAV Aero Limited, Matrix Partners IV, Tianfeng Healthcare Fund I Management, L.P. ("**Tianfeng Healthcare Fund**") and Kortex Limited ("**Kortex**") at the first closing on September 21, 2018, and (ii) 2,055,597 Class B Ordinary Shares to Suzhou Lirui and Shanghai Founder KIP at the second closing on February 2, 2019, all at a purchase price of USD2.8125 per share for a total consideration of USD21,528,748.13.

Name of Purchaser	Number of Class B Ordinary Shares of Achieva Medical	Purchase Amount (USD)
LAV Aero Limited	3,381,185	9,509,583.75
Liyi Biotech[1]	1,690,593	4,754,791.88
Matrix Partners IV	973,440	2,737,800.00
Tianfeng Healthcare Fund	711,111	1,999,999.69
Kortex	533,333	1,499,999.06
Shanghai Founder KIP	365,004	1,026,573.75
Total	**7,654,666**	**21,528,748.13**

Note:

1. Pursuant to a joinder agreement and an adherence agreement both dated September 26, 2018, Suzhou Lirui has assigned its rights and obligations under the relevant transaction documents to its affiliate Liyi Biotech.

A simplified corporate structure of Achieva upon completion of the above shareholding changes and immediately prior to the Share Swap (as defined below) was as follows:



Notes:

(1) For the identities and relationship between the other shareholders, please refer to the table showing details of the Share Swap below.

(2) The 1% equity interest held by Ms. Chen Wang in Jiangxi Zhisheng was held by Ms. Wang for and on behalf of Achieva Shanghai. Ms. Wang is the General Manager of Achieva. As of the Latest Practicable Date, the nominee shareholding arrangement has been unwound and the 1% equity interest in Jiangxi Zhisheng was transferred to Achieva Suzhou. Our PRC Legal Advisers have confirmed that the nominee shareholding arrangement did not contravene applicable laws and regulations and the unwinding of the same has been legally completed.

b) The Share Swap

Pursuant to the Share Swap Agreement, the then shareholders of Achieva Medical transferred to our Company all the outstanding shares of Achieva Medical in consideration of the allotment and issuance by our Company to each of the shareholders of Achieva Medical or a certain number of our Shares in the proportion of 3.5682 shares of Achieva Medical to 1 Share of our Company. The conversion ratio was determined after arm's length negotiations with reference to the valuations of our Company and our then subsidiaries and that of Achieva as reflected in the immediate last round of financings conducted by each of our Company and of Achieva Medical prior to the Share Swap. The value-based consideration paid for the shares of Achieva Medical was approximately RMB295.0 million.

Details of the Share Swap are set forth below.

Name of shareholders (first closing)	**Shares of Achieva Medical**		**Shares of our Company**	
	Class of Shares		**Class of Shares**	
Mrs. Ping Ye Zhang	Class A Ordinary Shares	3,232,000	Ordinary Shares	905,775
Dr. Zhang	Class A Ordinary Shares	2,803,466	Ordinary Shares	785,678
Ms. Hong Ye	Class A Ordinary Shares	381,333	Ordinary Shares	106,869
Dr. Jian Fong Tan[(1)]	Class A Ordinary Shares	555,735	Ordinary Shares	155,746
MGR International Limited[(2)]	Class A Ordinary Shares	4,039,466	Ordinary Shares	1,132,069
Matrix Partners II[(3)]	Class A Ordinary Shares	960,000	Ordinary Shares	269,042
LAV Aero Limited[(4)]	Class B Ordinary Shares	3,381,185	Series A-1 Preferred Shares	947,585
Matrix Partners IV[(3)]	Class B Ordinary Shares	973,440	Series A-1 Preferred Shares	272,809
Tianfeng Healthcare Fund[(2)]	Class B Ordinary Shares	711,111	Series A-1 Preferred Shares	199,291
Kortex[(2)]	Class B Ordinary Shares	533,333	Series A-1 Preferred Shares	149,468

Name of shareholders (second closing)	Shares of Achieva Medical		Shares of our Company	
	Class of Shares		Class of Shares	
Liyi Biotech[2]	Class B Ordinary Shares	1,690,593	Series A-1 Preferred Shares	473,792
Shanghai Founder KIP[2]	Class B Ordinary Shares	365,004	Series A-1 Preferred Shares	102,293
Total		**19,626,666**		**5,500,417**

Notes:

(1) Dr. Jian Fong Tan is our senior management member.

(2) As of the Latest Practicable Date and to the best knowledge of our Directors, save for being our Shareholders, these shareholders were Independent Third Parties of the Company and there were no concert party arrangements among them.

(3) As of the Latest Practicable Date, Matrix Partners II and Matrix Partners IV were no longer our Shareholders upon transfer of their shareholdings in our Company on January 20, 2020. To the best knowledge of our Directors, Matrix Partners II and Matrix Partners IV were affiliates.

(4) As of the Latest Practicable Date, Mr. Fei Chen, our non-executive Director, controls Liyi Biotech as an indirect general partner and limited partner.

From a legal perspective, Achieva Medical became our non-wholly owned subsidiary on March 29, 2019, being the date of the first closing of the Share Swap, and became our wholly-owned subsidiary upon the second closing of the Share Swap on May 16, 2019. From an accounting perspective, Achieva's results of operations have been consolidated into those of our Company since March 29, 2019. For details of the financial impact of the Share Swap, please refer to the paragraphs headed "Financial Information—Our Acquisition of Achieva" in this document.

The reasons for this Share Swap include, among others, (i) integration of the businesses of and centralization of the management of Peijia Medical and Achieva Medical given that the operations of both companies have been managed and overseen by our Founders since their respective inception, (ii) restructuring of the corporate structures of the Company and Achieva Medical for us to become an integrated vascular interventional procedural device platform provider for transcatheter valve therapeutic and neurointerventional procedural medical devices, and (iii) restructuring of the interests of the shareholders of our Company and of Achieva Medical as a majority of them held equity interests in both our Company and Achieva Medical prior to the Share Swap.

Prior to the Share Swap, both companies operated as separate business units. Whilst the strategic management of both companies was carried out by our Founders, who were also their shareholders, the day-to-day administration of each company, including human resources, finance, clinical trial management, and marketing functions, operated separately. Upon and subsequent to the Share Swap, the respective functions in the day-to-day administration of both companies were consolidated. Further, ownership of intellectual property previously held by Peijia Medical and

Achieva Medical were also consolidated. Our Directors are of the view that the integration was beneficial to the Group, given the cost and operational efficiencies generated from unified business processes, centralized procurement and manufacturing, and sharing of working relationships with KOLs, physicians and hospitals and distributor network within the Group. Accordingly, as a result of the Share Swap, there was considerable integration of the day-to-day administration of the businesses of Peijia Medical and Achieva Medical.

We expect the synergetic effects resulting from the restructuring of the businesses of the transcatheter valve therapeutic medical devices and neurointerventional procedural medical devices would be to save costs and improve operational efficiency, mitigate significant uncertainties and risks involved in the development of innovative medical devices, and help us to expand our product portfolio and expedite our product iteration. For further details, please refer to the paragraph headed "Business—Our Competitive Strengths" in this document.

Based solely on the registers of members of our Company and of Achieva Medical, our Cayman legal adviser confirms that our Company has been registered as the sole shareholder of Achieva Medical, and each of Mrs. Ping Ye Zhang, Dr. Zhang, Dr. Jian Fong Tan, MGR International Limited, Matrix Partners II, Tianfeng Healthcare Fund and Kortex Limited has been registered as shareholders of our Company as a result of the Share Swap, and Ms. Hong Ye, LAV Aero Limited, Liyi Biotech, Shanghai Founder KIP and Matrix Partners IV were issued further shares of our Company as a result of the Share Swap.

c) Subscription of Shares by Shanghai Hoodi

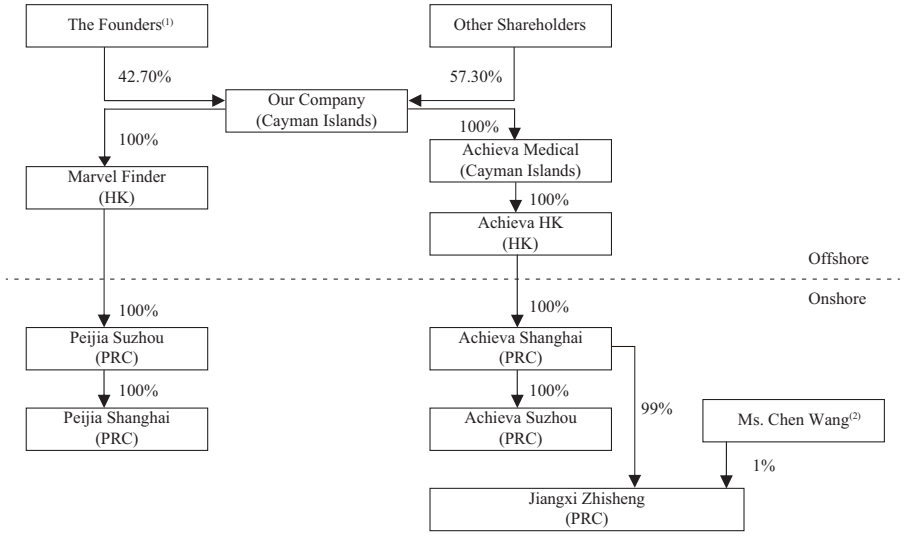
Immediately prior to the Share Swap, Shanghai Hoodi Financial Consulting Partnership (Limited Partnership) (上海合諦財務諮詢合夥企業(有限合夥)) ("Shanghai Hoodi") was a 7.28% shareholder in Achieva Shanghai, an indirect subsidiary of Achieva Medical. Shanghai Hoodi transferred its equity interest in Achieva Shanghai to Achieva HK on April 24, 2019 at a consideration of USD4,800,000. Upon completion of the transfer, Achieva Shanghai became a wholly-owned subsidiary of Achieva HK, which was wholly owned by Achieva Medical.

Concurrently with the second closing of the Share Swap on May 16, 2019, Shanghai Hoodi subscribed for 478,297 Ordinary Shares of our Company at a total consideration of USD4,800,000.

The shareholding structure of our Company upon completion of the Share Swap and subscription of Shares by Shanghai Hoodi (on a fully converted basis) was as set forth below:

Name of Shareholder	Number of Shares	Shareholding (%)
XinYue	5,025,900	26.98
Ms. Hong Ye	1,021,869	5.48
Mrs. Ping Ye Zhang	905,775	4.86
Dr. Zhang	785,678	4.22
City Dragon	216,900	1.16
LAV Aero Limited	1,812,947	9.73
Liyi Biotech	906,474	4.87
Matrix Partners IV	1,654,586	8.88
Matrix Partners II	269,042	1.44
MGR International Limited	1,132,069	6.08
Tianfeng Healthcare	852,711	4.58
Tianfeng Healthcare Fund	199,291	1.07
Flexmed	820,000	4.40
Country Bay	805,000	4.32
Mega Goal	805,000	4.32
Shanghai Hoodi	478,297	2.57
Shanghai Founder KIP	293,182	1.57
Joyful Bliss	190,889	1.02
Dr. Jian Fong Tan	155,746	0.84
ZJ Torch	150,000	0.81
Kortex	149,468	0.80
Total	**18,630,824**	**100.00**

A simplified corporate structure of our Group upon completion of the Share Swap but before the Series C financing is set out below:



Notes:

1. Includes Shares held by XinYue, Ms. Ye, Mrs. Zhang, Dr. Zhang and City Dragon.

2. The 1% equity interest held by Ms. Chen Wang in Jiangxi Zhisheng was held by Ms. Wang for and on behalf of Achieva Shanghai. Ms. Wang is the General Manager of Achieva. As of the Latest Practicable Date, the nominee shareholding arrangement has been unwound and the 1% equity interest in Jiangxi Zhisheng was transferred to Achieva Suzhou. Our PRC Legal Advisers have confirmed that the nominee shareholding arrangement did not contravene applicable laws and regulations and the unwinding of the same has been legally completed.

6. Series C Financing

In connection with the Series C financing, our Company issued a total of 1,367,443 Series C Preferred Shares to the following investors at a purchase price of USD18.2823 per share for a total consideration of USD25,000,000.00 on September 25, 2019.

Name of Shareholder	Number of Series C Preferred Shares	Purchase Amount (USD)
Halcyon Ocean Limited ("Halcyon Ocean") [1]	1,093,954	20,000,000.00
Future Pearl Limited ("Future Pearl")	273,489	5,000,000.00
Total	**1,367,443**	**25,000,000.00**

Note:

1. Halcyon Ocean transferred 546,977 Series C Preferred Shares to its affiliate Tianjin Yuanyi Yongxuan Management Center (Limited Partnership) 天津遠翼永宣企業管理中心(有限合夥) ("Tianjin Yuanyi") on December 18, 2019 at a consideration of USD10,000,000.

7. Series C-1 Financing

In connection with the Series C-1 financing, our Company issued a total of (i) 1,024,326 Series C-1 Preferred Shares to HH SUM-XXIV Holdings Limited at the closing of the Series C-1 financing on October 12, 2019; (ii) 52,124 Series C-1 Preferred Shares to Skycus China Fund, L.P. at the first closing of the new series C-1 financing (the "New Series C-1 financing") on October 22, 2019; and (iii) 800,004 and 469,114 Series C-1 Preferred Shares to Future Industry Investment Fund and EverestLu Holding Limited, respectively, at the second closing of the New Series C-1 financing on December 18, 2019, all at a purchase price of USD19.1851 per share for a total consideration of USD45,000,007.68.

Name of Shareholder	Number of Series C-1 Preferred Shares	Purchase Amount (USD)
HH SUM-XXIV Holdings Limited ("Hillhouse")	1,024,326	19,651,816.87
Future Industry Investment Fund ("FIIF")	800,004	15,348,175.46
EverestLu Holding Limited ("EverestLu")	469,114	9,000,009.98
Skycus China Fund, L.P. ("Skycus")	52,124	1,000,005.37
Total	**2,345,568**	**45,000,007.68**

Concurrently with the closing of the Series C-1 financing on October 12, 2019, as a means for Hillhouse to increase its shareholding without further diluting the interests of our other investors and for our Initial Shareholders who contemplated to exit to do so, Hillhouse purchased certain Ordinary Shares and Preferred Shares from certain then existing Shareholders at a purchase price of USD19.1851 per share for a total consideration of USD20,348,183.13. These Shares were redesignated as Series C-1 Preferred Shares. Details of the transfers are as set forth below:

Selling Shareholder	Class of Selling Shares	Number of Selling Shares
Ms. Hong Ye	Ordinary	336,000
Mega Goal	Ordinary	200,000
Country Bay	Ordinary	165,000
MGR International Limited	Ordinary	150,000
City Dragon	Ordinary	6,843
	Series A Preferred	100,000
Kortex	Series A-1 Preferred	57,034
Dr. Jian Fong Tan	Ordinary	45,746

Concurrently with the first closing of the New Series C-1 financing on October 22, 2019 and to let our institutional and professional investors increase their shareholdings in our Company without diluting the interests of other Shareholders, XinYue sold 328,186 Ordinary Shares to Matrix Partners IV and 163,432 Ordinary Shares to LAV Aero Limited, and City Dragon sold 18,894 Ordinary Shares to LAV Aero Limited, all at a purchase price of USD18.2823 per share for a total consideration of USD9,333,332.60. Further, concurrently with the second closing of the New Series C-1 financing on December 18, 2019, City Dragon sold 91,163 Ordinary Shares to Liyi Biotech at a purchase price of USD18.2823 per share for a total consideration of USD1,666,666.53. These Shares were redesignated as Series C Preferred Shares.

The shareholding structure of our Company upon completion of the Series C and Series C-1 financings and the abovementioned share transfers (on a fully converted basis) was as set forth below:

Name of Shareholder	Number of Shares	Shareholding (%)
XinYue	4,534,282	20.29
Jinnius Drive Trust[(1)]	785,678	3.52
Ms. Hong Ye	685,869	3.07
Hanlindale Trust[(2)]	854,700	2.87
Mrs. Ping Ye Zhang	51,075	0.17
LAV Aero Limited	1,995,273	8.93
Liyi Biotech	997,637	4.46
Matrix Partners IV[(3)]	1,982,772	8.87
Matrix Partners II[(4)]	269,042	1.20
Hillhouse	2,084,949	9.33
MGR International Limited	982,069	4.40
Tianfeng Healthcare	852,711	3.82
Tianfeng Healthcare Fund	199,291	0.89
Flexmed	820,000	3.67
Halcyon Ocean	546,977	2.45
Tianjin Yuanyi	546,977	2.45
Future Pearl	273,489	1.22
FIIF	800,004	3.58
Country Bay	640,000	2.87
Mega Goal	605,000	2.71
Shanghai Hoodi	478,297	2.14
EverestLu	469,114	2.10
Shanghai Founder KIP	293,182	1.31
Joyful Bliss	190,889	0.86
ZJ Torch	150,000	0.67
Dr. Jian Fong Tan	110,000	0.49
Kortex	92,434	0.41
Skycus	52,124	0.23
Total	**22,343,835**	**100.00**

Notes:

(1) Jinnius Drive Trust was established by Dr. Zhang who transferred all the Shares he held to Jinnius Drive Trust on December 18, 2019.

(2) Hanlindale Trust was established by Mrs. Zhang who transferred 854,700 Shares she held to Hanlindale Trust on December 18, 2019.

(3) Matrix Partners IV is held as to 90% by Matrix Partners China IV, L.P. and 10% by Matrix Partners China IV-A, L.P.. As part of their internal corporate restructuring, Matrix Partners IV transferred the Shares it held in our Company to Matrix Partners China IV, L.P. and Matrix Partners China IV-A, L.P. on January 20, 2020.

(4) Matrix Partners II is held as to 90% by Matrix Partners China II, L.P. and 10% by Matrix Partners China II-A, L.P.. As part of their internal corporate restructuring, Matrix Partners II transferred the shares it held in our Company to Matrix Partners China II, L.P. and Matrix Partners China II-A, L.P. on January 20, 2020.

Peijia Suzhou

Peijia Suzhou was established in the PRC on March 4, 2013 and was wholly-owned by our Company. After several rounds of changes in registered capital, as at January 1, 2018, being the commencement of the Track Record Period, the total registered capital of Peijia Suzhou was RMB9,500,000.

1. Increases of registered capital and transfer of equity interests

On February 2, 2018, our Company transferred RMB7,957,299 of the registered capital in Peijia Suzhou, representing 82.41% equity interest in Peijia Suzhou, to Marvel Finder at par value. Further, the registered capital of Peijia Suzhou was increased from RMB9,500,000 to RMB9,655,975 and Shanghai Jiaqian Financial Consulting Partnership (Limited Partnership) (上海佳前財務諮詢合夥企業(有限合夥)) ("Shanghai Jiaqian") subscribed for the increased registered capital of RMB155,975 at par value.

On July 20, 2018, our Company transferred the remaining RMB1,542,701 of the registered capital it held in Peijia Suzhou, representing 15.98% equity interest in Peijia Suzhou, to Marvel Finder at par value. Further, Shanghai Jiaqian transferred the unpaid registered capital of RMB155,975 and the payment obligation for such registered capital to Marvel Finder.

On September 28, 2018, Peijia Suzhou increased its registered capital to RMB120,000,000 and Marvel Finder subscribed for the increased registered capital of RMB110,344,025 at par value.

Upon completion of the abovementioned transfer of equity interest and increases of registered capital, Peijia Suzhou became wholly-owned by Marvel Finder.

2. Provision of convertible loan by Suzhou Lirui

Pursuant to an investment agreement dated October 24, 2017 entered into by and amongst our Company, Peijia Suzhou, Suzhou Lirui and others, Suzhou Lirui subscribed for the increased registered capital of RMB3,311,785 of Peijia Suzhou and contributed to the increased registered capital in the form of an RMB34,000,000 convertible loan (the "Convertible Loan").

As a transitional arrangement, the Convertible Loan was converted into equity interests in Peijia Suzhou in November 2018. Shortly afterwards and on December 6, 2018, Suzhou Lirui transferred such equity interests in Peijia Suzhou, to Marvel Finder at a consideration of RMB34,000,000. Upon completion of the transfer of equity interest, Peijia Suzhou became wholly-owned by Marvel Finder.

3. Follow-on increase in registered capital

On July 1, 2019, Peijia Suzhou increased its registered capital to RMB223,311,785 and the increased registered capital was subscribed by Marvel Finder at par value.

Our PRC Legal Advisers have confirmed that all relevant material approvals and permits under PRC law in relation to the abovementioned share transfers, changes in and subscriptions of registered capital in respect of Peijia Suzhou and Achieva Shanghai have been obtained and the procedures involved have been carried out in accordance with PRC laws and regulations in all material aspects. Our PRC Legal Advisers have confirmed that the share transfers in respect of Peijia Suzhou and Achieva Shanghai have been properly and legally completed.

ESTABLISHMENT OF FAMILY TRUSTS

On December 18, 2019, for estate planning purpose, Dr. Zhang transferred 785,678 Ordinary Shares to Jinnius Drive Trust and Mrs. Ping Ye Zhang transferred 854,700 Ordinary Shares to Hanlindale Trust, at nil consideration. Jinnius Drive Trust is an irrevocable family trust governed by the laws of the state of Nevada set up by Dr. Zhang as the grantor. Hanlindale Trust is an irrevocable family trust governed by the laws of the state of Nevada set up by Mrs. Ping Ye Zhang as the grantor. Both Dr. Zhang and Mrs. Ping Ye Zhang are trustees of Jinnius Drive Trust and Hanlindale Trust.

ESTABLISHMENT OF EMPLOYEE TRUST

On December 31, 2019, our Company entered into a trust deed with Trident Trust Company (HK) Limited (the "Trustee"), pursuant to which the Trustee has agreed to act as the trustee to administer the Share Option Plan and to hold the Shares underlying the options granted under the Share Option Plan through a BVI holding company. For details, please refer to "Appendix IV—Statutory and General Information—D. Share Incentive Schemes—1. Share Option Plan" in this document.

OUR FOUNDERS AND CONCERT PARTY ARRANGEMENT

Dr. Zhang, Mrs. Ping Ye Zhang and Ms. Hong Ye are our Founders and our executive Directors. Dr. Zhang and Mrs. Zhang are spouses and Mrs. Zhang and Ms. Ye are sisters. Our Founders have directly or indirectly held interests in our Company and our Group's subsidiaries and acted in concert in the management, operation and all major decisions of our Group based on mutual trust, cooperation and agreement since January 1, 2018. Our Founders, their respective trusts holding the Shares and XinYue have entered into the Concert Party Agreement to confirm and record this arrangement. Pursuant to the aforesaid agreement, the Concert Parties agreed that (1) this arrangement will continue after the [**REDACTED**]; and (2) each Concert Party will continue to exercise his or her voting rights based on mutual trust, cooperation and agreement with each other, and in the event of any dispute among the Concert Parties, based on the instructions of Dr. Zhang.

PRE-[REDACTED] INVESTMENTS

1. Overview

The Pre-[**REDACTED**] Investments included: (i) Series A financing; (ii) Series B financing; (iii) Series A-1 financing (investments in class B ordinary shares of Achieva Medical, which were re-designated as Series A-1 Preferred Shares of our Company after the Share Swap); (iv) Series C financing; and (v) Series C-1 financing.

The basis of determination for the consideration for the Pre-[**REDACTED**] Investments were from arm's length negotiations between our Company and the Pre-[**REDACTED**] Investors after taking into consideration the timing of the investments and the status of our business and operating entities.

2. Principal terms of the Pre-[REDACTED] Investments and Pre-[REDACTED] Investors' Rights

The below table summarizes the principal terms of the Pre-[**REDACTED**] Investments:

	Series A	Series B	Series A-1	Series C	Series C-1
Cost per Preferred Share Paid	USD5.00	USD13.0141	USD10.0356[2]	USD18.2823	USD19.1851
Date(s) of the agreements	March 22, 2016 and June 22, 2016	August 8, 2018	November 19, 2018[3]	September 3, 2019	September 30, 2019 and October 15, 2019
Date on which investment was fully settled	June 29, 2016	May 20, 2019	May 16, 2019[4]	September 30, 2019	December 25, 2019
Amount of consideration paid	USD10,000,000	USD28,817,251.78	USD21,528,748.13[5]	USD25,000,000	USD45,000,007.68
Post-money valuation of our Company	USD55.6 million	USD164.7 million	USD182.2 million[6]	USD365.6 million	USD484.5 million[7]
Discount to the [**REDACTED**][1]	[**REDACTED**]%	[**REDACTED**]%	[**REDACTED**]%	[**REDACTED**]%	[**REDACTED**]%

Lock-Up Period

The equity securities of our Company acquired by the Pre-[**REDACTED**] Investors in the Pre-[**REDACTED**] Investments [will] be subject to a lock-up period of 180 days from the [**REDACTED**], except for transfer to a Pre-[**REDACTED**] Investor's affiliate or with the prior written consent of our Company, the Joint Sponsors and the [**REDACTED**].

Use of Proceeds from the Pre-[**REDACTED**] Investments	Prior to the Share Swap, the financial management systems of (i) our Company and our then subsidiaries and (ii) Achieva and its then subsidiaries were independent and separated with no financial dealings between the two. The proceeds from the Series A financing and Series B financing were mainly used for the research and development of our Core Product and the operation of the business of our Company and then subsidiaries. After the Share Swap, we utilized the proceeds for the development and operation of the business of the members of the Group, including but not limited to, clinical trials, product development, personnel recruitment, office utilities and marketing. As at December 31, 2019, approximately 44% of the net proceeds from the Pre-[**REDACTED**] Investments by the Pre-[**REDACTED**] Investors were utilized. We intend to continue to utilize the remaining net proceeds from the Pre-[**REDACTED**] Investments after the [**REDACTED**].
Strategic benefits of the Pre-[**REDACTED**] Investors brought to our Company	At the time of the Pre-[**REDACTED**] Investments, our Directors were of the view that our Company could benefit from the additional capital that would be provided by the Pre-[**REDACTED**] Investors' investments in our Company and the Pre-[**REDACTED**] Investors' knowledge and experience. Further, our non-executive Directors were nominated and appointed by our Pre-[**REDACTED**] Investors and they complement our executive Directors to support good corporate governance.

Note:

1. The discount to the [**REDACTED**] is calculated based on the [**REDACTED**] of HK$[**REDACTED**] per Share, being the mid-point of the indicative [**REDACTED**] range of HK$[**REDACTED**] to HK$[**REDACTED**], and the conversion of the Preferred Shares into ordinary Shares and the [**REDACTED**] have completed prior to [**REDACTED**].

2. The cost per Preferred Share paid for the Series A-1 Preferred Shares is calculated based on the purchase price paid by the relevant Pre-[**REDACTED**] Investors and the number of Series A-1 Preferred Shares they received in the Share Swap.

3. The date of the Share Swap Agreement.

4. The date when the Share Swap was completed upon the second closing of the Share Swap.

5. The consideration was received by Achieva Medical.

6. The post-money valuation is calculated based on the total number of issued shares of our Company upon completion of the Share Swap (including the 3,355,179 ordinary Shares issued to our Founders and senior management and early shareholders of Achieva Medical in the Share Swap) and the cost per Preferred Share of the Series A-1 Preferred Shares under note (2) above.

7. The post money valuation after the Series C-1 financing represents the fully diluted post money valuation taking into account the Shares to be issued and allotted under the Share Option Plan.

Rights of the Pre-*[REDACTED] *Investors

All Preferred Shares shall be converted into Shares of our Company immediately before the completion of the [**REDACTED**] on a ratio of 1:1. All the shareholders (including the Pre-[**REDACTED**] Investors) of our Company are bound by the sixth amended and restated shareholders agreement dated October 22, 2019 (as amended from time to time) which superseded all previous agreements among the contracting parties in respect of the shareholders' rights in our Company.

The principal special rights granted to the Pre-[**REDACTED**] Investors include the customary protective provisions, information rights, inspection rights etc. Except for the redemption rights granted to the Pre-[**REDACTED**] Investors and the buyback rights granted to our Founders and our Company as described below, all other special rights shall cease to be effective and be discontinued upon [**REDACTED**].

a) Redemption Rights

Each Preferred Shareholder is given the right to, upon the occurrence of specified redemption events, request that our Company redeem the Preferred Shares it then holds (prior and in preference to any redemption of the prior series of Preferred Shares). Further, if the occurrence of the redemption events could be attributed to the fraud, wilful misconduct or gross negligence of any of the Founders, then each Preferred Shareholder is given a put option to sell to the Founders the Preferred Shares it then holds at the specified redemption price.

b) Buyback Rights

The Founders and our Company were given a buyback right to repurchase any and all Shares issued and outstanding in the name of ZJ Torch upon the occurrence of specified events.

Each Preferred Shareholder, each of the Founders and our Company has executed a waiver undertaking on January 21, 2020 to terminate the abovementioned redemption rights or buyback rights (as applicable) with effect from the date of the waiver undertaking. The redemption rights or buyback rights (as applicable) are only exercisable if the [**REDACTED**] does not take place and shall be automatically restored only upon the earlier of, among others, (i) withdrawal of the [**REDACTED**] application by our Company; (ii) rejection of the [**REDACTED**] application by the Stock Exchange, or (iii) failure on the part of our Company to complete its [**REDACTED**] before a specified deadline.

3. Information about the Pre-[REDACTED] Investors

Our Pre-[**REDACTED**] Investors are mainly sophisticated investors, such as dedicated healthcare funds and biotech funds as well as established funds with a focus on investments in the biopharmaceutical sector, including the following:

(i) **Matrix Partners:** Each of Matrix Partners China IV, L.P., and Matrix Partners China IV-A, L.P. belongs to the Matrix Partners group ("Matrix Partners"), is an exempted limited partnership organized and existing under the laws of the Cayman Islands and a sophisticated investor. Matrix Partners are venture capital funds with a primary purpose of making investments in the PRC, mainly focusing on companies in the advanced technology, mobile internet, healthcare and consumer sectors.

(ii) **LAV:** LAV Aero Limited is a limited company incorporated in the British Virgin Islands and is wholly-owned by LAV Biosciences Fund IV, L.P., a Cayman exempted limited partnership fund. ("LAV USD"). Liyi Biotech is a limited partnership established under the laws of the PRC and is a subsidiary of Suzhou Lirui, a venture capital fund established under the laws of the PRC ("LAV RMB"). Both LAV USD and LAV RMB are investment arms of the LAV group ("LAV"). LAV is a sophisticated investor and a leading Asia-based life science

investment firm with portfolios covering all major sectors of the biomedical and healthcare industry including biopharmaceuticals, medical devices, diagnostics and healthcare services. Founded in 2008, LAV is one of the biomedical venture firms with the longest histories in China. To date, LAV manages committed capital of over USD2.33 billion, and has invested in over 80 portfolio companies worldwide. Currently, LAV is managed by a team of professionals with substantial biomedical domain expertise, as well as extensive investing experiences in China. LAV has offices in Shanghai, Hong Kong and California, USA.

(iii) **Hillhouse Capital:** Hillhouse Capital Management, Ltd. ("Hillhouse Capital") is a sophisticated investor and an exempted company incorporated under the laws of the Cayman Islands. Hillhouse Capital acts as the sole management company of Hillhouse Fund IV, L.P., which owns HH SUM-XXIV Holdings Limited. Founded in 2005, Hillhouse Capital is a global firm of investment professionals and operating executives who are focused on building and investing in high quality business franchises that achieve sustainable growth. Independent proprietary research and industry expertise, in conjunction with world-class operating and management capabilities, are key to Hillhouse Capital's investment approach. Hillhouse Capital partners with exceptional entrepreneurs and management teams to create value, often with a focus on enacting innovation and technological transformation. Hillhouse Capital invests in the healthcare, consumer, TMT, advanced manufacturing, financials and business services sectors in companies across all equity stages. Hillhouse Capital and its group members manage assets on behalf of institutional clients such as university endowments, foundations, sovereign wealth funds, and family offices.

(iv) **Far East:** Each of Future Pearl and Halcyon Ocean is a limited company incorporated in the British Virgin Islands. Tianjin Yuanyi is a limited partnership established in the PRC. All of them are controlled/managed by Far East Horizon Ltd. (stock code: 3360.hk) ("Far East"), one of the leading innovative financial companies based in China with the healthcare industry as one of its investment focuses.

(v) **China Structural Reform Fund:** EverestLu is a limited company incorporated in Hong Kong and is wholly-owned by China Structural Reform Fund Corporation Limited (中國國有企業結構調整基金股份有限公司) ("China Structural Reform Fund"), a company incorporated in the PRC and the shares of which are held by several state-owned enterprises. It is mainly engaged in business activities including non-public fund raising, equity investment, project investment, capital management, investment consulting and enterprise management consulting. The investment by EverestLu was completed on December 25, 2019.

(vi) **SDIC:** FIIF is a limited partnership incorporated in the PRC. The executive partner of FIIF is SDIC Fund Management Co., Ltd. (國投創新投資管理有限公司) ("SDIC"). SDIC is an independent private equity fund manager. As one of the latest private equity firms in China, SDIC and its affiliates currently manage RMB100 billion of capital from diversified limited partners, including financial institutions, social security fund, private enterprises, state-owned enterprises. SDIC focuses on five investment sectors: healthcare, intelligent manufacturing, new energy vehicles & intelligent vehicles, environmental protection as well as information & communication technology. Its portfolio companies include, among others, CanSino Biologics Inc. (stock code: 6185.HK), Innovent Biologics, Inc (stock code: 1801.HK) and Ascentage Pharma Group International (stock code: 6855.HK).

(vii) **Tianfeng Capital:** Tianfeng Healthcare is a limited company incorporated in the Cayman Islands and Tianfeng Healthcare Fund is a limited partnership established in the Cayman Islands. They are managed by Tianfeng Capital, an investment company focusing on investing in innovation-driven sectors in the healthcare industry. It has invested in and helped to incubate a number of biotech/ healthcare companies, such as Beijing Surgerii Technology Co., Ltd. (北京術銳技術有限公司), Beijing Advanced Medical Technologies, Ltd. Inc (北京阿邁特醫療器械有限公司), Hunan Handlike Medical Technology Co., Ltd. Inc (湖南瀚德微創醫療科技有限公司) and Jiangsu Apon Medical Technology Co., Ltd. (江蘇愛朋醫療科技股份有限公司) (stock code: 300753.SZ).

(viii) **ZJ Torch:** ZJ Torch is a limited company established in the PRC and it is indirectly wholly-owned by the Shanghai Pudong New Area State-owned Assets Supervision and Administration Commission.

(ix) **Shanghai Founder KIP:** Shanghai Founder KIP is a limited partnership established in the PRC, the general partner of which is Shanghai Founder KIP Equity Investment Management Partnership (Limited Partnership) (上海方正韓投股權投資管理合夥企業(有限合夥)). Shanghai Founder KIP has invested in other biotech companies such as Shanghai Henlius Biotech, Inc. (stock code: 2696.HK).

(x) **Skycus:** Skycus is a limited partnership established in the Cayman Islands, the general partner of which is Skycus Asset Management Limited.

(xi) **Joyful Bliss:** Joyful Bliss is a limited company established in the British Virgin Islands and it is wholly-owned by Ms. Le Huang, an individual investor.

(xii) **Kortex:** Kortex is a limited company incorporated in Hong Kong and is wholly-owned by Mr. Yufang Chen, an individual investor.

4. [REDACTED]

Upon completion of the [**REDACTED**] (assuming that no Shares will be allotted and issued under the [**REDACTED**] or the Share Incentive Schemes), the Founders will collectively (directly and indirectly) hold approximately [**REDACTED**]% of the total issued Shares; therefore, they are substantial Shareholders and their Shares will not count towards the public float. In addition, Mr. Fei Chen, our non-executive Director, controls Liyi Biotech as an indirect general partner and limited partner, therefore, the Shares held by LAV, representing approximately [**REDACTED**]% of the total issued Shares will also not count towards the [**REDACTED**]. Save as disclosed above, to the best of our Directors' knowledge, all other investors and shareholders of our Company are not core connected persons of our Company. As a result, our other existing shareholders will aggregately hold a total of approximately [**REDACTED**]% of the Shares (upon completion of the [**REDACTED**] without taking into account the Shares which may be allotted and issued under the [**REDACTED**] and the Share Incentive Schemes) with a market capitalization of approximately HK$[**REDACTED**] (based on the [**REDACTED**] of HK$[**REDACTED**], being the mid-point of the indicative [**REDACTED**] range), which will count towards the [**REDACTED**]. Over 25% of our Company's total issued Shares and our issued Shares with a market capitalization of at least HK$ [**REDACTED**] will be held by the public upon completion of the [**REDACTED**] in accordance with the requirements under 8.08(1)(a) and 18A.07, respectively, of the Listing Rules.

COMPLIANCE WITH INTERIM GUIDANCE AND GUIDANCE LETTERS

The Joint Sponsors confirm that the investment by the Pre-[**REDACTED**] Investors is in compliance with the Guidance Letter HKEx-GL29-12 issued on January 2012 and updated in March 2017 by the Stock Exchange, Guidance Letter HKEx-GL43-12 issued in October 2012 and updated in July 2013 and in March 2017 by the Stock Exchange and Guidance Letter HKEx-GL44-12 issued in October 2012 and updated in March 2017 by the Stock Exchange.

[**REDACTED**]

Pursuant to the resolutions passed by our Shareholders on [●], subject to the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the issue of the [**REDACTED**] pursuant to the [**REDACTED**], our Directors shall be authorized to allot and issue a total of [**REDACTED**] Shares credited as fully paid at par value to the Shareholders on the register of members of our Company at the close of business on the date immediately preceding the date on which the [**REDACTED**] becomes unconditional or as it/they may direct) in proportion to their respective shareholdings in our Company (as nearly as possible without fractions) by way of [**REDACTED**] of the sum of US$[**REDACTED**] standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the then existing issued Shares, in each case to be effective on the [**REDACTED**].

The below table is a summary of the capitalization of our Company.

Shareholders	Ordinary Shares	Series A Preferred Shares	Series B Preferred Shares	Series A-1 Preferred Shares	Series C Preferred Shares	Series C-1 Preferred Shares	Ownership percentage as of the date of this document[3]	Number of Ordinary Shares held upon [REDACTED][4]	Ownership percentage as of the [REDACTED][5]
XinYue International Limited[1]	4,484,282	50,000	–	–	–	–	19.82%	[REDACTED]	[REDACTED]%
Hanlindale Trust[1]	854,700	–	–	–	–	–	3.74%	[REDACTED]	[REDACTED]%
Jinnius Drive Trust[1]	785,678	–	–	–	–	–	3.43%	[REDACTED]	[REDACTED]%
Ms. Hong Ye[1,2]	734,448	–	–	–	–	–	3.21%	[REDACTED]	[REDACTED]%
Mrs. Ping Ye Zhang[1]	51,075	–	–	–	–	–	0.22%	[REDACTED]	[REDACTED]%
Dr. Zhang[2]	261,636	–	–	–	–	–	1.14%	[REDACTED]	[REDACTED]%
LAV Aero Limited	101,807	–	763,555	947,585	182,326	–	8.72%	[REDACTED]	[REDACTED]%
Shanghai Liyi Biotech, L.P. 上海禮軼生物科技合夥企業（有限合夥）	50,904	–	381,778	473,792	91,163	–	4.36%	[REDACTED]	[REDACTED]%
Matrix Partners China IV, L.P.	138,830	909,100	208,244	248,011	298,354	–	7.88%	[REDACTED]	[REDACTED]%
Matrix Partners China IV-A, L.P.	13,881	90,900	20,822	24,798	29,832	–	0.79%	[REDACTED]	[REDACTED]%
Matrix Partners China II, L.P.	242,138	–	–	–	–	–	1.06%	[REDACTED]	[REDACTED]%
Matrix Partners China II-A, L.P.	26,904	–	–	–	–	–	0.12%	[REDACTED]	[REDACTED]%
HH SUM-XXIV Holdings Limited	–	–	–	–	–	2,084,949	9.11%	[REDACTED]	[REDACTED]%
MGR International Limited	982,069	–	–	–	–	–	4.29%	[REDACTED]	[REDACTED]%
Tianfeng Healthcare Company Limited	–	700,000	152,711	–	–	–	3.73%	[REDACTED]	[REDACTED]%
Tianfeng Healthcare Fund I Management, L.P.	–	–	–	199,291	–	–	0.87%	[REDACTED]	[REDACTED]%
Flexmed International (HK) Limited	820,000	–	–	–	–	–	3.58%	[REDACTED]	[REDACTED]%
Halcyon Ocean Limited	–	–	–	–	546,977	–	2.39%	[REDACTED]	[REDACTED]%
Tianjin Yuanyi Yongxuan Management Center (Limited Partnership) 天津遠翼永宣企業管理中心（有限合夥）	–	–	–	–	546,977	–	2.39%	[REDACTED]	[REDACTED]%
Future Pearl Limited	–	–	–	–	273,489	–	1.20%	[REDACTED]	[REDACTED]%
Future Industry Investment Fund (先進製造產業投資基金(有限合夥))	–	–	–	–	–	800,004	3.50%	[REDACTED]	[REDACTED]%
Country Bay Investment Limited	640,000	–	–	–	–	–	2.80%	[REDACTED]	[REDACTED]%
Mega Goal International Limited	605,000	–	–	–	–	–	2.64%	[REDACTED]	[REDACTED]%
Shanghai Hoodi Financial Consulting Partnership (Limited Partnership) (上海合諧財務諮詢合夥企業（有限合夥）)	478,297	–	–	–	–	–	2.09%	[REDACTED]	[REDACTED]%
EverestLu Holding Limited	–	–	–	–	–	469,114	2.05%	[REDACTED]	[REDACTED]%
Mr. Kongrong Karl Pan[2]	222,500	–	–	–	–	–	0.97%	[REDACTED]	[REDACTED]%
Shanghai Founder KIP Equity Investment Partnership (LP) 上海方正韓投股權投資合夥企業（有限合夥）	190,889	–	–	102,293	–	–	1.28%	[REDACTED]	[REDACTED]%
Joyful Bliss Holdings Limited	190,889	–	–	–	–	–	0.83%	[REDACTED]	[REDACTED]%
Shanghai Zhangjiang Torch Venture Capital Co., Ltd. (上海張江火炬創業投資有限公司)	–	150,000	–	–	–	–	0.66%	[REDACTED]	[REDACTED]%
Kortex Limited	–	–	–	92,434	–	–	0.40%	[REDACTED]	[REDACTED]%
Dr. Jian Fong Tan	110,000	–	–	–	–	–	0.48%	[REDACTED]	[REDACTED]%
Skycus China Fund, L.P.	–	–	–	–	–	52,124	0.23%	[REDACTED]	[REDACTED]%
Total	11,985,927	1,900,000	1,527,110	2,088,204	1,969,118	3,406,191	100.00%	[REDACTED]	[REDACTED]%

Notes:

1. Dr. Zhang, Mrs. Ping Ye Zhang and Ms. Hong Ye are our Founders and executive Directors. Dr. Zhang, Jinnius Drive Trust, Mrs. Zhang, Hanlindale Trust, XinYue International Limited and Ms. Ye are Concert Parties. For details, please refer to the paragraphs headed "Our Founders and Concert Party Arrangement" in this section.

2. Dr. Zhang, Ms. Ye and Mr. Pan exercised share options granted to them under the Share Option Plan in March 2020 and 261,636, 48,579 and 222,500 Shares were issued to them, respectively.

3. Based on the assumption that each Preferred Share will be converted into one Ordinary Share upon the [**REDACTED**] becoming unconditional. All Preferred Shares will automatically be converted into the same number of Ordinary Shares upon [**REDACTED**].

4. After 1:1 conversion of Preferred Shares into Ordinary Shares of the Company and the completion of the [**REDACTED**], without taking into account the Shares to be allotted and issued under the [**REDACTED**], Share Incentive Schemes and the [**REDACTED**].

5. After 1:1 conversion of Preferred Shares into Ordinary Shares of the Company and the completion of the [**REDACTED**], without taking into account the Shares which may be allotted and issued to existing Shareholders under the [**REDACTED**], and the shares to be allotted and issued under the Share Incentive Schemes and the [**REDACTED**].

PRC LEGAL COMPLIANCE

M&A Rules

The Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors (關於外國投資者並購境內企業的規定) (the "M&A Rules"), which were jointly promulgated by the MOFCOM, the State Assets Supervision and Administration Commission, the SAT, the SAMR, the CSRC and the SAFE on August 8, 2006, came into effect on September 8, 2006 and subsequently amended on June 22, 2009, require that foreign investors acquiring domestic companies by means of asset acquisition or equity acquisition shall comply with relevant foreign investment industry policies and shall be subject to approval by the relevant commerce authorities. Article 11 of the M&A Rules stipulates that an offshore special purpose vehicle established or controlled by a PRC domestic company, enterprise or natural person shall obtain approval from the MOFCOM prior to the acquisition of any domestic enterprise related to such company, enterprise or natural person. The M&A Rules, amongst others, also require that an offshore special purpose vehicle, or a SPV, formed for listing purposes and controlled directly or indirectly by PRC companies or individuals, shall obtain the approval of the CSRC prior to the listing and trading of such SPV's securities on an overseas stock exchange, especially in the event that the SPV acquires shares of or equity interests in the PRC companies in exchange for the shares of offshore companies.

As advised by our PRC Legal Advisers, the proposed [**REDACTED**] is not subject to approval from the MOFCOM under the M&A Rules and our [**REDACTED**] on the Stock Exchange is not subject to a prior approval from the CSRC under the M&A Rules.

Circular 37

SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知)(the "SAFE Circular 37") on July 4, 2014, which replaced the former circular commonly known as "SAFE Circular 75" promulgated by SAFE on October 21, 2005. SAFE Circular 37 requires PRC residents to register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests, referred to in SAFE Circular 37 as a "special purpose vehicle". SAFE Circular 37 further requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle, such as increase or decrease of capital contributed by PRC individuals, share transfer or swap, merger, division or other material event. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfill the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be prohibited from making profit distributions to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle maybe restricted in its ability to contribute additional capital into its PRC subsidiary. Furthermore, failure to comply with the SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls.

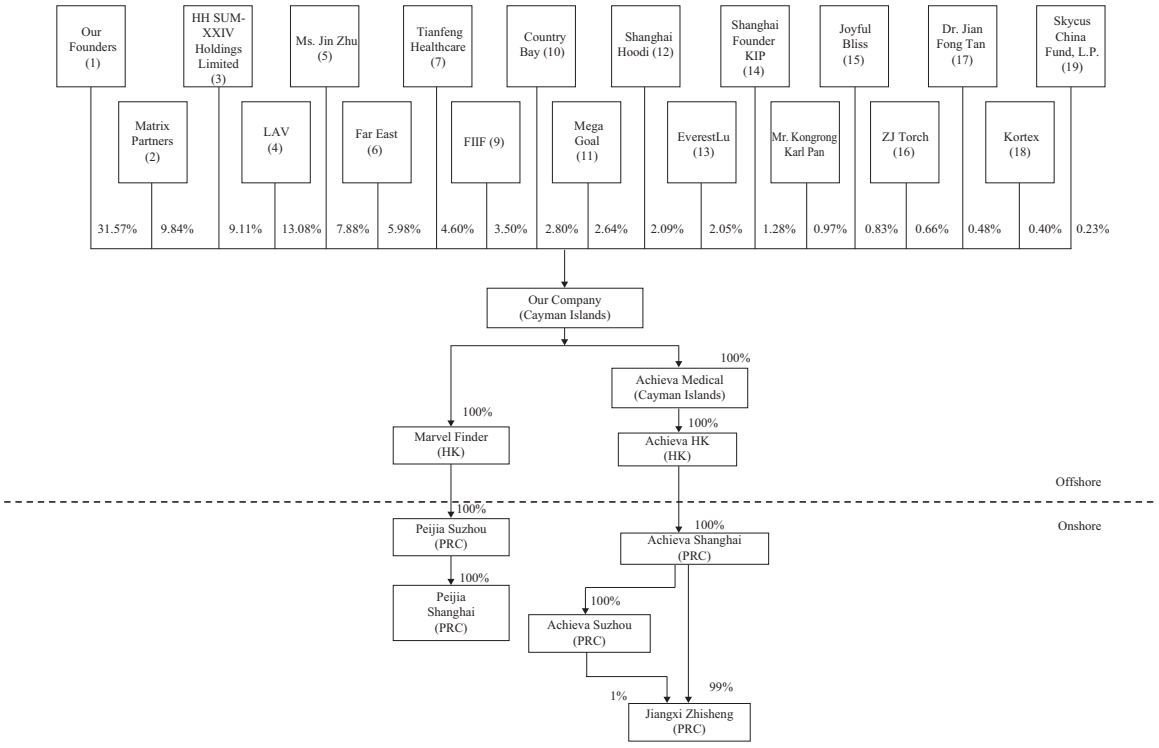
On February 13, 2015, SAFE released the Notice on Further Simplifying the Improving Policies for the Foreign Exchange Administration of Direct Investment (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知) (the "SAFE Circular 13"), which became effective from June 1, 2015. According to SAFE Circular 13, local banks shall examine and handle foreign exchange registration for overseas direct investment, including the initial foreign exchange registration and amendment registration under SAFE Circular 37. However, there exists uncertainties with respect to its interpretation and implementation by governmental authorities and banks.

As advised by our PRC Legal Advisers, each of Dr. Zhang, Ping Ye Zhang and Hong Ye is not required to make registration for their respective investments in our Company under SAFE Circular 37 or SAFE Circular 13.

Our PRC Legal Advisers have confirmed that all relevant material registrations, approvals and permits required under PRC laws and regulations in relation to the establishment, increases of registered capital, equity transfers in respect of the PRC subsidiaries of our Group as described above have been completed and obtained.

OUR STRUCTURE AFTER COMPLETION OF THE CORPORATE RESTRUCTURING

The following diagram illustrates the corporate and shareholding structure of our Group immediately prior to the completion of the [**REDACTED**] (on the assumption that each Preferred Share will be converted into one Ordinary Share upon the [**REDACTED**] becoming unconditional):



Notes:

1. Dr. Zhang, Mrs. Ping Ye Zhang and Ms. Hong Ye are our Founders. They hold their equity interests in our Company directly and/or through Jinnius Drive Trust, Hanlindale Trust and XinYue.

2. Each of Matrix Partners China II, L.P., Matrix Partners China II-A, L.P., Matrix Partners China IV, L.P. and Matrix Partners China IV-A, L.P. is an exempted limited partnership organized and existing under the laws of the Cayman Islands with 40, 48, 42 and 57 limited partners, respectively, and none of such limited partners holds 30% or more interests. The general partner of Matrix Partners China II, L.P. and Matrix Partners China II-A, L.P. is Matrix China Management II, L.P., whose general partner is Matrix China II GP GP, Ltd.. The general partner of Matrix Partners China IV, L.P. and Matrix Partners China IV-A, L.P. is Matrix China Management IV, L.P., whose general partner is Matrix China IV GP GP, Ltd.. After due enquiry and to the best knowledge of our Directors, the ultimate beneficial owners of each of Matrix China II GP GP, Ltd. and Matrix China IV GP GP, Ltd., the limited partners of each of Matrix Partners China II, L.P., Matrix Partners China II-A, L.P., Matrix Partners China IV, L.P. and Matrix Partners China IV-A, L.P. and their ultimate beneficial owners are Independent Third Parties.

3. HH SUM-XXIV Holdings Limited is a limited company established in Cayman Islands and is wholly-owned by Hillhouse Fund IV, L.P.. After due enquiry and to the best knowledge of our Directors, (1) no individual limited partners of Hillhouse Fund IV, L.P. holds 30% or more interests, (2) the general partner and limited partners of Hillhouse Fund IV, L.P. and their respective ultimate beneficial owners are Independent Third Parties.

4. LAV is entitled to control the exercise of 13.08% of the voting power at the general meeting of our Company through the equity interests held by LAV Aero Limited and Liyi Biotech. LAV Aero Limited is a limited company established in the British Virgin Islands and is wholly-owned by LAV Biosciences Fund IV, L.P., a Cayman exempted limited partnership fund. The general partner of LAV Biosciences Fund IV, L.P. is LAV GP IV, L.P., whose general partner is LAV Corporate IV GP, Ltd., a Cayman company wholly-owned by Mr. Yi Shi. Liyi Biotech is a limited partnership established in the PRC. The general partner of Liyi Biotech is Shanghai Liyi Investment Management Partnership (Limited Partnership) (上海禮頤投資管理合夥企業(有限合夥)), whose general partner is Shanghai Liyao Investment Management Co., Ltd. (上海禮曜投資管理有限公司), which is in turn wholly-owned by Mr. Fei Chen, our non-executive Director. Liyi Biotech is owned as to 99.99% by Suzhou Lirui as its limited partner. After due enquiry and to the best knowledge of our Directors, the respective ultimate beneficial owners of LAV Aero Limited and Suzhou Lirui are Independent Third Parties.

5. MGR International Limited is a limited company established in the British Virgin Islands and holds 4.29% of our Company. Flexmed is a limited company established in Hong Kong and holds 3.58% of our Company. Both MGR International Limited and Flexmed are wholly-owned by Ms. Jin Zhu, a substantial shareholder of our Company upon [**REDACTED**].

6. Future Pearl is a limited company established in the British Virgin Islands and holds 1.20% of our Company. Future Pearl is wholly-owned by Grand Flight Hooyoung Investment L.P., whose general partner is Grand Flight Hooyoung Investment Management Co., Ltd which is in turn wholly-owned by Grand Flight Holdings Co., Ltd. Grand Flight Holdings Co., Ltd is owned as to 70% by Global Asend Management Limited, which is in turn wholly-owned by Far East, a company listed on the Stock Exchange (stock code: 3360).

   Halcyon Ocean is a limited company established in the British Virgin Islands and holds 2.39% of our Company. Halcyon Ocean is owned as to 69.6% by Grand Light Development Limited, which is in turn wholly-owned by Far East.

   Tianjin Yuanyi is a limited partnership established in the PRC and holds 2.39% of our Company. Tianjin Yuanyi Hongyang Asset Management Co., Ltd. (天津遠翼宏揚資產管理有限公司) is the general partner of Tianjin Yuanyi and it is in turn wholly-owned by Yuanyi Investment Management Co., Ltd. (遠翼投資管理有限公司). Tianjin Shengshi Enterprise Management Co., Ltd. (天津盛勢企業管理有限公司) is the 90% shareholder of Yuanyi Investment Management Co., Ltd. and it is indirectly wholly-owned by Far East. The only limited partner of Tianjin Yuanyi is Shanghai Depeng Industries Co., Ltd. (上海德朋實業有限公司), which is in turn indirectly wholly-owned by Far East.

   After due enquiry and to the best knowledge of our Directors, the ultimate beneficial owners of Future Pearl and Halcyon Ocean, the general partner and limited partner of Tianjin Yuanyi and their respective ultimate beneficial owners are Independent Third Parties.

7. Tianfeng Healthcare is a limited company established in the Cayman Islands and holds 3.73% of our Company. It is wholly-owned by Tianfeng Healthcare Fund I, L.P., whose general partner is Tianfeng Healthcare Fund I GP Limited, which is in turn controlled by Mr. Zhihong Li.

   Tianfeng Healthcare Fund is a limited partnership established in the Cayman Islands and holds 0.87% of our Company. Tianfeng Healthcare Fund I GP Limited is the general partner of Tianfeng Healthcare Fund and it is in turn controlled by Mr. Zhihong Li.

   After due enquiry and to the best knowledge of our Directors, the ultimate beneficial owners of Tianfeng Healthcare, the general partner and limited partners of Tianfeng Healthcare Fund and their respective ultimate beneficial owners are Independent Third Parties.

8. FIIF is a limited partnership established in the PRC with 11 limited partners, save for the Ministry of Finance of the PRC which holds 36.36% interests, none of the other limited partners holds 30% or more interests. Its executive partner is SDIC, which is in turn controlled by the State-owned Assets Supervision and Administration Commission of the State Council ("SASAC"). After due enquiry and to the best knowledge of our Directors, the executive partner and limited partners of FIIF and their respective ultimate beneficial owners are Independent Third Parties.

9. Country Bay is a limited company established in the British Virgin Islands and is wholly-owned by Mr. Weiqi Lao, an Independent Third Party to the best knowledge of our Directors.

10. Mega Goal is a limited company established in the British Virgin Islands and is wholly-owned by Ms. Ping Yang, an Independent Third Party to the best knowledge of our Directors.

11. Shanghai Hoodi is a limited partnership established in the PRC with 11 individual limited partners, save for Mr. Lu Fu who holds 55.42% interests, none of the other limited partners holds 30% or more interests. Its general partner is Shanghai Yunhong Industrial Development Co., Ltd (上海鋆鴻實業發展有限公司), which is in turn wholly-owned by Mr. Sun Yunxiang. After due enquiry and to the best knowledge of our Directors, the general partner and limited partners of Shanghai Hoodi and their respective ultimate beneficial owners are Independent Third Parties.

12. EverestLu is a limited company established in Hong Kong and is wholly-owned by China Structural Reform Fund, which is in turn held by several state-owned enterprises. After due enquiry and to the best knowledge of our Directors, the ultimate beneficial owners of EverestLu are Independent Third Parties.

13. Shanghai Founder KIP is a limited partnership established in the PRC. Its general partner is Shanghai Founder KIP Equity Investment Management Partnership (Limited Partnership) (上海方正韓投股權投資管理合夥企業(有限合夥)), whose general partner is Shanghai Founder KIP Investment Management Co., Ltd. (上海方正韓投投資管理有限責任公司), which is in turn owned by Founder Hesheng Investment Co., Ltd. (方正和生投資有限責任公司) as to 60% and KIP Partners (Shanghai) Venture Investment Management Co., Ltd. (韓投夥伴(上海)創業投資管理有限責任公司) as to 40%. The limited partners of Shanghai Founder KIP are Founder Hesheng Investment Co., Ltd. (方正和生投資有限責任公司), Korea Investment & Securities Co., Ltd. (韓國投資證券(株)) and Korea Investment Partners Co., Ltd. (韓國投資夥伴株式會社). After due enquiry and to the best knowledge of our Directors, the general partner and limited partners of Shanghai Founder KIP and their respective ultimate beneficial owners are Independent Third Parties.

14. Joyful Bliss is a limited company established in the British Virgin Islands and it is wholly-owned by Ms. Le Huang, an Independent Third Party to the best knowledge of our Directors.

15. ZJ Torch is a limited company established in the PRC and it is indirectly wholly-owned by the Shanghai SASAC. After due enquiry and to the best knowledge of our Directors, the ultimate beneficial owners of ZJ Torch are Independent Third Parties.

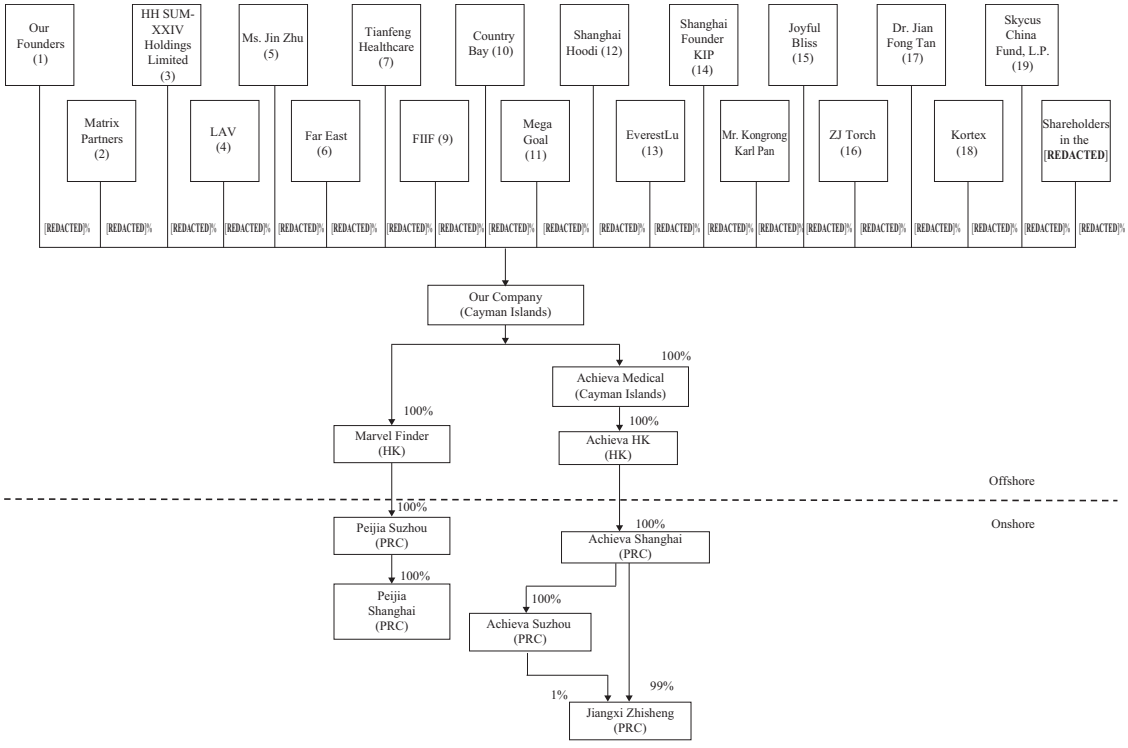
16. Dr. Jian Fong Tan is one of our senior management members. For details, please refer to the section headed "Directors and Senior Management" in this document.

17. Kortex is a limited company incorporated in Hong Kong and is wholly-owned by Mr. Yufang Chen, an Independent Third Party to the best knowledge of our Directors.

18. Skycus China Fund, L.P. is a limited partnership established in the Cayman Islands with 24 limited partners, none of which holds 30% or more interests. Its general partner is Skycus Asset Management Limited. After due enquiry and to the best knowledge of our Directors, the general partner and limited partners of Skycus China Fund, L.P. and their respective beneficial owners are Independent Third Parties.

OUR STRUCTURE IMMEDIATELY FOLLOWING THE [REDACTED]

The following diagram illustrates the corporate and shareholding structure of our Group immediately following the completion of the [**REDACTED**] and the [**REDACTED**] (assuming the [**REDACTED**] is not exercised and without taking into account any Shares which may be allotted and issued under the Share Incentive Schemes):



Note:

Please refer to notes 1-19 on page 169.

OVERVIEW

We focus on the high-growth interventional procedural medical device market in China, and are a leading domestic player in each of the transcatheter valve therapeutic medical device market and the neurointerventional procedural medical device market in China.

- *Transcatheter valve therapeutic medical devices*: We are one of only four domestic players in the China market with TAVR products at the clinical trial or more advanced stage, and ranked third in the China transcatheter valve medical device market in terms of the combined number of commercialized products and product candidates in the clinical trial stage, according to Frost & Sullivan. We are in the process of completing the confirmatory clinical trial for TaurusOne®, our first-generation TAVR product, and expect to receive the NMPA approval for and launch TaurusOne® in the first or second quarter of 2021. We are also developing our second- and third-generation TAVR products incorporating innovative features. Our product pipeline includes transcatheter devices for aortic, mitral and tricuspid valves.

- *Neurointerventional procedural medical devices*: We ranked first among domestic players in the China market in terms of the combined number of commercialized products and product candidates in the clinical trial stage, and were the first domestic player to commercialize an embolization coil product in China, according to Frost & Sullivan.

Our products and product candidates target large, fast-growing and under-penetrated markets with high entry barriers. According to Frost & Sullivan, heart diseases and neurovascular diseases are among the top causes of death, both in China and globally. Interventional therapies, especially catheter-based interventional therapies, can effectively treat such diseases, but the markets for transcatheter valve therapeutic and neurointerventional procedural medical devices in China are still at an early stage of development with considerable potential for growth.

According to Frost & Sullivan, the global TAVR product market is expected to increase from US$4.1 billion in 2018 to US$10.4 billion in 2025 at a CAGR of 14.3%. China's TAVR product market is also estimated to grow significantly from RMB196.6 million in 2018 to RMB6,332.6 million in 2025 at a CAGR of 64.2%. Only approximately 1,000 TAVR procedures were conducted in China in 2018, representing a penetration rate of approximately 0.1%, indicating huge unmet demand and growth potential. It is estimated that the TAVR penetration rate in China will continue to grow, reaching 4.7% in 2025. The TMVR and TTVR markets in China are also still in their early stages of development, with significant growth potential. According to Frost & Sullivan, a few domestic companies are enjoying leading positions in the transcatheter valve therapeutic medical device market in China, but there is not yet any single dominating player in the market. 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, according to Frost & Sullivan.

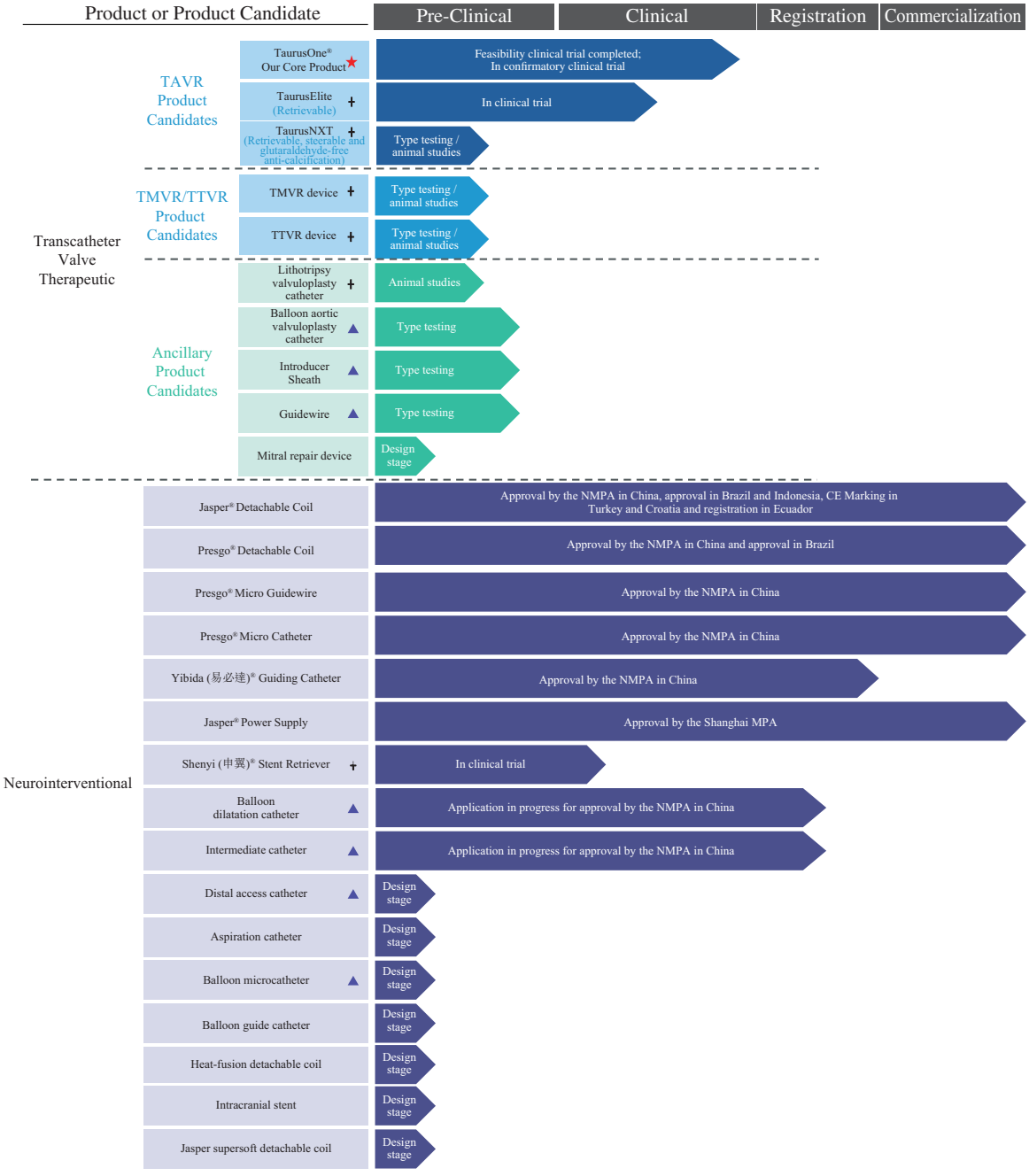
Similarly, the neurointerventional procedural medical device market in China has also been growing rapidly. Specifically, the embolization coil market in China is estimated to expand to RMB2,646.7 million in 2025 at a CAGR of 12.3% from 2018 to 2025, and the intracranial aneurysm stent market is estimated to expand to RMB812.2 million in 2025 at a CAGR of 15.0% from 2018 to 2025. According to Frost & Sullivan, the neurointerventional procedural medical device market in China is currently dominated by several international medical device giants, but a number of domestic players are

expected to gradually increase their market shares over the next few years, thanks to the progress of their technology advancements, the improvements in their products, as well as more favorable policies encouraging the development of domestic brands. The ability to develop a comprehensive product portfolio tailored to the needs of Chinese patients and physicians is expected to be one of the major factors for domestic players to differentiate from multinational players in the market, according to Frost & Sullivan.

We have a comprehensive portfolio of interventional procedural medical device products and product candidates focusing on these two fields. As of the Latest Practicable Date, we had developed six registered products, and had 20 product candidates in various stages of development.

Portfolio Overview

The following diagram summarizes the development status of our major products and product candidates as of the Latest Practicable Date:



★ Core Product ┼ Major product candidates ▲ Among our product candidates, these devices are exempted from clinical trial requirements in accordance with the Catalogue of Medical Device Exempted from Clinical Trials (《免於進行臨床試驗醫療器械目錄》) promulgated by the NMPA, as amended.

Notes:

1. The "retrievable" function allows physicians to retrieve the valve during a TAVR procedure if the initial release position of the valve is not ideal.
2. The "steerable" function allows physicians to steer the position and orientation of the valve during a TAVR procedure.
3. The "glutaraldehyde-free anti-calcification" technology can effectively resist valve calcification, and significantly improve the durability of the valve.

We have built a synergetic platform encompassing research and development, manufacturing and commercialization capabilities.

- *Research and development*. Our research and development team is led by Dr. Zhang, our Chairman of the Board, Chief Executive Officer and Chief Technology Officer, Mr. Kongrong Karl Pan, our Chief Operating Officer, and Dr. Jian Fong Tan, our Vice President of Advanced Technology. Each of Dr. Zhang, Mr. Pan and Dr. Tan is an industry veteran with impressive academic and professional background, having previously worked in managerial roles at leading industry players. We have developed deep relationships with global leaders in both the transcatheter valve therapeutic and neurointerventional domains, including world-class scientists, physicians and industry practitioners, giving us a deep understanding of the clinical needs and demands of patients and physicians.

- *Manufacturing*. Our two state-of-the-art manufacturing facilities located in Suzhou and Shanghai with an area of 15,433.31 sq.m. and 1,188.40 sq.m., respectively, support both our transcatheter valve therapeutic and neurointerventional businesses and comply with the GMP requirements in the EU and China. We follow rigorous manufacturing and quality control standards to ensure high product quality and safety.

- *Commercialization*. We have developed strong commercialization capabilities. We currently focus on academic promotion for our transcatheter valve therapeutic product candidates, working closely with renowned physicians, conducting product demonstrations and providing training to physicians. As of the Latest Practicable Date, we had successfully commercialized five neurointerventional procedural products. We have established an extensive distribution network to sell these products, comprising 65 distributors as at December 31, 2019, including 62 distributors in China and three overseas. We believe that the strength of our working relationship with KOLs, physicians and hospitals, our established distributor network, the extensive experience we accumulated from the commercialization of our existing products, and our well-established reputation in the medical device industry in China, will greatly benefit our future commercialization of our product candidates upon their approval.

We believe that with our strong research and development capabilities, comprehensive product portfolio with advanced features tailored to the needs of Chinese patients and physicians, and our proven track-record of successfully commercializing our products, we are well positioned to capture the significant growth potential in both markets.

OUR COMPETITIVE STRENGTHS

We believe the following strengths have contributed to our success and differentiated us from our competitors:

Leading Domestic Player in the High-growth Transcatheter Valve Therapeutic and Neurointerventional Procedural Medical Device Markets

We focus on the high-growth interventional procedural medical device market in China, and are a leading domestic player in each of the transcatheter valve therapeutic medical device market and the neurointerventional procedural medical device market in China.

- *Transcatheter valve therapeutic medical devices*: We are one of only four domestic players in the China market with TAVR products at the clinical trial or more advanced stage, and ranked third in the China transcatheter valve medical device market in terms of the combined number of commercialized products and product candidates in the clinical trial stage, according to Frost & Sullivan. We are in the process of completing the confirmatory clinical trial for TaurusOne®, our first-generation TAVR product, and expect to receive the NMPA approval for and launch TaurusOne® in the first or second quarter of 2021. We are also developing our second and third generation TAVR products incorporating innovative features. Our product pipeline includes transcatheter devices for aortic, mitral and tricuspid valves.

- *Neurointerventional procedural medical devices*: We ranked first among domestic players in the China market in terms of the combined number of commercialized products and product candidates in the clinical trial stage, and were the first domestic player to commercialize an embolization coil product in China, according to Frost & Sullivan.

Our products and product candidates target large, fast-growing and under-penetrated markets with high entry barriers. According to Frost & Sullivan, heart diseases and neurovascular diseases are among the top causes of death, both in China and globally. Interventional therapies, especially catheter-based interventional therapies, can effectively treat such diseases, but the markets for transcatheter valve therapeutic and neurointerventional procedural medical devices in China are still at an early stage of development with considerable potential for growth.

The transcatheter valve therapeutic medical device market

According to Frost & Sullivan, the global TAVR product market increased from US$1.5 billion in 2014 to US$4.1 billion in 2018 at a CAGR of 27.8%, and is expected to further increase to US$10.4 billion in 2025 at a CAGR of 14.3% from 2018 to 2025. The penetration rate of TAVR procedures globally, measured by the number of TAVR procedures as a percentage of the number of patients eligible for TAVR procedures, increased from 1.7% in 2014 to 3.5% in 2018, and is expected to further increase to 8.2% in 2025. The TAVR market in China has significant growth potential, and is estimated to grow rapidly from RMB196.6 million in 2018 to RMB6,332.6 million in 2025 at a CAGR of 64.2%. According to Frost & Sullivan, only approximately 1,000 TAVR procedures were conducted in China in 2018, representing a penetration rate of approximately 0.1%, indicating huge unmet demand and growth potential, with the TAVR penetration rate in China expected to reach 4.7% in 2025. The TMVR and TTVR markets in China are also still in their early stages, with significant growth potential. According to Frost & Sullivan, a few domestic companies are enjoying leading positions in the transcatheter valve therapeutic medical device market in China, but there is not yet any single dominating player in the market. 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, according to Frost & Sullivan.

As one of only four domestic players in the China market with TAVR products at the clinical trial or more advanced stage, we have significant early-mover advantages. Any new entrant to the market would need to overcome the significant entry barriers, particularly in terms of the considerable resources to develop new products, and the length of time required to complete the clinical trial process. We believe

we are very well positioned to compete in this market and solidify our leading position in light of our technological capability and the advanced features incorporated into our product candidates.

The neurointerventional procedural medical device market

According to Frost & Sullivan, the neurointerventional procedural medical device market in China has also been growing rapidly. The embolization coil market in China is estimated to expand to RMB2,646.7 million in 2025 at a CAGR of 12.3%; the intracranial aneurysm stent market is estimated to expand to RMB812.2 million in 2025 at a CAGR of 15.0%. According to Frost & Sullivan, the neurointerventional procedural medical device market in China is currently dominated by several international medical device giants, but a number of domestic players are expected to gradually increase their market shares in the coming years, as a result of their increasing technology advancements and improving products, as well as the favorable policies encouraging the development of domestic brands.

The neurointerventional procedural medical device market in China poses high entry barriers. Multiple interventional procedural medical devices are required in a neurointerventional procedure. For example, an endovascular coiling procedure not only requires embolization coils but also access devices such as guiding catheter, micro-guidewire and micro-catheter. We believe that companies with a comprehensive portfolio of medical devices not only benefit from economies of scale, but can also provide a one-stop solution for physicians and therefore enjoy advantages in commercializing their products.

We believe that, with our strong research and development capabilities, comprehensive product portfolio with advanced features tailored to the needs of Chinese patients and physicians, and our proven track-record of successfully commercializing our products, we are well positioned to capture the significant growth potential in both markets.

Strong Research and Development Capabilities Supporting Robust Development of Technologically Advanced Next-generation Products

Research and development team

Our research and development team possesses a global vision and vast industry experience. Our research and development team is led by Dr. Zhang, our Chairman of the Board, Chief Executive Officer and Chief Technology Officer, Mr. Kongrong Karl Pan, our Chief Operating Officer, and Dr. Jian Fong Tan, our Vice President of Advanced Technology. Each of them is an industry veteran with impressive academic and professional background, having previously worked in managerial positions at leading industry players complementary to our business. As of the Latest Practicable Date, our research and development team consisted of 37 members, 13 of whom had a master's degree or above. As a testament to our strong research and development capabilities, we have received a number of high-profile awards and recognitions. For example, our Jasper® Detachable Coil was recognized as a State Key New Product (國家重點新產品) in 2014, and our Presgo® Detachable Coil was recognized as a Shanghai Innovative Biomedical Product (上海市生物醫藥創新產品) in 2019. In addition, Dr. Zhang was recognized as a Leader in Science and Technology of Jinji Lake Double Hundred Talents Program. We have deep relationships with global leaders in both the transcatheter valve therapeutic and neurointerventional domains, including world-class scientists, physicians and industry practitioners, giving us a deep understanding of the clinical needs and demands of patients and physicians.

Advanced product features and fast product iteration

Leveraging our strong research and development capabilities, our products and product candidates incorporate multiple advanced features and are tailored to the specific needs of Chinese patients and physicians.

Our TAVR product candidates

Because TAVR procedures are still relatively new, currently there is insufficient long-term clinical data conclusively demonstrating the differences in using porcine pericardium and bovine pericardium in TAVR products. However, according to Frost & Sullivan, comprehensive studies have been conducted on the use of these different valve tissues in SAVR products, and based on such studies, many research papers have demonstrated that as compared to porcine pericardium, bovine pericardium (i) is more durable, (ii) is less likely to incur complications, and (iii) performs better in terms of hemodynamic profile. Because of these advantages, we chose to use bovine pericardium for the valve tissue of our TAVR products.

In spite of the fact that bovine pericardium is thicker than porcine pericardium, the profile of the DCS of our TAVR products is comparable with many of the competing products in the market using porcine pericardium, thanks to the advanced heat treatment technology we use for the self-expanding frame in the PAV of our TAVR products.

We specifically designed the frame of our PAV so that its radial force is suitable for Chinese patients: being sufficient to overcome the calcification of the native aortic valve and remain in the ideal position without slipping upwards or downwards, while at the same time not applying too much radial force or adding too much pressure to the nerves nearby, thereby reducing the need for surgical intervention or permanent pacemaker implantation during the TAVR procedures. The leaflets of our PAV are positioned low on the frame, which is designed to help prevent blockage of the coronary arteries, and the sealing skirt attached to the frame is designed to lower the risk of paravalvular leak.

We are currently testing and developing our second and third generation TAVR products. TaurusElite is expected to incorporate a retrievable function, allowing physicians to retrieve the PAV if the initial release position is not ideal, thereby further increasing its safety. TaurusNXT is expected to have a glutaraldehyde-free anti-calcification feature, which we believe is a fundamental breakthrough. Traditionally, glutaraldehyde is used for treating valve leaflets because it can help (i) chemical cross-link the protein and increase the strength of the valve tissue, (ii) prevent tissue bio-degradation, (iii) inactivate any virus in the tissue, and (iv) reduce the immunogenicity profile of the tissue. However, after glutaraldehyde treatment, a residual amount of aldehyde typically remains on the leaflets, which is a major cause of subsequent tissue calcification upon use. We have successfully developed technologies that remove the need for glutaraldehyde treatment altogether, while providing even better chemical cross-linking and immunogenicity profile than glutaraldehyde treatment while achieving comparable biological compatibility and anti-virus features, according to Frost & Sullivan. We anticipate that a PAV incorporating such anti-calcification technologies will be much more durable than other similar products in the market.

Our neurointerventional procedural products

Similarly, our neurointerventional procedural products incorporate many advanced features, demonstrating our technological capability. We leverage reinforced winding technology to improve the stretch resistance and blood flow impact resistance of our detachable coils, which not only enables responsive placement and repositioning, but also minimizes coil stretching. We use polymer connection technology to ensure that even if multiple Jasper® Detachable Coils are used in a procedure, the amount of time it takes to detach each coil will remain largely consistent. Our Presgo® Detachable Coil's design allows instant detachment of the coils without using any additional accessories, which can significantly reduce the time required for the procedure.

Our pipeline of other products

We are also researching and developing other advanced transcatheter valve therapeutic and neurointerventional procedural medical devices, such as our TMVR and TTVR product candidates, our lithotripsy valvuloplasty catheter and Shenyi® Stent Retriever. We believe that our comprehensive product portfolio and our broad intellectual property portfolio is not only a result of our strong research and development capabilities, but also help us further speed up our product iteration.

Proven Commercialization Capabilities with Well-established Commercialization Infrastructure and Robust Distribution Network

We have developed strong commercialization capabilities. Our senior management team comprises industry veterans with wide market recognition in the medical device industry. In particular, Dr. Zhang led the successful commercialization of multiple medical devices while serving as chief executive officer of another domestic medical device company. We believe that Dr. Zhang's extensive experience in product commercialization and the mutual trust we have established with KOLs, hospitals and distributors in the industry will continue to support our commercialization efforts.

We currently and primarily focus on academic promotion to increase the market awareness of our transcatheter valve therapeutic product candidates, working closely with renowned physicians in the industry to keep KOLs updated with the progress of our research and development. In particular, we have worked extensively with a team led by Dr. Runlin Gao, an Academician of the Chinese Academy of Engineering and a specialist in cardiology at Beijing Fuwai Hospital, to conduct clinical trials for TaurusOne®. We are also working with an Academician of the Chinese Academy of Engineering and a specialist in cardiology at a Class III hospital in Shenyang, Liaoning province to conduct clinical trials for TaurusElite. In addition, our marketing team regularly meets with physicians to conduct product demonstrations and provide training. We believe that through such frequent communications, demonstrations and training, we are able to maintain good working relationships with these KOLs and physicians, and build their familiarity with our products, as a result of which they are more likely to recommend our products when publishing articles, delivering speeches at industry conferences, or providing training to other physicians. We host meetings for key participants in the industry, and sponsor key industry conferences. We believe that such meetings and conferences are key opportunities for us to present our products or product candidates to industry participants, and to enhance our market recognition.

For our neurointerventional procedural products, in addition to providing academic promotion to KOLs, physicians and hospitals, we also work closely with our distributors. We have established an extensive distribution network comprising 65 distributors as at December 31, 2019, including 62 distributors in China and three overseas. We currently sell all of our neurointerventional procedural products through distributors.

We believe that our good working relationships with KOLs, physicians and hospitals, our established distributor network, the extensive experience we accumulated from our existing commercialization efforts, and our well-established reputation in the medical device industry in China, will greatly benefit the future commercialization of TaurusOne®, TaurusElite and our other product candidates upon receipt of relevant NMPA approvals.

Platform Strategy that Allows Improved Operational Efficiency and Supports Long Term Growth

We aim to become a world-renowned medical device platform that provides total treatment solutions for structural heart and neurovascular diseases. We believe that our synergetic platform with centralized procurement and manufacturing capabilities, substantial product registration experience and robust research and development expertise provides a strong basis for us to achieve this long-term goal.

First, our synergetic platform allows us to save costs and improve operational efficiency. For example, for manufacturing, we have built two manufacturing facilities that support the production of both our transcatheter valve therapeutic products and neurointerventional procedural products. Centralized procurement and manufacturing help us control our costs and expenses, improve manufacturing efficiency, and enhance our quality control. For product registration, we have already successfully completed the registration process for six neurointerventional procedural products, and are familiar with the registration procedures and NMPA's review standards. Centralized product registration management allows us to share such experience and to reduce the costs and time involved in the clinical trial and product registration processes for both our transcatheter valve therapeutic and neurointerventional procedural product candidates.

Second, having an integrated platform allows us to generate revenue from our commercialized products, and to use the revenue and other resources generated from our existing products to support the development and commercialization of our other product candidates, thereby mitigating the significant uncertainties and risks involved in the development of innovative medical devices.

Lastly, and more importantly, our platform strategy helps us expand our product portfolio and expedite our product iteration. Specifically, designing and testing transcatheter valve therapeutic and neurointerventional procedural products sometimes involve similar issues and bottlenecks, in areas such as raw material selection, material pre-processing, and product structure design. The issues encountered and the breakthroughs made in developing one product may provide useful insight for the development of other products. Our research and development team members focusing on two different business units share their academic research results, and frequently communicate with each other. We believe that the sharing of our research and development expertise and results across our different business units provides considerable synergistic opportunities contributing to the further development of both our transcatheter valve therapeutic and neurointerventional procedural medical devices, in terms of both product line expansion, as well as product iterations within the same product line.

Visionary and Experienced Management Team with Strong Shareholder Support

We are led by a management team of seasoned industry executives with senior level experience in leading medical device companies in China and globally. First and foremost, we benefit from the strong academic background and successful business track record of Dr. Zhang, our Chairman of the Board, Chief Executive Officer and Chief Technology Officer. Dr. Zhang has over 20 years of experience in the interventional medical device industry and previously served as the chairman of Otsuka (China) Investment Co., Ltd. and the chief executive officer of MicroPort Medical (Shanghai) Co. Dr. Zhang also previously worked at international medical device giants such as Medtronic Plc and Guidant Corporation.

Our senior management team has extensive industry experience and complimentary backgrounds and expertise. Mr. Kongrong Karl Pan, our Chief Operating Officer, has more than 20 years of experience working in the medical device industry, having previously worked as the engineering manager at St. Jude Medical Supplies Co., Ltd. and the senior vice president of supply chain at MicroPort Scientific Corporation. Dr. Jian Fong Tan, our Vice President of Advanced Technology, was previously the assistant vice president of the biomedical sciences division at Exploit Technologies Pte Ltd. (now known as A*ccelerate), the commercialization arm of the Agency for Science, Technology and Research (A*STAR), and the director of new technologies at Biosensors Interventional Technologies Pte Ltd.

Many other members of our senior management team have considerable experience working at renowned institutions in their respective fields. For example, Ms. Chen Wang, the General Manager of Achieva Shanghai, has over 14 years of experience in the medical industry and previously served as the district sales manager at Johnson & Johnson Medical (Shanghai) Ltd. Mr. Leo Tsai, our Chief Financial Officer, has over 15 years of experience in the financial industry and was previously a director at Huatai Financial Holdings (Hong Kong) Limited; Ms. Hongpeng Wang, our Director of Marketing, used to serve as a product marketing manager, a senior marketing manager and an automated external defibrillator business leader of Philips (China) Investment Co., Ltd.

In addition to our management team, we also benefit tremendously from the strong support of our Shareholders. Our world-class investors, such as LAV, Matrix Partners and Hillhouse, all have extensive experience managing and growing medical device companies, and share with us their knowledge and experience to assist us in developing and commercializing our products. Our investors also include state-owned investment funds in China such as State Development & Investment Corporation and Chengtong Investment. Additionally, our investor Far East Horizon owns multiple private hospitals, and provides us with invaluable guidance in relation to the research, development and commercialization of our products and product candidates. We believe our experienced Shareholders work closely together with our committed management team to develop and implement our strategies.

OUR STRATEGIES

Our goal is to become a world-renowned medical device platform that provides total treatment solutions for structural heart and neurovascular diseases. We plan to implement the following strategies to achieve this goal:

Commercialize Our Product Candidates

We intend to expedite the commercialization of our product candidates, especially our Core Product, TaurusOne®, in order to enjoy an "early-mover" advantage in the under-penetrated and

fast-growing TAVR market in China. As of the Latest Practicable Date, there were only three commercialized TAVR products in China, according to Frost & Sullivan. We expect that our TaurusOne® will become the fourth commercialized TAVR product in the China market upon completion of the NMPA registration. TaurusOne® has been recognized as an "innovative medical device" by the NMPA in February 2017 and is therefore eligible for an expedited approval process. We currently expect to make the registration submission with the NMPA for TaurusOne® in the third quarter of 2020, and to commercialize it in the first or second quarter of 2021. For TaurusElite, we currently expect to commercialize it in the first or second quarter of 2021.

In addition to our TAVR products, we also plan to expedite the commercialization of our stent retriever product used for mechanical thrombectomy procedures. We are currently in the process of completing the clinical trial for our Shenyi® Stent Retriever, and plan to apply for its registration with the NMPA in the second quarter of 2021. We expect to be the second domestic player in the China market offering a commercialized stent retriever product.

In preparation for the upcoming commercialization of these product candidates, we intend to further expand our well-established commercialization infrastructure. We plan to build up our sales and marketing team by hiring additional experienced national sales director, regional managers and sales representatives, and to further deepen our relationship with KOLs in our target fields. We plan to establish an internal medical team comprising qualified medical professionals dedicated to building and maintaining our relationships with leading hospitals and renowned physicians in China, in order to further enhance our market recognition. We intend to continue to actively participate in academic promotion such as sponsoring industry conferences and providing training to physicians.

Additionally, we expect to further expand the distribution network for both our existing and future commercialised products by cooperating with additional distributors who have established impressive sales records in high-growth regions in China. We plan to coordinate our sales and marketing team to support these distributors to reach their sales targets. We also plan to market and sell our products globally by collaborating with more overseas distributors.

Further Strengthen Our Research and Development Capabilities

As a leading domestic player in the transcatheter valve therapeutic and neurointerventional procedural medical device markets in China, we strive to maintain and enhance our research and development capabilities to solidify our leading position and to fuel our long-term growth. We intend to continue to leverage our astute judgment about the technology trends and our deep understanding of physicians' and patients' needs, to identify other opportunities within these fields or other fields with high growth potential. In doing so, we plan to further grow our in-house research and development team by attracting and retaining high-caliber talents and enhancing our fundamental research and development capabilities. Our research and development team will continue to maintain active communication with reputable principal investigators, KOLs, physicians and hospitals, as well as leading scientists, researchers and industry practitioners in the relevant fields, to deepen our understanding of the cutting-edge research and development trends, and to improve our products and product candidates based on the latest clinical needs, thus ensuring that our innovative product development meets market demands.

We also seek to identify promising research and development projects, intellectual property portfolios, or even smaller companies, that are complementary to, and can contribute to the expansion of, our existing research and development capabilities, and may pursue strategic acquisitions, investments, partnerships or licensing transactions with them. Leveraging on our experience in the transcatheter valve therapeutic and neurointerventional procedural medical device markets, we plan to identify pioneering projects or companies with high growth potential in China and overseas. We may also consider acquiring the intellectual property portfolios or pursuing licensing arrangements with third parties in cases where we elect not to conduct in-house research and development. In the short term, we plan to primarily focus on the China market, and may consider acquiring or licensing advanced intellectual property portfolio that are complementary to our existing portfolio, especially in the transcatheter valve therapeutic field. In the mid- to long-term, we plan to gradually enhance our acquisition and investment efforts as the size of our operations and financial resources grow. In addition to acquiring technologies, we may consider acquiring or investing in companies with mature product lines or with operations outside of China; and in addition to companies operating in the transcatheter valve therapeutic area, we may also consider expanding into other relevant areas. We believe our proprietary technologies, research and development capabilities, product registration experience and commercialization infrastructure will enable us to integrate such new projects or companies effectively and expedite their commercialization. As of the Latest Practicable Date, we had not identified any target for strategic acquisitions, investments, partnerships and licensing.

Expand Our Product Portfolio

We believe that a medical device company can only achieve critical mass if it is able to successfully develop a large portfolio of complementary and advanced products. We currently have 20 product candidates in both the transcatheter valve therapeutic and neurointerventional domains, and we strive to further expand our product portfolio through our research and development efforts. We currently plan to start clinical trials for our TaurusNXT, TMVR device and TTVR device in the fourth quarter of 2020, early 2021 and early 2022, respectively. Additionally, we have several transcatheter valve therapeutic and neurointerventional procedural product candidates in various development stages, including the innovative lithotripsy valvuloplasty catheter and the balloon aortic valvuloplasty catheter. We plan to continue to invest in the development of these products, and to enrich our product pipeline, in order to address unmet market demand. We believe that with our strong research and development capabilities, advanced technologies, and our comprehensive portfolio of commercialized products and product candidates, we are well-positioned to grasp the significant market potential arising from the under-penetrated markets and the increasing use of domestic products tailored to local needs.

Continue to Synergize Our Business and Boost Operational Efficiency

We plan to further streamline our business and boost our operational efficiency, leveraging our integrated platform. For example, for manufacturing, we intend to primarily use our Suzhou production facility for the production of both our transcatheter valve therapeutic medical devices and neurointerventional procedural medical devices, and to further centralize our procurement and production processes. For clinical trials and product registration, we expect to leverage the resources and experience of our established team for the neurointerventional business, to expedite the product registration for our products. We also intend to further streamline our organizational structure. We believe that such efforts could enhance the overall efficiency and effectiveness of our business as we move toward the registration and commercialisation of our major product candidates.

OUR PRODUCTS AND PRODUCT CANDIDATES

Our product candidates are subject to approval by relevant authorities, such as the NMPA and/or its local counterparts, before commercialization in relevant jurisdictions. 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, and therefore we believe we are on track to apply for the approval to commercialize our product candidates. For details of TaurusOne®, TaurusElite and TaurusNXT, please refer to the paragraphs headed "—TaurusOne®—Our Core Product," "—TaurusElite" and "—TaurusNXT" in this section. For details of our commercialized neurointerventional procedural products, please refer to the paragraphs headed "—Neurointerventional Procedural Products" in this section. For details of our other major product candidates, please refer to the paragraphs headed "Other Major Product Candidates" in this section.

TaurusOne®—Our Core Product

Our first-generation TAVR device, TaurusOne®, is designed to treat aortic valve diseases using a catheter-based approach. As of the Latest Practicable Date, we held eight patents in relation to TaurusOne®. TaurusOne® has been recognized as an "innovative medical device" by the NMPA in February 2017, and is therefore eligible for an expedited approval process. We have successfully completed a single-center feasibility clinical trial for TaurusOne® on ten patients in cooperation with Beijing Fuwai Hospital in 2017 in accordance with the principles set forth in the Principles for Clinical Trial Review for Transcatheter Aortic Valve Implantation (Draft) (《經導管植入式人工主動脈瓣膜臨床試驗審查原則(徵求意見稿)》) (the "**Draft TAVR Clinical Trial Principles**"). The protocols of the single-center feasibility clinical trial were approved by the NMPA, and the feasibility clinical trial forms a key part of the application required by the NMPA. For details, please refer to the paragraphs headed "—Regulatory Bodies' Guidance Relating to Medical Device Clinical Trials" in this section. We are in the process of conducting a confirmatory clinical trial on 125 patients in cooperation with six hospitals. According to Frost & Sullivan, among all the players in the TAVR product market in China, we are the only one that has conducted both feasibility and confirmatory clinical trials for the first generation TAVR product whose clinical trial protocols have been approved by the NMPA. The patient enrollment requirements we adopted for our clinical trials for TaurusOne® were more stringent than those adopted by our major competitors for their respective first-generation TAVR products, according to Frost & Sullivan. As of the Latest Practicable Date, we have completed the 30-day, six-month, and 12-month follow-ups for the confirmatory clinical trial, and are currently in the process of conducting data analysis and preparing the clinical trial report. Based on the 12-month interim clinical trial report, after excluding certain trial subjects following the standards set forth in the clinical trial protocols, the 12-month all-cause mortality rate, the primary endpoint of the confirmatory trial, was 6.67%.[1] Whereas the maximum 12-month all-cause mortality rate acceptable by the NMPA as provided under the Guidelines for Clinical Trials of Transcatheter Aortic Valve Implantation (《經導管植入式人工主動脈瓣 膜臨床試驗指導原則》) (the "**TAVR Clinical Trial Guidelines**") was 30%. We had provided the Jiangsu MPA with the updates as to

Note:

1. The 12-month interim clinical trial data on the primary endpoint of the confirmatory trial was based on telephone interviews between the principal investigators and the patients, and the efficacy data is subject to further analysis after all the patients completed the follow-up checkups. Please see the paragraphs headed "—Multi-Center Confirmatory Clinical Trial Data" and "—Research and Development — Regulatory Bodies' Guidance Relating to Medical Device Clinical Trials" below for more information about the all-cause mortality rate and the trial subject exclusion standards.

the progress of the confirmatory clinical trial, such as the severe adverse events encountered during the trial. As of the Latest Practicable Date, neither the NMPA nor the Jiangsu MPA had raised any objection to the continued conduct of the confirmatory clinical trial. As confirmed by our PRC Legal Advisers, the applicable laws and regulations in the PRC does not require the NMPA or any of its provincial counterparts to issue a formal approval for the conduction of the confirmatory trial, and as confirmed by Frost & Sullivan, to its knowledge, in practice, the NMPA and its provincial counterparts had not issued such formal approvals before. If the NMPA and its provincial counterparts do not raise any objection to the conduction of the confirmatory clinical trial, the investigators and we are allowed to continue the clinical trial. As confirmed by Frost & Sullivan, in the medical device industry in China, it is a normal practice for investigators and applicants to treat "no objection" from the NMPA and its provincial counterparts as approval for the conduction of the confirmatory clinical trial. Based on the clinical data for the completed feasibility clinical trial and the currently available preliminary clinical data for the ongoing confirmatory clinical trial, we are satisfied with the trial results to date.

To commercialize TaurusOne® in China, we expect to submit our confirmatory clinical trial results to the NMPA for its approval once Beijing Fuwai Hospital, our principal investigator institution, issues the clinical trial report. After the confirmatory clinical trial report is submitted to the NMPA, we expect to receive the NMPA approval within 90 days after the submission. We expect to receive the NMPA approval for and launch TaurusOne® in the first or second quarter of 2021.

Product Structure

TaurusOne® is a transcatheter aortic valve replacement system that includes a PAV, a DCS and a LS. Each of the PAV, the DCS and the LS is described below:

- *PAV*: The PAV is manufactured by suturing three valve leaflets and a sealing skirt onto a self-expanding, radiopaque frame made of nickel-titanium alloy, which is designed to replace and serve the physiological function of the patient's native aortic heart valve without the need for an open-heart surgery.

  - The nickel-titanium frame is laser cut and undergoes our proprietary heat pre-treatment, so that it can be easily compressed into a smaller size for transfemoral deployment, while maintaining its strength, durability and flexibility. Once the frame is deployed from the DCS at the target location in the heart by the physician, it self-expands into its memorized, cone mesh shape once it is warmed up by the ambient body temperature. We specifically designed the frame so that it applies a level of radial force especially suitable for Chinese patients: having sufficient radial force so that the PAV can overcome the calcification of the native aortic valve and remain in the ideal position without slipping upwards or downwards, while at the same time not applying too much radial force or adding too much pressure to the nerves nearby, thereby reducing the need for surgical intervention or permanent pacemaker implantation.

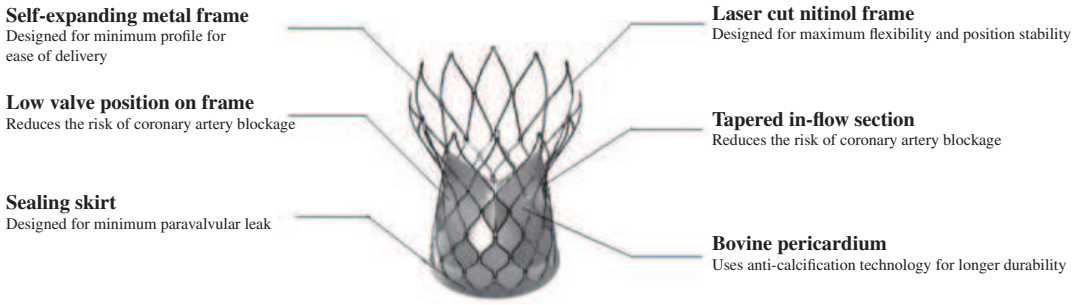
  - The three valve leaflets are made from a single layer of bovine pericardium. We carefully select imported bovine pericardium leaflets with even thickness that have no delamination. We chose bovine pericardium for our valve tissue over other alternatives such as porcine pericardium as a result of bovine pericardium's demonstrated superiority in certain key aspects. Because TAVR procedures are still relatively new, currently there is insufficient long-term clinical data conclusively demonstrating the differences in effectiveness between porcine pericardium and bovine pericardium in TAVR products. However, according to Frost & Sullivan, comprehensive studies have been conducted on the use of these different valve tissues in SAVR products, and based on such studies, many research papers have demonstrated that as compared to porcine pericardium, bovine pericardium (i) is more durable, (ii) is less likely to incur complications, and (iii) performs better in terms of hemodynamic profile. The greater durability of leaflets allows patients to use the implanted valves for a longer time, without the need for additional procedures.

  - The leaflets of our PAV are positioned low on the frame, which is designed to help prevent blockage of the coronary arteries.

  - The sealing skirt is made of polyethylene terephthalate. Seamlessly attached to the frame, the skirt is proven by multiple experiments to be able to lower the risk of paravalvular leak.

  - We are developing four models of PAV, with different dimensions in valve size, frame height, and diameter of the inflow end, allowing physicians to choose the PAV with the ideal size for a patient's physical conditions.

See below for an illustrative diagram of the PAV:



- *DCS*: The DCS includes an integral delivery catheter device used to deliver and release the PAV, and is designed for flexibility, reliability and stability. It includes a tip, a sheath tube, a catheter and a handle.

  - The distal end of the DCS features a radiopaque catheter tip. The tip covers the end of a capsule that stores the PAV and maintains the PAV in its compressed shape.

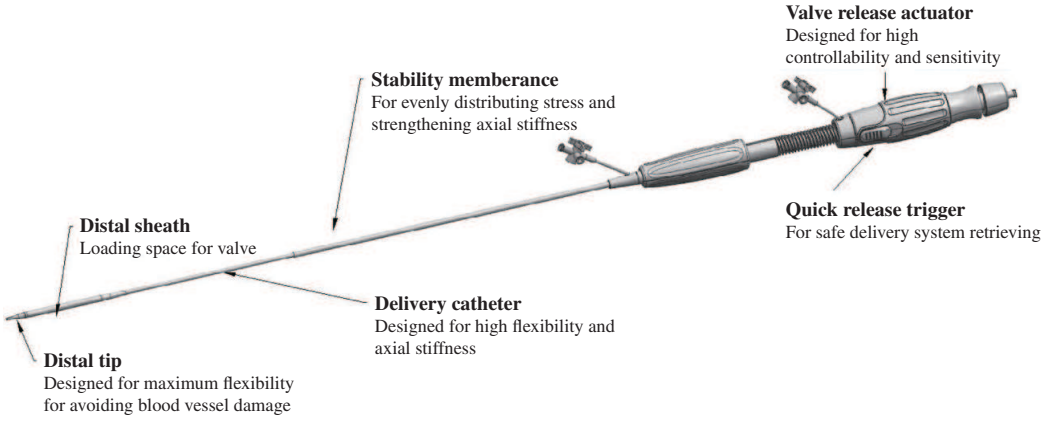
  - The sheath tube has an outer diameter of 18Fr and is compatible with an 18Fr introducer sheath and a 0.035 inch guidewire.

  - The sheath tube is connected to a catheter that has an outer diameter of 14Fr and is designed with multiple sections for optimal flexibility and axial stiffness when positioning the PAV in its target release position.

  - The handle is on the proximal end of the catheter and is used to deploy the PAV when it reaches the target position. The handle's design allows physicians to improve controllability during procedures and is sufficiently sensitive to allow physicians to feel the releasing process. There are multiple radiopaque alignment markers on the DCS for precisely monitoring the PAV's position during implantation using the echocardiography equipment. Once the PAV reaches the target position, the physician can turn the DCS' handle counterclockwise to deploy the PAV.

  - The long and thin DCS makes it possible for physicians to adopt the transfemoral approach for TAVR procedures, thereby reducing the structural damage to the patient's heart during a procedure. Due to our advanced technologies and creative design, the diameter of the catheter of our DCS is comparable with many competing products in the market, in spite of the fact that we use bovine pericardium for our valve tissue, which is thicker than porcine pericardium. We have designed our DCS to be small and flexible, while being able to maintain sufficient axial stiffness. As such, our DCS is easy for physicians to maneuver (allowing them to guide the PAV through the aortic arch, and to release the PAV at the target position), and can effectively reduce the likelihood of vascular complications during procedures.

See below for an illustrative diagram of the DCS:



- *LS*: The LS compresses the PAV to a suitable diameter so that it can be loaded into the DCS.

Operation Procedure

The operation is performed in a sterile environment with patients under conscious sedation or general anesthesia with hemodynamic monitoring in a catheterization operating room with fluoroscopic and echocardiographic imaging capabilities. Based on the patient's computed tomography results, the physician selects a balloon catheter of appropriate size to perform the valve pre-dilation, which will prepare the native valve to receive the replacement prosthetic valve. The assistants then remove the PAV, the DCS and the LS from the protective packaging, and prepare the components by rinsing the PAV and loading the PAV into the DCS. Then, the physician creates vascular access using standard practices, either percutaneously or via surgical cut down, in the groin area, and then inserts the loaded DCS into the patient's body using an 18Fr introducer sheath over a 0.035-inch guidewire. The physician guides the PAV and DCS through the femoral artery and aorta, until the PAV reaches its target position at the end of the ascending aorta. The physician then checks the accuracy of the target position and the orientation of the PAV by observing the radiopaque alignment markers using the echocardiograph equipment, and makes adjustments as necessary. Once the target position is reached and the orientation is ideal, the physician turns the DCS's handle counterclockwise to release the PAV from the DCS. The PAV expands into the memorized shape that meets the patient's anatomical requirement, and starts to function. Lastly, the physician removes the DCS and closes the access site.

Summary of Clinical Trial Results

TaurusOne® has been recognized as an "innovative medical device" by the NMPA in February 2017, and is therefore eligible for an expedited approval process. We were approved by the NMPA to conduct a single-center feasibility clinical trial and a multi-center confirmatory clinical trial for TaurusOne®.

In August 2017, we completed a single-center feasibility clinical trial in China for TaurusOne® in accordance with the principles set forth in the Draft TAVR Clinical Trial Principles to principally evaluate the safety of TaurusOne®. Physicians at Beijing Fuwai Hospital conducted TAVR procedures on ten trial subjects using TaurusOne®. The primary safety endpoint was the all-cause mortality rate of the trial subjects within 30 days post interventional procedure. Throughout the follow-up period, among all

the ten subjects, we observed nil all-cause mortality, nil stroke, one atrioventricular block, one cardiovascular surgical intervention during procedure, one permanent pacemaker implantation before discharge and one moderate paravalvular leak, and the subjects' cardiac functions improved significantly after the procedures.

In September 2017, we started the multi-center confirmatory clinical trial in China for TaurusOne® to confirm its safety and efficacy. Physicians conducted TAVR procedures using TaurusOne® on 125 trial subjects in six hospitals, with Beijing Fuwai Hospital as the principal investigator institution, and with the final patient enrollment completed in April 2019. The primary endpoint was the all-cause mortality rate of the trial subjects within 12 months post interventional procedure. As of the Latest Practicable Date, we had completed the 30-day, six-month, and 12-month follow-ups for all the trial subjects, and are in the process of conducting data analysis and preparing the clinical trial report. Throughout the 12-month follow-up period, we observed ten all-cause mortalities among the 125 trial participants.

All of the 135 trial subjects for the single-center feasibility clinical trial and the multi-center confirmatory clinical trial met the following conditions:

- the patient was over the age of 70,
- the patient was evaluated as not being suitable for surgery,
- the patient was diagnosed with severe aortic stenosis by echocardiography, with peak trans-aortic valve velocity at or greater than 4.0 m/s, trans-aortic valve pressure gradient at or greater than 40 mmHg, orifice area less than 0.8 cm^2, or effective orifice area index less than 0.5 cm^2/m^2,
- the patient's cardiac function was Class II or above under the NYHA classification, and
- the patient received an STS Score of eight or above.

According to Frost & Sullivan, as of the Latest Practicable Date, only three domestic companies (including us) had conducted clinical trials for their first-generation transfemoral approach TAVR products or product candidates. The patient enrollment requirements we adopted for the clinical trials for TaurusOne® were more stringent than those adopted by the other two companies for their respective first-generation TAVR products or product candidates. The average age of our trial subjects was 77.91, as compared with 77.73 and 75.86 for that of the other two companies; the average STS Score of our trial subjects was 9.94, as compared with 8.84 and 6.68 for that of the other two companies, according to Frost & Sullivan.

Despite the fact that we adopted more stringent patient enrollment requirements than our major competitors, the clinical data for the completed feasibility clinical trial and the currently available interim 12-month follow-up clinical data for the ongoing confirmatory clinical trial for TaurusOne® showed significant improvements in the patients' cardiac functions after the TAVR procedures with a low all-cause mortality rate, which demonstrated the favorable safety and efficacy profile of TaurusOne®. We expect to complete the multi-center confirmatory clinical trial by the end of the second quarter of 2020, and we expect to be ready for submission of an application to the NMPA for registration certificate once Beijing Fuwai Hospital issues the final clinical trial report.

Single-Center Feasibility Clinical Trial

THE DATA SET FORTH IN THE FOLLOWING PARAGRAPHS IS BASED ON A LIMITED NUMBER OF TRIAL SUBJECTS OF TEN. THE NUMBER OF TRIAL SUBJECTS FOR OUR FEASIBILITY CLINICAL TRIAL WAS DETERMINED IN ACCORDANCE WITH THE PRINCIPLES SET FORTH IN THE PRINCIPLES FOR CLINICAL TRIAL REVIEW FOR TRANSCATHETER AORTIC VALVE IMPLANTATION (DRAFT) (《經導管植入式人工主動脈瓣膜臨床試驗審查原則(徵求意見稿)》).

Safety Indicators

The primary safety endpoint of the feasibility clinical trial was the subjects' all-cause mortality at 30 days after the procedures. All-cause mortality refers to all of the deaths that occur, regardless of whether the death is related to the procedure or the patient's cardiovascular function. The all-cause mortality rate for the ten subjects was nil at 30 days. The procedural success rate of the TAVR procedures at the time of discharge from procedures was 90.0%.

The safety of TaurusOne® is also evaluated by the incidence of serious adverse events during the 30-day follow-up period, including myocardial infarction, major stroke, minor stroke, atrioventricular block, cardiovascular surgical intervention during procedure and permanent pacemaker implantation before discharge. The chart below shows the incidence of serious adverse events among the ten subjects before the end of the follow-up period after the procedure:

Incidence of serious adverse events

	30 Days
Death	0 (0.0%)
Myocardial Infarction	0 (0.0%)
Stroke	
Major	0 (0.0%)
Minor	0 (0.0%)
Atrioventricular Block[1]	1 (10.0%)
Cardiovascular Surgical Intervention	1 (10.0%)
Permanent Pacemaker Implantation[1]	1 (10.0%)

Note:

1. The incidence of these two serious adverse events happened to the same subject.

Efficacy Indicators

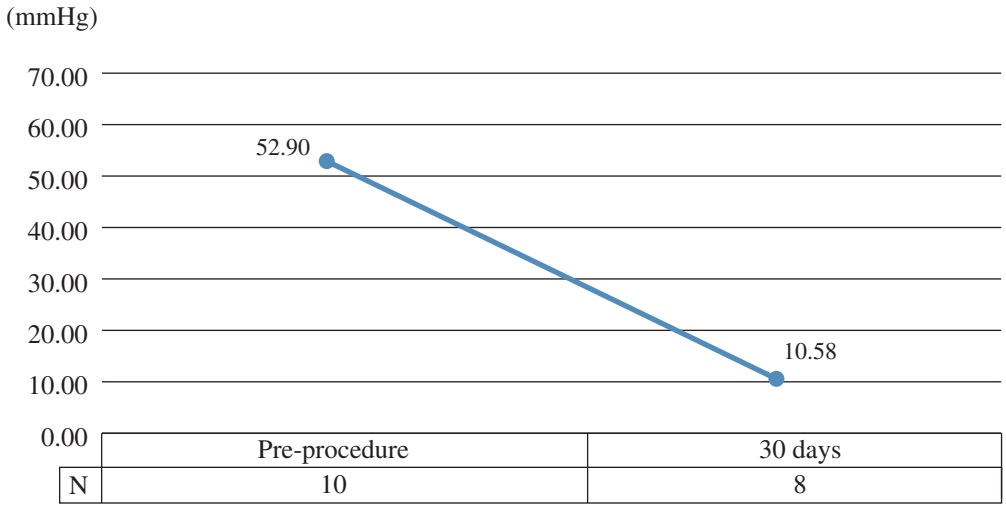
The efficacy of TaurusOne® is evaluated based on, among others, the relevant physical conditions of the subjects, including their trans-aortic valve pressure gradient, trans-aortic valve velocity, proportion of patients with a Class III or Class IV cardiac function under the NYHA classification, the size of the aortic valve orifice area, LVEF, and the incidence and severity of PVL.

The following charts demonstrate the improvements in the physical conditions of the subjects before the procedure and at the follow-up time (30 days ± 7 days). All data presented average numbers (± standard deviation) among all the subjects examined at the respective time.

Trans-Aortic Valve Pressure Gradient

As reflected in the chart below, the subjects' trans-aortic valve pressure gradient substantially decreased from 52.90 (±9.61) mmHg prior to the procedures to 10.58 (±4.05) mmHg at the follow-up time. Ten and eight subjects were examined before the procedures and at the follow-up time, respectively.

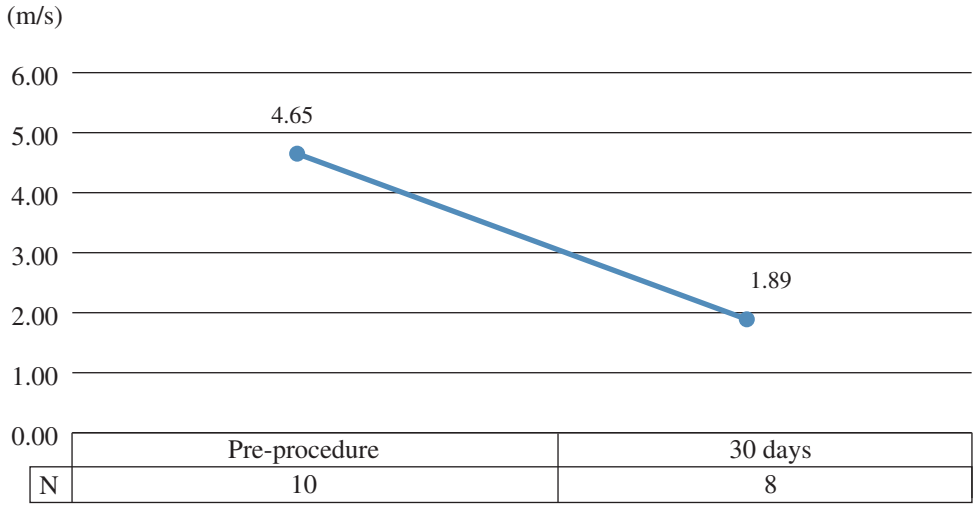
Change in the subjects' trans-aortic valve pressure gradient



Trans-Aortic Valve Velocity

As shown in the chart below, the subjects' trans-aortic valve velocity decreased from 4.65 (±0.39) m/s prior to the procedure to 1.89 (±0.63) m/s at the follow-up time. Ten and eight subjects were examined before the procedure and at the follow-up time, respectively.

Change in the subjects' trans-aortic valve velocity



Cardiac Functions under the NYHA Classification

In addition, as shown in the table below, the proportion of the subjects with a Class III or Class IV cardiac function under the NYHA classification decreased significantly after the procedures. All the ten subjects had a cardiac function of Class III under the NYHA classification prior to the procedure, whereas at the follow-up time, the cardiac function of eight subjects improved to Class I, and the cardiac function of one subject improved to Class II. Ten and nine subjects were examined before the procedure and at the follow-up time, respectively.

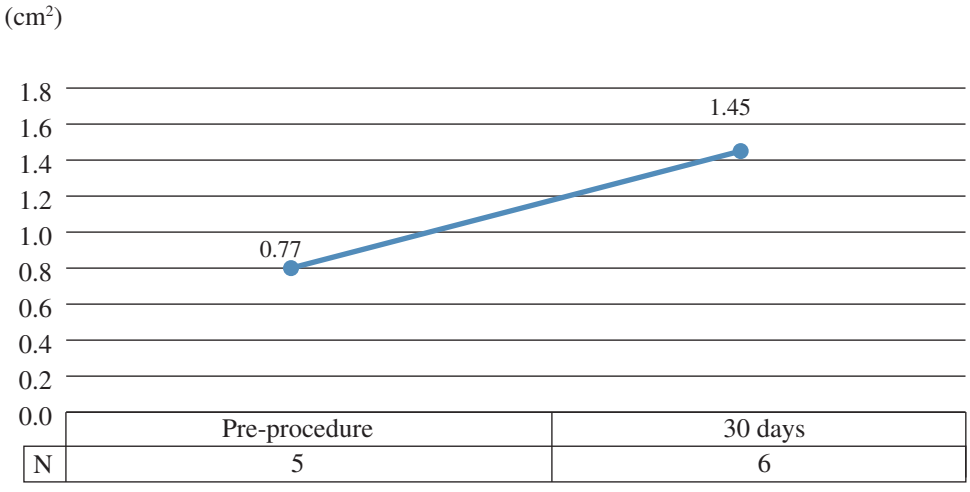
Change in the subjects' cardiac functions under the NYHA classification

	Pre-procedure	**30 Days**
Number of Subjects	10	9
Class I	0 (0.0%)	8 (88.9%)
Class II	0 (0.0%)	1 (11.1%)
Class III	10 (100.0%)	0 (0.0%)
Class IV	0 (0.0%)	0 (0.0%)

Aortic Valve Orifice Area

As shown in the chart below, the subjects' aortic valve orifice area increased from 0.77 (±0.21) cm^2 prior to the procedure to 1.45 (±0.13) cm^2 at the follow-up time. Five and six subjects were examined before the procedure and at the follow-up time, respectively.

Change in the subjects' aortic valve orifice area



Left Ventricular Ejection Fraction (LVEF)

The subjects' LVEF remained largely stable before and after the procedure, with a slight decrease from 67.50% (±6.22%) prior to the procedure to 64.63% (±3.50%) at the follow-up time. Ten and eight subjects were examined before the procedure and at the follow-up time, respectively.

Paravalvular Leak (PVL)

None of the ten trial subjects experienced PVL immediately after the procedures. At the time of the follow-up conducted with nine trial subjects, one subject suffered from a trace PVL, and one subject suffered from a mild PVL; other than the above, no PVL was observed.

Multi-Center Confirmatory Clinical Trial Data

Safety Indicator

The primary safety endpoint of the confirmatory clinical trial is the all-cause mortality rate of the trial subjects within 12 months post interventional procedure. Other safety and efficacy indicators include, among others, the procedural success rate, the incidence of serious adverse events during the follow-up periods, and the relevant physical conditions of the subjects.

As of the Latest Practicable Date, we had completed the 30-day, six-month, and 12-month follow-ups for all the trial subjects, and are in the process of conducting data analysis and preparing the clinical trial report.

Among the 125 trial subjects, the procedural success rate was 97.6%. The incident number of all-cause mortality was two at 30 days, four at six months, and ten at 12 months. The all-cause mortality rate for the 125 subjects was 1.6% at 30 days, 3.2% at six months and 8.0% at 12 months. The table below shows a summary of the all-cause mortality of the trial subjects.

	30 Days	**6 Months**	**12 Months**
Death	2 (1.6%)	4 (3.2%)	10 (8.0%)

The numbers presented above are the raw data observed from the confirmatory clinical trial. But as set forth in the protocols of the confirmatory clinical trial for TaurusOne®, when preparing the clinical trial report and analyzing the data, it is permissible to exclude the data generated from certain trial subjects (for each of the five hospitals which participated in the confirmatory clinical trial other than Beijing Fuwai Hospital, the first two trial subjects who underwent TAVR procedures in that hospital can be excluded). According to Frost & Sullivan, (i) the reason for such exclusion is to more accurately evaluate the safety and efficacy of the product, and to minimize, to the extent reasonable, the potential negative impact on the data resulting from the physicians' unfamiliarity with the product; (ii) the reason for such exclusion was fully elucidated in the protocols of the confirmatory clinical trial and the exclusion standards were determined when designing the protocols (i.e., before any procedure was conducted); and (iii) such exclusion is a common practice for clinical trials in the medical device industry.

Following the protocols of the confirmatory clinical trial, when preparing the 12-month interim clinical trial report and analyzing the data for the confirmatory clinical trial, the data generated from five trial subjects were excluded. After such exclusion, among the 120 trial subjects, the incident number of all-cause mortality was 8 at the 12-month follow-up time, therefore the 12-month all-cause mortality rate for the confirmatory clinical trial was 6.67%.

Pursuant to the TAVR Clinical Trial Guidelines, currently, the maximum 12-month all-cause mortality rate acceptable by the NMPA is 30%.

Efficacy Indicators

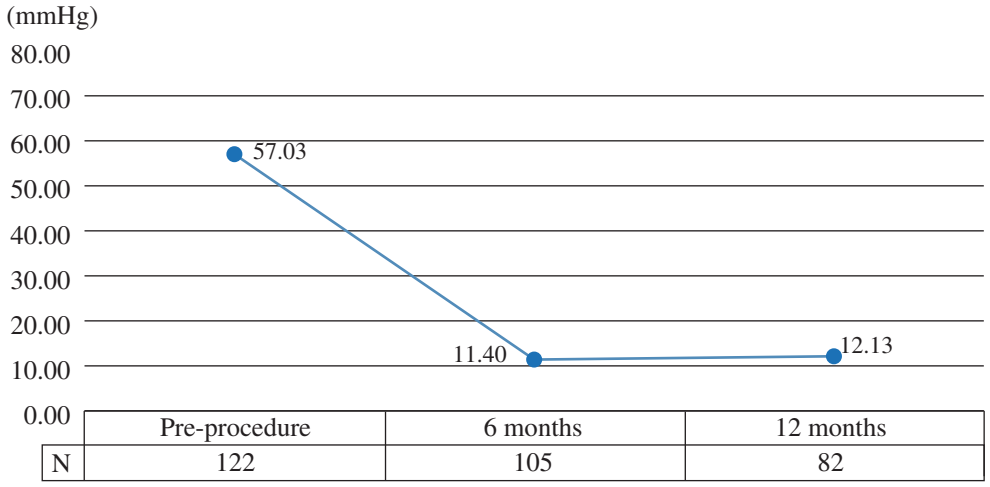
The efficacy endpoints of the confirmatory clinical trial are evaluated based on the relevant physical conditions of the subjects, including their trans-aortic valve pressure gradient, peak trans-aortic valve velocity, proportion of patients with a Class III or Class IV cardiac function under the NYHA classification, the size of the aortic valve orifice area, LVEF, and the incidence and severity of PVL.

The following charts demonstrate the improvements in the physical conditions of the subjects before the procedure and at the six-month follow-up time. All data presented represent average numbers among all the subjects examined at the respective time.

Trans-Aortic Valve Pressure Gradient

As reflected in the chart below, the subjects' trans-aortic valve pressure gradient substantially decreased from 57.03 mmHg prior to the procedures to 11.40 mmHg at the six-month follow-up time and 12.13 mmHg at the 12-month follow-up time. 122, 105, and 82 subjects were examined before the procedures, at the six-month follow-up time, and at the 12-month follow-up time, respectively.

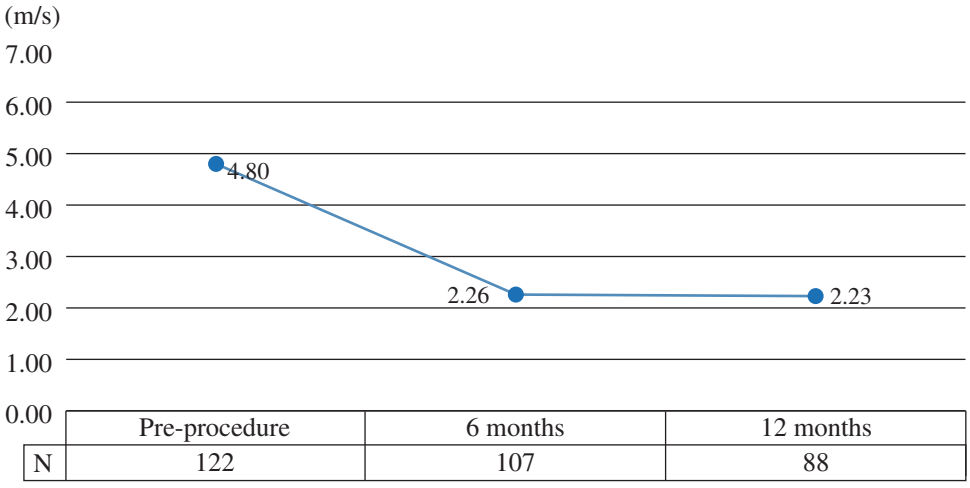
Change in the subjects' trans-aortic valve pressure gradient



Peak Trans-Aortic Valve Velocity

As reflected in the chart below, the subjects' peak trans-aortic valve velocity decreased from 4.80 m/s prior to the procedures to 2.26 m/s at the six-month follow-up time and to 2.23 m/s at the 12-month follow-up time. 122, 107, and 88 subjects were examined before the procedures, at the six-month follow-up time and at the 12-month follow-up time, respectively.

Change in the subjects' peak trans-aortic valve velocity



Cardiac Functions under the NYHA Classification

In addition, as shown in the table below, the proportion of the subjects with a Class III or Class IV cardiac function under the NYHA classification decreased significantly after the procedures. 89.3% of the subjects had a cardiac function of Class III or Class IV under the NYHA classification prior to the procedures, whereas at the six-month and 12-month follow-up time, respectively 95.3% and 95.2% of the subjects had a cardiac function of Class I or Class II. 122, 106, and 83 subjects were examined before the procedures, at the six-month follow-up time, and at the 12-month follow-up time, respectively.

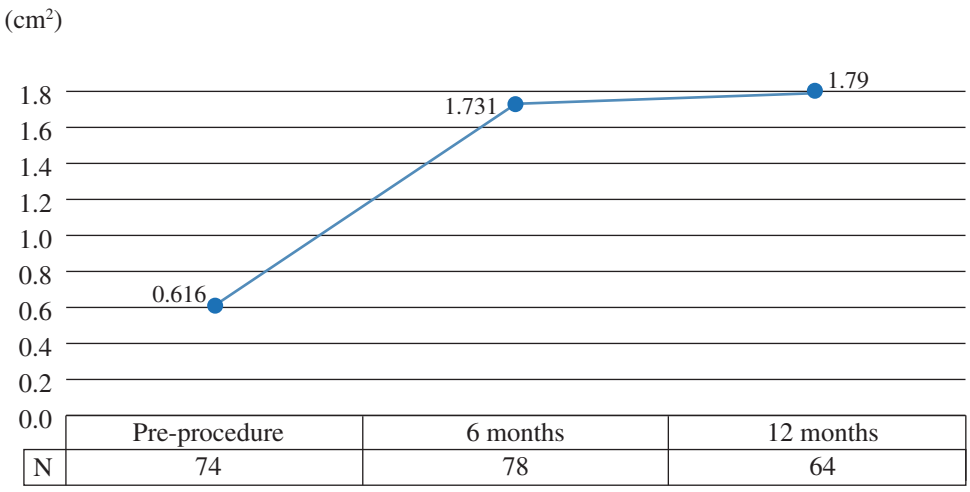
Change in the subjects' cardiac functions under the NYHA classification

	Pre-procedure	**6 months**	**12 months**
Number of Subjects	122	106	83
Class I	0 (0.0%)	31 (29.3%)	29 (34.9%)
Class II	13 (10.7%)	70 (66.0%)	50 (60.2%)
Class III	51 (41.8%)	4 (3.8%)	4 (4.8%)
Class IV	58 (47.5%)	1 (0.9%)	0 (0.0%)

Aortic Valve Orifice Area

As shown in the chart below, the subjects' aortic valve orifice area increased from 0.616 cm^2 prior to the procedures to 1.731 cm^2 at the six-month follow-up time and 1.79 cm^2 at the 12-month follow-up time. 74, 78, and 64 subjects were examined before the procedures, at the six-month follow-up time, and at the 12-month follow-up time, respectively.

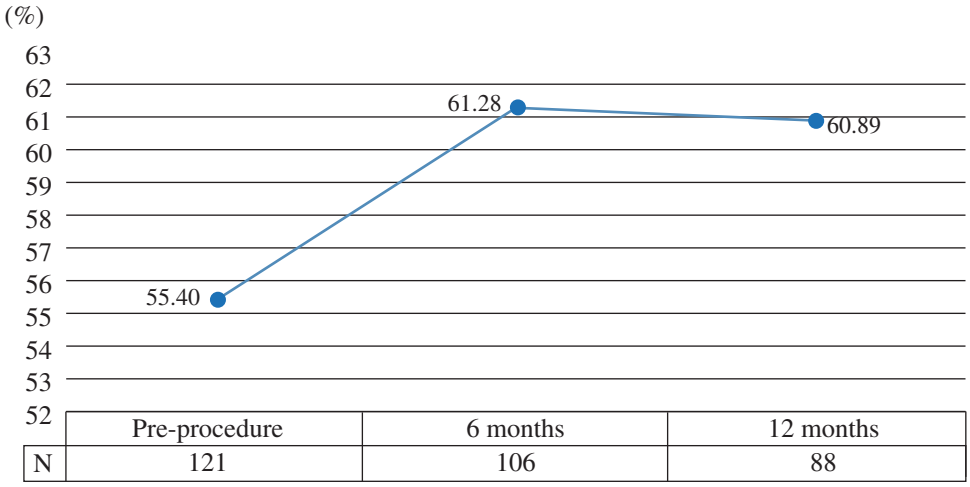
Change in the subjects' aortic valve orifice area



Left Ventricular Ejection Fraction (LVEF)

As shown in the chart below, the subjects' LVEF increased from 55.40% prior to the procedure to 61.28% at the six-month follow-up time and 60.89% at the 12-month follow-up time. 121, 106, and 88 subjects were examined before the procedures, at the six-month follow-up time, and at the 12-month follow-up time, respectively.

Change in the subjects' LVEF



Paravalvular Leak (PVL)

At the time of the six-month follow-up conducted with 107 subjects, 75 subjects experienced no or minimum PVL and 31 subjects experienced above minimum but below-medium PVL. At the time of the 12-month follow-up conducted with 88 subjects, 66 subjects experienced no or minimum PVL and 21 subjects experienced above minimum but below-medium PVL.

	6 months	12 months
Number of subjects	107	88
No or minimum	75 (70.1%)	66 (75.0%)
Above minimum but below medium	31 (29.0%)	21 (23.9%)
Medium	1 (0.9%)	1 (1.1%)

Market Opportunity and Competition

Globally, the number of TAVR procedures conducted increased from 57 thousand in 2014 to 128 thousand in 2018 at a CAGR of 22.5%, and is expected to further increase to 341 thousand in 2025, at a CAGR of 15.0% from 2018 to 2025, according to Frost & Sullivan. The global market size for TAVR products increased from US$1.5 billion in 2014 to US$4.1 billion in 2018 at a CAGR of 27.8%, and is expected to further increase to US$10.4 billion in 2025, at a CAGR of 14.3% from 2018 to 2025, according to Frost & Sullivan.

The number of aortic stenosis patients is increasing globally and in China: worldwide, the number of aortic stenosis patients grew from 18.0 million in 2014 to 19.3 million in 2018, and is anticipated to reach 22.1 million in 2025. Among the foregoing number of patients, those eligible for TAVR procedures grew from 3.4 million in 2014 to 3.6 million in 2018, and is anticipated to reach 4.1 million in 2025, according to Frost & Sullivan. In China, the population of aortic stenosis patients grew from 3.9 million in 2014 to 4.2 million in 2018, and is anticipated to further increase to 4.9 million in 2025, according to Frost & Sullivan. Among this population, the number of patients eligible for TAVR procedures grew from 656.8 thousand in 2014 to 742.1 thousand in 2018, and is expected to reach 942.8 thousand in 2025, according to Frost & Sullivan.

The number of TAVR procedures conducted is increasing significantly due to the clinical safety and efficacy of TAVR procedures in comparison to SAVR procedures, according to Frost & Sullivan.

According to Frost & Sullivan, although the FDA has already expanded the TAVR indications to patients with low surgical risk, as of the Latest Practicable Date, in China, TAVR procedures are only approved by the NMPA to be conducted on patients who are not suited for surgeries and patients with high surgical risk. It is expected that TAVR procedures will be approved by the NMPA to be conducted on patients with intermediate to low surgical risk, according to Frost & Sullivan.

In addition, although transfemoral TAVR procedures had been used by physicians to treat patients with aortic stenosis with regurgitation, as of the Latest Practicable Date, transfemoral TAVR procedures are not approved for treating pure aortic regurgitation patients, according to Frost & Sullivan. The future application of transfemoral TAVR procedures for treating aortic regurgitation patients may further contribute to the expansion of the TAVR product market, according to Frost & Sullivan.

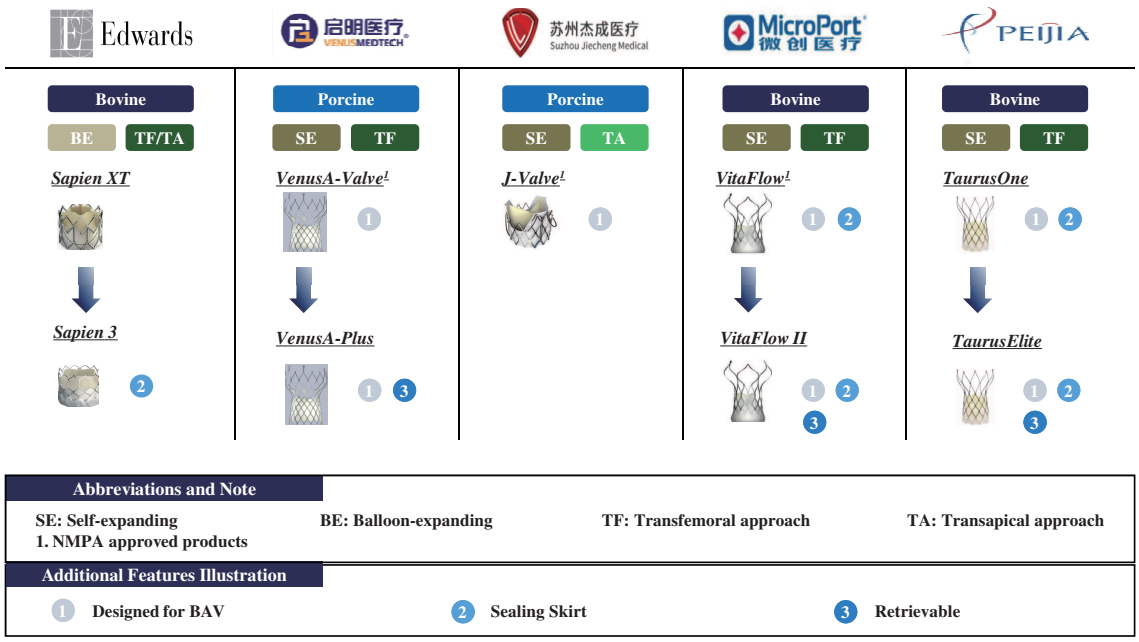
TAVR procedures are reimbursable in certain countries, such as the U.S. In China, as of the Latest Practicable Date, practice varies among provinces for the reimbursement of TAVR procedures, according to Frost & Sullivan. As of the Latest Practicable Date, no TAVR product in China had been included in the PRC national medical reimbursement list, according to Frost & Sullivan. There is an increasing number of patients undergoing TAVR procedures and more provinces are expected to offer insurance coverage for TAVR procedures, according to Frost & Sullivan.

As of the Latest Practicable Date, there were over ten TAVR products globally that had received the NMPA approval, FDA approval or CE Marking, according to Frost & Sullivan. As of the Latest Practicable Date, there were three TAVR products approved for marketing by the NMPA in China and six TAVR product candidates in China at the clinical trial stage, according to Frost & Sullivan.

The TAVR product market in China is at an early stage of its development, without any single dominating player, according to Frost & Sullivan. As of the Latest Practicable Date, only one international company and four domestic companies had TAVR products or product candidates in the clinical trial stage or more advanced stage in China, according to Frost & Sullivan. This market is estimated to continue to be led by a few domestic Chinese players, according to Frost & Sullivan, and 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.

According to Frost & Sullivan, domestic companies have a dominating status in this market because they are able to design and improve products that are tailored to Chinese patients who suffer from a more severe degree of aortic stenosis condition in terms of the aortic valve's calcium volume and the incidence rate of bicuspid valve morphology. At the current stage, since the three commercialized TAVR products in China are all developed by domestic companies, such products have contributed to Chinese physicians' knowledge, recognition and acceptance of TAVR. Furthermore, domestic companies are continuously adding innovative features to TAVR products that will increase their safety and efficacy, such as sealing skirt design that lowers the risk of paravalvular leak, retrievable function, steerable function, pre-loaded valve feature and glutaraldehyde-free technology. Therefore, Chinese physicians have a preference for domestic products due to their familiarity with and preference for such products. In addition, it is expected that the favorable policy environment in China will further encourage the expansion of the national reimbursement list for domestic medical devices in the future, which will also support the TAVR products developed by domestic companies.

The table below is a summary of all the TAVR products commercialized or in clinical trial stages in China:



Source: Frost & Sullivan analysis.

The table below is a summary of the clinical stage and approval status of each of the above-mentioned products:

Competing Products	Status	Clinical Trial Starting Date	NMPA Approval Date	Commercial Launch Date	Date of First Commercial Implant	Price (RMB)[2]
Sapien XT	In clinical trial	September 18, 2017	N/A	N/A	N/A	N/A
Sapien 3	In clinical trial	May 23, 2018	N/A	N/A	N/A	N/A
VenusA-Valve	Commercialized	September 10, 2012	April 27, 2017	May 2017	August 2017	248,000
VenusA- Plus	In clinical trial	November 23, 2017	N/A	N/A	N/A	N/A
J-Valve	Commercialized	March 26, 2014	May 3, 2017	June 2017	July 2017	260,000
Vita Flow	Commercialized	September 24, 2014	July 12, 2019	August 2019	August 2019	196,000
Vita Flow II	In clinical trial	January 31, 2018	N/A	N/A	N/A	N/A

Source: NMPA, company websites, clinical trials, Frost & Sullivan analysis

Notes:

1. N/A refers to "not applicable" as the relevant products are still at clinical trial stages and yet to be approved.

2. The prices of VenusA-Valve, J-Valve and Vita Flow set forth herein are provided by Frost & Sullivan, based on the public wholesale tender prices of the relevant products in China as of the Latest Practicable Date. The prices of such products may be subject to changes, over which we do not have control.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET TAURUSONE® SUCCESSFULLY.

TaurusElite

TaurusElite is our second-generation TAVR device developed based on TaurusOne®. Compared to TaurusOne®, TaurusElite's DCS has a retrievable function. We initiated a multi-center clinical trial for TaurusElite in December 2019, and expect to complete patient enrollment of the clinical trial by the third quarter of 2020. We currently expect that the completion of the clinical trial will be delayed to the second quarter of 2021 due to the outbreak of COVID-19. We plan to submit the application to the NMPA for the commercialization of TaurusElite in China in the form of an amendment to the TaurusOne® registration.

Product Structure

TaurusElite has a similar product structure as TaurusOne®, and also consists of a PAV, a DCS and an LS. Its PAV, which is the same as that for TaurusOne®, also consists of a self-expanding nickel-titanium frame with a low-height cone mesh design, and a single layer of bovine pericardium leaflets with a sealing skirt at the inflow end.

In contrast to TaurusOne®, TaurusElite's DCS has a retrievable function. During a procedure, the retrievable function allows a physician to retrieve the PAV before it is fully released so the physician can readjust the PAV's position and orientation. In TAVR procedures, physicians may have difficulties monitoring and precisely placing the PAV at the target position and with ideal orientation, leading to a greater number of incidence of complications such as open-heart surgeries, permanent pacemaker implantation, paravalvular leak or even mortality. The retrievable function can significantly reduce the risk of severe adverse events and increase the procedural success rate by allowing physicians multiple attempts at adjusting the PAV's position and orientation. Such feature can also greatly reduce the entry barrier for physicians learning the TAVR operation, and we believe it will significantly increase the supply of TAVR procedures and the speed of market expansion for our TAVR products.

Operation Procedure

Apart from the retrievable function, TaurusElite involves an operation procedure similar to that of TaurusOne®. Before fully releasing the PAV from the DCS, the physician can utilize the multiple opaque markers on the DCS to monitor the positioning and orientation of the PAV. If the physician determines that the initial release position or orientation of the PAV is not ideal, he or she can retrieve the PAV by rotating the DCS' handle, readjust the position and orientation, and then fully release the PAV.

Market Opportunity and Competition

According to Frost & Sullivan, players in the TAVR product market have continuously added innovative features to next-generation TAVR products. The majority of the first generation TAVR products and product candidates provide basic valve replacement function with no retrievable features. Most next-generation TAVR products and product candidates include retrievable and sealing skirt design in order to increase the safety and efficacy of TAVR procedures. According to Frost & Sullivan, in the China market, there is not yet any commercialized second-generation TAVR product as of the Latest Practicable Date, and we are one of four companies with second-generation TAVR product candidates at the clinical trial stage. We believe that with its anti-paravalvular leak design, retrievable function, special design tailored to Chinese patients, and the small profile and optimal flexibility of its DCS, TaurusElite

will be a competitive product in the market. For details, please refer to the paragraphs headed "Industry Overview—The Transcatheter Valve Therapeutic Medical Device Market—TAVR Product Market—Competitive Landscape for TAVR Product Market in China" in this document.

If TaurusElite is successfully launched, it may constitute competition with TaurusOne®, and we expect that the market share of TaurusOne® will decrease after the launch of TaurusElite. However, we believe that the benefit of the successful launch of TaurusElite significantly outweighs the potential cannibalization effect, as it would allow us to capture a larger combined market share. We also plan to adjust the pricing of TaurusOne® after the launch of TaurusElite, in order to cover different market segments and to attract more end customers to use our products.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET TAURUSELITE SUCCESSFULLY.

TaurusNXT

TaurusNXT is our third-generation TAVR product, and is currently in type testing and animal study stage. In comparison to TaurusElite, TaurusNXT's DCS is both retrievable and steerable, which makes it even easier for physicians to guide the PAV to its target position, thereby further increasing the safety of the procedure. More importantly, TaurusNXT features advanced anti-calcification and dry tissue technologies. We expect to complete type testing and animal studies for TaurusNXT in the third quarter of 2020. We expect to initiate the clinical trial for TaurusNXT in the fourth quarter of 2020. For sales of TaurusNXT in China, we plan to submit the NMPA application for TaurusNXT as a new product once we complete all clinical trials for TaurusNXT.

Product Structure

TaurusNXT has a significantly different product structure from TaurusOne® and TaurusElite. It also features a PAV, a DCS and an LS, but its PAV is pre-loaded onto the DCS. The PAV consists of a self-expanding nickel-titanium frame with an anchoring feature for regurgitation and with a set of more easily identifiable marks. It uses a single layer of bovine pericardium leaflets with a sealing skirt at the inflow end.

The fundamental breakthrough of TaurusNXT is its anti-calcification feature. Traditionally, glutaraldehyde is commonly used for treating leaflets because it can help (i) chemical cross-link the protein and increase the strength of the valve tissue, (ii) prevent tissue bio-degradation, (iii) inactivate any virus in the tissue, and (iv) reduce the immunogenicity profile of the tissue. However, after glutaraldehyde treatment, a residual amount of aldehyde typically remains on the leaflets, which is a major cause of subsequent tissue calcification upon use. We have successfully developed technologies that remove the need for glutaraldehyde treatment altogether, while providing even better chemical cross-linking and immunogenicity profile than glutaraldehyde treatment, and maintaining comparable biological compatibility and anti-virus features, according to Frost & Sullivan. In addition, we believe our dry tissue technology preserves the tissue structure integrity, makes the storage and delivery of the PAVs cheaper and easier, and helps prevent secondary glutaraldehyde contamination. Given that calcification has been demonstrated to be the major reason behind prosthetic valve function deterioration, it is expected that PAVs with such anti-calcification technologies will be much more durable than other similar products in the market. According to Frost & Sullivan, no commercialized or clinical-stage TAVR product or product candidate in China has applied such new and highly advanced technologies to date.

TaurusNXT's DCS has both retrievable and steerable functions. During a procedure, physicians can easily steer the angle of the PAV, and can retrieve the PAV before it is fully released. Compared to TaurusElite, the steerable function can further decrease the risk of adverse effects and increase the procedural success rate by allowing physicians to accurately position the PAV.

Operation Procedure

Despite its structural differences, TaurusNXT has an operation procedure similar to that of TaurusOne® and TaurusElite. Before releasing the PAV from the DCS, the physician can utilize the multiple opaque markers on the PAV to monitor the positioning of the PAV and if the initial release position is not ideal, he or she can retrieve and steer the PAV by rotating the DCS' handle, and readjust the position.

Market Opportunity and Competition

According to Frost & Sullivan, as of the Latest Practicable Date, no commercialized or clinical-stage TAVR product in China applied such advanced anti-calcification technologies as those we are developing. We expect that TaurusNXT will become a highly competitive product in the market. For details, please refer to the paragraphs headed "Industry Overview—The Transcatheter Valve Therapeutic Medical Device Market—TAVR Product Market—Competitive Landscape for TAVR Product Market in China" in this document.

If TaurusNXT is successfully launched, it may constitute competition with TaurusOne® and TaurusElite, and we expect that the market share of TaurusOne® and TaurusElite will decrease after the launch of TaurusNXT. However, we believe that the benefit of the successful launch of TaurusNXT significantly outweighs the potential cannibalization effect, as it would allow us to capture a larger combined market share. We also plan to adjust the pricing of TaurusOne® and TaurusElite after the launch of TaurusNXT, in order to cover different market segments and to attract more end customers to use our products.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET TAURUSNXT SUCCESSFULLY.

Neurointerventional Procedural Products

Acquisition of Achieva

Achieva was founded in 2005. It focuses on the research and development of neurointerventional procedural medical devices.

As part of our strategy to build an integrated interventional procedural device platform, we entered into the Share Swap with Achieva Medical's shareholders in March 2019 to acquire all of the equity interest in Achieva Medical. Achieva Medical became our subsidiary upon the first closing of our acquisition through the Share Swap in March 2019, and became our wholly-owned subsidiary upon the second closing in May 2019. For more details regarding the acquisition, please refer to the paragraphs headed "History, Development and Corporate Structure—Corporate Development" in this document.

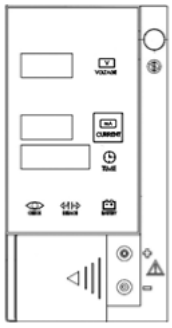
We integrated Achieva's business in our newly established neurointerventional business unit. We also streamlined the organizational structure of the enlarged group by merging certain teams shared by both business units, such as human resources, finance, clinical trial management, and marketing.

We have consolidated Achieva's results of operations since March 29, 2019. For more details on the financial information of Achieva and our consolidated financial information, please refer to the section headed "Financial Information" and Appendix I to this document.

We currently manufacture and sell five neurointerventional procedural medical devices. We plan to launch the sale of our sixth neurointerventional procedural product, Yibida® Guiding Catheter, in the second or third quarter of 2020. As of the Latest Practicable Date, we had obtained the NMPA approval for five products and the Shanghai MPA approval for one product. We have also obtained CE Marking and certain other approvals or registrations in Brazil, Ecuador and Indonesia.

The table below summarizes information of our approved neurointerventional procedural medical devices:

Product category	Classification	Features and applications	Product structure
Jasper® Detachable Coil	Class III	This product is used for the treatment of cerebral aneurysm and dural arteriovenous fistula. The product contains two parts: coil and delivery wire. The coil is inserted into the target position, and when an electrical current is applied, the connection between the delivery wire and the coil is dissolved through electrolysis, leaving behind the coil. The coil then causes 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.	
Presgo® Detachable Coil	Class III	This product is used for the treatment of cerebral aneurysm and dural arteriovenous fistula. It can be directly inserted into the target position. It disconnects from the delivery system mechanically and is then left behind in the aneurysm. The coil then causes an intratumoral thrombus, which prevents the aneurysm from further expanding or breaking. In the meantime, endothelial cells start to cover the aneurysm neck so that the aneurysm is cured.	
Presgo® Micro Guidewire	Class III	This product is applicable to cerebral and peripheral blood vessels to assist the smooth delivery of diagnostic or treatment devices to the site of lesion.	
Presgo® Micro Catheter	Class III	This product assists the delivery of diagnostic devices (materials) and/or therapeutic devices (materials) to the systemic vascular system, including the neurovascular system and peripheral vascular system.	

Product category	Classification	Features and applications	Product structure
Yibida® Guiding Catheter	Class III	This product is used to introduce interventional procedural or diagnostic devices into the peripheral vascular system and neurovascular system.	
Jasper® Power Supply	Class II[1]	This product is used to supply current to detach the Jasper® Detachable Coil in its application.	

Note:

1. After the Shanghai MPA approval was obtained for Jasper® Power Supply in 2016, the medical device classification for the product was re-designated as Class III. As such, upon the expiry of the current registration certificate of Jasper® Power Supply, we would need to renew the registration certificate with the NMPA.

Jasper® Detachable Coil

Jasper® Detachable Coil, our first-generation detachable coil, is used to treat cerebral aneurysm and dural arteriovenous fistula through embolization. Jasper® Detachable Coil consists of a coil made of platinum tungsten alloy, and a 304V stainless steel delivery wire. During a cerebral aneurysm endovascular coiling procedure, the physician uses the delivery wire to insert the coil into the place of the aneurysm. The delivery wire enables the physician to deploy, position, or reposition the coil until proper placement. After the coil is properly placed, the physician can detach the coil from the delivery wire through an electrolytic process. In a procedure, physicians may need to insert multiple coils into an aneurysm. 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.

We designed the Jasper® Detachable Coil so that the distal end of its delivery wire is small, which enables the coil to be delivered more smoothly within the delivery system and reduces the pressure caused to the aneurysm wall. We leverage the polymer connection technology to ensure that even if multiple Jasper® Detachable Coils are used in a procedure, the amount of time it takes to detach each coil will remain largely consistent. The reinforced winding technology improves our Jasper® Detachable Coil's stretch resistance and blood flow impact resistance. Jasper® Detachable Coil is designed in a variety of models to meet patients' different needs. Based on market feedback, we have further optimized our Jasper® Detachable Coil to enhance its flexibility.

Jasper® Detachable Coil received the NMPA registration certificate in June 2009 and was subsequently commercialized in China in January 2010, following which Jasper® Detachable Coil was recognized as a Shanghai High-tech Achievement Transformation Project in November 2009 by the Shanghai Municipal Government and Science and Technology Commission of Shanghai Municipality.

Additionally, Jasper® Detachable Coil received CE Marking in July 2009 and was commercialized in Turkey and Croatia in March 2011 and November 2011, respectively. The diagram below summarizes the approvals and registrations that Jasper® Detachable Coil has received. As of the Latest Practicable Date, there had not been any material unexpected or adverse changes since the date Achieva received the relevant regulatory approvals or registrations.

Region	Approval/Registration	Commercialization
China	June 2009	January 2010
Europe (CE Marking)	July 2009	N/A
Croatia (CE Marking)	July 2009	November 2011
Turkey (CE Marking)	July 2009	March 2011
Indonesia	April 2011	April 2011
Ecuador[1]	September 2018	February 2018[1]
Brazil	March 2011	August 2013

Note:

1. The commercialization of Jasper® Detachable Coil in Ecuador is deemed as of the time of its first relevant pre-approval sales agreement.

Presgo® Detachable Coil

Presgo® Detachable Coil, our second-generation detachable coil, is also used to treat cerebral aneurysm and dural arteriovenous fistula through embolization. Similar to our first-generation detachable coil, Presgo® Detachable Coil is inserted into the aneurysm during a cerebral aneurysm endovascular coiling procedure. However, the coil separates from the delivery system by way of a mechanical process.

Presgo® Detachable Coil consists of two parts, the coil and the delivery system. The coil is made of platinum tungsten alloy, and is connected to the delivery system by means of a mechanical connection. The handle of the delivery system is used to control and perform the release of the coil. Compared to Jasper® Detachable Coil, Presgo® Detachable Coil can be operated without using any additional detachment device or accessory and it can be released instantly, which facilitates and shortens the procedure. Certain models of Presgo® Detachable Coil can be as long as 80cm, which further reduces both cost and duration of procedures.

Presgo® Detachable Coil received the NMPA registration certificate in June 2018 and was subsequently commercialized in China in October 2019. We obtained the approval in Brazil for Presgo® Detachable Coil in December 2019, and are currently applying for CE Marking. As of the Latest Practicable Date, there had not been any material unexpected or adverse changes since the date Achieva received the relevant regulatory approval.

Presgo® Micro Guidewire

Presgo® Micro Guidewire can be applied to cerebral blood vessels and peripheral blood vessels to help deliver diagnostic or therapeutic devices to a lesion. It can offer access and navigation in peripheral and cerebral procedures, such as catheterization and embolization.

Presgo® Micro Guidewire consists of a torque device and a tapered guidewire. Inside the tapered guidewire, there is a nitinol (nickel titanium) core wire. The nitinol material makes the guidewire more

controllable and with better shape retention ability. The outer layer of the tapered guidewire is a hydrophilic coating, with a five-centimeter long gold coil at the distal end of the guidewire. The hydrophilic coating facilitates a smoother movement in the blood vessels while the gold coil design allows radiopaque imaging and enhances the flexibility of the Presgo® Micro Guidewire so that it can navigate through different blood vessels.

Presgo® Micro Guidewire received the NMPA registration certificate in February 2017 and was subsequently commercialized in November 2017 in China. We are currently applying for CE Marking and a product registration in Brazil. As of the Latest Practicable Date, there had not been any material unexpected or adverse changes since the date Achieva received the relevant regulatory approval.

Presgo® Micro Catheter

Presgo® Micro Catheter is used to assist the delivery of diagnostic devices and materials and/or therapeutic devices and materials to the systemic vascular system, including the neurovascular and peripheral vascular systems. It is used mainly for therapeutic embolization and angiography. Our Presgo® Micro Cather is easy to use, and has good kink resistance property and distal flexibility, providing the physicians with greater control during procedures.

Presgo® Micro Catheter consists of a hub, a stress release tube, a catheter, dual radiopaque markers and a hydrophilic coating. The five-segment gradient design increases the controllability of the catheter, the braided mesh reinforcement design strengthens its folding resistance, and the polymer materials used in the distal end provides stronger support to the distal catheter. In the distal end of the Presgo® Micro Catheter, the dual radiopaque markers of platinum iridium alloy not only help monitor the catheter during the procedure but also avoid impairing the flexibility of the catheter. The outside hydrophilic coating provides lubrication between the catheter and the blood vessels while the inner PTFE layer ensures a long-lasting unimpeded flow within the catheter.

Presgo® Micro Catheter received the NMPA registration certificate in August 2017 and was subsequently commercialized in November 2017 in China. We are currently applying for CE Marking and a product registration in Brazil. As of the Latest Practicable Date, there had not been any material unexpected or adverse changes since the date Achieva received the relevant regulatory approval.

Yibida® Guiding Catheter

The Yibida® Guiding Catheter is used to transport and deliver interventional procedural or diagnostic devices, such as microcatheters, to the peripheral vascular and neurovascular systems for the treatment of intracranial diseases.

The Yibida® Guiding Catheter is composed of a catheter body, a stress release tube and a tube body. The catheter body and the stress release tube are made of polycarbonate and polyurethane, respectively. The multi-segment design of the Yibida® Guiding Catheter ensures its flexibility and folding resistance. The non-invasive design combined with the X-ray visible design at the head-end equips the Yibida® Guiding Catheter with clear visibility. The hybrid weaving design in the inner part of the Yibida® Guiding Catheter supports the smoothness of delivery. Finally, the PTFE layer inside the Yibida® Guiding Catheter facilitates its free flow.

The Yibida® Guiding Catheter received the NMPA registration certificate in May 2019 but has not been launched for sales in China. We plan to launch the sales of Yibida® Guiding Catheter in early 2020. As of the Latest Practicable Date, there had not been any material unexpected or adverse changes since the date Achieva received the relevant regulatory approval.

Jasper® Power Supply

The Jasper® Power Supply is used to supply electrical current to detach Jasper® Detachable Coil once in position. Its structure consists of a host machine and power connection wires. The Jasper® Power Supply received the registration certificate issued by the Shanghai MPA in November 2016 and was subsequently commercialized in December 2018 in China. After the Shanghai MPA approval was obtained, the medical device classification for Jasper® Power Supply was re-designated as Class III. As such, upon the expiry of the current registration certificate of Jasper® Power Supply, we would need to renew the registration certificate with the NMPA. Other than the above, as of the Latest Practicable Date, there had not been any material unexpected or adverse changes since the date Achieva received the relevant regulatory approval.

Clinical Trial Plan

As of the Latest Practicable Date, we had 20 product candidates in various development stages targeting a variety of transcatheter valve therapeutic and neurointerventional procedures. The following table summarizes information about our Core Product and two major product candidates:

Product	Classification	Features and applications	Exempted from clinical trial requirement	Stage of development	Expected date of obtaining the NMPA approval	Expected launch date
TaurusOne®	Class III	The first-generation TAVR device is used in a minimally invasive procedure that does not involve thoracotomy surgery to correct severe aortic stenosis.	No	Feasibility clinical trial completed In the process of completing the confirmatory clinical trial	First to second quarter of 2021	First to second quarter of 2021
TaurusElite	Class III	The second-generation TAVR device is used in a minimally invasive procedure that does not involve thoracotomy surgery to correct severe aortic stenosis. In comparison to TaurusOne®, its DCS has a retrievable function.	No	In the process of completing the clinical trial	First to second quarter of 2021	First to second quarter of 2021
TaurusNXT	Class III	The third-generation TAVR device is used in a minimally invasive procedure that does not involve thoracotomy surgery to correct severe aortic stenosis. In comparison to TaurusElite, its DCS has both retrievable and steerable functions. It also features advanced glutaraldehyde-free anti-calcification technologies.	No	In type testing and animal studies	Fourth quarter of 2023 to first quarter of 2024	Fourth quarter of 2023 to first quarter of 2024

The following table summarizes information about our other major product candidates and product candidates:

Product	Classification	Features and applications	Exempted from clinical requirement	Stage of development
Transcatheter valve therapeutic business unit				
TMVR device	Class III	This transcatheter mitral valve is used in a minimally invasive procedure that does not involve thoracotomy surgery to treat mitral regurgitation.	No	In type testing and animal studies
TTVR device	Class III	This transcatheter tricuspid valve is used in a minimally invasive procedure that does not involve thoracotomy surgery to treat tricuspid regurgitation.	No	In type testing and animal studies
Lithotripsy valvuloplasty catheter	Class III	This product is used to soften calcification on leaflets to alleviate stenosis.	No	In animal studies
Balloon aortic valvuloplasty catheter	Class III	This product is used for the dilatation of heart valves or vena cava stenosis.	Yes	In type testing
Introducer sheath	Class III	This product is used to intrude into the artery percutaneously in an interventional surgery and establish a passageway for introducing a catheter into the blood vessel.	Yes	In type testing
Guidewire	Class III	This product is used to establish a passageway from the puncture position to the lesion or to the distal end through the lesion to assist other devices in positioning.	Yes	In type testing
Mitral repair device	Class III	This product is used to repair the mitral valve when treating mitral regurgitation.	No	In design stage

Product	Classification	Features and applications	Exempted from clinical requirement	Stage of development
Neurointerventional business unit				
Shenyi® Stent Retriever	Class III	This product is used to remove thrombus by mechanical thrombectomy.	No	In the process of completing the clinical trial
Balloon dilatation catheter	Class III	This product is used for dilating stenosis to help with intracranial blood supply.	Yes	Application in progress for approval by the NMPA in China
Distal access catheter	Class III	This product is used to introduce interventional procedural devices and diagnostic devices into peripheral and neuro vessel system.	Yes	In design stage
Intermediate catheter	Class III	This product is used to introduce interventional procedural devices and diagnostic devices into peripheral and neuro vessel system.	Yes	In design stage
Aspiration catheter	Class III	This product is to be applied to rebuild blood flow.	No	In design stage
Balloon microcatheter	Class III	This product is used for dilating stenosis to help with intracranial blood supply, and used to provide the channel for other diagnostic or therapeutic medical devices.	Yes	In design stage
Balloon guide catheter	Class III	This product is to assist the introduction of catheter to peripheral or neuro blood vessels. The balloon may temporarily block the vessel for angiography	No	In design stage
Heat-fusion detachable coil	Class III	This product is used for the treatment of cerebral aneurysm and dural arteriovenous fistula.	No	In design stage

Product	Classification	Features and applications	Exempted from clinical requirement	Stage of development
Intracranial stent	Class III	This product is used in cooperation with balloon dilatation catheter to alleviate ischemia.	No	In design stage
Jasper supersoft detachable coil	Class III	This product is used for the treatment of cerebral aneurysm and dural arteriovenous fistula.	No	In design stage

Other Major Product Candidates

TMVR device

The TMVR device is our product candidate for treating mitral valve diseases and is currently in the type testing and animal study stage. We expect to complete the type testing for TMVR device in the second quarter of 2020 and complete animal studies in the third quarter of 2020. We anticipate that we can start the clinical trial for TMVR device in early 2021. For sales of TMVR device in China, we plan to submit the NMPA application once we complete clinical trials.

According to Frost & Sullivan, there was no commercialized TMVR product globally as of the Latest Practicable Date. The challenges in developing a viable product are due to the fact that the mitral valve has complex structures, the valve annulus has an irregular 3D shape and the blood pressure across the valve is relatively high. Our TMVR product candidate attempts to address these challenges by separating the anchorage and sealing skirt designs from the valve function. The anchorage design will be easily adapted to different valve annulus contours. The sealing skirt design will ensure that the size of the valve remains constant and the sealing skirt will vary in size to fit different patients. Overall, this design is intended to lower the risks associated with TMVR procedures and reduce the chance of thrombus forming.

The procedure for TMVR will integrate a self-expanding stent technology with a tissue heart valve to facilitate the catheter-based implantation. The TMVR device will be compressed inside a hollow delivery catheter and implantation is completed through trans-apical access. The valve is designed to attach and conform to the native annulus without the need for additional sutures, tethers or anchors.

The size of the market for TMVR products is expected to grow due to an increasing number of patients with mitral regurgitation. As of the Latest Practicable Date, we were one of the few companies with TMVR product candidates under development in China, according to Frost & Sullivan. For details, please refer to the paragraphs headed "Industry Overview—The Transcatheter Valve Therapeutic Medical Device Market—Mitral and Tricuspid Valve Diseases—TMVR and TTVR Product Markets and Competitive Landscape" in this document.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET TMVR DEVICE SUCCESSFULLY.

TTVR device

The TTVR device is our product candidate for treating tricuspid valve diseases and is currently in the type testing stage and animal studies. We plan to start the clinical trial for TTVR device in early 2022. For sales of TTVR device in China, we plan to submit the NMPA application once we complete clinical trials.

According to Frost & Sullivan, there was no commercialized TTVR product globally as of the Latest Practicable Date. Similar to the challenges when developing a mitral valve product, a TTVR product also exhibits challenges due to the complex structure, difficult access pathway and extra-large size of the tricuspid valves. Our TTVR product candidate also attempts to address these challenges by separating the anchorage and sealing skirt designs from its valve function. The anchorage design will adapt to different valve annulus contours and ensure that the size of the valve remains constant and its sealing skirt will vary in size to fit different patients. Overall, this technology is intended to lower the risks associated with TTVR procedures and reduce the chance of thrombus forming.

The TTVR device will be a complex structure consisting of three leaflets that are inserted to the tricuspid annulus and attached through the chordae tendinae to the papillary muscles of the right ventricle. The tricuspid annulus is relatively less fibrous when compared with the mitral valve and the right coronary artery surrounds the parietal attachment of the valve. The normal physiological valve is a dynamic, non-planar structure that varies in size and shape throughout the cardiac cycle.

Because of a growing number of patients with tricuspid regurgitation, the size of TTVR product market is expected to grow. As of the Latest Practicable Date, we were one of the few companies with TTVR product candidates under development in China, according to Frost & Sullivan. For details, please refer to the paragraphs headed "Industry Overview—The Transcatheter Valve Therapeutic Medical Device Market—Mitral and Tricuspid Valve Diseases—TMVR and TTVR Product Markets and Competitive Landscape" in this document.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET TTVR DEVICE SUCCESSFULLY.

Lithotripsy valvuloplasty catheter

Lithotripsy valvuloplasty catheter is our product candidate that will use shockwave technology to soften calcification on valve annulus and leaflets so that the prosthetic valve can better fit to the native annulus. Lithotripsy valvuloplasty catheter is also able to alleviate stenosis prior to TAVR and SAVR procedures so that such procedures can be performed with better outcomes. We currently expect that our lithotripsy valvuloplasty catheter will be able to enter into the clinical trial stage in the fourth quarter of 2020.

The structure of our lithotripsy valvuloplasty catheter consists of a balloon adapted to be placed adjacent to leaflets of a valve. The balloon is inflatable with liquid. The system further includes a shockwave generator within the balloon that produces shockwaves. The shockwaves propagate through the liquid and impinge upon the valve to decalcify and open the valve.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET LITHOTRIPSY VALVULOPLASTY CATHETER SUCCESSFULLY.

Shenyi® Stent Retriever

The Shenyi® Stent Retriever is our product candidate for removing fresh thrombus in intracranial vessels in a mechanical thrombectomy procedure for patients with acute ischemic stroke. It offers immediate blood flow restoration upon device deployment, effective capture and clearance of the target thrombus, reduced fragmentation and embolization of thrombi and decreased trauma to the vessel wall.

Shenyi® Stent Retriever is currently in the clinical trial stage. We completed animal studies in September 2018 and initiated the clinical trial in July 2019. We currently expect that the completion of the clinical trial will be delayed to the second quarter of 2021 due to the outbreak of COVID-19. For sales of Shenyi® Stent Retriever in China, we plan to submit the NMPA application once we have completed the clinical trial for the product.

The structure of the Shenyi® Stent Retriever consists of a flexible, tapered core wire with a shaped self-expanding section at the distal end for clot capture and removal. Radiopaque wires in the shaped self-expanding section and radiopaque markers on the distal end allow fluoroscopic visualization.

During a mechanical thrombectomy procedure, the physician inserts an introducer sheath into the groin area and then passes a micro-catheter into the blocked vessel in the brain. A stent retriever is then navigated within the micro-catheter using X-ray guidance and positioned through the blood clot. After the stent retriever is deployed, the blood clot is embedded within the stent retriever that self-expands and can be safely removed from the body.

Because of the growing number of patients with acute ischemic stroke, the size of the market for mechanical thrombectomy procedures in China is expected to grow significantly from RMB197.4 million in 2018 to RMB1,166.2 million in 2025, according to Frost & Sullivan. According to Frost & Sullivan, as of the Latest Practicable Date, there were a total of eight mechanical thrombectomy products which have obtained the NMPA approval in the China market manufactured by five international companies and one domestic company, with all but one of these products being stent retrievers, which is considered the latest-generation stroke treatment device. For details, please refer to the paragraphs headed "Industry Overview—The Neurointerventional Procedural Medical Device Market—Ischemic Cerebrovascular Disease—Competitive Landscape for MT Device Market in China" in this document.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET SHENYI® STENT RETRIEVER SUCCESSFULLY.

RESEARCH AND DEVELOPMENT

Our research and development team develops clinically effective and commercially attractive products focusing on transcatheter valve therapeutic and neurointerventional procedural medical devices. We have independently developed and commercialized a number of innovative medical devices. As of the Latest Practicable Date, we had:

- five neurointerventional procedural medical devices in the market, one soon-to-be launched neurointerventional procedural medical device, as well as 10 transcatheter valve therapeutic medical devices and 10 neurointerventional procedural medical devices in various stages of development;

- for our transcatheter valve therapeutic business unit, a total of 15 registered patents and 34 patents under application, and for our neurointerventional business unit, a total of 16 registered patents and 26 patents under application; and

- six registration certificates for PRC products, including five NMPA registration certificates for Class III medical devices and one Shanghai MPA registration certificate for Class II medical device (which will be renewed as a NMPA registration certificate for Class III medical device upon its expiration). For details, please refer to the section headed "Licenses, Permits and Approvals" in this section.

In 2018 and 2019, we incurred research and development expenses of RMB27.9 million and RMB55.1 million, respectively. Such research and development expenses did not include Achieva's research and development expenses in 2018 and for the period from January 1, 2019 to March 29, 2019. For more details of our research and development expenses, please refer to the paragraphs headed "Financial Information—Description of Selected Components of Consolidated Statements of Comprehensive Loss—Research and Development Expenses" and "Financial Information of Achieva—Research and Development Expenses" in this document. We intend to expand and improve our product portfolio by strengthening our research and development of new products, extending our product lines and improving our existing products. 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 Research and Development Team

As of the Latest Practicable Date, almost all of our in-house research and development team members were based in our headquarters in Suzhou, China and consisted of 37 members, 13 of whom had a master's degree or above. Our research and development team is led by Dr. Zhang, our Chairman of the Board, Chief Executive Officer and Chief Technology Officer, Mr. Pan, our Chief Operating Officer, and Dr. Tan, our Vice President of Advanced Technology. Each of Dr. Zhang, Mr. Pan and Dr. Tan is an industry veteran with impressive academic and professional background, having previously worked in managerial positions at leading industry players complementary to our business.

Our research and development team is divided into two sub-teams based on our business units. Our transcatheter valve therapeutic research and development sub-team consisted of 18 employees as of the Latest Practicable Date, and is primarily responsible for the design and development of TAVR, TMVR, TTVR products and their ancillary products.

Our neurointerventional research and development sub-team consisted of 19 employees as of the Latest Practicable Date, and are primarily responsible for the design and development of neurointerventional procedural medical devices, including detachable coil and stent retriever. This sub-team is led by Mr. Ruixin Ding, who was the engineering manager of Achieva prior to our acquisition and has over 10 years of experience in the medical device industry.

We have entered into legally-binding confidentiality and non-compete agreements with our key employees and employees involved in our research and development activities, pursuant to which 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 External Consultants

When designing and developing our product candidates, our research and development teams also collaborate closely with our external consultants, who provided invaluable guidance to our teams in the type testing, animal study and clinical trial stages. As of the Latest Practicable Date, we had two external consultants, namely Dr. Nicolo Piazza and Mr. Mark Huang, each of whom agreed to serve as our exclusive external consultant in China (i.e., not to provide consulting or other similar services to our competitors in China except in the limited circumstances permitted under the agreements they entered into with us).

Dr. Piazza is an assistant professor and an attending physician at the cardiology division of the McGill University Health Centre (the "**MUHC**") in Canada, and is also cross-appointed between the MUHC and the German Heart Centre in Munich, Germany. His clinical and research activities focus on valvular heart disease with particular interests in aortic and mitral valve therapies. Dr. Piazza served as a director at several major academic conferences on valvular heart diseases, and has served as a consultant for a number of leading industry players such as Medtronic and HighLife Medical, Inc.

Mr. Huang is a professional consultant with extensive experience in developing interventional procedural medical devices. He previously served as a research and development engineer at a number of global medical device companies.

Product Development

Our research and development process typically involves the following steps:

- *Project proposal and approval*: Our sales and marketing teams collect market information and coordinate with principal investigators, KOLs and physicians to keep our research and development team well informed of market demands of physicians and patients. A new product proposal is analyzed by multiple functional teams before approval. Notably, our research and development team conducts economic and feasibility analysis, with costs, product functions and market potential taken into consideration.

- *Project approval*: After a project has passed all internal assessments, representatives from our research and development, procurement, quality control and regulatory, product registration, production and management teams collectively review the project proposal and determine whether the project should proceed and also set a detailed project timetable. The research and development team shares their studies on project feasibility. The procurement team assists with determining raw material requirements. The quality control and regulatory team helps ensure that the product design complies with all applicable laws and regulations. The production team then produces and modifies product samples. Based on feedback from functional teams, the management will then determine whether a project should proceed.

- *Design and development*: Our new medical device product design and development is guided by our internal control protocol prepared with reference to the risk management standards under ISO014971:2007. For details, please refer to the paragraphs headed "Quality Control" in this section.

- *Pre-clinical animal studies*: We work with GLP-compliant animal labs overseas to conduct animal studies, including the animal tests for our transcatheter valve therapeutic product candidates. Under the agreements with the animal labs, the labs provide space, facilities, equipment and animals. If the procedures are routine and do not require special expertise, the labs may provide regular veterinarians to perform the tests. We provide engineers and arrange senior veterinarians to perform more complex procedures. Pursuant to the agreements, the labs must maintain strict confidentiality. We own all the data, results and intellectual property rights developed from the animal tests. We can terminate the agreements with prior written notice to the labs. Based on the animal study results, we will then confirm our product design or make improvements to its safety and efficacy.

- *Type testing and clinical trial*: We conduct clinical trials to collect data for measuring the clinical efficacy and safety of products before applying for government approvals. We meet GCP and ICH-GCP standards for all clinical results and practices. Following a type testing evaluation and/or animal studies of our new products in a government-approved testing lab (as the case may be), the research and development team selects qualified clinical trial institutions to carry out clinical trials on human subjects. For details of our collaboration with clinical trial institutions, please refer to the paragraphs headed "Collaboration with Clinical Trial Institutions" in this section. We first prepare a clinical trial protocol plan that describes in detail the clinical trial's purpose, design, timeline, methods, procedures and risks. We then meet with clinical trial institutions to discuss the clinical trial protocol plan. Following such meeting, we prepare and send a proposal to the ethics committee of each participating clinical trial institution including our clinical trial protocol plan, patient consent forms, investigator report forms and agreements with the participating clinical trial institution. During the clinical trial, our research and development team monitors trial progress and patient reactions pursuant to clinical trial protocols. We also involve reputable CROs and SMOs for compliance purposes during the clinical trials. As of the Latest Practicable Date, TaurusOne®, TaurusElite and Shenyi® Stent Retriever were in the clinical trial stage. In August 2017, we completed a single-center feasibility clinical trial in China for TaurusOne® in accordance with the principles set forth in the Draft TAVR Clinical Trial Principles to evaluate its safety. In September 2017, we started the multi-center confirmatory clinical trial in China for TaurusOne® to confirm its safety and efficacy. As of the Latest Practicable Date, we had completed the 30-day, six-month, and 12-month follow-ups for all the trial subjects, and are in the process of conducting data analysis and preparing the clinical trial report.

For the overview of our product and product candidates, please refer to the paragraphs headed "—Our Products and Product Candidates" in this section.

Regulatory Bodies' Guidance Relating to Medical Device Clinical Trials

Specifically in the transcatheter valve therapeutics medical device domain, in September 2014, the NMPA published the Principles for Clinical Trial Review for Transcatheter Aortic Valve Implantation (Draft) (《經導管植入式人工主動脈瓣膜臨床試驗審查原則(徵求意見稿)》) (the "**Draft TAVR Clinical Trial Principles**"), for public comments.

Pursuant to the Draft TAVR Clinical Trial Principles, a medical device company with a TAVR product candidate needs to first conduct a feasibility clinical trial (with no less than ten trial subjects, and at least a 30-day follow-up), to initially demonstrate the safety of the prosthetic aortic valve implanted, it can then conduct the confirmatory clinical trial to confirm the safety and efficacy of such prosthetic aortic valve.

In February 2019, the NMPA formally promulgated the Guidelines for Clinical Trials of Transcatheter Aortic Valve Implantation (《經導管植入式人工主動脈瓣膜臨床試驗指導原則》) (the "**TAVR Clinical Trial Guidelines**"), adopting a similar framework as the Draft TAVR Clinical Trial Principles.

The chart below summarizes certain key principles for TAVR product clinical trials set forth in the Draft TAVR Clinical Trial Principles and the TAVR Clinical Trial Guidelines:

Stage	Number of Trial Subjects	Post-procedure Follow-up Period	Safety/Efficacy Indicators
Feasibility	No less than 10	Required: No less than 30 days	All-cause mortality at 30 days; Immediate device success rate, procedural success rate
Confirmatory	No less than 100[1]	Recommended: Immediately after procedure; before discharge from the hospital; 30 days, 6 months, and 12 months after the procedure Also recommended to continue to conduct follow-ups even after the product is approved by the NMPA, for five years after the procedure	Primary endpoint: All-cause mortality at 12 months[2]; Secondary indicators: Immediate device success rate, procedural success rate; major adverse cardiac and cerebrovascular event (MACCE), including mortality, stroke, myocardial infarction, reoperation, arrhythmia, and conduction block, etc.

Source: *The Draft TAVR Clinical Trial Principles, the TAVR Clinical Trial Guidelines, the CDME and Frost & Sullivan analysis.*

Notes:

1. Only required under the Draft TAVR Clinical Trial Principles, but not the TAVR Clinical Trial Guidelines.

2. As provided in the TAVR Clinical Trial Guidelines, the maximum 12-month all-cause mortality rate acceptable by the NMPA is 30%.

In accordance with the principles set forth in the Draft TAVR Clinical Trial Principles, we successfully completed the feasibility clinical trial for our TaurusOne® in August 2017, and we started the multi-center confirmatory clinical trial for the same in September 2017. According to Frost & Sullivan, among all the players in the TAVR product market in China, we are the only one that has conducted both feasibility and confirmatory clinical trials for the first generation TAVR product whose clinical trial protocols have been approved by the NMPA.

Collaboration with Clinical Trial Institutions

The NMPA maintains a catalog of hospitals that it has approved as clinical trial centers, from which we select a number of leading hospitals to conduct our clinical trials. The factors we consider when selecting such institutions include their credentials, expertise, technology, equipment and patient demographics. Before selecting institutions, we meet with physicians at each potential candidate to discuss our clinical trial's purpose and requirements. For each clinical trial, we and the institution generally enter into a new agreement setting out the clinical trial's purpose, timeline, structure, procedures, methods and risks. Then, we prepare a clinical trial protocol for submission to the clinical

trial institution's ethics committee. The clinical trials must be conducted in accordance with the protocol approved by the ethics committee. The ethics committee must reevaluate and approve any amendments to the protocol.

Our transcatheter valve therapeutic team collaborates with leading clinical trial institutions for the development of TaurusOne® and TaurusElite. As of the Latest Practicable Date, we had completed the feasibility clinical trial for TaurusOne® on ten patients in cooperation with Beijing Fuwai Hospital, and are in the process of completing the multi-center confirmatory clinical trial on 125 patients in cooperation with six clinical trial institutions, including Beijing Fuwai Hospital, Huaxi Hospital, Second Affiliated Hospital of Zhejiang University, Second Xiangya Hospital of Central South University, Second Affiliated Hospital of Harbin University and a Class III hospital in Shenyang, Liaoning province. We have also started the clinical trial for TaurusElite in December 2019, in cooperation with the above-mentioned hospital in Shenyang.

Our neurointerventional team also collaborated with leading clinical trial institutions. As of the Latest Practicable Date, we were in the process of clinical trials for Shenyi® Stent Retriever, and we are completing clinical trials on 236 patients in 15 clinical trial institutions.

Pursuant to the legally-binding agreements with these participating institutions, the institutions are required to conduct clinical trials strictly in accordance with the protocol, collect data, and issue case reports at the end of each clinical trial. The lead institution will prepare formal reports based on the case reports submitted by all participating institutions. In return for the institutions' services, we make scheduled payments as agreed in the agreements. Under the agreements, we generally own all the intellectual property and trial results while the participating institutions may use the clinical trial results for academic activities with our prior approval.

Relationships with CROs and SMOs

We collaborate with reputable CROs and SMOs for the support of our clinical trials. When selecting CROs and SMOs, we consider a number of factors, including their expertise, experience and reputation. For each new clinical trial, we generally enter into an agreement with the CRO or SMO. The CROs and SMOs must comply with all applicable laws and regulations as well as follow our protocols to ensure that all clinical trial results are accurate and authentic.

For our transcatheter valve therapeutic business unit, we collaborate with CROs and SMOs for our TaurusOne® and TaurusElite clinical trials. For the development of TaurusOne®, we collaborate with one domestic CRO and one domestic SMO, and for the development of TaurusElite, we collaborate with one domestic CRO and one domestic SMO. For our neurointerventional business unit, we collaborate with several SMOs for Shenyi® Stent Retriever.

Under the legally-binding agreements with our CRO or SMO, we are responsible for the trial preparation, subject enrollment, trial implementation and management, while the CRO or SMO takes responsibility for record keeping and report preparation to guarantee the compliance of the clinical trial process with applicable regulations or standards. In return for their services, we make scheduled payments as agreed in the agreements. Our CROs and SMOs may further assist us in trial preparation and management pursuant to our particular request, for which extra fees will be incurred. Under the agreements, we generally own all intellectual property and trial results and the CROs must maintain strict confidentiality with respect to the information they acquired from us during clinical trials.

Relationship with Principal Investigators and KOLs

In addition to our collaboration with clinical trial institutions, CROs and SMOs, we also maintain continuous communications with leading principal investigators, KOLs, physicians and hospitals, who are informed of our latest research and development progress. The principal investigators we work with, including Academicians of the Chinese Academy of Engineering, not only provide us with important feedback on clinical needs but also present the clinical use of our products in academic settings, which we believe can invite wider discussion of our products and product candidates and in turn contribute to our research and development efforts. Furthermore, we host meetings for key participants in our industry with respect to our research and development efforts and product pipeline. We have presented our products in multiple industry conferences, where we keep industry participants updated of our latest research and development progress.

OUR PRODUCTION FACILITIES AND PROCESSES

Production Facilities

We manufacture, assemble and test our products at our two production facilities, one located on our self-owned properties in Suzhou, Jiangsu province and another located in leased properties in Shanghai. During the Track Record Period, we manufactured Jasper® Detachable Coil, Presgo® Detachable Coil, Presgo® Micro Guidewire, Presgo® Micro Catheter, and Jasper® Power Supply in our leased properties in Shanghai with a total area of 1,188.4 sq.m. For more details of our properties, please refer to the paragraphs headed "Properties" in this section. As of the Latest Practicable Date, we had a team of 56 employees dedicated to the production of our neurointerventional procedural products.

As of the Latest Practicable Date, we had obtained the production permit to manufacture the Yibida® Guiding Catheter in our Suzhou production facility. We plan to move the majority of our manufacturing to the Suzhou facility in June 2020 and apply for the medical device production permit(s) for Jasper® Detachable Coil, Presgo® Micro Guidewire and Presgo® Micro Catheter. Once our application is approved, our Suzhou facility will become our principal manufacturing facility. Our Shanghai facility will continue its operation in the next few years, primarily focusing on the manufacturing of Presgo® Detachable Coil and Jasper® Power Supply, while maintaining the flexibility of manufacturing all of our other neurointerventional procedural products. As of the Latest Practicable Date, we had a production team of 101 employees, of which 26 were based in Shanghai and 75 in Suzhou.

We currently manufacture all of our transcatheter valve therapeutic product candidates at our Suzhou facility. For the transcatheter valve therapeutic business unit, our Suzhou facility is equipped with three production lines dedicated to such product candidates, and three production lines dedicated to transcatheter valve ancillary product candidates. As of the Latest Practicable Date, we had a team of 45 employees dedicated to the production of our transcatheter valve therapeutic product candidates. In addition, our Suzhou facility is also well equipped to support our research and development efforts with 3D rapid prototyping, computer numerical control (CNC) machine centers and various advanced testing equipment.

We believe that our location gives us a competitive advantage over our international competitors in terms of labor costs. We believe that after we transfer our major production to our Suzhou facility in June 2020, we will be able to attract more potential employees as living costs in Suzhou will be substantially lower than that of Shanghai and our pay packages are relatively competitive in the Suzhou market. As of the Latest Practicable Date, we had already hired 75 employees to prepare for production in Suzhou.

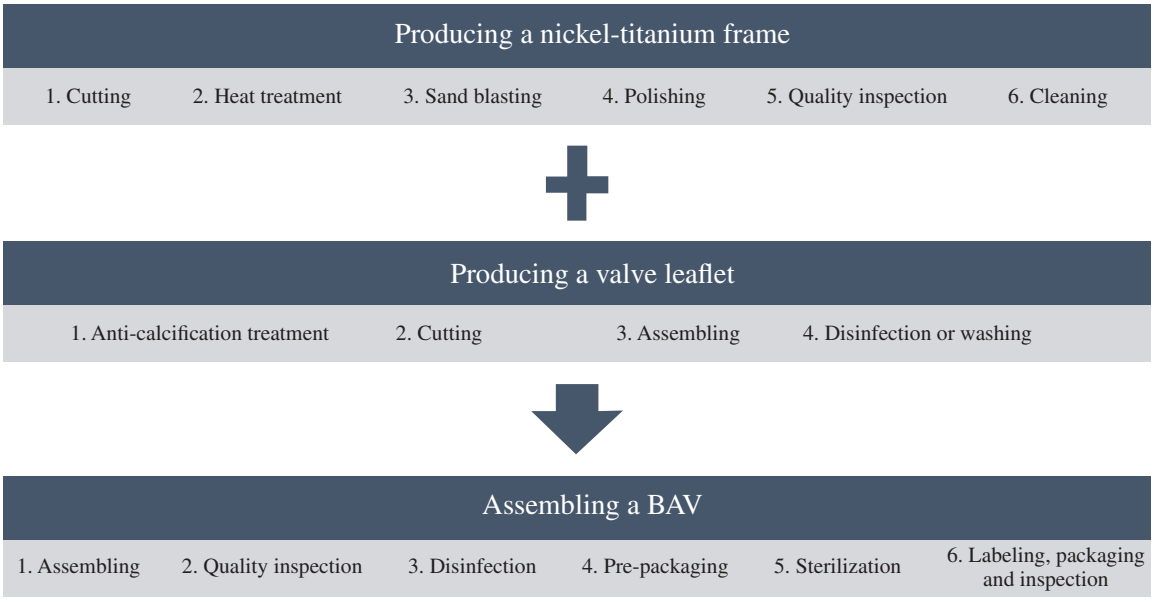
Typically, we require our employees to undergo health checks before they start producing medical devices, and we require new employees to undergo approximately three months of training before they commence work on our production lines. We believe that this comprehensive training enables us to increase our capacity utilization rate and product yield rate, and to enhance our production quality.

The machines we own and use for manufacturing our transcatheter valve product candidates mainly include tissue cutting and processing machines, tissue drying machines, laser cutting machines, laser welding machines, ultrasonic cleaners, micro sand blasting machines, heat treatment furnaces and electro polish machines. The machines we own and use for manufacturing neurointerventional procedural medical device products mainly include catheter welding machine, balloon molding machine, folding winder, hydrophilic coating machine, fiber laser marking machine and particle analyzer. As of the Latest Practicable Date, we own all of our machines and the average age and lifetime of these machines was 21 and 120 months, respectively, for our transcatheter valve therapeutic business unit, and 41 and 120 months, respectively, for our neurointerventional business unit. For details of the depreciation method of our machines, refer to Note 2.5 of the Appendix I to this document. We generally replace or upgrade our machines at the end of their lifetimes. We have multiple machinery suppliers so we are not dependent on any one supplier. Since we maintain our machines on a regular basis, we have not experienced any material or prolonged interruptions due to equipment or machinery failure as of the Latest Practicable Date.

Production Process for Artificial Valve Product Candidates

PAV

The diagram below sets out the detailed steps for producing a PAV:



Producing a nickel-titanium frame involves the following key steps:

- Cutting: We cut the nickel-titanium metals using laser technology to form a frame.
- Heat treatment: We use our proprietary heat treatment technology to set the metal into a proper crystal form and a designated shape for the frame
- Sand blasting: We use a micro-sandblaster to remove extra burrs on the frame.
- Polishing: We electro-polish the frame to remove any micro-cracks.
- Quality inspection: We inspect the surface quality and mechanical properties of the finished frame.
- Cleaning: We wash the frame to remove any debris and chemical residuals.

Producing a valve leaflet involves the following key steps, which are all conducted in class 10,000 ppm (ISO Class 7) clean rooms:

- Anti-calcification treatment: We cross link the fresh bovine pericardium with glutaraldehyde to prevent biodegradation and to enhance the strength of the valve tissue.
- Cutting: We cut bovine pericardium, PET polyester cloths and PTFE suture into necessary shapes and sizes with laser cutting machines.
- Assembling: We match and assemble the cut bovine pericardium pieces into leaflet shapes based on their mechanical properties. We also sew PET polyester cloth to form the sealing skirt.
- Disinfection and washing: We disinfect the assembled valve leaflets. We also wash the sealing skirt and PTFE suture.

Once each of the nickel-titanium frame and the valve leaflets is produced, we have them undergo the following key steps to form a PAV, which are required to be conducted in class 100,000 ppm (ISO Class 8) clean rooms up to the sterilization step:

- Assembling: We sew the valve leaflets and the nickel-titanium frame together.
- Quality inspection: We inspect each PAV's size, evenness, thickness, appearance and the hemodynamic performance on a pulse duplicator under the aid of a video camera.
- Disinfection: We disinfect the PAV.
- Pre-packaging: We add a pre-package to the sterilized PAV.
- Sterilization: We sterilize the PAV using chemical sterilant in-house.

- Labeling, packaging and inspection: After we label and add an outer package to the sterilized PAV, we conduct a comprehensive quality inspection on the PAV before placing it in storage.

DCS

The diagram below sets out the detailed steps for producing a DCS:

The key steps set out below from fine washing to quality inspection and packaging are required to be conducted in class 10,000 ppm (ISO Class 7) clean rooms:

- Preparation: We first examine the quality of the raw materials such as plastic components that are required to make a DCS and pre-wash and then dry them.

- Fine washing: We wash the raw materials a second time with a different solution and then dry them.

- Assembling: We assemble the raw materials to form catheters and handle and then assemble them together to form a DCS.

- Quality inspection and packaging: We conduct inspections on the quality of the DCS before and after it is packaged in the clean rooms.

- Sterilization: After packaging, we ship the DCS to a third-party sterilization service provider for professional sterilization.

- EO reduction: We place the DCS in vacuum chamber to reduce its ethylene oxide residual to an acceptable level.

- Labeling, packaging and inspection: After we label and add an outer package to the sterilized and examined DCS, we conduct a comprehensive quality inspection on the DCS before placing it in storage.

LS

The diagram below sets out the detailed steps for producing LS:

The key steps set out below from preparation to sterilization are required to be conducted in class 10,000 ppm (ISO Class 7) clean rooms:

- Preparation: We first examine the quality of the raw materials such as plastics that are required to make an LS and wash them.

- Assembling: We assemble the raw materials into an LS.

- Sterilization: We conduct internal sterilization before packaging the LS and then ship it to a third-party service provider for professional sterilization.

- EO reduction: We place the LS in vacuum chamber to reduce its ethylene oxide residual to an acceptable level.

- Labeling, packaging and inspection: After we label and add an outer package to the sterilized and examined LS, we conduct a comprehensive quality inspection on the LS before placing it in storage.

We typically conduct each of the above steps in-house, except that we engage third party sterilization service providers for the sterilization step. We have the same selection and management criteria as we select third party sterilization service providers for commercialized neurointerventional procedural products.

The bottleneck for the production capacity of our TAVR products is the production capacity of the PAV. On average, it takes approximately 13 hours for our workers to manufacture a PAV. We currently have the capacity to produce approximately 3,000 units of the PAV per year.

Production Process for Our Commercialized Products

Our production process typically involves the following steps for neurointerventional procedural medical devices, particularly our detachable coil products:

- Raw material quality inspection: We examine the quality of the raw materials purchased.

- Cleaning: We determine whether the raw materials need to be cleaned based on their manufacturing environment, and carry out the cleaning before moving the raw materials into the production facility.

- Molding: We heat the metals or plastics and shape them through molds to produce semi-finished components and parts.

- Assembling: We assemble the semi-finished components and parts of the medical devices.
- Work in progress quality inspection: We conduct a comprehensive quality inspection on the work in progress products after they are assembled.
- Packaging: We package the medical devices.
- Sterilization: We transport the packaged medical devices to third party sterilization service providers for professional sterilization.
- Finished product quality inspection: We conduct a comprehensive quality inspection on sterilized medical devices.

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 refer to the paragraphs headed "Quality Control" in this section.

We typically conduct each of the above steps in-house, except that we engage third party sterilization service providers for the sterilization step. We select the third party sterilization service providers based on their qualifications and sterilization ability, and we only enter into an agreement with service providers that meet our standards. Our integrated production process increases our production efficiency and reduces our dependence on third parties, and enables us to adjust our production quickly to respond to changes in market demand for our products.

Production Volume, Production Capacity and Utilization Rates for Our Commercialized Products

The following table sets forth the production time per unit and the actual production volume for our commercialized products, for the years indicated:

	2018		2019	
	Production time per unit[1]	**Production volume[2,3]**	**Production time per unit[1]**	**Production Volume[2,3]**
	(hours)	*(units)*	*(hours)*	*(units)*
Detachable Coils	N/A	–	3–4	9,225
Access Devices	N/A	–	1–1.5	248

Notes:

1. The production time per unit was based on the historical records and our estimates. The actual time it takes to produce the product could vary due to factors such as the workers' skills and machinery conditions.
2. We did not have commercialized products prior to our acquisition of Achieva in March 2019. As such, our production volume in 2018 was nil, and our production volume in 2019 only included the production volume of our neurointerventional business unit during the period between March 30, 2019 and December 31, 2019.
3. When designing our production plan, we would produce more units than we expect to sell, so that we can keep sufficient surplus for design validation and verification, process validation, clinical trials, and quality control inspections. We believe that this approach also helps us prepare for unexpected changes in market demands. The production volume numbers set forth herein include such surplus units produced.

For illustrative purposes, the following table sets forth the production time per unit and the actual production volume for Achieva's commercialized products, for the years indicated:

	2018		2019	
	Production time per unit[1]	**Production volume[2]**	**Production time per unit[1]**	**Production volume[2]**
	(hours)	*(units)*	*(hours)*	*(units)*
Detachable Coils	4–6	8,012	3–4	12,611
Access Devices	1.5	1,023	1–1.5	671

Notes:

1. The production time per unit decreased from 2018 to 2019, as the manufacturing workers of Achieva became more skilled.

2. See note 3 to the preceding table.

The production workers at our neurointerventional business unit were trained to be able to produce different products. They were allocated to produce different products based on our production plan, which we design with reference to the market demands for the relevant product. If the demand for a certain product increases, we would allocate more working hours of our production workers on such product.

The following table sets forth the maximum working hours allowed under applicable laws, and the actual working hours spent by the production workers of Achieva during the relevant periods:

	2018	**2019**
	(hours, except for percentages)	
Actual working hours spent per person	2,282	2,450
Maximum working hours per person allowed under applicable laws[1]	2,720	2,720
Utilization rate of workforce[2]	83.9%	90.1%

Notes:

1. Calculated based on 44 working hours per week (the maximum normal working hours per week allowed under PRC law), and 52 weeks per year, plus the maximum overtime allowed under PRC law (36 hours per month).

2. Calculated by dividing the actual working hours spent by the maximum working hours allowed under applicable laws.

PRODUCT WARRANTY, RETURN, RECALL AND EXCHANGES

For our commercialized products, our internal policy is to assume responsibility as required by law if the competent regulatory authorities find that our products are defective. During the Track Record Period and up to the Latest Practicable Date, we were not aware of any such finding. Our return and exchange policy generally does not allow any product return or exchange, except that in case of any product defect or product expiration, we will consider returning or exchanging products by considering the specific scenario and our working relationship with our distributors. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material customer complaint or product return from customers.

In December 2019, we implemented a class III recall in respect of one production batch of our Presgo® Detachable Coils (324 units in total, among which 144 units were sold to our distributors by the time of the recall). Based on the Measures for the Administration of Medical Device Recalls (《醫療器械召回管理辦法》), a class III recall refers to a recall of medical devices made in a situation where the circumstances leading to the recall are not likely to cause harm.

We implemented the recall because we observed that there was a slight chance that the removable silicone plugs (矽膠塞) plugged in the handles of the delivery systems of the Presgo® Detachable Coils may fall off if excessive external force is being applied.

The silicone plug is used to prevent the Presgo® Detachable Coil from being inadvertently detached from its delivery system prior to the procedure. Based on our examination of the unsold units of Presgo® Detachable Coils at the time, the occurrence rate of the silicone plug falling-off was low. Of those cases where the plugs fell off, none of the coils was inadvertently detached. Based on the above examination of the unsold units, we expected that among the sold units, (i) the occurrence rate of the silicone plug falling-off was low; and (ii) even if the silicone plugs fell off, the chances that the coils being inadvertently detached prior to the procedures were low. Furthermore, even if for a small number of products, the coils were actually detached from the delivery systems prior to the procedures, given the defect is immediately visible, we believe that the physicians conducting the procedures can easily notice the defect, and it is unlikely that they would continue using the relevant products on patients. As such, we believe that the defect, if any, is not likely to cause any harm to patients. As of the Latest Practicable Date, we had not received any claim from patients in relation to such defect, and believe that the likelihood of receiving such claims in the future is remote. Even if in the unlikely event that we receive such claims in the future, we do not expect such claims would have any material negative financial exposure to our business operations and financial position.

However, we decided to voluntarily recall all the sold but unused units of the same production batch, in order to protect our brand image, to maintain high standards for our products, to ensure optimal customer experience, and to adhere to our core value of being a responsible corporate citizen.

The revenue attributable to the 144 units that were sold and recalled amounted to approximately RMB504,000. We delivered replacement products to the customers shortly after the recall. As such, we did not suffer from any direct loss of revenue because of the recall. The direct economic losses incurred primarily comprised the manufacturing costs for the relevant coils and the delivery costs incurred in connection with the recalled products and replacement products, which amounted to approximately RMB157,000 in total, and we did not suffer from any material indirect economic losses. Overall, we expect that the maximum exposure on our business operations and financial position resulting from the recall would be no more than RMB160,000.

We adopted a series of measures to prevent the recurrence of similar defects. For example, we (i) further optimized the design and manufacturing process of the silicone plug, with the aim of reducing the chances of plug falloff; and (ii) enhanced our quality inspection steps for the products, including heat pre-treatment, pressure tests, vibration tests and drop tests. Except for this recall, we had not experienced any other product recall during the Track Record Period and up to the Latest Practicable Date. For information of the regulations relating to medical device recall in China, please refer to the paragraphs headed "Regulatory Overview—Laws and Regulations Relating to Medical Devices—Medical Device Recalls" in this document.

SALES, DISTRIBUTION AND MARKETING

Our Sales and Marketing Teams

For our transcatheter valve therapeutic business unit, we currently expect to launch TaurusOne®, TaurusElite and TaurusNXT in the first or second quarter of 2021, the first or second quarter of 2021, and the fourth quarter of 2023 or the first quarter of 2024, respectively. For our neurointerventional business unit, as of the Latest Practicable Date, we had five commercialized neurointerventional procedural medical device products, including Jasper® Detachable Coil, Presgo® Detachable Coil, Presgo® Micro Guidewire, Presgo® Micro Catheter and Jasper® Power Supply. We expect to launch the sales of the Yibida® Guiding Catheter in early 2020 and to receive the NMPA approval for the balloon dilatation catheter in late 2020.

With our established sales and marketing teams and our experience in managing our comprehensive distribution network, we believe we are well prepared for the future launch of our Core Product, TaurusOne®, as well as other transcatheter valve therapeutic and neurointerventional procedural products. In China, which is expected to be our major target market, each of our sales and marketing teams is divided into two sub-teams for the transcatheter valve therapeutic and neurointerventional business units. The sub-teams have separate responsibilities but collaborate together to promote and commercialize our products. As of the Latest Practicable Date, we had sales and marketing teams of 27 employees, of which 7 focused on our marketing activities, and 20 employees focused on our sales activities. As of the Latest Practicable Date, we had no commercialized transcatheter valve therapeutic medical device product. We expect to further recruit approximately ten employees to focus on the sales of transcatheter valve therapeutic products, as part of the preparation for the commercialization of TaurusOne®, which is expected to occur in the first or second quarter of 2021. In overseas markets, we establish good working relationships with foreign distributors to explore sales and marketing opportunities.

Our Marketing Model

Currently, the major form of marketing activities of our transcatheter valve therapeutic business unit is academic promotion, by which we are dedicated to grow our brand recognition and establish collaboration with leading principal investigators, KOLs, physicians and hospitals in China. We regularly meet with KOLs to discuss our TaurusOne®, TaurusElite and TaurusNXT, conduct product demonstrations and provide training. We believe that through such frequent communications, demonstrations and training, we are able to maintain good working relationships with these KOLs and physicians, and help them gain familiarity with our products; and if these KOLs and physicians formed positive opinions of our products, they may recommend our products when publishing articles, delivering speeches at industry conferences, or providing training to other physicians.

Furthermore, we host meetings for key participants in our industry with respect to our research and development efforts and product pipeline. We have also taken an active role in sponsoring key industry conferences. For example, we have sponsored China Interventional Therapeutics 2019, China Valve Hangzhou 2019, China Structural Week 2019, and PCR-CIT China Chengdu Valves 2019. At PCR-CIT China Chengdu Valves 2019, as a keynote speaker, Mr. Kongrong Karl Pan presented the innovative anti-calcification technology used in our TaurusNXT. At China Interventional Therapeutics 2019, physicians who have successfully conducted TAVR procedures using TaurusOne® shared their experience of the procedures and provided training on how to use TaurusOne® to other physicians attending the conference. We believe that such meetings and conferences are key opportunities for us to present our products and product candidates, and can increase our market recognition.

We have adopted a slightly different model for the marketing activities of our neurointerventional business unit. For our neurointerventional procedural medical devices that have been commercialized, in addition to academic promotion to KOLs, physicians and hospitals, our marketing efforts also include training and presentations to distributors. For our neurointerventional procedural product candidates such as stent retriever, we also focus on academic promotion to procure potential customers.

Our Sales Arrangements

In the medical device industry, it is customary to rely on distributors for the sales of medical devices to hospitals. Consistent with the industry practice, we currently sell our neurointerventional procedural medical devices to third party distributors in China and overseas, which then sell these devices to hospitals. Our distributors do not sell our products to sub-distributors. Before we ship products to our distributors, we require all of our distributors to make full prepayment for our products. We do not sell directly to hospitals or any end-customers.

Our highly trained sales team collaborates with our distributors to sell our products. In particular, our sales team works together with our distributors to identify market opportunities, design distribution strategies, and provide training to physicians. By working closely with our distributors, we in turn gain valuable insights into the operations of each local distributor and the demands of physicians, which helps ensure the effectiveness of the marketing activities.

Prior to our acquisition of Achieva in March 2019, we had no sales revenue since we had no commercialized products. Since our acquisition of Achieva in March 2019 and up to the Latest Practicable Date, all of our sales were sourced from our distributors.

Sales to Distributors

We, through our neurointerventional business unit, had established an extensive and growing distribution network. As at December 31, 2019, we had 62 domestic distributors covering 17 provinces, four directly-administered municipalities and three autonomous regions in China. We confirm that, to our best knowledge, after taking reasonable care, no distributor has any past or present relationship (business or otherwise) with our Company, our subsidiaries, directors, shareholders, senior management or any of their respective associates. The following table sets forth the changes in the number of our domestic distributors for 2018 and 2019:

Number of domestic distributors	2018[1]	2019
As at the end of the previous period[2]	–	–
Additions of new distributors		
– Resulting from the acquisition of Achieva	–	44
– Newly-signed[3]	–	30
Termination of existing distributors[4]	–	12
Net increase/(decrease) in distributors	–	18
As at the end of period	–	62

Notes:

1. Prior to our acquisition of Achieva in March 2019, we did not have any commercialized product. As such, we did not have any distributor in 2018, and for 2019, all our distributors were distributors of our neurointerventional business unit.

2. The number of distributors represents those distributors who had an effective distribution agreement with us in the relevant period indicated.

3. The number of newly-signed distributors represents those distributors who had no effective distribution agreement with us in the previous period, but entered into distribution agreements with us in the relevant period.

4. The number of termination of existing distributors represents those distributors who had an effective distribution agreement with us but the relevant distribution agreement expired or was terminated during the present period.

For illustrative purposes, the following table sets forth the changes in the number of domestic distributors of Achieva, for 2018 and 2019:

Number of domestic distributors	2018	2019
As at the end of the previous period[1]	28	44
Newly-signed distributors[2]	18	30
Termination of existing distributors[3]	2	12
Net increase/(decrease) in distributors	16	18
As at the end of period	44	62

Notes:

1. See note 2 to the preceding table.

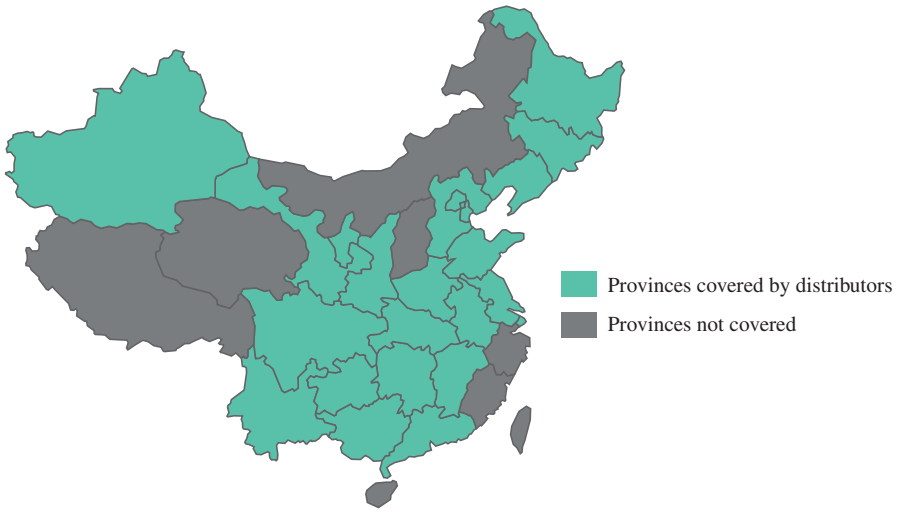
2. See note 3 to the preceding table.

3. See note 4 to the preceding table.

The increases in the number of domestic distributors of Achieva in 2019 were mainly driven by (i) our enhanced business recognition, (ii) our enhanced promotional efforts, and (iii) the overall growth of China's medical device industry.

In 2018 and 2019, 95.3% and 96.0% of the total sales of Achieva were sourced from domestic distributors, respectively.

The map below sets forth our domestic distributors by location as at the December 31, 2019:



During the Track Record Period, we (or Achieva, as applicable) also sold our products to three overseas distributors, in Croatia, Ecuador and Indonesia.

We generally require our distributors to make prepayment to us in full, and the ownership of products immediately transfers to our distributors at the point of despatch from our storehouse for shipment to the distributors. Our distributors generally cannot return unsold products. If any of our distributors breaches the distribution agreements with us and fails to remedy such breach within a specified period of time, we can terminate our business relationship 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

Domestic Distributors

We select our domestic distributors based on their experience in the medical device industry and their working relationship with hospitals. Furthermore, they must hold the necessary business licenses and permits to sell medical devices in the region where they conduct activities. Before we enter into an agreement with new distributors, we review their qualification documents to ensure that they have the appropriate license and background. During the Track Record Period, none of our distributors had any past or present relationship (business or otherwise) with our Shareholders, Directors and senior management or any of their respective associates.

Our domestic distribution agreements typically have a one-year term and include an early termination right if the distributors do not meet sales targets or breach any of their undertakings in the agreement, thus ensuring that we can terminate our contractual relationships, if necessary. In addition, our distribution agreements typically require our domestic distributors to covenant that they will comply with all applicable laws and regulations during their operations.

We proactively manage our network of domestic distributors by conducting regular evaluation based on their performance and compliance with laws and regulations. We review the distributors' sales performance, particularly whether they meet the target sales amount, and their authorized hospitals' feedback. 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 domestic distributors. We only authorize a limited number of distributors in one region, and only authorize one distributor for each hospital, except in very limited cases where there is also another distributor authorized for a particular specialty department within a hospital. Distribution relationships between our distributors and their designated hospitals are generally exclusive, which means that our distributors can only sell our products to their designated hospitals without further authorization.

Overseas Distributors

We apply similar selection, management and evaluation criteria to our overseas distributors as we do to our domestic distributors. We and our overseas distributors may terminate the distribution agreement early if the other party breaches any material provision of the distribution agreement and fails to remedy such breach within a specified time.

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 payments in full for our products and also do not accept product returns except for products with quality defects. We recognize revenue from distributor sales when the products are despatched 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 refer to the paragraphs headed "Financial Information—Significant Factors Affecting Our Results of Operations—Significant Accounting Policies—Revenue Recognition" in this document.

In 2018 and 2019, the aggregate price of products returned by distributors accounted for approximately nil and 0.9% of the total sales of Achieva of the relevant period, respectively. These products were returned because the products had expired and we reasonably offered to accept the returned products in light of our good working relationship with the distributors. Hence, we believe that our distributors tend to only purchase products that they can reasonably sell and keep their inventory levels relatively low because, under the sales agreements, they are generally not able to return to us the products. We believe that our distributors would sell their inventory first before purchasing more products from us, which means that instead of purchasing a large amount of products each time, our distributors

would purchase no more than what they need and make repeated purchases. Furthermore, we set annual and quarterly sales targets for distributors. We set sales targets for each distributor's territory according to our knowledge of the market potentials and our market share target.

For domestic distributors, we monitor the usage of our products sold by our domestic distributors by (i) only allowing distributors to distribute to designated hospitals, (ii) communicating with distributors constantly to gather relevant sales and inventory data, including information on hospital names, sales quantity, product type and product quality complaints, and (iii) visiting hospitals to investigate their usage of our products on a regular basis. For overseas distributors, we also communicate with distributors from time to time to gather relevant data in connection with sales potential and other information. We believe the above communication with our domestic and overseas distributors as well as the relevant data and information we gather from them help us to set reasonable sales targets for distributors and adopt appropriate sales and pricing 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 generally 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 sets forth the salient terms of the standard agreement with our domestic distributors.

	Domestic distributors
Term	Generally one year.
Designated distribution territory or hospitals	The distributor may not sell our products to the hospitals which are not specified in the designated distribution territory unless with prior written consent from us.
Relationship with distributor	Our distributors are Independent Third Parties. Our relationship with them is not that of a principal and an agent, but that of a customer and a supplier with no obsolete stock arrangements.
Exclusivity	The distributor is prohibited from selling competing products. We reserve the right to conduct direct sales to hospitals in the designated distribution territory.
Target sales amount	If the distributor fails to meet the target sales amount set forth in the appendix to the relevant agreement, we can terminate the agreement.
Payment and credit terms	The distributor is required to make payment in full prior to shipping.

	Domestic distributors
Product return/exchange	We generally do not accept product returns or exchanges except for products with quality defects.
Transportation and delivery	We generally agree to deliver the products to locations specified by the distributors. The ownership of the products is transferred at the point of despatch from our storehouse for shipment to distributors.
Warranty	We warrant that our products are free from defects in materials, workmanship and design for ordinary use.
Regulatory compliance	The distributor is required to comply with all applicable laws and regulations, including, among other things, those relating to anti-bribery and anti-kickbacks.
Termination	The agreement may be terminated by us when, among other things, the distributor fails to comply with relevant laws and regulations, fails to meet its target sales amount, or breaches any undertaking in the agreement and fails to remedy such breach within a specified period of time.

We enter into distribution agreements with our overseas distributors. The terms may vary according to negotiation between the parties and our registration period in a particular jurisdiction. We agree not to appoint any other agent, representative or distributor in a certain designated distribution territory so long as the distributor complies with its obligations under the agreement. During the Track Record Period, the overseas distributors contributed to less than 5% of our total sales, and we expect the China market will continue to be the major source of our sales.

Pricing

As of the Latest Practicable Date, we had five commercialized neurointerventional procedural medical devices in the market. 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 both in China and overseas, we deem it important to take into account factors such as our products' advantages, our costs, prices of competing products, and differences in features between our products and competing products. We are generally required to, or choose to, participate in a public tender process to facilitate our distributors' sales of our products to public hospitals, during which we further negotiate to determine the retail price, at which our products are sold to hospitals. Nonetheless, in China, the government maintains a high level of involvement in the determination of retail prices, as the prices are affected by the bidding and tender processes organized by government agencies and hospitals. For further details, please refer to the paragraphs headed "Risk Factors—Risks relating to our products and product candidates—Downward changes in the pricing of our products may have a material adverse effect on our business and results of operations" in this document. Our sales team prepares for the tender processes, searches for the tender

information on relevant websites and then prepares bidding materials. Our marketing team provides our retail price range for the bidding process and our sales team is in charge of negotiating the retail price with the hospitals and/or our distributors. Once the price is set and we are confirmed as the winning bidder, our product will be admitted into the hospital's qualified product pool for future procurement.

For our Core Product, TaurusOne®, which we expect to launch in the first or second quarter of 2021, we intend to determine the pricing with reference to the price of comparable products from major market players in China. The pricing in overseas markets may vary according to the specific conditions in each territory including, among other things, the pricing of multinational competitors in the same market. For our future generations of our TAVR devices, we plan to target pricing at the high-end market with greater price elasticity.

OUR CUSTOMERS

Our customers are the distributors who further sell our products to hospitals. We only started recognizing revenue after our acquisition of Achieva in March 2019. In 2019, revenue generated from our five largest customers amounted to RMB6.9 million, representing 36.8% of our total revenue during the same period; revenue generated from our largest customer amounted to RMB2.3 million, representing 12.4% of our total revenue during the same period. We generally communicate with our distributors regularly to resolve issues or complaints, if any.

To the best knowledge of our Directors, each of our (or Achieva's) five largest customers during the Track Record Period was an Independent Third Party. None of our Directors and, to the best knowledge of our Directors, none of our Shareholders who owns more than 5.0% of the Shares in issue, nor any of their respective associates, had any interest in any of our (or Achieva's) five largest customers during the Track Record Period.

OUR SUPPLIERS AND RAW MATERIALS

Suppliers

During the Track Record Period, the suppliers for our transcatheter valve therapeutic business unit mainly included suppliers of raw materials, and institutions that provided testing or clinical trial related services; the suppliers for our neurointerventional business unit mainly included suppliers of raw materials. In 2018 and 2019, purchases from our five largest suppliers amounted to RMB8.4 million and RMB8.1 million, respectively, representing 40.1% and 19.8% of our total purchases for the same periods, respectively; purchases from our largest supplier amounted to RMB2.3 million and RMB2.5 million, respectively, representing 10.8% and 6.1% of our total purchases for the same periods, respectively.

To the best knowledge of our Directors, each of our (and the relevant business unit's) five largest suppliers during the Track Record Period was an Independent Third Party. None of our Directors and, to the best knowledge of our Directors, none of our Shareholders who owns more than 5.0% of the Shares in issue, nor any of their respective associates, had any interest in any of our (or the relevant business unit's) five largest suppliers during the Track Record Period.

Raw materials

For our transcatheter valve therapeutic product candidates, namely TaurusOne®, TaurusElite and TaurusNXT, we primarily use raw materials including bovine pericardium, polyester cloth,

nickel-titanium tube, sutures and plastic injection or extrusion components in our manufacturing process. For our neurointerventional procedural products, we primarily use raw materials such as long original coils and guidewires in our manufacturing process. For our major neurointerventional procedural product candidates such as stent retriever, we primarily use raw materials such as stents, guidewires and stainless steel spring coils. In 2018 and 2019, our expenses of raw materials and consumables used under research and development expenses and cost of sales amounted to RMB5.2 million and RMB15.1 million, respectively.

We select our raw material suppliers based on a number of factors, including the quality of raw materials, after-sales service and price. For our principal raw materials of transcatheter valve therapeutic product candidates, we use suppliers from China, the United States, Australia and other countries. Our main suppliers of bovine pericardium are located in Australia and New Zealand and we ensure all bovine pericardium purchased are certified to be free of virus. For our principal raw materials of neurointerventional procedural products and product candidates, we use five reputable suppliers from China, the United States and other countries. Based on the current market conditions, we intend to maintain stable working relationships with our major suppliers of raw materials. We have more than two years of business relationship with each of our top five suppliers for each of our two business units. However, we cannot assure that we will maintain our working relationships with our major suppliers on similar terms, if at all. Although we maintain a list of backup suppliers if any supplier fails to timely deliver raw materials, we are still subject to risks associated with shortage of raw materials. For details, please refer to the paragraphs headed "Risk Factors—Risks Relating to Our Products and Product Candidates—We rely on a limited number of suppliers, and may not be able to secure a stable supply of qualified raw materials at all times or at all" and "An increase in the market price of our raw materials and components may adversely affect our profitability" in this document.

Our production team monitors a rolling forecast of demand for specific products while our research and development team provides specifics of raw materials to be purchased. We maintain a pool of qualified suppliers for internal purposes, which is reviewed annually. As of the Latest Practicable Date, we had a pool of 45 and 48 qualified suppliers of raw materials for the transcatheter valve therapeutic and neurointerventional business units, respectively. We inspect raw material candidates from qualified suppliers in such pool and makes necessary purchases according to inventory risks and costs associated with the raw materials and components needed.

Procurement Agreements with Suppliers

For our principal raw materials, we generally enter into an agreement with each supplier. The terms of our typical procurement agreements with our suppliers for the transcatheter valve therapeutic business unit and for the neurointerventional business unit are generally similar. The table below sets forth the principal terms of our typical procurement agreements:

	Procurement Agreements
Term and Termination	One year or longer subject to earlier termination and/or renewal clause(s).
Relationship with supplier	Independent third parties and not that of a principal and an agent.

	Procurement Agreements
Sales and pricing policy	The price or the pricing mechanism is specified in each agreement or subject to negotiation.
Transportation and delivery	Delivery method is specified in each agreement and/or purchase order.
Payment	We pay usually within seven or 30 days after the date of invoice or otherwise specified in each purchase order.
Raw materials quality	Suppliers are subject to standard quality control terms specified or referenced to in the agreements and may be required to further enter into separate quality control agreements.
Warranty	Suppliers warrant that the raw materials shall satisfy our requirements specified in supply agreements or purchase 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, generally of 30 to 60 days, upon receipt. We may also return raw materials with defects discovered during usage.
Confidentiality	Pursuant to each agreement or a separate confidentiality agreement, both parties shall keep confidential of the information acquired in the performance of the agreement.

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, including bovine pericardium, 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, that we would not experience any material difficulties in procuring our major raw materials, including bovine pericardium, and that we can pass on any increase in the purchase costs of raw materials to our customers by adjusting our product pricing strategy.

INVENTORY MANAGEMENT

Our inventories consist of raw materials, work in progress and finished goods. We regularly monitor our inventories to reduce the risk of overstocking. We physically count all of our raw materials, work in progress and finished goods on a monthly basis to identify products that are damaged, expired or soon-to-be expired.

All of our products are subject to expiry. Our transcatheter valve therapeutic product candidates generally have an effective period of one to two years while our neurointerventional procedural medical device products generally have an effective period of three to five years. Our Directors confirm that our inventory control system and policies have been effective and we did not experience any material shortage in supply or overstock of inventories during the Track Record Period and up to the Latest Practicable Date.

We currently store substantially all our finished goods at an Independent Third Party storage provider, which dispatches our finished goods according to our instructions. We store a small amount of finished goods as backup and substantially all of our work in progress and raw materials in our production facilities in Shanghai and Suzhou.

As at December 31, 2018, we had inventories of RMB1.3 million, while Achieva had inventories of RMB5.5 million. As at December 31, 2019, we had a total of inventories of RMB11.2 million, including inventories of RMB3.5 million for our transcatheter valve therapeutic business unit, and inventories of RMB7.7 million for our neurointerventional business unit.

QUALITY CONTROL

Our quality control and regulatory team is involved in every aspect of our daily operations to ensure the quality control of our products. As of the Latest Practicable Date, our quality control and regulatory team had 25 employees dedicated to the quality control of our transcatheter valve therapeutic products and 31 employees dedicated to the quality control of our neurointerventional procedural products.

We have established an internal control protocol for the design and development of new medical devices, with reference to the risk management standards under ISO014971:2007. This protocol guides our design and development of new medical devices in the following stages:

- **Design planning**: we involve multiple function teams in the process of design planning, and prepare a design and development planning report with the objectives, specifics, staffing, timetable and equipment specified;

- **Design inputs**: we take into consideration the needs of physicians and patients, as well as expected functions, safety requirements and regulatory framework;

- **Design outputs**: we keep proper documentation with regard to, among others, raw materials, drawings, product quality requirements, user manuals, submissions to regulatory bodies, samples and biological test results;

- **Design verification**: our research and development team makes samples, and with our quality control and regulatory team, evaluate the outputs against the inputs, and if required by law, the samples will be tested by third party institutions, after which a design verification report will be produced;

- **Design transfer**: before massive production, we manufacture a limited quantity of the output products and conduct further verification to ensure the suitability for commercialization;

- **Design validation**: our quality control and regulatory team assesses whether we should proceed to the clinical trial stage, and/or we confirm whether the design meets the market demand and expected usage; and

- **Design review**: we review our product design throughout the whole process of our research and development with multiple functional teams involved.

We also have ISO 13485:2016 certifications and the GMP certificate granted by the regulatory body in Brazil, which demonstrates international recognitions for our quality control system in terms of manufacturing. Our quality control system is established in accordance with NMPA's regulations and is also in compliance with GMP requirements. We implement quality control measures throughout our manufacturing process, including raw material control and inspection, process control, product inspection and environment control. Our quality control procedures in the manufacturing process primarily consist of the following:

- **Raw material control and inspection**: we conduct meticulous due diligence on our suppliers and only purchase our raw materials from suppliers who observe our internal supply management policies. We ensure that the bovine pericardium leaflets we purchase are certified to be free of virus. We also inspect samples from each batch of raw materials to help ensure there are no quality or other issues;

- **Process control**: we plan the production process based on the technologies adopted by each product type and monitor the entire production process, particularly certain key steps of the production process;

- **Product inspection**: we compile our product inspection manual based on our product specifications, and inspect our products in accordance with our product inspection manual, including testing the capability and measurement of our products, verifying the product labels and manuals as well as confirming that the products are properly packaged and sterilized; and

- **Environment control**: we design environment control protocol for our labs and production facilities, and monitor the implementation of the protocols.

We have complied with all of our quality qualification requirements in material respects and have passed all of the inspections 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. In addition, during the Track Record Period and up to the Latest Practicable Date, we did not experience any material product return or exchange. Other than a voluntary class III recall in December 2019, we had not experienced any product recall related to our products. For details, refer to the paragraphs headed "Product Warranty, Return, Recall and Exchanges" in this section.

COMPETITION

Our transcatheter valve therapeutic product candidates are designed for the market in China and will principally face competition from a limited number of domestic brands in the China market. We believe our product candidates have product design that match and in some cases exceed the innovative features of products from international brands sold overseas while at the same time embody the clinical needs of Chinese patients and physicians. We also compete with domestic brands based on our research and development capabilities, technology and highly professional employees.

For our neurointerventional business unit, we ranked first among domestic players in the neurointerventional procedural medical device market in terms of the combined number of commercialized products and product candidates in the clinical trial stage. We principally compete with both global and PRC neurointerventional procedural medical device manufacturers in China. The characteristics of the neurointerventional procedural medical device industry are rapid product development, technological advances, intense competition and a strong emphasis on proprietary product offerings. We compete primarily based on our research and development capabilities, product quality, pricing, brand recognition, reputation, product functionality and design, time to market and sales and distribution network coverage.

Apart from high-quality products and product candidates, our manufacturing process and quality control systems meet international standards and we plan to continually invest to ensure that we remain a leader in the market. We also seek to differentiate ourselves from our competitors by closely collaborating with physicians and hospitals during the research and development process and also providing training to distributors, physicians and hospitals. We believe our continued investment in providing high quality services to the markets will continue to build our brand recognition and reputation as a leader in the markets.

For information of competition in the markets we serve, please refer to the paragraphs headed "Industry Overview—The Transcatheter Valve Therapeutic Medical Device Market—TAVR Product Market—Competitive Landscape for TAVR Product Market in China" and "Industry Overview—The Neurointerventional Procedural Medical Device Market—Competitive Landscape of the Neurointerventional Procedural Medical Device Market in China" in this document.

AWARDS AND RECOGNITIONS

We and our senior management have received various awards, honors and recognitions, including:

Prize	Year	Awardee/Product	Awarding Organization
Shanghai High-tech Achievement Transformation Project (上海市高新技術成果轉化項目)	2009	Jasper® Detachable Coil	Shanghai Municipal Government and Science and Technology Commission of Shanghai Municipality
Leader in Science and Technology of Jinji Lake Double Hundred Talents Program (金雞湖雙百人才計畫科技領軍人才)	2013	Dr. Zhang	Suzhou Industrial Park Management Committee

Prize	Year	Awardee/Product	Awarding Organization
Advancing Enterprise in the Start-up Finals of the Second National Innovation and Entrepreneurship Competition (Shanghai Network) (第二屆中國創新創業大賽（上海賽區）)	2013	Jasper® Detachable Coil	Shanghai Technology Innovation Center
State Key New Product Certification (國家重點新產品證書)	2014	Jasper® Detachable Coil	Ministry of Science and Technology, Ministry of Ecology and Environment, Ministry of Commerce and General Administration of Quality Supervision, Inspection and Quarantine of the PRC
Gusu Leader in Innovation and Entrepreneurship (姑蘇創新創業領軍人才)	2016	Dr. Zhang	The People's Government of Suzhou City
Shanghai New High-Tech Enterprises Certification (上海市高新技術企業認定)	2016	Our Company	Science and Technology Commission of Shanghai Municipality
2018-2019 Shanghai Innovative Biologic Product (2018-2019年上海市生物醫藥創新產品)	2019	Presgo® Detachable Coil	Science and Technology Commission of Shanghai Municipality

INTELLECTUAL PROPERTY RIGHTS

We have built a comprehensive intellectual property portfolio in China and overseas to protect our technologies, inventions and know-how and ensure our future success with commercializing our products. As of the Latest Practicable Date, we had 31 registered patents and 29 registered trademarks, as well as 60 pending patent applications and seven pending trademark applications. We believe there is no material legal impediment for us to obtain the approvals for these pending patents and trademarks.

Specifically, in relation to our Core Product, TaurusOne®, we had eight registered patents. The table below lists the portfolio of patents in relation to TaurusOne® as of the Latest Practicable Date:

No.	Patent No.	Description	Place of Registration	Registration Authority	Registered Owner	Issuance Date	Inventor Identity[1]	Expiry Date
1	ZL201210163818.6	A new model of artificial heart valve[2]	PRC	CNIPA	Peijia Shanghai	August 3, 2016	Wei Guo, Yi Zhang, Ping Ye Zhang, Zhenxin Zhao	May 23, 2032
2	ZL201220236665.9	A new model of artificial heart valve[2]	PRC	CNIPA	Peijia Shanghai	December 26, 2012	Wei Guo, Yi Zhang, Ping Ye Zhang, Zhenxin Zhao	May 23, 2022
3	ZL201320124365.6	Artificial heart valve[3]	PRC	CNIPA	Peijia Suzhou	August 14, 2013	Zhenxin Zhao, Yi Zhang, Wei Guo, Ping Ye Zhang	March 18, 2023
4	ZL201320278285.6	Artificial heart valve[4]	PRC	CNIPA	Peijia Shanghai	November 6, 2013	Zhenxin Zhao, Yi Zhang, Ping Ye Zhang, Wei Guo	May 20, 2023
5	ZL201510681755.7	Artificial heart valve positioning device	PRC	CNIPA	Peijia Suzhou	April 13, 2018	Wei Guo, Yi Zhang, Zhenxin Zhao, Ping Ye Zhang	October 20, 2035
6	ZL201611046786.6	Novel TIP tip for aortic valve delivery system and manufacturing method thereof	PRC	CNIPA	Peijia Suzhou	February 2, 2018	Yi Zhang, Xiangyu Wang, Jinjin Zhang	November 22, 2036
7	ZL201621267994.4	Novel TIP tip for aortic valve delivery system	PRC	CNIPA	Peijia Suzhou	November 21, 2017	Xiangyu Wang, Yi Zhang, Xinfang Xu	November 22, 2026
8	ZL201720215085.4	Outer sheath tube for aortic valve delivery system	PRC	CNIPA	Peijia Suzhou	May 22, 2018	Xiangyu Wang, Yi Zhang	March 6, 2027

Notes:

1 All inventors are currently employed by us except for Zhenxin Zhao and Wei Guo, who were previously employed by us at the time of the invention. The intellectual property right of each patent belongs to us, the registered owner of the patents, not its inventors.

2 Primarily relating to the structure and position of the PAV, the materials and position of the leaflets, and the structure, position and materials of the self-expanding frame.

3 Primarily relating to the structure and position of the PAV, the positions of the valve leaflets and the sealing skirt, the materials of the frame, leaflets and the sealing skirt, and the methods of connecting the frame to the leaflets and the sealing skirt.

4 Primarily relating to the structure and positions of the PAV, the structure of the frame, the connecting position of the frame and the PAV, the materials and positions of the sealing skirt, and the materials and positions of the leaflets.

For further details of our intellectual property, please refer to Appendix IV to this document.

Our Directors are of the view, which view was shared by the patent legal counsel we engaged in the PRC, that the expiration of patent No. 2 in 2022, and patents No. 3 and 4 in 2023, would not have a material adverse impact on our commercialization of TaurusOne®, for the following reasons: (i) we have a comprehensive patent portfolio for TaurusOne®, with each patent protecting certain aspects of the product, so even if a relatively small number of such patents are expired, other manufacturers are still unable to completely copy TaurusOne® without infringing our patent rights; (ii) while patents No. 1-4 are all relating to the PAV of TaurusOne®, patents No. 2-4 are utility patents, which have relatively shorter protection periods, whereas Patent No. 1 is an invention patent, which has a longer protection period. So even though certain utility patents will expire soon, the invention patent can effectively protect our

product throughout 2032, which we believe is sufficient; (iii) for many of our technological innovations (including some know-how that we believe are critical to the manufacturing of TaurusOne®), we seek to protect them by trade secrets and/or confidential information, so even if our patents in relation to TaurusOne® are expired, it would still be very difficult, or costly, for other manufacturers to copy our product; and (iv) as confirmed by Frost & Sullivan, the medical device industry has high entry barriers. Even if certain copycats successfully copied TaurusOne®, they would still need to invest significant time, manpower and other resources to complete the clinical trials and to obtain the relevant approvals, before they could commercialize their products. Furthermore, our next generation TAVR products, such as TaurusElite and TaurusNXT, do not solely rely on those soon-to-expire patents, and we use additional patents, trade secrets and confidential information to protect them, so our Directors are of the view that the expiration of certain patents for TaurusOne® would not have a material adverse impact on the commercialization of our next generation TAVR products.

The term of an individual patent may vary based on the countries/regions in which it is granted. The actual protection afforded by a patent varies on a claim-by-claim and country-by-country basis and depends upon many factors, including the type of patent, the scope of its coverage, the availability of any patent term extension or adjustment, the availability of legal remedies in a particular country/region and the validity and enforceability of the patent. We cannot provide any assurance that patents will issue with respect to any of our owned or licensed pending patent applications or any such patent applications that may be filed in the future, nor can we provide any assurance that any of our owned, licensed or issued patents or any such patents that may be issued in the future will be commercially useful in protecting our product candidates and methods of manufacturing the same.

We rely, in some circumstances, on trade secrets and/or confidential information to protect aspects of our technology. We seek to protect our proprietary technology and processes, in part, by entering into confidentiality arrangements with consultants, advisers and contractors. We have entered into confidentiality and non-compete agreements with our key employees and employees involved in research and development, pursuant to which intellectual property conceived and developed during their employment belongs to us and they waive all relevant rights or claims to such intellectual property. We also have established an internal policy governing the confidentiality of all company information. Despite the measures we have taken to protect our intellectual property, our proprietary information may be obtained by unauthorized parties. For details, please refer to the paragraphs headed "Risk Factors—Risks relating to Our Products and Product Candidates—Failure to adequately protect our intellectual property rights may adversely affect our reputation and disrupt our business" in this document.

These agreements may not provide sufficient protection of our trade secrets and/or confidential information. These agreements may also be breached, resulting in the misappropriation of our trade secrets and/or confidential information, and we may not have an adequate remedy for any such breach. In addition, our trade secrets and/or confidential information may become known or be independently developed by a third party, or misused by any collaborator to whom we disclose such information. Despite any measures taken to protect our intellectual property, unauthorized parties may attempt to or successfully copy aspects of our products or to obtain or use information that we regard as proprietary without our consent. As a result, we may be unable to sufficiently protect our trade secrets and proprietary information.

We also seek to preserve the integrity and confidentiality of our data and trade secrets by maintaining the physical security of our premises as well as physical and electronic security of our information technology systems. Despite any measures taken to protect our data and intellectual property,

unauthorized parties may attempt to or successfully gain access to and use information that we regard as proprietary. For details, please refer to the paragraphs headed "Risk Factors—Risks Relating to Our Operations—Our internal computer systems may fail or suffer security breaches" in this document.

We also own a number of registered trademarks and pending trademark applications. As of the Latest Practicable Date, we had registered trademarks for our Company and our corporate logo in China and other jurisdictions and are seeking trademark protection for our Company and our corporate logo in the countries where available and appropriate.

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. However, there are risks if we fail to protect our intellectual property rights in the future. For details, please refer to the paragraphs headed "Risk Factors—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. 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.

We have implemented company-wide health, safety, social and environmental protection policies and standard operating procedures that include management systems and procedures relating to emissions of air, water and other media; waste water generation and treatment; process safety management; handling, use, storage, treatment and disposal of hazardous substances; worker health and safety requirements; third party safety management; emergency planning and response.

Our quality control and regulatory team is responsible for monitoring and enforcing the compliance of our operations with environment, health and safety laws and regulations. This responsibility is executed through training; formulation and implementation of strategies, policies, standards and metrics; communication of environmental, health and safety policies and procedures through a team of coordinators; environmental, health and safety audits; and incident response planning and implementation.

Further, our operations may involve the use of hazardous and flammable chemical materials and special equipment. Our operations may also produce hazardous waste. We have entered into hazardous waste disposal agreements with third parties for the disposal of these materials and wastes. In 2018 and 2019, we spent approximately RMB49,700 and RMB130,296, respectively, with respect to environmental protection.

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 and environmental protection, or been involved in any significant work place accident or fatality.

EMPLOYEES

As of the Latest Practicable Date, we employed 284 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	10	3.5%
Research and development	37	13.0%
Quality control and regulatory	56	19.7%
Clinical trials	10	3.5%
Product registration	6	2.1%
Procurement	9	3.2%
Production	101	35.6%
Sales and Marketing	27	9.5%
Finance and investment	9	3.2%
Administrative and others	19	6.7%
Total	284	100.0%

The total employee benefits expenses of our Group, which consist of (i) wages, salaries and bonuses, (ii) social security costs and housing benefits, (iii) employee welfare and (iv) share-based compensation expenses, for the years ended December 31, 2018 and December 31, 2019 (including the expenses of Achieva after our acquisition of Achieva in March 2019) were approximately RMB13.9 million and RMB52.1 million, respectively.

We recruit our employees based on a number of factors, including work experience, educational background and the requirements of a relevant vacancy. We invest in continuing education and training programs for our management staff and other employees to upgrade their skills and knowledge continuously. We provide our employees with regular feedback as well as internal and external training in various areas, such as product knowledge, project development and team building. We also 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, non-competition 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 a certain percentage of our employees' salaries, including bonus and allowances, up to a maximum amount specified by the local government. During the Track Record Period, we did not pay social insurance and housing provident fund in full for our employees based on their actual salary level. We have made provisions for the outstanding balance of relevant social insurance payments and housing provident fund contributions according to applicable PRC regulations. As of December 31, 2018 and December 31, 2019, our provision amount were RMB0.5 million and RMB1.7 million for social insurance underpayment and housing provident fund underpayment (including the provision of Achieva after our acquisition of Achieva in March 2019), respectively. For the relevant regulations and associated risks, please refer to the paragraphs headed "Regulatory Overview—Other Laws and Regulations—Regulations Relating to Labor and Social Protection" and "Risk Factors—Risks relating to Our Operations—Failure to make adequate statutory social welfare contribution for our employees may subject us to penalties" in this document.

During the Track Record Period and up to the Latest Practicable Date, we had two dispatched employees and the dispatching company with which such two dispatched employees entered into labor contracts were responsible for the dispatched workers' social insurance and employee benefits. As advised by our PRC Legal Advisers, the provision of service by the two dispatched employees to us does not contravene any PRC laws or regulations.

We are also subject to safety laws and regulations of the PRC. For a description of these laws and regulations, please refer to the paragraphs headed "Regulatory Overview—Other Laws and Regulations—Production Safety" 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. We do not have an established labor union.

We believe that we have maintained good working relationships with our employees. 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, labor disputes or industrial actions which have had a material effect on our business.

PROPERTIES

Owned Properties

As of the Latest Practicable Date, we own properties in Suzhou, Jiangsu province, with an aggregate gross floor area of approximately 15,433.31 sq.m. These properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules. They are mainly used as our production facility, laboratories and offices. According to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this document is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance which requires a valuation report with respect to all our interests in land or buildings, for the reason that, as of the date of the most recent audited consolidated balance sheet of our Group, none of the properties leased by us had a carrying amount of 15% or more of our consolidated total assets.

We had obtained title, land use right and building ownership certificate for all of our owned properties in China. Our PRC Legal Advisers are of the view that we have valid legal title to these properties and the land use rights for the land occupied by these buildings, and that we are entitled to legally occupy, use, benefit from, transfer, lease, pledge or otherwise dispose of these properties.

Leased Properties

As of the Latest Practicable Date, we also leased properties in Beijing, Shanghai, Suzhou, Jiangsu province and Chengdu, Sichuan province, with an aggregate gross floor area of approximately 1,456.3 sq.m. The following table sets forth a summary of our leased properties and lease agreements.

No.	Address	Usage	Leased Area *(Approximate sq.m.)*	End of Lease Term
1	Room 301-1, 328 Edison Road, Pudong New Area, Shanghai	Office and manufacturing	602.3	December 31, 2021
2	Room 301-2, 328 Edison Road, Pudong New Area, Shanghai	Office and manufacturing	586.1	October 31, 2021
3	2 Fuchengmenwai Street, Xicheng District, Beijing	Office	71.7	October 31, 2021

No.	Address	Usage	Leased Area (*Approximate sq.m.*)	End of Lease Term
4	24 Renmin South Road Third Section, Wuhou District, Chengdu	Residential	94.2	August 31, 2020
5	511 Gangtian Road, Suzhou Industrial Park, Suzhou	Residential	102.0	December 7, 2020

Pursuant to the applicable PRC laws and regulations, property lease agreements must be registered with the local branch of the Ministry of Housing and Urban-Rural Development of the PRC. As of the Latest Practicable Date, we had not completed the relevant property leasing registrations for our leased properties. For details of the risk associated with the unregistered lease agreements, please refer to the paragraphs headed "Risk Factors—Risks Relating to Our Operations—Risks relating to our failure to complete property leasing registrations for our lease properties" in this document. According to our PRC Legal Advisers, the failure to complete such registration process does not affect the validity of the relevant property lease agreements, and a maximum penalty of RMB10,000 may be imposed for the non-registration of each lease agreement. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any penalties arising from the non-registration of our lease agreements, and had not experienced any dispute arising out of, or in relation to, our leased properties.

INSURANCE

We maintain certain insurance policies as of the Latest Practicable Date. For example, we maintain insurance policies that cover losses arising from accidents and natural calamities in respect of our machinery, equipment, inventories and other fixed assets in our research and manufacturing facilities. We do not maintain product liability insurance policies. We consider that the coverage from the insurance policies maintained by us is adequate for our present operations and is 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, PERMITS AND APPROVALS

We are required to obtain various permits, licenses, approvals and certifications from government authorities as required under PRC laws and regulations. As of the Latest Practicable Date, we had obtained all requisite licenses, permits and certifications that are material for our operations, and such licenses, permits and certifications all remain in full effect. As of the Latest Practicable Date, we had obtained two medical device production permits and five medical device registration certificates from the NMPA, and one medical device registration certificate from Shanghai MPA. We had also obtained one CE Marking, as well as approval or registration in each of Brazil, Indonesia and Ecuador. For more details regarding the PRC and foreign laws and regulations to which we are subject, please refer to the section headed "Regulatory Overview" in this document.

The following table sets forth the key licenses and permits related to our major products as of the Latest Practicable Date.

Product	License/Permit	License/Permit No.	Validity Period	Authority
China				
Jasper® Detachable Coil; Presgo® Detachable Coil; Presgo® Micro Guidewire; Presgo® Micro Catheter; Jasper® Power Supply	Medical Device Production Permit (《醫療器械生產許可證》)	Hu Shi Yao Jian Xie Sheng Chan Xu 20061460 (滬食藥監械生產許20061460)	August 15, 2018 to December 12, 2021	Shanghai MPA
Yibida® Guiding Catheter	Medical Device Production Permit (《醫療器械生產許可證》)	Su Shi Yao Jian Xie Sheng Chan Xu 20190084 (蘇食藥監械生產許20190084)	June 13, 2019 to June 12, 2024	Jiangsu MPA
Yibida® Guiding Catheter	Registration Certificate for Medical Device (《醫療器械註冊證》)	Guo Xie Zhu Zhun 20193030332 (國械注准20193030332)	May 23, 2019 to May 22, 2024	NMPA
Jasper® Power Supply[1]	Registration Certificate for Medical Device (《醫療器械註冊證》)	Hu Xie Zhu Zhun 20162210831 (滬械注准20162210831)	November 23, 2016 to November 22, 2021	Shanghai MPA
Presgo® Detachable Coil	Registration Certificate for Medical Device (《醫療器械註冊證》)	Guo Xie Zhu Zhun 20183770228 (國械注准20183770228)	June 6, 2018 to June 5, 2023	NMPA
Presgo® Micro Catheter	Registration Certificate for Medical Device (《醫療器械註冊證》)	Guo Xie Zhu Zhun 20173771381 (國械注准20173771381)	August 29, 2017 to August 28, 2022	NMPA
Presgo® Micro Guidewire	Registration Certificate for Medical Device (《醫療器械註冊證》)	Guo Xie Zhu Zhun 20173773091 (國械注准20173773091)	February 24, 2017 to February 23, 2022	NMPA
Jasper® Detachable Coil	Registration Certificate for Medical Device (《醫療器械註冊證》)	Guo Xie Zhu Zhun 20173770786 (國械注准20173770786)	May 22, 2017 to May 21, 2022	NMPA

Product	License/Permit	License/Permit No.	Validity Period	Authority
Overseas				
Jasper® Detachable Coil	CE Marking	2117686CE01	July 20, 2009 to February 1, 2023	DEKRA Certification B.V.
Jasper® Detachable Coil	Brazil approval	80299570013	March 21, 2011 to April 24, 2026	Agência Nacional de Vigilância Sanitária
Jasper® Detachable Coil	Indonesia approval	KEMENKES RI AKL 21003013727	November 20, 2014 to August 25, 2023	Direktorat Jenderal Kefarmasian Dan Alat Kesehatan
N/A	Brazil GMP certificate	0789573/15-9	June 25, 2018 to June 25, 2020	Agência Nacional de Vigilância Sanitária
Jasper® Detachable Coil	Ecuador registration	5637-DME-0918	September 29, 2018 to September 29, 2023	Agencia Nacional de Regulación, Control y Vigilancia Sanitaria, Ventanilla Unica Ecuatoriana
Presgo® Detachable Coil	Brazil approval	07.326.871/0002-20	December 23, 2019 to December 23, 2029	Agência Nacional de Vigilância Sanitária

Note:

1. After the Shanghai MPA approval was obtained for Jasper® Power Supply in 2016, the medical device classification for the product was re-designated as Class III. As such, upon the expiry of the current registration certificate of Jasper® Power Supply, we would need to renew the registration certificate with the NMPA.

We intend to apply for renewal of the above key licenses prior to their respective expiry dates. The successful renewal of our existing licenses, permits and certifications will be subject to our fulfilment of relevant requirements. We will also apply for registration certificates once our product candidates are ready to be marketed.

We intend to initiate the renewal procedures for each of the above key licenses, permits and certificates at least six months prior to their expiration dates. Our Directors are not aware of any reason that would cause or lead to the non-renewal of the licenses, permits and certificates. Our PRC Legal Advisers confirmed that as of the Latest Practicable Date, there was no legal impediment for us to renew the licenses, permits and certificates as long as we comply with the relevant legal requirements.

LEGAL PROCEEDINGS AND REGULATORY COMPLIANCE

We may become a party to legal, arbitral or administrative proceedings arising in the ordinary course of our 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 are not aware of any potential or threatened legal, arbitral or administrative proceedings to which we will be named as a party. Our Directors further confirm that none of our Directors or senior management personnel was personally involved in any of these legal, arbitral or administrative proceedings.

Our PRC Legal Advisers confirmed that during the Track Record Period and up to the Latest Practicable Date, we had complied with applicable PRC laws and regulations in all material aspects. Our Directors confirmed that we were not involved in any material or systematic non-compliance incidents.

RISK MANAGEMENT

We are exposed to various risks for our operations so risk management is important for our business. For details of the various operational risks we face, please refer to the section headed "Risk Factors" in this document. In addition, we are also exposed to various financial risks, such as credit, liquidity and foreign exchange risks that arise in the normal course of our business. For details, please refer to the paragraphs headed "Financial Information—Market Risk Disclosure" in this document. In order to identify, assess and control the risks that may cause impediments to our business, we have designed and implemented various policies and procedures to help ensure effective risk management in our operations.

We have adopted a consolidated set of risk management policies which set out a risk management framework to identify, assess, evaluate and monitor key risks associated with our strategic objectives on an on-going basis. Our audit committee, and ultimately our Board supervises the implementation of our risk management policies. Risks identified by senior management will be analyzed on the basis of likelihood and impact, and will be properly followed up and mitigated and rectified by our Company and reported to our Board.

Our senior management implements the risk management policies, strategies and plans set by our Board. Our senior management is responsible for (i) formulating our risk management policy and reviewing major risk management issues of our Company; (ii) providing guidance on our risk management approach to the relevant teams in our Company and supervising the implementation of our risk management policy by the relevant departments; and (iii) reporting to our audit committee on our material risks.

Each functional team, including the finance and investment team, monitors and evaluates the implementation of risk management and internal control policies and procedures on a day-to-day basis. The Board typically meets in-person every quarter, as necessary. In order to formalize risk management across our Company and set a common level of transparency and risk management performance, the relevant teams will (i) gather information about the risks relating to their operation or function; (ii) conduct risk assessments, which include the identification, prioritization, measurement and categorization of all key risks that could potentially affect their objectives; (iii) prepare a risk management report bi-annually for our chief executive officer's review; (iv) continuously monitor the key risks relating to their operation or function; (v) implement appropriate risk responses where necessary; and (vi) develop and maintain an appropriate mechanism to facilitate the application of our risk management framework.

With respect to urgent matters which arise between scheduled Board meetings, the Board secretary may also seek Board approval via telephone conference call or written Board consent. Before each Board meeting, an agenda is prepared with input from Directors, as well as from senior management and other vice presidents. At Board meetings, depending on the agenda, different team heads will gather information relating to their functions and report to the Board on the relevant agenda items, as necessary. The Board secretary attends all Board meetings to ensure that there is no gap in communication between the two bodies. During Board meetings, the Board will on occasion further review and/or analyze particular issue and report their findings at the next Board meeting. Our Board believe that our corporate structure provides an appropriate system of checks and balances to improve our risk management procedures.

Our audit committee also reviews and approves our risk management policy to ensure that it is consistent with our corporate objectives, reviews and approves our corporate risk tolerance, monitors the most significant risks associated with our business operation and our management's handling of such risks, reviews our corporate risk in light of our corporate risk tolerance, and monitors and ensures the appropriate application of our risk management framework across our Company.

INTERNAL CONTROL OVER BUSINESS OPERATIONS

Internal Control

We have implemented various risk management policies and measures to identify, assess and manage risks arising from our operations. Details on risk categories identified by our management, internal and external reporting mechanism, remedial measures and contingency management have been codified in our policies. For details of the potential risks associated with our business, please refer to the section entitled "Risk Factors" in this document.

To monitor the ongoing implementation of our risk management policies and corporate governance measures after the [**REDACTED**], we have adopted or will adopt, among other things, the following risk management and internal control measures:

- the establishment of an audit committee responsible for overseeing our financial records, internal control procedures and risk management systems. Please refer to the paragraphs titled "Directors and Senior Management—Board Committees—Audit Committee" in this document for the qualifications and experience of these committee members as well as a detailed description of the responsibility of our audit committee;

- the appointment of Mr. Leo Tsai as our Chief Financial Officer and Ms. Pui Chun Hannah Suen as our company secretary to ensure the compliance of our operation with relevant laws and regulations. For their biographical details, please refer to the section entitled "Directors and Senior Management" in this document;

- the appointment of Maxa Capital Limited as our compliance advisor upon the [**REDACTED**] to advise us on compliance with the Listing Rules; and

- the engagement of external legal advisors to advise us on compliance with the Listing Rules and to ensure our compliance with relevant regulatory requirements and applicable laws, where necessary.

Finally, we have adopted or will adopt before the [**REDACTED**], various internal regulations against corrupt and fraudulent activities, which include measures against receiving bribes and kickbacks, and misuse of company assets. Major measures and procedures to implement such regulations include:

- authorizing our audit and supervision department to assume responsibility for daily execution of our anti-corruption and anti-fraud measures, including handling complaints, ensuring protection for the whistle-blower and conducting internal investigations;

- providing anti-corruption compliance training periodically to our senior management and employees to enhance their knowledge and compliance with applicable laws and regulations, and including relevant policies and express prohibitions against non-compliance in staff handbooks; and

- undertaking rectification measures with respect to any identified corrupt or fraudulent activities, evaluating the identified corrupt or fraudulent activities and proposing and establishing preventative measures to avoid future non-compliance.

Our Directors are of the view that such controls and measures are sufficient and effective to avoid the occurrence of corruption, bribery, or other improper conduct of our employees. During the Track Record Period and up to the Latest Practicable Date, we were not subject to any government investigation or litigation with respect to claims or allegations of monetary and non-monetary bribery activities, and to the best knowledge of our Directors, none of our employees were involved in any bribery or kickback arrangements.

We have designated responsible personnel to monitor our ongoing compliance with relevant laws and regulations that govern our business operations, and to oversee the implementation of any necessary measures. Meanwhile, we plan to provide our Directors, senior management and relevant employees with continuing training programs and updates regarding the relevant laws and regulations on a regular basis, with a view to proactively identifying any concerns or issues relating to any potential non-compliance. We believe that we have established adequate internal procedures, systems and controls in relation to anti-corruption and anti-bribery law compliance.

You should read the following discussion and analysis in conjunction with our audited consolidated financial information, included in the Accountants' 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 Accountants' 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 focus on the high-growth interventional procedural medical device market in China, and are a leading domestic player in each of the transcatheter valve therapeutic medical device market and the neurointerventional procedural medical device market in China.

- *Transcatheter valve therapeutic medical devices*: We are one of the only four domestic players in the China market with TAVR products at the clinical trial or more advanced stage, and ranked third in the China transcatheter valve medical device market in terms of the combined number of commercialized products and product candidates in the clinical trial stage, according to Frost & Sullivan. We are in the process of completing the confirmatory clinical trial for TaurusOne®, our first-generation TAVR product, and expect to receive the NMPA approval and launch for TaurusOne® in the first or second quarter of 2021. We are also developing second- and third-generation TAVR products incorporating innovative features. Our product pipeline includes transcatheter devices for aortic, mitral and tricuspid valves.

- *Neurointerventional procedural medical devices*: We ranked first among domestic players in the China market in terms of the combined number of commercialized products and product candidates in the clinical trial stage, and were the first domestic player to commercialize an embolization coil product in China, according to Frost & Sullivan.

We have a comprehensive portfolio of interventional procedural medical device products and product candidates focusing on these two fields. As of the Latest Practicable Date, we had developed six registered products, and had 20 product candidates in various stages of development.

We only started to recognize revenue after our acquisition of Achieva in March 2019. In 2018 and 2019, we incurred net losses of RMB82.9 million and RMB532.0 million, respectively.

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**"). The historical financial information has been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss, which are carried 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 4 of the Appendix I to this document. All effective standards, amendments to standards and interpretations including IFRS 15 and IFRS 9, which are mandatory for the financial year beginning January 1, 2018, and IFRS 16, which is mandatory for the financial year beginning January 1, 2019, are consistently applied to our Group throughout the Track Record Period. The adoption of IFRS 9, IFRS 15 and IFRS 16 does not have a significant impact on our financial position and performance when compared to that of IAS 39, IAS 18 and IAS 17.

Acquisition of Achieva

In March 2019, our Company acquired Achieva with a consideration of approximately RMB295.0 million. The acquisition date was regarded as March 29, 2019 from accounting perspective. For details of the acquisition of Achieva, please refer to the paragraphs headed "History, Development and Corporate Structure—Corporate Development—Our Company—5. Acquisition of Achieva Medical through Share Swap" in this document.

We have consolidated Achieva's results of operations since March 29, 2019. Our consolidated statement of comprehensive loss for the year ended December 31, 2019 consolidates the results of Achieva since March 29, 2019. Further, the consolidated financial information of Achieva for the year ended December 31, 2018 and for the period between January 1, 2019 and March 29, 2019, is set forth separately in this section and in Note 35 of 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 Transcatheter Valve Therapeutic and Neurointerventional Procedural Medical Device Markets in China

We believe that our financial performance and future growth are dependent on the overall growth of and our competitiveness in the transcatheter valve therapeutic and neurointerventional procedural medical device markets. In China, the markets for interventional therapies targeting valvular heart diseases and neurovascular diseases are at their emerging stages. With the escalating prevalence of valvular heart diseases and neurovascular diseases, enhanced patient health awareness, increased patient affordability, and improved clinical practice of physicians, it is expected that the markets for interventional therapies targeting valvular heart diseases and neurovascular diseases in China would achieve a strong growth in the upcoming years.

According to Frost & Sullivan, the global TAVR market increased from US$1.5 billion in 2014 to US$4.1 billion in 2018 at a CAGR of 27.8%, and is expected to further increase to US$10.4 billion in

2025 at a CAGR of 14.3% from 2018 to 2025; the TAVR market in China is expected to increase from RMB196.6 million in 2018 to RMB6,332.6 million in 2025 at a CAGR of 64.2%. According to Frost & Sullivan, the TMVR and TTVR markets are still in their early stages of development, with significant growth potential. According to Frost & Sullivan, a few domestic companies are enjoying leading positions in the transcatheter valve therapeutic medical device market in China, but there is not yet any single dominating player in the market. The abilities 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, according to Frost & Sullivan.

Similarly, the neurointerventional procedural medical device market in China has also been growing rapidly. Specifically, the embolization coil market in China is estimated to expand to RMB2,646.7 million in 2025 at a CAGR of 12.3% from 2018 to 2025. The embolization coil market in China is relatively concentrated. However, according to Frost & Sullivan, 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 both the embolization coil device market and the neurointerventional procedural medical device market in China as a whole. Among domestic competitors, we have the most comprehensive product portfolio in terms of product type in the cerebral aneurysm endovascular coiling device market, according to Frost and Sullivan.

We believe that with our strong research and development capabilities, comprehensive product portfolio with advanced features tailored to the needs of Chinese patients and physicians, and our proven track-record of successfully commercializing our products, we are well positioned to capture the significant growth potential in both markets, and we expect our results of operation and financial performance to improve in the future.

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 developed six registered products, and had an additional 20 product candidates in various development stages. Particularly, we are in the process of completing the confirmatory clinical trial for TaurusOne®, our first-generation TAVR product, and expect to receive the NMPA approval and launch TaurusOne® in the first or second quarter of 2021. 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.

Our results of operations also depend on our ability to successfully commercialize our product candidates upon approval. 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.

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.

Research and Development Expenses

The development of medical devices require a significant investment of resources over a prolonged period of time, and we intend to continue making sustained investments in this area. We have devoted significant resources on research and development activities and our pipeline of product candidates has been steadily advancing and expanding. In 2018 and 2019, our research and development expenses amounted to RMB27.9 million and RMB55.1 million, respectively. Such research and development expenses did not include Achieva's research and development expenses in 2018 and for the period from January 1, 2019 to March 29, 2019, which amounted to RMB13.5 million and RMB5.2 million, respectively. We intend to continue to advance the development of our product candidates, and as a result, the research and development expenses are expected to continue to be a major component in our operating expenses.

Particularly, we intend to continue to advance our clinical programs for our product candidates. In 2018 and 2019, our testing and clinical trial fees for research and development activities amounted to RMB10.6 million and RMB13.8 million, respectively. Clinical product development involves a lengthy and expensive process with an uncertain outcome. The amount of investment required for clinical product development depends on a variety of factors, including the location of the clinical trials (for example, whether the clinical trials are conducted in China or in the United States), the complexity for the requirements on conducting clinical trials of the product candidates, the number of patients required for such clinical trials, and any additional requirements imposed by competent government authorities to our clinical trials, among others. For more details of risks relating to the development of our product candidates, please refer to the paragraphs headed "Risk Factors—Risks Relating to Our Products and Product Candidates—Risks Relating to the Development of Our Product Candidates" in this document.

Furthermore, 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 and to continue with our research and development of product candidates will affect our cash flow and results of operation.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

Significant Accounting Policies

Revenue Recognition

Revenue is recognized when, or as, obligations under the terms of a contract are satisfied, which occurs when the control of the products or services is transferred to customers. Revenue is measured as the amount of consideration the seller expects to receive in exchange for transferring products or services to a customer. Depending on the terms of the contract and the applicable laws, the control of the goods and services may be transferred over time or at a point in time. A contract asset represents the right to consideration in exchange for goods or services that we have transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with using the same approach as for trade receivables. In contrast, a receivable represents the unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due. There is generally no significant cost to obtain contract. A contract liability represents the obligation to transfer goods or services to a customer for which we have received consideration (or an amount of consideration is due) from the customer.

During the Track Record Period, our revenue was generated from the sale of neurointerventional procedural medical devices. Sales are recognized when the control of the products has been transferred (i.e., when the products are delivered to the customers), on the condition that there is no unfulfilled obligation that could affect customers' acceptance of the products. Delivery occurs when (i) the products have been transferred to the customers at our storehouse, (ii) the risks of obsolescence and loss have been transferred to the customers, and (iii) customers have accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or we have objective evidence that all criteria for acceptance have been satisfied.

Business Combinations

Our Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by our Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Our Group recognizes any non-controlling interest ("**NCI**") in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognized amounts of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in profit or loss.

Any contingent consideration to be transferred by our Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with IFRS 9 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the consolidated statements of comprehensive loss.

Intangible Assets

Goodwill

Goodwill is attributable to the business prospects of the acquired business and will not be deductible for tax purpose. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortized but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

Technologies

Technologies acquired in a business combination are recognized at fair value at the acquisition date. Technologies have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of technologies over their estimated useful lives of 15 years from the point at which the asset is ready for use.

Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring the specific software into usage. These costs are amortized using the straight-line method over their estimated useful lives of three years. Costs associated with maintaining computer software programs are recognized as expense as incurred.

Research and development expenditures

Research and development costs comprise all costs that are directly attributable to research and development activities (relating to the design and testing of new or improved high end medical instruments) or that can be allocated on a reasonable basis to such activities. Research and development costs are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the medical devices so that it will be available for use or sale;
- management intends to complete the medical devices, and use or sell it;
- the ability to use or sell the medical devices;
- it can be demonstrated that the medical devices will generate economic benefits;
- there are adequate technical, financial and other resources to complete the development and the ability to use or sell the medical devices; and
- the expenditure attributable to the medical devices during its development phase can be reliably measured.

Other development expenditures that do not meet these criteria are charged to expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

Financial Instruments Issued to Investors

Financial instruments issued to investors consist of preferred shares and convertible loan. Accounting policies and other explanatory information of these financial instruments are elaborated as follows:

(a) Preferred shares

During the Track Record Period, our Company had entered into a series of share purchase agreements with financial investors and issued Series A, Series B, Series A-1, Series C and Series C-1 preferred shares, respectively (collectively, the "**Preferred Shares**"). Preferred Shares issued by our Company are redeemable upon occurrence of certain future events. This instrument can be converted into ordinary shares of our Company at any time at the option of the holders or automatically converted into ordinary shares upon the occurrence of an initial public offering of our Company or agreed by at least two-thirds of the holders as detailed in Note 25 of Appendix I to this document.

Our Group designated the Preferred Shares as financial liabilities at fair value through profit or loss. They are initially recognized at fair value. Subsequent to the initial recognition, the Preferred Shares are carried at fair value with changes in fair value recognized in the consolidated statements of comprehensive loss. If our Company's own credit risk results in fair value changes in financial liabilities designated as at fair value through profit or loss, they are recognized in other comprehensive income in circumstances other than avoiding accounting mismatch or recognizing in profit or loss for loan commitments or financial guarantee contracts.

(b) Convertible loan

Pursuant to an investment agreement dated October 24, 2017, Suzhou Lirui invested in Peijia Suzhou in the form of an RMB34.0 million convertible loan. As a transitional arrangement, the convertible loan was converted into equity interests in Peijia Suzhou in November 2018. Shortly afterwards and on December 6, 2018, Suzhou Lirui transferred such equity interests in Peijia Suzhou to Marvel Finder at a consideration of RMB34.0 million. As a result, the convertible loan was reclassified as other payables of our Group as at December 31, 2018. Marvel Finder paid RMB34.0 million to Suzhou Lirui subsequently in 2019.

Share-based Compensation

(a) Equity-settled share-based payment transaction

Our Group grants stock options to employees, under which we receive services from employees as consideration for equity instruments of our Group. The fair value of the employee services received in exchange for the grant of equity instruments is recognized as an expense on the consolidated financial statements. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions;
- including the impact of any non-vesting conditions (for example, the requirement for employees to serve).

At the end of each reporting period, we revise estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognizes the impact of the revision to original estimates, if any, in the consolidated statements of comprehensive loss, with a corresponding adjustment to equity.

In addition, in some circumstances, employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognizing the expense during the period between service commencement date and grant date.

Where there is any modification of terms and conditions which increases the fair value of the equity instruments granted, our Group includes the incremental fair value granted in the measurement of the amount recognized for the services received over the remainder of the vesting period. The incremental fair value is the difference between the fair value of the modified equity instrument and that of the original equity instrument, both estimated as at the date of the modification. An expense based on the incremental fair value is recognized over the period from the modification date to the date when the modified equity instruments vest in addition to any amount in respect of the original instrument, which should continue to be recognized over the remainder of the original vesting period.

(b) Share-based payment transaction among group entities

The grant by our Company of options over its equity instruments to the employees of subsidiaries undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognized over the vesting period as an increase to investment in subsidiaries undertakings, with a corresponding credit to equity in separate financial statements of our Company.

Critical Accounting Estimates

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying our Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

Estimated impairment of goodwill and acquired technologies

Our Group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount of a cash generating unit ("CGU") is determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering an eight-year period. Cash flows beyond the eight-year period are extrapolated using the estimated growth rates. Details of impairment charge, key assumptions and impact of possible changes in key assumptions are disclosed in Note 17 of Appendix I of this document.

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

Estimation of the value in use requires management judgements in order to assess whether the carrying value of the intangible assets not available for use can be supported by the net present value of future cash flows. In calculating the net present value of the future cash flows, certain assumptions are required to be made with respect to some highly uncertain factors, including management's expectations of (i) the timing of commercialization of product candidates, production capacity and relevant products market size; (ii) the revenue compound growth rate; (iii) costs and operating expenses; and (iv) the selection of discount rates to reflect the risks involved.

Fair value of financial instruments

Our Group's finance team is responsible for determining the policies and procedures for the fair value measurement of financial instruments. On an annual basis, the team adopts various valuation techniques to determine the fair value of our Group's level 3 instruments. Our Directors review the results of the fair value measurement of financial instruments periodically for annual financial reporting.

The components of the level 3 instruments mainly include investments in wealth management products and financial liabilities at fair value through profit or loss. As these instruments are not traded in an active market, their fair values have been determined using various applicable valuation techniques, including discounted cash flows approach and binomial model approach. Major assumptions used in the valuation include historical financial results, assumptions about future growth rates, estimates of weighted average cost of capital, discount for lack of marketability and other exposure.

Our investments in wealth management products mainly represented the investments in wealth management products issued by banks in China with non-guaranteed principal and [**REDACTED**] return of investment. Our Group used discounted cash flows approach to value the fair value of the financial product as at period end. Due to the short period and low expected return rate ranging from 2.20% to 3.05% per annum, we considered the fair value of financial product approximately to the cost.

Our Group issued Preferred Shares and a convertible loan to investors during the Track Record Period, which were classified as financial liabilities and recorded as financial liabilities at fair value through profit or loss. They were initially recognized at fair value, and subsequently stated at fair value with changes in fair value recognized in the consolidated statement of comprehensive loss.

Details of the fair value measurement of the level 3 financial liabilities, particularly the fair value hierarchy, the valuation techniques and key inputs, including significant unobservable inputs, the relationship of unobservable inputs to fair value and reconciliation of level 3 measurements are disclosed in Notes 3.3 and 25 of Appendix I to this document.

In relation to the fair value assessment of the financial liabilities and assets requiring level 3 measurements under the fair value classification, the Joint Sponsors have conducted relevant due diligence work, including but not limited to, (i) reviewing relevant notes in the Accountants' Report as contained in Appendix I to this document; (ii) reviewing the relevant valuation report and the valuation model provided by the independent valuer with respect to the financial liabilities; (iii) obtaining and reviewing the relevant subscription agreements regarding the financial liabilities and assets; (iv) discussing with the Company and the Reporting Accountants the key basis and assumptions for the valuation of the financial instruments; and (v) discussing with the independent valuer the key basis and assumptions and methodology adopted in the valuation report with respect to the financial liabilities. Having considered the work done by the Company's management, the Directors and the Reporting Accountants, and the relevant due diligence done as stated above, nothing material has come to the Joint Sponsors' attention that indicates that the Directors have not undertaken independent and sufficient investigation and due diligence, or that the Directors' reliance on the work products of the independent valuer is unreasonable or excessive.

Recognition of share-based compensation expenses

Equity-settled share-based compensation plans were granted to our Group's employees. Our Company has engaged an independent valuer to determine the total fair value of the options granted to employees, which is to be expensed over the vesting period. Significant estimate on assumptions, such as the discount rate, risk-free interests rate, expected volatility, estimation of vesting period and dividend yield, is required to be made by our Group in applying the discounted cash flow method.

Estimated useful lives and residual values of property, plant and equipment and technologies

Our Group's management determines the estimated useful lives, residual values and related depreciation and amortization charges for our Group's property, plant and equipment and technologies with reference to the estimated periods that our Group intends to derive future economic benefits from the use of these assets. Management will revise the depreciation and amortization charges where useful lives are different to that of previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives and actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation and amortization charges in future periods.

DESCRIPTION OF SELECTED COMPONENTS OF CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

The following table sets forth our consolidated statements of comprehensive loss for the years indicated:

	Year ended December 31,		
	2018	**2019**	
	RMB'000	*RMB'000*	*% of revenue*
Revenue	–	18,699	100.0
Cost of sales	–	(6,686)	(35.8)
Gross profit	–	12,013	64.2
Selling and distribution expenses	–	(7,482)	(40.0)
Administrative expenses	(45,680)	(173,367)	(927.1)
Research and development expenses	(27,851)	(55,134)	(294.9)
Other income	3,027	4,049	21.7
Other gains/(losses) – net	282	(7,002)	(37.4)
Operating loss	(70,222)	(226,923)	(1,213.6)
Finance (costs)/income – net	(4,559)	3,121	16.7
Fair value change in financial instruments issued to investors	(8,095)	(308,175)	(1,648.1)
Loss before income tax	(82,876)	(531,977)	(2,844.9)
Income tax expenses	–	–	–
Loss for the year	(82,876)	(531,977)	(2,844.9)

Revenue

During the Track Record Period, all of our revenue was generated from the sales of neurointerventional procedural medical devices from our neurointerventional business unit, including Jasper® Detachable Coil, Presgo® Detachable Coil, Presgo® Micro Guidewire, Presgo® Micro Catheter and Jasper® Power Supply, as a result of our acquisition of Achieva in March 2019.

Cost of Sales

During the Track Record Period, the cost of sales were related to the sales of our neurointerventional procedural medical devices. The cost of sales primarily comprised of costs of raw materials and consumables used, employee benefits expenses, depreciation expenses, testing fees and others. The following table sets forth a breakdown of our cost of sales in absolute amounts and as percentages of the total cost of sales for the years indicated:

	Year ended December 31,		
	2018	**2019**	
	RMB'000	*RMB'000*	*%*
Costs of raw materials and consumables used	–	3,174	47.5
Employee benefits expenses	–	1,200	17.9
Depreciation expenses	–	493	7.4
Testing fees	–	619	9.3
Others	–	1,200	17.9
	–	6,686	100.0

Costs of raw materials and consumables used primarily consisted of costs of raw materials and consumables including metals and plastics used to manufacture our commercialized products. Employee benefits expenses under cost of sales primarily included the salaries and welfare, for employees involved in the manufacturing of our commercialized products. Depreciation expenses mainly related to depreciation of manufacturing plants and equipment. Testing fees mainly consisted of expenses incurred for certain testing of our commercialized products. Others mainly consisted of costs related to training provided to our production workers, as well as repair and maintenance costs for our manufacturing plants and equipment.

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 2018. For 2019, our gross profit amounted to RMB12.0 million, while our gross profit margin amounted to 64.2%.

Selling and Distribution Expenses

Our selling and distribution expenses mainly consisted of employee benefits expenses, market development expenses, travelling and transportation expenses, and others. The following table sets forth a breakdown of our selling and distribution expenses in absolute amounts and as percentages of the total selling and distribution expenses for the years indicated:

	Year ended December 31,		
	2018	**2019**	
	RMB'000	*RMB'000*	*%*
Employee benefits expenses	–	3,102	41.4
Market development expenses	–	2,316	31.0
Travelling and transportation expenses	–	562	7.5
Others	–	1,502	20.1
	–	7,482	100.0

Employee benefits expenses primarily included the salaries, welfare, and share-based compensation for our sales and marketing employees. Market development expenses mainly included expenses incurred in marketing our products, such as by sponsoring industry conventions and providing training to physicians and our distributors. Travelling and transportation expenses mainly included travelling and transportation expenses incurred by our sales and marketing employees. Others mainly included hospitality expenses and other miscellaneous expenses.

Research and Development Expenses

Our research and development expenses primarily consisted of testing fees, employee benefits expenses, costs of raw materials and consumables used, depreciation expenses, and others. In 2018 and 2019, the research and development expenses incurred for the Core Product, TaurusOne®, were RMB12.5 million and RMB11.9 million, respectively. The following table below sets forth a breakdown of our research and development expenses in absolute amounts and as percentages of the total research and development expenses for the years indicated:

	Year ended December 31,			
	2018		**2019**	
	RMB'000	*%*	*RMB'000*	*%*
Testing fees	10,361	37.2	13,083	23.7
Employee benefits expenses	8,325	29.9	24,453	44.3
Costs of raw materials and consumables used	5,174	18.6	11,884	21.6
Depreciation expenses	1,755	6.3	2,925	5.3
Others	2,236	8.0	2,789	5.1
	27,851	100.0	55,134	100.0

Testing fees mainly consisted of 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. Employee benefits expenses under research and development expenses primarily included the salaries, welfare, and share-based compensation for the research and development employees. Costs of raw materials and consumables used under the research and development expenses mainly consisted of raw materials and consumables used for developing our product candidates. Depreciation expenses under the research and development expenses mainly consisted of depreciation of equipment and renovation of our research and development facilities. Others mainly included professional services expenses, travelling and transportation expenses incurred by our research and development employees, as well as utilities and other general office expenses incurred for the research and development activities.

The following table sets forth a breakdown of our research and development expenses in the transcatheter valve therapeutic business unit in absolute amounts and as percentage of the total research and development expenses in this business unit during the Track Record Period.

	Year ended December 31,			
	2018		2019	
	RMB'000	*%*	*RMB'000*	*%*
Testing fees	10,361	37.2	9,924	30.8
Employee benefits expenses	8,325	29.9	13,575	42.1
Costs of raw materials and consumables used	5,174	18.6	4,554	14.1
Depreciation expenses	1,755	6.3	1,906	5.9
Others	2,236	8.0	2,260	7.1
	27,851	100.0	32,219	100.0

Prior to our acquisition of Achieva in March 2019, we did not incur any research and development expenses for the neurointerventional business unit. Therefore, the research and development expenses in 2018 were all recorded under our transcatheter valve therapeutic business unit. The following table sets forth the breakdown of our research and development expenses by each business unit in absolute amounts and as percentage of the total research and development expenses in the respective business unit for 2019:

	Transcatheter valve therapeutic business unit		**Neurointerventional business unit[1]** ***(from March 30, 2019 to December 31, 2019)***	
	RMB'000	*%*	*RMB'000*	*%*
Testing fees	9,924	30.8	3,159	13.8
Employee benefits expenses	13,575	42.1	10,878	47.5
Costs of raw materials and consumables used	4,554	14.1	7,330	32.0
Depreciation expenses	1,906	5.9	1,019	4.4
Others	2,260	7.1	529	2.3
	32,219	100.0	22,915	100.0

Note:

1. The research and development expenses of neurointerventional business unit for 2019 presented herein do not include the relevant expenses incurred by Achieva for the period from January 1, 2019 to March 29, 2019.

Administrative Expenses

Our administrative expenses primarily consisted of share-based compensation expenses related to repurchase of Ordinary Shares, re-designation of Ordinary Shares to Preferred Shares, re-designation of Preferred Shares within different series, employee benefits expenses, depreciation and amortization expenses, [**REDACTED**] expenses, professional service expenses, utilities and office expenses and others. The following table sets forth a breakdown of our administrative expenses in absolute amounts and as percentages of the total administrative expenses for the years indicated:

	Year ended December 31,			
	2018		2019	
	RMB'000	*%*	*RMB'000*	*%*
Share-based compensation expenses related to repurchase of Ordinary Shares	28,484	62.4	15,994	9.2
Share-based compensation expenses related to re-designation of Ordinary Shares to Preferred Shares	–	–	73,538	42.4
Share-based compensation expenses related to re-designation of Preferred Shares within different series	–	–	6,837	3.9
Employee benefits expenses	5,568	12.2	23,370	13.5
Depreciation and amortization expenses	3,015	6.6	9,898	5.7
[**REDACTED**] expenses	–	–	11,837	6.8
Professional service expenses	4,064	8.9	23,000	13.3
Utilities and office expenses	2,189	4.8	4,196	2.4
Others	2,360	5.1	4,697	2.8
	45,680	100.0	173,367	100.0

Share-based compensation expenses related to repurchase of Ordinary Shares amounted to RMB28.5 million and RMB16.0 million in 2018 and 2019, respectively. Such share-based compensation expenses related to repurchase of Ordinary Shares were in connection with our repurchase of Ordinary Shares from certain shareholders as part of our pre-[**REDACTED**] financing during the Track Record Period. We have accounted for the difference between our repurchase price and the fair value of these Ordinary Shares as share-based compensation [**REDACTED**]. For more details, please refer to the paragraphs headed "History, Development and Corporate Structure—Corporate Development—Our Company—4. Series B Financing and Repurchase of Shares by our Company" and Note 24 of Appendix I to this document.

Share-based compensation expenses related to re-designation of Ordinary Shares to Preferred Shares amounted to nil and RMB73.5 million in 2018 and 2019, respectively. Such share-based compensation expenses related to re-designation of Ordinary Shares to Preferred Shares were in connection with certain of our institutional and professional shareholders purchasing Ordinary Shares from certain of our then existing shareholders in order to increase their shareholding in our Company without diluting the interests of other shareholders as part of our Series C-1 financing in October 2019. These Ordinary Shares were then re-designated as Preferred Shares. We have accounted for the difference between the fair value of the Ordinary Shares and the transaction price of the Preferred Shares as share-based compensation expenses. For more details, please refer to the paragraphs headed "History, Development and Corporate Structure—Corporate Development—Our Company—7. Series C-1 Financing" and Note 24 of Appendix I to this document.

Share-based compensation expenses related to re-designation of Preferred Shares within different series amounted to nil and RMB6.8 million in 2018 and 2019, respectively. Such share-based compensation expenses related to re-designation of Preferred Shares within different series were in connection with certain of our institutional and professional shareholders purchasing Preferred Shares from certain of our then existing shareholders in order to increase their shareholding in our Company without diluting the interests of other shareholders as part of our Series C-1 financing in October 2019. These Preferred Shares were then re-designated as a different series. We have accounted for the difference between the fair values of the different series of Preferred Shares as share-based compensation expenses. For more details, please refer to the paragraphs headed "History, Development and Corporate Structure—Corporate Development—Our Company—7. Series C-1 Financing" and Note 24 of Appendix I to this document.

Employee benefits expenses under administrative expenses primarily included the salaries, welfare and share-based compensation for our administrative employees. Depreciation and amortization expenses mainly included depreciation of our office buildings and other equipment for office use as well as amortization of technologies acquired from Achieva. [**REDACTED**] expenses represented the costs, primarily including the professional service fees, incurred for our proposed [**REDACTED**]. Professional service expenses mainly included legal and financial adviser fees related to our acquisition of Achieva and Series B, Series C and Series C-1 financings, and audit fees, among others. Utilities and office expenses included utilities and other general office expenses incurred by our administrative employees. Others mainly included travelling and transportation expenses, expenses incurred for training offered to our administrative employees, repair and maintenance expenses for office buildings, as well as insurance expense.

Other Income

Our other income consisted of rental income, government grants, and interest income on financial assets at fair value through profit or loss during the Track Record Period. The following table sets forth a breakdown of our other income for the years indicated:

	Year ended December 31,	
	2018	**2019**
	RMB'000	*RMB'000*
Rental income	1,167	1,719
Government grants	1,860	1,701
Interest income on financial assets at fair value through profit or loss	–	629
	3,027	4,049

Our rental income mainly included income from the lease of certain buildings owned by Achieva Suzhou and Peijia Suzhou. Our government grants mainly included government subsidies for compensating the expenses relating to certain research and development projects. Interest income on financial assets at fair value through profit or loss mainly included interests accrued from our purchased wealth management products issued by banks. For more details on our purchased wealth management products, please refer to the paragraphs headed "Discussion of Certain Selected Items from the Consolidated Statements of Financial Position—Financial Assets at Fair Value through Profit or Loss" in this section.

Net Other Gains/(Losses)

Our net other losses mainly consisted of net foreign exchange gains/(losses), losses on disposal of property, plant and equipment and others during the Track Record Period. The following table sets forth a breakdown of our net other gains/(losses) for the years indicated:

	Year ended December 31,	
	2018	**2019**
	RMB'000	*RMB'000*
Net foreign exchange gains/(losses)	615	(6,612)
Losses on disposal of property, plant and equipment	(349)	(289)
Others	16	(101)
	282	(7,002)

Net Finance (Costs)/Income

During the Track Record Period, our finance income mainly included bank interest income and exchange gains on financial instruments issued to investors, while our finance costs mainly included exchange losses on financial instruments issued to investors, interest expense on lease liabilities, interest expense on bank borrowings and interest expense on borrowings from a related party. Exchange losses/gains on financial instruments issued to investors mainly related to the foreign exchange losses/gains of our Preferred Shares, primarily due to the appreciation/depreciation of USD against RMB during the Track Record Period. For more details of our financial instruments issued to investors, please refer to Note 2.16 and Note 25 of Appendix I to this document. Please also refer to the paragraph headed "Related-party Transaction" in this section for more details of our borrowing from a related party.

The following table sets forth a breakdown of our net finance income (costs) for the years indicated:

	Year ended December 31,	
	2018	**2019**
	RMB'000	*RMB'000*
Finance income:		
Bank interest income	238	1,527
Exchange gains on financial instruments issued to investors	–	2,417
	238	3,944
Finance costs:		
Exchange losses on financial instruments issued to investors	(4,634)	–
Interest expense on lease liabilities	(76)	(124)
Interest expense on bank borrowings	(87)	–
Interest expense on borrowings from a related party	–	(699)
	(4,797)	(823)
Net finance (costs)/income	(4,559)	3,121

Fair Value Change in Financial Instruments Issued to Investors

Our fair value changes in financial instruments issued to investors amounted to RMB8.1 million and RMB308.2 million in 2018 and 2019, which were mainly in relation to the change in fair value of our Preferred Shares and a convertible loan during the Track Record Period.

The Preferred Shares are designated as financial liabilities at fair value through profit or loss on the consolidated balance sheet. They are initially recognized at fair value and the increases in the fair value

are recognized as fair value losses on the consolidated statements of comprehensive loss. The fair value loss of the Preferred Shares is a non-cash item that will not recur after the closing of [**REDACTED**], as the Preferred Shares issued by us will be automatically converted into Ordinary Shares, but we may still retain accumulated losses due to the fair value loss of our Preferred Shares prior to the closing of the [**REDACTED**]. For more details, please refer to the paragraphs headed " Discussion of Certain Selected Items from the Consolidated Statements of Financial Position—Financial Instruments Issued to Investors" in this section as well as Notes 3.3 and 25 of Appendix I to this document. For certain risks relating to our financial instruments issued to investors, please refer to the paragraphs headed "Risk Factors—Risks Relating to Financial Position and Need for Additional Capital—Fair value changes in our financial instruments issued to investors and related valuation uncertainty had materially affected, and may continue to materially affect, our financial condition and results of operations" in this document.

Income Tax Expense

Our principal applicable taxes and tax rates are set forth as follows:

(a) Cayman Islands

Under the current laws of the Cayman Islands, our Company is not subject to tax on income or capital gains. In addition, upon payments of dividends by our Company to its shareholders, no Cayman Islands withholding tax will be imposed.

(b) Hong Kong

No provision for Hong Kong profits tax has been provided for at the rate of 16.5% as our Company has no estimated assessable profit.

(c) Mainland China

No provision for Mainland China income tax has been provided for at a rate of 25% or 15% pursuant to the EIT Law of the PRC and the respective regulations, as our PRC entities have no estimated assessable profits.

Achieva Shanghai was qualified as a "High and New Technology Enterprise" under the relevant PRC laws and regulations on November 24, 2016. Accordingly, Achieva Shanghai was entitled to a preferential income tax rate of 15% on its estimated assessable profits from 2016 to 2018.

According to the relevant laws and regulations promulgated by the State Administration of Taxation of the PRC which has been effective from 2018 onwards, enterprise engaging in research and development activities are entitled to claim 175% of their research and development expenses incurred as tax deductible expenses when determining their assessable profits for that year.

We did not record any income tax expense during the Track Record Period. The following table sets forth a reconciliation of the expected income tax calculated at the applicable tax rate and loss before income tax, with the actual income tax, for the years indicated. Please refer to Note 12 of the Appendix I to this document for more details.

Loss for the Year

In 2018 and 2019, our net losses amounted to RMB82.9 million and RMB532.0 million, respectively.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

2019 Compared to 2018

Revenue

Our revenue increased from nil in 2018 to RMB18.7 million in 2019, mainly related to the sales of neurointerventional procedural medical devices in 2019, including Jasper® Detachable Coil, Presgo® Detachable Coil, Presgo® Micro Guidewire, Presgo® Micro Catheter, and Jasper® Power Supply, as a result of our acquisition of Achieva in March 2019.

Cost of Sales

Our cost of sales increased from nil in 2018 to RMB6.7 million in 2019, primarily consisted of costs of raw materials and consumables used of RMB3.2 million, and employee benefits expenses of RMB1.2 million, all associated with our sales of neurointerventional procedural medical devices.

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 in 2018 to RMB12.0 million in 2019, while our gross profit margin increased from nil to 64.2% during the same periods.

Selling and Distribution Expenses

Our selling and distribution expenses increased from nil in 2018 to RMB7.5 million in 2019, primarily consisted of employee benefits expenses of RMB3.1 million and market development expenses of RMB2.3 million, which were all associated with our sales of neurointerventional procedural medical devices.

Research and Development Expenses

Research and development expenses with respect to our transcatheter valve therapeutic business unit increased from RMB27.9 million in 2018 to RMB32.2 million in 2019, mainly attributable to an increase in employee benefits expenses of RMB5.3 million as we incurred share-based compensation expenses for our employees.

Research and development expenses with respect to our neurointerventional business unit increased from nil in 2018 to RMB22.9 million in 2019 as a result of our acquisition of Achieva in March 2019, and mainly consisted of (i) employee benefits expenses of RMB10.9 million, (ii) costs of raw materials and consumables used in research and development activities of RMB7.3 million, and (iii) testing fees of RMB3.2 million.

Administrative Expenses

Administrative expenses increased from RMB45.7 million in 2018 to RMB173.4 million in 2019, mainly attributable to (i) an increase in share-based compensation expenses related to re-designation of Ordinary Shares to Preferred Shares of RMB73.5 million in connection with certain of our institutional and professional shareholders purchasing Ordinary Shares from certain of our then existing shareholders and such Ordinary Shares being re-designated as Preferred Shares as part of our Series C-1 financing in October 2019, (ii) an increase in professional services expenses of RMB18.9 million related to legal and financial adviser fees in connection with our acquisition of Achieva and our Series C and Series C-1 financings, (iii) an increase in [**REDACTED**] expenses of RMB11.8 million in connection with our proposed [**REDACTED**], (iv) an increase in employee benefits expenses of RMB17.8 million primarily as we incurred shared-based compensation expenses for our employees, (v) an increase in share-based compensation expenses related to re-designation of Preferred Shares within different series of RMB6.8 million in connection with certain of our institutional and professional shareholders purchasing Preferred Shares from certain of our then existing shareholders and such Preferred Shares being re-designated as a different series as part of our Series C-1 financing in October 2019, and (vi) an increase in depreciation and amortization expenses of RMB6.9 million, primarily due to an increased number of office buildings and more technologies through our acquisition of Achieva. Such increases in administrative expenses were partially offset by a decrease in share-based compensation expenses related to repurchase of Ordinary Shares of RMB12.5 million, primarily as we repurchased less Ordinary Shares in 2019 as compared to 2018.

Other Income

Other income increased from RMB3.0 million in 2018 to RMB4.0 million in 2019, primarily attributable to (i) an increase in interest income on financial assets at fair value through profit or loss of RMB0.6 million, and (ii) an increase in rental income of RMB0.6 million, mainly in relation to the lease of buildings by Achieva Suzhou and Peijia Suzhou in 2019.

Net Other Gains/(Losses)

We recorded net other gains of RMB0.3 million in 2018 mainly due to net foreign exchange gains of RMB0.6 million, partially offset by losses on disposal of property, plant and equipment of RMB0.3 million.

We recorded net other losses of RMB7.0 million in 2019 mainly due to (i) net foreign exchange losses of RMB6.6 million, and (ii) losses on disposal of property, plant and equipment of RMB0.3 million.

Net Finance Costs or Income

We recorded net finance costs of RMB4.6 million in 2018, while we recorded net finance income of RMB3.1 million in 2019. Such increases were primarily attributable to (i) recording RMB4.6 million of exchange losses on financial instruments issued to investors in 2018 compared to recording RMB2.4 million of exchanges gains on financial instruments issued to investors in 2019, mainly due to appreciation/depreciation in USD against RMB which resulted in foreign exchange losses/gains of the Preferred Shares, and (ii) an increase in bank interest income of RMB1.3 million.

Fair Value Change in Financial Instruments Issued to Investors

We recorded fair value losses in financial instruments issued to investors of RMB8.1 million in 2018, mainly in relation to the decrease in the valuation in our Preferred Shares, particularly due to the dilution effects to our Series A Preferred Shares as a result of our issuance of Series B Preferred Shares in August 2018. We recorded fair value losses in financial instruments issued to investors of RMB308.2 million in 2019, mainly resulting from an increase in the valuation of our Company. For more details, please refer to the paragraphs headed "Discussion of Certain Selected Items from the Consolidated Statements of Financial Position—Financial Instruments Issued to Investors" in this section and Notes 3.3 and 25 of Appendix I to this document.

Income Tax Expense

Our income tax expense remained at nil during the Track Record Period.

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 at December 31, 2018	As at December 31, 2019
	RMB'000	*RMB'000*
Total non-current assets	33,368	321,858
Total current assets	140,996	557,626
Total assets	174,364	879,484
Total non-current liabilities	224,174	1,387,503
Total current liabilities	44,527	50,187
Net current assets	96,469	507,439
Total liabilities	268,701	1,437,690
Net liabilities	94,337	558,206

Our total assets increased significantly from RMB174.4 million as at December 31, 2018 to RMB879.5 million as at December 31, 2019, primarily because of (i) the significant increases in our intangible assets from RMB269,000 to RMB219.3 million, primarily resulting from the goodwill and technologies acquired in relation to our acquisition of Achieva in March 2019, and (ii) the significant increases in our cash and cash equivalents from RMB94.8 million to RMB504.6 million, primarily resulting from our issuance of Series C Preferred Shares and Series C-1 Preferred Shares at cash consideration in USD.

Our total liabilities increased significantly from RMB268.7 million as at December 31, 2018 to RMB1,437.7 million as at December 31, 2019, primarily because of the significant increase in financial instruments issued to investors from RMB220.6 million as at December 31, 2018 to RMB1,362.3 million as at December 31, 2019. We expect to reverse our net liabilities position following the completion of the [**REDACTED**], since our Preferred Shares will convert to Shares and will no longer be recorded as liabilities. For more details, please refer to the paragraphs headed "Financial Instruments Issued to Investors" in this section.

The following table sets forth our current assets and current liabilities as of the dates indicated:

	As at December 31, 2018	As at December 31, 2019	As at March 31, 2020
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*
Current assets			
Inventories	1,282	11,163	12,261
Financial assets at fair value through profit or loss	–	15,000	182,000
Prepayments and other receivables	44,952	26,836	33,966
Cash and cash equivalents	94,762	504,627	309,755
Total current assets	140,996	557,626	537,982
Current liabilities			
Lease liabilities	1,399	1,233	1,248
Trade and other payables	43,128	47,641	28,321
Contract liabilities	–	1,313	1,303
Total current liabilities	44,527	50,187	30,872
Net current assets	96,469	507,439	507,110

Financial Instruments issued to Investors

Our financial instruments issued to investors consisted of Preferred Shares and the convertible loan during the Track Record Period. The movements of the Preferred Shares and the convertible loan for the years ended December 31, 2018 and 2019 are set out below:

	Preferred Shares	Convertible loan	Total
	RMB'000	*RMB'000*	*RMB'000*
At January 1, 2018	75,082	35,223	110,305
Issuance for cash	136,174	–	136,174
Reclassification to other payables	–	(34,000)	(34,000)
Fair value losses/(gains)	9,318	(1,223)	8,095
Changes in fair value of preferred shares attribute to own credit risk	(4,619)	–	(4,619)
Foreign exchange losses	4,634	–	4,634
At December 31, 2018	220,589	–	220,589
At January 1, 2019	220,589	–	220,589
Issuance for cash	495,386	–	495,386
Issuance of preferred shares as consideration for business combination	145,484	–	145,484
Re-designation of ordinary shares to preferred shares	204,111	–	204,111
Re-designation of preferred shares within different series	6,837	–	6,837
Fair value losses	308,175	–	308,175
Changes in fair value of preferred shares attribute to own credit risk	(15,856)	–	(15,856)
Foreign exchange gains/(losses)	(2,417)	–	(2,417)
At December 31, 2019	1,362,309	–	1,362,309

Preferred shares

Our Company has issued Series A Preferred Shares, Series B Preferred Shares, Series A-1 Preferred Shares, Series C Preferred Shares and Series C-1 Preferred Shares since 2016. These Preferred Shares are designated as financial liabilities at fair value through profit or loss on our consolidated balance sheet. They are initially recognized at fair value and the increases in the fair value are recognized as fair value losses on our consolidated statements of comprehensive loss. The fair value loss of the Preferred Shares is a non-cash item that will not recur after the closing of the [**REDACTED**], as the

Preferred Shares issued by us will be automatically converted into Ordinary Shares, but we may still retain accumulated losses due to the fair value loss of our Preferred Shares prior to the closing of the [**REDACTED**]. For more details, please refer to the paragraphs headed "Description of Selected Components of Consolidated Statements of Comprehensive Loss—Fair Value Change in Financial Instruments Issued to Investors" in this section.

Convertible loan

Pursuant to an investment agreement dated October 24, 2017, Suzhou Lirui invested in Peijia Suzhou in the form of an RMB34.0 million convertible loan. As a transitional arrangement, the convertible loan was converted into equity interests in Peijia Suzhou in November 2018. Shortly afterwards and on December 6, 2018, Suzhou Lirui transferred such equity interests in Peijia Suzhou to Marvel Finder at a consideration of RMB34.0 million. As a result, the convertible loan was reclassified as other payables of our Group as at December 31, 2018. Marvel Finder paid RMB34.0 million to Suzhou Lirui subsequently in 2019. For details, please refer to the paragraphs headed "History, Development and Corporate Structure—Corporate Development—Our Company—4. Series B Financing and Repurchase of Shares by our Company" in this document.

For more details of our financial instruments issued to investors, please refer to Note 2.16 and Note 25 of Appendix I to this document. For certain risks relating to our financial instruments issued to investors, please refer to the paragraphs headed "Risk Factors—Risks Relating to Financial Position and Need for Additional Capital—Fair value changes in our financial instruments issued to investors and related valuation uncertainty had materially affected, and may continue to materially affect, our financial condition and results of operations" in this document.

Intangible Assets

Our intangible assets mainly included goodwill, software and technologies during the Track Record Period. The following table sets forth details of our intangible assets as at the dates indicated:

	As at December 31, 2018	**As at December 31, 2019**
	RMB'000	*RMB'000*
Goodwill	–	51,658
Technologies	–	167,350
Computer software	269	300
	269	219,308

Our intangible assets increased significantly from RMB0.3 million as at December 31, 2018 to RMB219.3 million as at December 31, 2019, mainly as a result of intangible assets acquired through business combination derived from the acquisition of Achieva in March 2019.

Goodwill

Goodwill is attributable to the business prospects of the acquired business and will not be deductible for tax purpose. Our Group tests whether goodwill has suffered any impairment on an annual basis. This requires an estimation of the value in use of the cash-generating unit (CGU) to which the goodwill is allocated. Impairment is determined by assessing the recoverable amount of the CGU to which goodwill is allocated. Where the recoverable amount of the CGU is less than the carrying amount, an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Impairment review on the goodwill of the Group has been conducted by an independent qualified valuer as at December 31, 2019. For the purpose of impairment review, the recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets prepared by management covering an eight-year period. Cash flows beyond an eight-year period are extrapolated using the estimated terminal growth rates stated below and the future products would reach a stable stage at the end of the eight-year-period.

	Gross margin	Growth rate of the first eight years	Terminal growth rate	Pre-tax discount rate
As at December 31, 2019	58.18%-63.76%	10.12%-229.01%	3%	27.06%

Based on the result of the goodwill impairment testing, the estimated recoverable amount of the CGU far exceeded its carrying amount and the headroom was RMB209,209,210 as at December 31, 2019. The management of our Group has not identified that a reasonable possible change in any of the key assumptions that could cause the carrying amount to exceed the recoverable amount.

We performed the sensitivity analysis based on the assumptions that revenue amount or terminal value or the discount rate have been changed. Had the estimated key assumptions during the forecast period been changed as below, the headroom would be decreased to as below:

	As at December 31, 2019
	RMB'000
Revenue amount decreases by 10%	140,619
Terminal value decreases by 10%	180,552
Discount rate increases by 5%	161,921

For more details, please refer to Note 17 headed "Intangible Assets" of the Appendix I to this document.

Technologies

Technologies acquired in a business combination are recognized at fair value at the acquisition date. Technologies have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of technologies over their estimated useful lives of 15 years. The accumulated amortization of technologies amounted to RMB3.4 million for 2019. The technologies are related to our main products of detachable coils and access devices. Based on industry experience, our management believe that the detachable coils and access devices will continue to generate revenue for at least the next 15 years. Currently, our flagship products, Jasper® Detachable Coil and Presgo® Detachable Coil, were approved by the NMPA in 2009 and 2018, respectively. Considering that detachable coils have not been widely used by major hospitals, we expect that with the technical advancement of medical staff and the popularity of detachable coils, the market share of our detachable coils and related products in the treatment of neurovascular diseases will increase significantly. The estimated useful life of 15 years is also consistent with the 12 to 17 year amortization period of technologies in medical device company acquisitions based on our investigations of public acquisition cases.

We recorded intangible assets not available for use of nil and RMB103.0 million as of December 31, 2018 and December 31, 2019, which were attributable to our technologies under research and development for product candidates. We are required to test intangible assets not available for use for impairment on an annual basis. Intangible assets are tested whenever events or changes in circumstances indicate that the carrying amount of those assets exceeds its recoverable amount. The recoverable amount is determined based on the higher of fair value less cost to sell and value in use.

Fair value was estimated using the discounted cash flow approach. For the discounted cash flow, we estimated revenue based on our management's expected timing of the product candidates' commercialization, productivity and sales volume. We estimated the product candidates' sales volume based on market conditions and the state of technology development. We then adjusted the estimated revenue by applying a percentage of costs and operating expenses to the revenue, which was based on the current operating margin levels of comparable companies, with adjustments made based on our management's industry experience as well as our research and development plans. Finally, we estimated the discount rate based on the uncertain success rate of commercialization for the applicable product candidates.

Estimation of the value in use requires management judgements in order to assess whether the carrying value of the intangible assets not available for use can be supported by the net present value of future cash flows. In calculating the net present value of the future cash flows, certain assumptions are required to be made with respect to some highly uncertain factors, including management's expectations of (i) the timing of commercialization of product candidates, production capacity and relevant products market size; (ii) the revenue compound growth rate; (iii) costs and operating expenses; and (iv) the selection of discount rates to reflect the risks involved.

Based on the result of impairment assessment, we recorded no impairment for our intangible assets not available for use during the Track Record Period.

The key assumptions used as of December 31, 2019 are as follows:

	Gross margin	Growth rate	Percentage of costs and operating expenses	Post-tax discount rate
As of December 31, 2019	40.2%-77.9%	(72.3%)-218.6%	46.5%-354.4%	27.0%

Based on the result of impairment assessment, the recoverable amount of technologies under research and development is estimated to exceed the carrying amount as of December 31, 2019 by RMB48.8 million, which is the headroom. Considering there was still sufficient headroom based on the assessment, the Directors and management believe that a reasonably possible change in any of the key assumptions would not cause the aggregate carrying amount of the technologies under research and development to exceed its recoverable amount.

The recoverable amount of technologies under research and development would equal its carrying amount if each of the key assumptions were to change as follows, with all other variables held constant, and the Directors and management believe that the key assumptions would not likely change.

Sensitivity of Key Assumptions

	As of 31 December, 2019
Gross margin	(12.5%)
Revenue amount	(23.8%)
Percentage of costs and operating expenses	9.7%
Post-tax discount rate	19.8%

For more details, please refer to Notes 2.7 and 17 of Appendix I to this document. Please also refer to the paragraph headed "Risk Factors—Risks Relating to Our Financial Position and Need for Additional Capital—If we determine our intangible assets (other than goodwill) to be impaired, our results of operations and financial condition may be adversely affected" in this document for relevant risks.

Inventories

Our inventories consisted of raw materials, work in progress and finished goods during the Track Record Period. We regularly monitor our inventory to reduce the risk of overstocking. We physically count all of our raw materials, work in progress and finished goods on a monthly basis to identify products that are damaged, expired or soon-to-be expired. Our Directors confirm that our inventory control system and policies have been effective and we did not experience any material shortage in supply or overstock of inventory during the Track Record Period and up to the Latest Practicable Date. For more details, please refer to the paragraphs headed "Business—Inventory Management" in this document.

The following table sets forth our inventory balances as of the dates indicated:

	As at December 31, 2018	As at December 31, 2019
	RMB'000	*RMB'000*
Raw materials	1,282	8,864
Finished goods	–	1,540
Work in progress	–	759
	1,282	11,163

Our inventory balance increased from RMB1.3 million as at December 31, 2018 to RMB11.2 million as at December 31, 2019, primarily due to an increase in raw materials of RMB7.6 million, an increase in finished goods of RMB1.5 million, and an increase in work in progress of RMB0.8 million. Such increase in inventory was primarily attributable to (i) our acquisition of Achieva in March 2019, which led to an increase in inventory for our neurointerventional business unit, and (ii) an increase in inventory for our transcatheter valve therapeutic business unit as a result of the continuous development of product candidates for transcatheter valve therapeutic medical devices. The average inventory turnover days for inventories in our neurointerventional business unit from March 30, 2019 to December 31, 2019 was approximately 272 days (such inventory turnover days equals the arithmetic mean of the beginning and ending balances of inventory from March 30, 2019 to December 31, 2019 divided by the sum of cost of sales for the relevant period and multiplied by 360 days for the full-year period).

As of December 31, 2019, RMB1.3 million, representing 100.0% of the inventory as of December 31, 2018, was subsequently utilized.

Financial Assets at Fair Value through Profit or Loss

The financial assets at fair value through profit or loss primarily included our investments in wealth management products issued by banks. As part of our treasury management, we invest in certain wealth management products to better utilize excess cash when our cash sufficiently covers our ordinary course of business. We have implemented a series of internal control policies and rules setting forth overall principles as well as detailed approval process of our investment activities. We adopt a prudent approach in selecting wealth management products. Our investment decisions are made on a case-by-case basis and after due and careful consideration of a number of factors, such as the duration of investment period and the expected returns. Our purchased wealth management products were of expected rates of return ranged from 2.2% to 3.05% per annum in 2019. To control our risk exposure, we have in the past sought, and may continue in the future to seek, low-risk wealth management products that provide better investment returns than demand deposits at commercial banks. Additionally, we mainly invest in wealth management products offered by state-owned or reputable financial institutions in China. We determine the risk level of the wealth management products with reference to the risk classifications provided by the relevant banks or issuers. We manage and evaluate the performance of these investments on a fair value basis in accordance with our risk management and investment strategy. Therefore, these investments in wealth management products were designated as financial assets at fair value through profit or loss as at December 31, 2019. Please refer to the paragraphs headed "Risk Factors—Risks Relating to Our Operations—We are exposed to risks in connection with the wealth management products we purchased" in this document for more details of risks relating to wealth management products.

The below table sets forth the details of financial assets at fair value through profit or loss as of the dates indicated:

	As at December 31, 2018	As at December 31, 2019
	RMB'000	*RMB'000*
Opening balance	–	–
Additions	–	137,710
Disposals	–	(122,710)
Closing balance	–	15,000

Prepayments and Other Receivables

Prepayments and other receivables mainly included other receivables from related parties and third parties, prepayments to equipment not received, prepayments to [**REDACTED**] fees, prepayments to third parties, value-added tax recoverable, interest receivables, deposits and others. The following table sets forth the breakdown of our prepayments and other receivables as of the dates indicated:

	As at December 31, 2018	As at December 31, 2019
	RMB'000	*RMB'000*
Other receivables from related parties	4	4
Other receivables from third parties	37,581	637
Prepayments to:		
– *equipment not received*	660	3,455
– [**REDACTED**] *fees*	–	3,635
– *third parties*	1,551	7,606
Value-added tax recoverable	4,894	12,571
Interest receivables	–	1,288
Deposits	856	854
Others	66	241
	45,612	30,291
Less: non-current portion	(660)	(3,455)
Current portion	44,952	26,836

Other receivables from third parties in 2018 mainly related to RMB34.3 million from Liyi Biotech for the purchase of certain Shares of our Company. Our Company has agreed to issue a certain number of Series B Preferred Shares and Ordinary Shares to Liyi Biotech pursuant to an agreement executed on August 8, 2018, while Liyi Biotech paid the consideration to us on February 2, 2019, which resulted in other receivables of RMB34.3 million as at December 31, 2018. For more details, please refer to the paragraphs headed "History, Development and Corporate Structure—Corporate Development—Our Company—4. Series B Financing and Repurchase of Shares by our Company" and Note 24 of Appendix I to this document. Other receivables also included advances to employees for their business trips and deposits paid to landlords for our leased properties during the Track Record Period. Prepayments to equipment not received mainly related to our purchase of manufacturing as well as research and development equipment. Prepayments to third parties mainly included prepayments to suppliers for our purchase of raw materials, consumables and work in progress for the manufacturing of our products and product candidates, as well as our prepayments to CROs and SMOs for their services. Value-added tax recoverable represented our value-added tax (VAT) input tax credit, resulting from the difference between our VAT input tax (arising from our purchase of goods including raw materials, consumables, and other inventories) and our VAT output tax (arising from our sales of products).

The current portion of our prepayments and other receivables decreased from RMB45.0 million as at December 31, 2018 to RMB26.9 million as at December 31, 2019, mainly due to a decrease in other receivables from third parties of RMB34.2 million, primarily as Liyi Biotech fully paid RMB34.3 million to us on February 2, 2019. Such decreases in prepayments and other receivables were partially offset by (i) an increase in prepayments to third parties of RMB6.1 million as we purchased more raw materials, consumables and work in progress for the manufacturing of our products and product candidates, which was primarily as a result of our acquisition of Achieva in connection with its sales of neurointerventional procedural medical devices, and (ii) an increase in value-added tax recoverable of RMB7.7 million, primarily due to an increased level of VAT input tax of Achieva in relation to its purchase of raw materials consumable and work in progress for the manufacturing of products and product candidates.

Deferred Tax Liabilities

Deferred tax liabilities during the Track Record Period were mainly in relation to the acquisition of Achieva in March 2019. The following table sets forth the movements of our deferred tax liabilities (without taking into consideration the offsetting of balances within the same tax jurisdiction) between January 1, 2019 and December 31, 2019:

	Property, plant and equipment acquired in business combination	Investment property acquired in business combination	Land use right acquired in business combination	Intangible assets acquired in business combination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2019	–	–	–	–	–
Business combinations of Achieva	1,824	744	477	42,685	45,730
Charge to consolidated statements of comprehensive income	(173)	(35)	(9)	(847)	(1,064)
As at December 31, 2019	1,651	709	468	41,838	44,666

Deferred Income

Our deferred income consisted of asset-related and cost-related government grants. The following table sets forth the breakdown of our deferred income as at the dates indicated:

	As at December 31, 2018	As at December 31, 2019
	RMB'000	*RMB'000*
Government grants		
Asset-related grants [1]	1,341	1,311
Cost-related grants [2]	1,000	2,280
	2,341	3,591

Notes:

1. Asset-related government grants are subsidies received for compensating our purchase of land use rights. The estimated useful life of the land use rights is 50 years and the aforementioned grants is amortized in the remaining useful life of the land.

2. Cost-related government grants are subsidies received for compensating the expenses for research and development projects.

Our deferred income increased by 56.5% from RMB2.3 million as at December 31, 2018 to RMB3.6 million as at December 31, 2019, primarily in relation to the increase in cost-related government grants of RMB1.3 million due to subsidies granted to our neurointerventional business unit for compensating the expenses for the research and development expenses projects.

Trade and other Payables

Our trade and other payables mainly consisted of trade payables to third parties, other payables to related party and third party, staff salaries and welfare payables, interest payables to related party, as well as accrued taxes other than income tax during the Track Record Period. The following table sets forth a breakdown of trade and other payables as at the dates indicated:

	As at December 31, 2018	As at December 31, 2019
	RMB'000	*RMB'000*
Trade payables – third parties	2,353	6,043
Other payables		
– related party	–	691
– third party	35,391	19,036
Staff salaries and welfare payables	1,302	6,422
Interest payables – related party	–	2,298
Accrued taxes other than income tax	4,236	13,305
	43,282	47,795
Less: non-current position	(154)	(154)
Current position	43,128	47,641

Trade payables to third parties mainly included payables in connection with our purchase of raw materials and consumables, as well as clinical expenses payables to hospitals, trial subjects, CROs and SMOs. Other payables to third party mainly represented (i) the RMB34.0 million consideration to purchase equity interests in Peijia Suzhou payable to Suzhou Lirui by Marvel Finder, our wholly-owned subsidiary, and (ii) [**REDACTED**] fees and fees payable to advisors in connection with our proposed [**REDACTED**]. For more details, please refer to the paragraphs headed "Financial Instruments issued to Investors—Convertible loan" in this section. Interest payables to related party mainly related to our borrowings from Ms. Ye, an executive Director, the Board Secretary and a shareholder of our Company. We had fully paid to Ms. Ye the outstanding principal amount of such borrowing as of the Latest Practicable Date. For more details of our borrowings from Ms. Ye, please refer to the paragraphs headed "Related-party Transaction" in this section. Accrued taxes other than income tax mainly consisted of

accrued but unpaid withholding taxes incurred as a result of the sales of shares by shareholders of our Company as well as the sales of shares by Achieva Medical's shareholders prior to our acquisition.

The current portion of our trade and other payables increased from RMB43.1 million as at December 31, 2018 to RMB47.6 million as at December 31, 2019, mainly due to (i) an increase in accrued taxes other than income tax of RMB9.1 million during the same period, mainly as we acquired Achieva which had additional accrued but unpaid withholding taxes in relation to the sales of shares of Achieva Medical by its shareholders at that time, (ii) an increase in staff salaries and welfare payables of RMB5.1 million, mainly as we accrued salaries to be paid to and welfare benefits to be paid to or on behalf of our employees, and (iii) an increase in trade payables to third parties of RMB3.7 million, mainly as we accrued payables in connection with our purchase of raw materials and consumables, as well as clinical expenses payables to hospitals, trial subjects, CROs and SMOs. Such increase were partially offset by a decrease of our other payables to third parties of RMB16.4 million, primarily as (i) Marvel Finder paid RMB34.0 million to Suzhou Lirui in 2019, and (ii) we accrued RMB12.8 million in [**REDACTED**] fees and fees payable to advisors in connection with our proposed [**REDACTED**] and series C financing.

Over RMB35.7 million, or 82.4%, of our RMB43.3 million trade and other payables as of December 31, 2018 had been subsequently settled as of December 31, 2019.

Trade Payables

Our trade payables increased from RMB2.4 million as at December 31, 2018 to RMB6.0 million as at December 31, 2019, mainly as we conducted more clinical development programs for our product candidates, and we purchased more raw materials and consumables for the manufacturing of our commercialization products and product candidates, which were primarily a result of our acquisition of Achieva. The average trade payables turnover days with respect to our neurointerventional procedural medical devices in our neurointerventional business unit from March 30, 2019 to December 31, 2019 was approximately 82 days (such trade payable turnover days equals the arithmetic mean of the beginning and ending trade payables balances from March 30, 2019 to December 31, 2019 divided by the sum of cost of sales for the relevant period and multiplied by 360 days for the full-year period).

The analysis of trade payables at the respective balance sheet dates is as follows:

	As at December 31, 2018	**As at December 31, 2019**
	RMB'000	*RMB'000*
Within 1 year	2,351	6,043
Between 1 year and 2 years	2	–
	2,353	6,043

Cash and Cash Equivalents

Our cash and cash equivalents primarily consisted of cash in bank denominated in USD, RMB and HKD. The following table sets forth the breakdown of our cash and cash equivalents as at the dates indicated:

	As at December 31, 2018	As at December 31, 2019
	RMB'000	*RMB'000*
Cash in bank	94,762	504,627

The following table sets forth the breakdown of our cash and cash equivalents denominated in USD, RMB and HKD as at the dates indicated:

	As at December 31, 2018	As at December 31, 2019
	RMB'000	*RMB'000*
Cash and cash equivalents are denominated in:		
– USD	93,094	493,233
– RMB	1,668	11,030
– HKD	–	364
	94,762	504,627

Our cash and cash equivalents increased from RMB94.8 million as at December 31, 2018 to RMB504.6 million as at December 31, 2019, mainly as a result of our issuance of Series C Preferred Shares and Series C-1 Preferred Shares at cash consideration in USD.

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 generated cash from our sales revenue of commercialized neurointerventional procedural medical devices after our acquisition of Achieva. 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 December 31, 2019, we had cash and cash equivalents of RMB504.6 million.

Cash Flows

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

	Year ended December 31,	
	2018	**2019**
	RMB'000	*RMB'000*
Cash outflow from operating activities before movements in working capital	(36,350)	(98,886)
Changes in working capital	(2,540)	(3,819)
Interest received	238	239
Interest paid	(76)	(124)
Net cash outflow from operating activities	(38,728)	(102,590)
Net cash (outflow)/inflow from investing activities	(8,383)	31,957
Net cash inflow from financing activities	104,432	475,737
Net increase in cash and cash equivalents	57,321	405,104
Cash and cash equivalents at beginning of the year	35,103	94,762
Exchange gains on cash and cash equivalents	2,338	4,761
Cash and cash equivalents at end of the year	94,762	504,627

Net Cash Outflow from Operating Activities

In 2019, our net cash used in operating activities was RMB102.6 million, which was primarily attributable to our net loss before tax of RMB532.0 million, adjusted for non-cash and non-operating items. Positive adjustments for non-cash and non-operating items primarily included (i) fair value change on financial instruments issued to investors of RMB308.2 million, and (ii) share-based compensation expenses of RMB113.8 million primarily related to stock options, repurchase of Ordinary Shares, re-designation of Ordinary Shares to Preferred Shares, as well as re-designation of Preferred Shares within different series. The amount was then adjusted downward by changes in working capital, primarily including a decrease in trade and other payables of RMB23.2 million and an increase in inventories of RMB4.1 million, partially offset by a decrease in prepayments and other receivables of RMB23.5 million.

In 2018, our net cash used in operating activities was RMB38.7 million, which was primarily attributable to our net loss before tax of RMB82.9 million, adjusted for non-cash and non-operating items. Positive adjustments for non-cash and non-operating items primarily include share-based compensation expenses of RMB28.8 million and fair value change on financial instruments issued to investors of RMB8.1 million. The amount was also adjusted upward by changes in working capital, primarily including an increase in prepayments and other receivables of RMB4.0 million.

Net Cash (Outflow)/Inflow from Investing Activities

In 2019, our net cash inflow from investing activities was RMB32.0 million, mainly attributable to proceeds from disposals of financial assets at fair value through profit or loss of RMB122.7 million and cash acquired from acquisition of Achieva of RMB59.6 million, and partially offset by payment of acquisition of financial assets at fair value through profit or loss of RMB137.7 million and payment of acquisition of property, plant and equipment of RMB13.5 million.

In 2018, our net cash outflow from investing activities was RMB8.4 million, mainly attributable to payment of acquisition of property, plant and equipment of RMB8.1 million.

Net Cash Inflow from Financing Activities

In 2019, our net cash inflow from financing activities was RMB475.7 million, mainly attributable to proceeds from issuance of financial instruments issued to investors of RMB495.4 million.

In 2018, our net cash inflow from financing activities was RMB104.4 million, mainly attributable to proceeds from issuance of financial instruments issued to investors of RMB101.8 million.

WORKING CAPITAL

Our Directors are of the opinion that, taking into account of the financial resources available to us described below, we have sufficient working capital to cover at least 125% of our costs, including research and development costs, 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**].

CASH OPERATING COSTS

The following table sets forth key information relating to our cash operating costs for the years indicated:

	Year ended December 31,	
	2018	**2019**
	RMB'000	*RMB'000*
R&D costs		
R&D costs for our Core Product		
– Clinical trial expenses	2,402	5,201
– Staff costs	5,122	2,706
– Raw material costs	2,286	1,814
– Others	1,875	1,211
R&D costs for our other product candidates		
– Clinical trial expenses	5,668	7,176
– Staff costs	2,975	14,487
– Raw material costs	2,888	8,730
– Others	361	1,577
Workforce employment costs [(1)]	13,253	32,986
Product marketing costs	–	2,316
Direct production costs	–	4,993
Non-income taxes, royalties and other governmental charges	–	–
Contingency allowance	–	–
	36,830	83,197

Note:

(1) Workforce employment costs represent total staff costs mainly including salaries and benefits.

INDEBTEDNESS

The table below sets forth a breakdown of our indebtedness including amount due to related party and lease liabilities as of the dates indicated:

	As at December 31, 2018	As at December 31, 2019	As at March 31, 2020
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*
Non-current			
Lease liabilities	1,090	1,129	811
	1,090	1,129	811
Current			
Amount due to related party	–	691	–
Lease liabilities	1,399	1,233	1,248
	1,399	1,924	1,248
Total	2,489	3,053	2,059

Borrowings

As at December 31, 2018, December 31, 2019 and March 31, 2020, the outstanding balance of our borrowings was nil, RMB691,000 and nil, respectively. As of the Latest Practicable Date, we had no unutilized banking facilities.

Lease Liabilities

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. Our lease liabilities amounted to RMB2.5 million, RMB2.4 million and RMB2.1 million as at December 31, 2018, December 31, 2019 and March 31, 2020, respectively.

Preferred Shares

As at December 31, 2018, December 31, 2019 and March 31, 2020, our financial instruments issued to investors had fair value of RMB220.6 million, RMB1,362.3 million and RMB1,499.0 million, respectively. For further details, please refer to Note 25 of Appendix I in this document.

We issued a total number of 2,345,568 Series C-1 Preferred Shares and new Series C-1 Preferred Shares for a total consideration of US$45.0 million in October 2019. For more details, please refer to the paragraphs headed "History, Development and Corporate Structure—Corporate Development—Our Company—7. Series C-1 Financing" in this document.

As of March 31, 2020, being the most recent practicable date for purposes of the indebtedness disclosures in this prospectus, except as otherwise disclosed in this document, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance or other similar indebtedness, any guarantees or other material contingent liabilities. Our Directors confirm that there has not been any material adverse change in our indebtedness since March 31, 2020 and up to the Latest Practicable Date.

CAPITAL EXPENDITURES

We regularly incur capital expenditures to expand our operations, upgrade our facilities and increase our operating efficiency. Our capital expenditures primarily consisted of expenditures on buildings, furniture, electronic equipment, machinery, vehicles, construction in progress, as well as leasehold improvements during the Track Record Period. The following table sets forth the additions of our capital expenditures for the years indicated:

	Year ended December 31,	
	2018	**2019**
	RMB'000	*RMB'000*
Buildings	–	138
Furniture	274	499
Electronic equipment	903	2,277
Machinery	4,202	4,133
Vehicles	–	19
Construction in progress	3,334	4,268
Leasehold improvements	–	638
	8,713	11,972

CONTRACTUAL OBLIGATIONS

Capital Commitments

As at December 31, 2018 and December 31, 2019, we had capital commitments of RMB1.3 million and RMB3.9 million, respectively, primarily in connection with capital expenditures contracted for at each balance sheet date, but not yet incurred, with respect to our purchase of property, plant and equipment.

CONTINGENT LIABILITIES

As of December 31, 2018 and December 31, 2019, 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 RATIOS

The table below sets forth the key financial ratios of our Group for the periods or as of the dates indicated:

	As at December 31, 2018	As at December 31, 2019
Current ratio[1]	3.2	11.1
Quick ratio[2]	3.1	10.9

Notes:

1. Current ratio represents current assets divided by current liabilities as of the same date.

2. Quick ratio represents current assets less inventories and divided by current liabilities as of the same date.

Our current ratio increased from 3.2 as at December 31, 2018 to 11.1 as at December 31, 2019, while our quick ratio increased from 3.1 as of December 31, 2018 to 10.9 as of December 31, 2019, mainly attributable to (i) an increase in cash and cash equivalents of RMB409.9 million, and (ii) an increase in financial assets at fair value through profit or loss of RMB15.0 million.

RELATED-PARTY TRANSACTIONS

During the Track Record Period, we had the following transactions with the following related parties: XinYue International Limited, the shareholder of our Company, and Ms. Hong Ye, an executive Director, the Board Secretary and a shareholder of our Company. Such related party transactions were mainly related to a related-party loan granted by Ms. Ye to Achieva prior to our acquisition of Achieva in 2019. To clarify, our Company is able to obtain alternative financings if and when needed and does not rely on the loans provided by our connected persons. As such, there is no financial reliance on our connected persons.

(1) Transaction with Related Parties

- **Repayment of related party's loan**

	Year ended December 31,	
	2018	2019
	RMB'000	*RMB'000*
Ms. Hong Ye	–	16,620

- **Interest expense accrued**

	Year ended December 31,	
	2018	**2019**
	RMB'000	*RMB'000*
Ms. Hong Ye	–	699

(2) Balance with Related Parties

- **Receivables from related parties**

	As at December 31, 2018	**As at December 31, 2019**
	RMB'000	*RMB'000*
XinYue International Limited	3	3
Ms. Hong Ye	1	1
	4	4

Such receivables from related parties were related to XinYue International Limited and Ms. Ye's unpaid capital contributions of our Company. Such receivables had been fully settled as of January 17, 2019.

- **Loan from related party**

	As at December 31, 2018	**As at December 31, 2019**
	RMB'000	*RMB'000*
Ms. Hong Ye	–	691

- **Interest payable to related party**

	As at December 31, 2018	As at December 31, 2019
	RMB'000	*RMB'000*
Ms. Hong Ye	–	2,298

As at December 31, 2019, the outstanding principal amount of the borrowings from Ms. Ye was RMB691,000 with an interest rate of 10% per annum. We had fully repaid to Ms. Ye the outstanding principal amount of the borrowing as of the Latest Practicable Date. The accumulated interest payable with respect to borrowings provided by Ms. Ye as at December 31, 2019 amounted to RMB2.3 million, which would be settled before the [**REDACTED**].

Our Directors confirm that all material related party transactions during the Track Record Period were conducted on an arm's length basis, and would not distort our results of operations over the Track Record Period or make our historical results over the Track Record Period not reflective of our expectations for our future performance.

MARKET RISK DISCLOSURE

We are exposed to a variety of financial risks, including foreign exchange risk, credit risk and liquidity risk. Our overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our Group's financial performance. As of the Latest Practicable Date, we did not hedge or consider necessary to hedge any of these risks.

Foreign Exchange Risk

Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not our functional currency, i.e., RMB.

Certain bank balances and cash, other receivables, financial instruments issued to investors and other payables are denominated in foreign currencies that are exposed to foreign currency risk. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the functional currency. Our Group has entities operating in USD and RMB, and we will constantly review the economic situation and our foreign exchange risk profile, and will consider appropriate hedging measures in the future, as may be necessary.

Most foreign exchange transactions were denominated in USD for our group companies that have functional currency in RMB. As at December 31, 2018 and December 31, 2019, if the USD strengthened/weakened by 5% against the RMB with all other variables held constant, foreign exchange net loss for the year would have been RMB4,657,713 higher/lower and RMB34,033,436 higher/lower, respectively.

Credit Risk

Credit risk mainly arises from cash and cash equivalents and trade and other receivables. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheet. We expect that there is no significant credit risk associated with cash and cash equivalents since they are deposited at state-owned banks or reputable commercial banks which are high-credit-quality financial institutions. Management does not expect that there will be any significant losses from non-performance by these counterparties. For trade and other receivables, management makes periodic assessments as well as individual assessment on the recoverability based on historical settlement records and past experience and adjusts for forward looking information. We have applied simplified approach for our trade receivables using a lifetime expected loss provision. As of December 31, 2018 and December 31, 2019, there was no remaining balance in respect of trade receivables. Thus no loss allowance provision for trade receivables was recognized. Management has assessed that during the Track Record Period, there had not been a significant increase in credit risk for other receivables since initial recognition. Thus, a 12-month expected credit loss approach that results from possible default event within 12 months of each reporting date is adopted by management. The Directors of our Company did not expect any losses from non-performance by the counterparties of other receivables and no loss allowance provision for other receivables was recognized.

Liquidity risk

We aim to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying businesses, our policy is to regularly monitor our liquidity risk and to maintain adequate cash and cash equivalents to meet our liquidity requirements. For more details, please refer to Note 3.1 of Appendix I of this document.

DIVIDEND

No dividend has been paid or declared by our Company or the companies now comprising our Group during 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 pay any dividends in the near future. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Cayman Companies Law. The declaration and payment of any dividends in the future will be determined by our Board, in its discretion, and will depend on a number of factors, including our earnings, capital requirements, overall financial condition and contractual restrictions. Our Shareholders in a general meeting may approve any declaration of dividends, which must not exceed the amount recommended by our Board. As advised by our Cayman legal adviser, under the Cayman Companies Law a Cayman Islands company may pay a dividend out of either profits or share premium account, provided that in no circumstances may a dividend be paid if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business. In light of our accumulated losses as disclosed in this document, it is unlikely that we will be eligible to pay a dividend out of our profits in the near future. We may, however, pay a dividend out of our share premium account unless the payment of such a dividend would result in our Company being unable to pay our debts as they fall due in the ordinary course of business. There is no assurance that dividends of any amount will be declared to be distributed in any year.

We may need dividends and other distributions on equity from our subsidiaries to satisfy our liquidity requirements, including those incorporated in the PRC. Current PRC regulations permit our

PRC subsidiaries to pay dividends to us only out of their distributable profits. Distributable profits are our PRC subsidiaries' after-tax profits, less any recovery of accumulated losses and appropriations to statutory and other reserves that our PRC subsidiaries are required to make. In addition, our PRC subsidiaries are required to set aside at least 10% of their respective after-tax profits each year to fund statutory reserve until the total amount set aside reaches 50% of their respective registered capital. Where the aggregate balance of statutory reserve is insufficient to cover loss in the previous financial year, the current financial year's profits shall first be used to cover the loss before any statutory reserve is set aside. Our PRC subsidiaries may also allocate a portion of their after-tax profits to discretional reserve where our PRC subsidiaries have set aside statutory reserve from their after-tax profits, subject to a resolution of the shareholders. These reserves are not distributable as cash dividends. Furthermore, if our PRC subsidiaries incur debt on their own behalf, the instruments governing such debt may restrict their ability to pay dividends or make other payments to us.

DISTRIBUTABLE RESERVES

As at December 31, 2019, we did not have any distributable reserves.

[**REDACTED**] EXPENSE

[**REDACTED**] expenses to be borne by us are estimated to be approximately RMB[**REDACTED**] million (HK$[**REDACTED**] million) (including [**REDACTED**] commission), assuming an [**REDACTED**] of HK$[**REDACTED**] per Share, being the mid-point of the indicative [**REDACTED**] range of HK$[**REDACTED**] to HK$[**REDACTED**] per Share), and assuming the [**REDACTED**] is not exercised. As of December 31, 2019, we incurred a total of RMB[**REDACTED**] million (HK$[**REDACTED**] million) in [**REDACTED**] expenses, among which RMB[**REDACTED**] million were recognized in our consolidated statement of comprehensive loss, and RMB[**REDACTED**] million were capitalized.

We estimate that additional [**REDACTED**] expenses of approximately RMB[**REDACTED**] million (HK$[**REDACTED**] million) (including [**REDACTED**] commissions of approximately RMB[**REDACTED**] million (HK$[**REDACTED**] million), assuming the [**REDACTED**] is not exercised and based on the mid-point of our [**REDACTED**] range of HK$[**REDACTED**] to HK$[**REDACTED**] per [**REDACTED**]) will be incurred by our Company, approximately RMB[**REDACTED**] million (HK$[**REDACTED**] million) of which is expected to be charged to our consolidated statements of profit or loss, and approximately RMB[**REDACTED**] million (HK$[**REDACTED**] million) of which is expected to be capitalized. The [**REDACTED**] expenses 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 statement of our adjusted net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the [**REDACTED**] on our net tangible assets attributable to the owners of our Company as of December 31, 2019 as if the [**REDACTED**] had taken place on December 31, 2019.

This 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 our consolidated net tangible assets attributable to the owners of our Company as at December 31, 2019 or at any future dates following the [**REDACTED**].

	Audited consolidated net tangible assets attributable to the owners of our Company as at December 31, 2019[(1)]	Estimated impact to the net tangible assets upon conversion of the Series A, Series B, Series A-1, Series C, Series C-1 and New Series C-1 Preference Share[(2)]	Estimated net [REDACTED] from the [REDACTED][(3)]	Unaudited [REDACTED] adjusted consolidated net tangible assets attributable to the owners of our Company as at December 31, 2019	Unaudited pro forma adjusted net tangible assets per Share	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB[(4)]*	*HK$[(5)]*
Based on an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Based on an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]

Notes:

(1) The audited consolidated net tangible assets attributable to the owners of our Company as at December 31, 2019 is extracted from the Accountant's Report set out in Appendix I to this document, which is based on the consolidated net assets attributable to the owners of our Company as at December 31, 2019 of RMB(558,206,000) with adjustments for the intangible assets as at December 31, 2019 of RMB219,308,000.

(2) Our Company's Series A Preferred Shares, Series B Preferred Shares, Series A-1 Preferred Shares, Series C Preferred Shares, Series C-1 Preferred Shares and new Series C-1 Preferred Shares are all required to be converted into ordinary shares upon the [**REDACTED**]. The adjustment represents the impact of the conversion of all these preferred shares into ordinary shares, issued up to the date of this document, on the net tangible assets attributable to the equity holders. The estimated impact is RMB[**REDACTED**] for Series A Preferred Shares, Series B Preferred Shares, Series A-1 Preferred Shares, Series C Preferred Shares, Series C-1 Preferred Shares and new Series C-1 Preferred Shares, being the carrying amount of the Series A Preferred Shares, Series B Preferred Shares, Series A-1 Preferred Shares, Series C Preferred Shares, Series C-1 Preferred Shares and new Series C-1 Preferred Shares as of December 31, 2019.

(3) The estimated net [**REDACTED**] from the [**REDACTED**] are based on the indicative [**REDACTED**] of HK$[**REDACTED**] and HK$[**REDACTED**] per [**REDACTED**], being the low end to high end of the indicative [**REDACTED**] range, respectively, after deduction of the [**REDACTED**] fees and other related expenses (excluding [**REDACTED**] expenses of approximately RMB11,838,000 which have been accounted for in our consolidated statements of comprehensive loss prior to December 31, 2019) payable by us and takes no account of any options which may be granted under the Stock Option Scheme or any Shares which may be allotted and issued or repurchased by us under the general mandate to issue Shares and general mandate to repurchase Shares as described in the section headed "Share Capital" in this document.

(4) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in note 3 above and on the basis that [**REDACTED**] Shares (including the completion of the conversion of the preferred shares into ordinary shares as mentioned above and the [**REDACTED**] to be effective upon [**REDACTED**]) were in issue assuming that the [**REDACTED**] had been completed on December 31, 2019 but takes no account of any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by us under the general mandate to issue Shares and general mandate to repurchase Shares as set out in the section headed "Share Capital" in this document.

(5) For the purpose of this unaudited pro forma adjusted net tangible assets, the balances stated in Renminbi are converted into Hong Kong dollars at the rate of RMB[0.88504] to HK$[1.00]. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

(6) Except as disclosed above, no adjustment has been made to reflect any [**REDACTED**] results or other transactions entered into by us subsequent to December 31, 2019.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that up to the date of this document, other than the impact of the outbreak of COVID-19 as disclosed under the "Recent Developments and No Material Adverse Change" in the "Summary" section in this document, there had been no material adverse change in our financial, operational or prospects since December 31, 2019, being the latest balance sheet date of our consolidated financial statements as set out in the Accountants' Report included in Appendix I to this document.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors have confirmed 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.

FINANCIAL INFORMATION OF ACHIEVA

The following table sets forth the consolidated statements of profit or loss of Achieva for the periods indicated, which is derived from the consolidated statements of profit or loss of Achieva set out in the Accountants' Report included in Note 35 of Appendix I to this document:

	Year ended December 31, 2018		Period from January 1, 2019 to March 29, 2019	
	RMB'000	*%*	*RMB'000*	*%*
Revenue	15,390	100.0	5,218	100.0
Cost of sales	(7,443)	(48.4)	(2,473)	(47.4)
Gross profit	7,947	51.6	2,745	52.6
Administrative expenses	(21,260)	(138.1)	(4,285)	(82.1)
Research and development expenses	(13,516)	(87.8)	(5,150)	(98.7)
Selling and distribution expenses	(7,669)	(49.8)	(1,035)	(19.8)
Other income	2,610	17.0	388	7.4
Other losses - net	(4,897)	(31.8)	(462)	(8.9)
Operating loss	**(36,785)**	**(239.0)**	**(7,779)**	**(149.1)**
Finance costs - net	(1,568)	(10.2)	(488)	(9.4)
Loss before income tax	(38,353)	(249.2)	(8,287)	(158.8)
Income tax expense	–	–	–	–
Loss for the year/period	(38,353)	(249.2)	(8,287)	(158.8)

Revenue

Achieva's revenue was mainly generated from sales of neurointerventional procedural medical devices, including Jasper® Detachable Coil, Presgo® Detachable Coil, Presgo® Micro Guidewire, Presgo® Micro Catheter, and Jasper® Power Supply, in 2018 and for the period between January 1, 2019 and March 29, 2019.

Cost of sales

Achieva's cost of sales were related to the sales of neurointerventional procedural medical devices. The cost of sales comprised costs of raw materials and consumables used, employee benefits expenses, depreciation expenses, testing fees, and others. The following table sets forth a breakdown of Achieva's cost of sales in absolute amounts and as percentages of the total cost of sales for the periods indicated:

	Year ended December 31, 2018		Period from January 1, 2019 to March 29, 2019	
	RMB'000	*%*	*RMB'000*	*%*
Costs of raw materials and consumables used	3,782	50.8	1,461	59.1
Employee benefits expenses	956	12.9	472	19.1
Depreciation expenses	311	4.2	86	3.5
Testing fees	717	9.6	240	9.7
Others	1,677	22.5	214	8.6
	7,443	100.0	2,473	100.0

Costs of raw materials and consumables used primarily consisted of costs of raw materials and consumables including metals and plastics used to manufacture Achieva's commercialized products, including Jasper® Detachable Coil, Presgo® Detachable Coil, Presgo® Micro Guidewire, Presgo® Micro Catheter, and Jasper® Power Supply. Employee benefits expenses under cost of sales primarily included the salaries, welfare, and other benefits for the employees involved in the manufacturing of the aforementioned commercialized products. Depreciation expenses mainly related to depreciation of manufacturing plants and equipment. Testing fees mainly consisted of expenses incurred for certain testing of Achieva's commercialized products. Others mainly included utilities and office expenses, professional service fees, as well as travelling and transportation expenses.

Gross Profit and Gross Profit Margin

Gross profit represents revenue less cost of sales, while gross profit margin represents gross profit as a percentage of revenue. Achieva's gross profit amounted to RMB7.9 million and RMB2.7 million in 2018 and for the period between January 1, 2019 and March 29, 2019, respectively, while the gross profit margin reached 51.6% and 52.6%, respectively, during the same period.

Research and Development Expenses

Achieva's research and development expenses primarily consisted of testing fees, employee benefits expenses, costs of raw materials and consumables used, depreciation expenses, utilities and office expenses, and others. The following table sets forth a breakdown of Achieva's research and development expenses in absolute amounts and as percentages of the total research and development expenses for the periods indicated:

	Year ended December 31, 2018		Period from January 1, 2019 to March 29, 2019	
	RMB'000	*%*	*RMB'000*	*%*
Testing fees	1,826	13.5	1,075	20.9
Employee benefits expenses	6,421	47.5	1,823	35.4
Costs of raw materials and consumables used	3,768	27.9	1,392	27.0
Depreciation expenses	894	6.6	242	4.7
Utilities and office expenses	186	1.4	549	10.7
Others	421	3.1	69	1.3
	13,516	100.0	5,150	100.0

Testing fees mainly consisted of expenses incurred for conducting pre-clinical studies and clinical trials, including payment to CROs, SMOs, hospitals, trial subjects and other medical institution in relation to pre-clinical studies and clinical trials. Employee benefits expenses under research and development expenses primarily included the salaries, welfare, and share-based compensation for the research and development employees. Costs of raw materials and consumables used under the research and development expenses mainly consisted of raw materials and consumables used for developing Achieva's product candidates. Depreciation expenses under the research and development expenses mainly consisted of depreciation of equipment and renovation of research and development facilities. Utilities and office expenses mainly consisted of utilities and other general office expenses incurred for the development of product candidates. Others mainly included travelling and transportation expenses incurred for the travelling of research and development personnel and consulting fees.

Administrative Expenses

Achieva's administrative expenses primarily consisted of employee benefits expenses, utilities and office expenses, depreciation and amortization expenses, and others. The following table sets forth a breakdown of Achieva's administrative expenses in absolute amounts and as percentages of the total administrative expenses for the periods indicated:

	Year ended December 31, 2018		Period from January 1, 2019 to March 29, 2019	
	RMB'000	*%*	*RMB'000*	*%*
Employee benefits expenses	10,012	47.1	2,176	50.8
Utilities and office expenses	6,114	28.8	442	10.3
Depreciation and amortization expenses	3,316	15.6	850	19.8
Others	1,818	8.5	817	19.1
	21,260	100.0	4,285	100.0

Employee benefits expenses under administrative expenses primarily included the salaries, welfare, and share-based compensation for the administrative employees. Utilities and office expenses include utilities and other general office expenses incurred by the administrative employees. Depreciation and amortization expenses mainly included depreciation of equipment and facilities for administrative purpose as well as amortization of land use rights. Others mainly included costs of raw materials and consumables used, audit fees, as well as travelling and transportation expenses incurred for administrative staff.

Selling and Distribution Expenses

Achieva's selling and distribution expenses primarily consisted of employee benefits expenses, market development expenses, travelling and transportation expenses, utilities and office expenses, and others. The following table sets forth a breakdown of Achieva's selling and distribution expenses in absolute amounts and as percentages of the total selling and distribution expenses for the periods indicated:

	Year ended December 31, 2018		Period from January 1, 2019 to March 29, 2019	
	RMB'000	*%*	*RMB'000*	*%*
Employee benefits expenses	2,684	35.0	532	51.4
Market development expenses	2,007	26.2	152	14.6
Travelling and transportation expenses	1,716	22.4	111	10.8
Utilities and office expenses	312	4.0	46	4.4
Others	950	12.4	194	18.8
	7,669	100.0	1,035	100.0

Employee benefits expenses primarily included the salaries, welfare, and share-based compensation for the sales and marketing employees. Market development expenses mainly included expenses incurred in marketing the products, such as by sponsoring industry conventions and providing training to physicians and distributors. Travelling and transportation expenses mainly included relevant expenses incurred by sales and marketing employees. Utilities and office expenses included utilities and other general office expenses incurred by the sales and marketing employees. Others mainly included costs of raw materials and consumables used, as well as depreciation expenses.

We believe that Achieva, or our neurointerventional business unit, is still at its development stage. The research and development expenses, administrative expenses, and selling and distribution expenses incurred by the business unit were relatively high. During the Track Record Period, substantially all of the business unit's research and development expenses, and a significant portion of the administrative expenses, were incurred in relation to the product candidates that we were developing (such as the Shenyi® Stent Retriever). With respect to the commercialized neurointerventional procedural products (including the Jasper® Detachable Coil, Presgo® Detachable Coil, Presgo® Micro Guidewire, Presgo® Micro Catheter and Jasper® Power Supply), each of them generated gross profit during the Track Record Period, with high gross profit margin, and when viewed as a whole, they generated operating profit in 2019.

Other Income

Achieva's other income amounted to RMB2.6 million and RMB388,000 in 2018 and for the period between January 1, 2019 to March 29, 2019. Achieva's other income primarily consisted of rental income and government grants. The rental income mainly included income from the lease of a building owned by Achieva Suzhou. The government grants mainly included government subsidies for compensating expenses for future research and development activities.

Net Other Losses

Achieva's net other losses primarily consisted of net foreign exchange losses, loss on disposal of property, plant and equipment and others. The following table sets forth a breakdown of the net other losses for the periods indicated:

	Year ended December 31, 2018	Period from January 1, 2019 to March 29, 2019
	RMB'000	*RMB'000*
Foreign exchange losses – net	4,591	483
Loss on disposal of property, plant and equipment	4	–
Others	302	(21)
	4,897	462

Achieva incurred other losses in an amount of RMB4.9 million in 2018 primarily attributable to its foreign exchange losses in an amount of RMB4.6 million, mainly in relation to accrued but unpaid withholding taxes incurred as a result of the sales of shares by Achieva's shareholders which were recorded under other payables.

Net Finance Costs

Achieva's finance income mainly included interest income on bank deposits, while its finance costs mainly included interest expense on lease liabilities and interest expense on borrowings from related party.

	Year ended December 31, 2018	Period from January 1, 2019 to March 29, 2019
	RMB'000	*RMB'000*
Finance income:		
Interest income on bank deposits	13	6
Finance costs:		
Interest expense on lease liabilities	(98)	(22)
Interest expense on borrowings from related party	(1,483)	(472)
	(1,581)	(494)
Net finance costs	(1,568)	(488)

Achieva's finance costs in 2018 was mainly due to interest expense on borrowing from related party of RMB1.5 million, primarily attributable to its borrowing from Ms. Hong Ye, an executive Director, the Board Secretary and a shareholder of our Company. For more details, please refer to Note 35(19) of Appendix I to this document.

Income Tax Expense

Achieva had not incurred any income tax expenses in 2018 and for the period between January 1, 2019 and March 29, 2019. Achieva's principal applicable taxes and tax rates are as follows:

Cayman Islands

Under the current laws of the Cayman Islands, Achieva Medical is not subject to tax on income or capital gains. In addition, upon payments of dividends by Achieva Medical to its shareholders, no Cayman Islands withholding tax is imposed.

Hong Kong

No provision for Hong Kong profits tax has been provided for at the rate of 16.5% as Achieva has no estimated assessable profit.

Mainland China

No provision for Mainland China income tax has been provided for at a rate of 25% or 15% pursuant to the EIT Law of the PRC and the respective regulations, as Achieva's PRC entities have no estimated assessable profits.

Achieva Shanghai was qualified as a "High and New Technology Enterprise" under the relevant PRC laws and regulations on November 24, 2016. Accordingly, Achieva Shanghai was entitled to a preferential income tax rate of 15% on its estimated assessable profits from 2016 to 2018.

According to the relevant laws and regulations promulgated by the State Administration of Taxation of the PRC that was effective from 2018 onwards, enterprises engaging in research and development activities are entitled to claim 175% of their research and development expenses incurred as tax deductible expenses when determining their assessable profits for that year.

DESCRIPTION OF CONSOLIDATED STATEMENTS OF CASH FLOWS

The following table sets forth Achieva's cash flows for the periods indicated:

	Year ended December 31, 2018	Period from January 1, 2019 to March 29, 2019
	RMB'000	*RMB'000*
Net cash used in operating activities	(25,089)	(4,945)
Net cash used in investing activities	(1,361)	(877)
Net cash generated from financing activities	53,558	37,122
Net increase in cash and cash equivalents	27,108	31,300
Cash and cash equivalents at beginning of the year/period	1,472	28,782
Exchange gains/(losses) on cash and cash equivalents	202	(460)
Cash and cash equivalents at end of the year/period	28,782	59,622

Net cash used in operating activities

For the period from January 1, 2019 to March 29, 2019, Achieva's net cash used in operating activities amounted to RMB4.9 million, primarily attributable to its net loss before tax of RMB8.3 million, adjusted for non-cash and non-operating items. Positive adjustments for non-cash and non-operating items primarily included depreciation of property, plant and equipment and investment properties of RMB1.0 million. The amount was then adjusted upward by changes in working capital, primarily including a decrease in prepayments and other receivables of RMB0.9 million.

In 2018, Achieva's net cash used in operating activities amounted to RMB25.0 million, primarily attributable to its net loss before tax of RMB38.4 million, adjusted for non-cash and non-operating items. Positive adjustments for non-cash and non-operating items primarily included depreciation of property, plant and equipment and investment properties of RMB4.0 million, share-based compensation expenses for employees of RMB1.8 million and net finance costs of RMB1.6 million. The amount was then adjusted upward by changes in working capital, primarily including an increase in trade and other payables of RMB5.3 million and a decrease in prepayments and other receivables of RMB1.4 million.

Net cash used in investing activities

For the period from January 1, 2019 to March 29, 2019, Achieva's net cash used in investing activities amounted to RMB0.9 million, mainly attributable to its payment of acquisition of property, plant and equipment of RMB0.9 million.

In 2018, Achieva's net cash used in investing activities amounted to RMB1.4 million, mainly attributable to its payment of property, plant and equipment of RMB1.4 million.

Net cash generated from financing activities

For the period from January 1, 2019 to March 29, 2019, Achieva had generated RMB37.1 million of net cash from financing activities, primarily attributable to capital contribution from shareholders of RMB39.3 million.

In 2018, Achieva had generated RMB53.6 million of net cash from financing activities, primarily attributable to capital contribution from shareholders of RMB108.4 million.

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized and issued share capital of our Company in issue and to be issued as fully paid prior to and immediately following the completion of the [**REDACTED**]:

		Aggregate par value *(US$)*
Authorized share capital		
50,000,000	Shares of par value of US$0.0001 each as of the Latest Practicable Date	5,000.00
Issued and to be issued, fully paid or credited as fully paid immediately upon completion of the [**REDACTED**]		
22,876,550	Shares in issue as at the date of this document (all Preferred Shares are converted into ordinary Shares)	2,287.66
[**REDACTED**]	Shares to be issued pursuant to the [**REDACTED**]	[**REDACTED**]
[**REDACTED**]	Shares to be issued under the [**REDACTED**] assuming no exercise of [**REDACTED**]	[**REDACTED**]
[**REDACTED**]	Total	[**REDACTED**]

ASSUMPTION

The above table assumes that the [**REDACTED**] becomes unconditional and the Shares are issued pursuant to the [**REDACTED**]. The above table does not take into account any Shares which may be allotted and issued pursuant to the exercise of the [**REDACTED**] or which may be allotted and issued under the Share Incentive Schemes or any Shares which may be issued or repurchased by our Company pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

RANKING

The [**REDACTED**] are ordinary shares in the share capital of our Company and will rank equally in all respects with all Shares in issue or to be issued as set forth in the above table, and will qualify and rank in full for all dividends or other distributions declared, made or paid after the date of this document.

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS ARE REQUIRED

Our Company will have only one class of Shares upon completion of the [**REDACTED**], namely ordinary shares, and each ranks pari passu with the other Shares. Pursuant to the Cayman Companies Law and the terms of the Memorandum of Association and Articles of Association, our Company may from

time to time by ordinary resolution of shareholders (i) increase its capital; (ii) consolidate and divide its capital into shares of larger amount; (iii) divide its shares into several classes; (iv) subdivide its shares into shares of smaller amount; and (v) cancel any shares which have not been taken. In addition, our Company may subject to the provisions of the Cayman Companies Law reduce its share capital or capital redemption reserve by its shareholders passing a special resolution. For details, please refer to the section headed "Appendix III—Summary of the Constitution of Our Company and Cayman Islands Company Law" in this document.

SHARE INCENTIVE SCHEMES

We have adopted the Share Option Plan and conditionally [adopted] the Share Option Scheme. The principal terms of the Share Option Plan and the Share Option Scheme are summarized in the paragraph headed "Appendix IV—Statutory and General Information—D. Share Incentive Schemes" in this document.

GENERAL MANDATE TO ISSUE SHARES

Subject to the [**REDACTED**] becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with at any time subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued, shall not exceed the sum of:

(a) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the [**REDACTED**]; and

(b) the nominal amount of our share capital repurchased by our Company (if any) pursuant to the repurchase mandate (as mentioned below).

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or scrip dividend scheme or similar arrangements or a specific authority granted by our Shareholders or upon the exercise of the [**REDACTED**] or under the Share Incentive Schemes.

This mandate to issue Shares will remain in effect until:

(i) at the conclusion of our next annual general meeting; or

(ii) the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws or the Articles of Association; or

(iii) it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting,

whichever is the earliest.

For further details of this general mandate, please refer to the paragraphs headed "Appendix IV—Statutory and General Information—A. Further Information about Our Group—4. Resolutions of the Shareholders of our Company Passed on [●]" in this document.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the [**REDACTED**] becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal value of our share capital in issue immediately following the [**REDACTED**] (excluding any Shares which may be allotted and issued pursuant to the exercise of the [**REDACTED**] or under the Share Incentive Schemes).

This mandate relates to repurchases made on the Stock Exchange, or on any other stock exchange which the Shares may be listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and made in accordance with all applicable laws and regulations and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the paragraph headed "Appendix IV —Statutory and General Information—A. Further Information about Our Group—5. Repurchase of Our Shares" in this document.

This general mandate to repurchase Shares will remain in effect until:

(a) at the conclusion of our next annual general meeting; or

(b) the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws or the Articles of Association; or

(c) it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting, whichever is the earliest.

For further details of this general mandate, please refer to the paragraphs headed "Appendix IV—Statutory and General Information—A. Further Information about Our Group—4. Resolutions of the Shareholders of our Company Passed on [●]" in this document.

So far as our Directors are aware, immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised and without taking into account the Shares which may be allotted and issued under the Share Incentive Schemes), the following persons will have interests or short positions in Shares or underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or, will be, 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 our Company and are therefore regarded as substantial shareholders of our Company under the Listing Rules:

Name	Capacity/nature of interest[1]	Number of Shares held as of the Latest Practicable Date[2]	Approximate percentage of shareholding in the total issued share capital of our Company as of the Latest Practicable Date[2]	Number of Shares held immediately following completion of the [REDACTED] and the [REDACTED][2]	Approximate percentage of shareholding in the total issued share capital of our Company immediately following completion of the [REDACTED] and the [REDACTED][2]
Dr. Zhang	Beneficial owner	261,636	1.14%	[**REDACTED**]	[**REDACTED**]%
	Trustee[3]	1,640,378	7.17%	[**REDACTED**]	[**REDACTED**]%
	Interest of controlled corporation[4]	4,534,282	19.82%	[**REDACTED**]	[**REDACTED**]%
	Interest held jointly with other persons[5]	7,221,819	31.57%	[**REDACTED**]	[**REDACTED**]%
	Interest of spouse[6]	7,221,819	31.57%	[**REDACTED**]	[**REDACTED**]%
Jinnius Drive Trust[7]	Beneficial owner	785,678	3.43%	[**REDACTED**]	[**REDACTED**]%
	Interest held jointly with other persons[5]	7,221,819	31.57%	[**REDACTED**]	[**REDACTED**]%
Mrs. Ping Ye Zhang	Beneficial owner	51,075	0.22%	[**REDACTED**]	[**REDACTED**]%
	Trustee[3]	1,640,378	7.17%	[**REDACTED**]	[**REDACTED**]%
	Interest held jointly with other persons[5]	7,221,819	31.57%	[**REDACTED**]	[**REDACTED**]%
	Interest of spouse[6]	7,221,819	31.57%	[**REDACTED**]	[**REDACTED**]%
Hanlindale Trust[8]	Beneficial owner	854,700	3.74%	[**REDACTED**]	[**REDACTED**]%
	Interest held jointly with other persons[5]	7,221,819	31.57%	[**REDACTED**]	[**REDACTED**]%
XinYue International Limited[9]	Beneficial owner	4,534,282	19.82%	[**REDACTED**]	[**REDACTED**]%
	Interest held jointly with other persons[5]	7,221,819	31.57%	[**REDACTED**]	[**REDACTED**]%

Name	Capacity/nature of interest[1]	Number of Shares held as of the Latest Practicable Date[2]	Approximate percentage of shareholding in the total issued share capital of our Company as of the Latest Practicable Date[2]	Number of Shares held immediately following completion of the [REDACTED] and the [REDACTED][2]	Approximate percentage of shareholding in the total issued share capital of our Company immediately following completion of the [REDACTED] and the [REDACTED][2]
Ms. Hong Ye	Beneficial owner	734,448	3.21%	[**REDACTED**]	[**REDACTED**]%
	Interest held jointly with other persons[5]	7,221,819	31.57%	[**REDACTED**]	[**REDACTED**]%
	Interest of controlled corporation[4]	4,534,282	19.82%	[**REDACTED**]	[**REDACTED**]%
HH SUM-XXIV Holdings Limited	Beneficial owner	2,084,949	9.11%	[**REDACTED**]	[**REDACTED**]%
Hillhouse Capital Management, Ltd.	Interest of controlled corporation[10]	2,084,949	9.11%	[**REDACTED**]	[**REDACTED**]%
LAV Aero Limited	Beneficial owner	1,995,273	8.72%	[**REDACTED**]	[**REDACTED**]%
LAV Biosciences Fund IV, L.P.	Interest of controlled corporation[11]	1,995,273	8.72%	[**REDACTED**]	[**REDACTED**]%
LAV GP IV, L.P.	Interest of controlled corporation[11]	1,995,273	8.72%	[**REDACTED**]	[**REDACTED**]%
LAV Corporate IV GP, Ltd.	Interest of controlled corporation[11]	1,995,273	8.72%	[**REDACTED**]	[**REDACTED**]%
Yi Shi	Interest of controlled corporation[11]	1,995,273	8.72%	[**REDACTED**]	[**REDACTED**]%
LAV	Interest of controlled corporation[11]	2,992,820	13.08%	[**REDACTED**]	[**REDACTED**]%
Matrix Partners China IV, L.P.	Beneficial owner	1,802,539	7.88%	[**REDACTED**]	[**REDACTED**]%

Name	Capacity/nature of interest[1]	Number of Shares held as of the Latest Practicable Date[2]	Approximate percentage of shareholding in the total issued share capital of our Company as of the Latest Practicable Date[2]	Number of Shares held immediately following completion of the [REDACTED] and the [REDACTED][2]	Approximate percentage of shareholding in the total issued share capital of our Company immediately following completion of the [REDACTED] and the [REDACTED][2]
Matrix China Management IV, L.P.	Interest of controlled corporation[12]	1,982,772	8.67%	[**REDACTED**]	[**REDACTED**]%
Matrix China IV GP GP, Ltd.	Interest of controlled corporation[12]	1,982,772	8.67%	[**REDACTED**]	[**REDACTED**]%
Jin Zhu	Interest of controlled corporation[13]	1,802,069	7.88%	[**REDACTED**]	[**REDACTED**]%

Notes:

1. All interests stated are long position.

2. Assuming all Preferred Shares are converted into Ordinary Shares.

3. Jinnius Drive Trust and Hanlindale Trust were respectively established by Dr. Zhang and Mrs. Ping Ye Zhang as grantor. Both Dr. Zhang and Mrs. Zhang are trustees of Jinnius Drive Trust and Hanlindale Trust. Therefore, each of Dr. Zhang and Mrs. Zhang is deemed to be interested in an aggregate 1,640,378 Shares held by the two trusts, including 785,678 Shares held by Jinnius Drive Trust and 854,700 Shares held by Hanlindale Trust as of the Latest Practicable Date.

4. XinYue International Limited was owned as to 65% by Dr. Zhang and 35% by Ms. Hong Ye as of the Latest Practicable Date. Therefore, under the SFO, each of Dr. Zhang and Ms. Hong Ye is deemed to be interested in 4,534,282 Shares held by XinYue International Limited as of the Latest Practicable Date.

5. Dr. Zhang, Jinnius Drive Trust, Mrs. Zhang, Hanlindale Trust, Ms. Hong Ye and XinYue International Limited are Concert Parties based on the Concert Party Agreement. Therefore, each of Dr. Zhang, Jinnius Drive Trust, Mrs. Zhang, Hanlindale Trust, Ms. Ye and XinYue International Limited is deemed to be interested in the aggregate equity interests of all the Concert Parties.

6. Dr. Zhang and Mrs. Zhang are spouses, and are therefore deemed to be interested in the equity interests held by each other.

7. Jinnius Drive Trust was a discretionary trust established by Dr. Zhang. Both Dr. Zhang and Mrs. Zhang are trustees of Jinnius Drive Trust.

8. Hanlindale Trust was a discretionary trust established by Mrs. Zhang. Both Mrs. Zhang and Dr. Zhang are trustees of Hanlindale Trust.

9. XinYue International Limited was owned as to 65% by Dr. Zhang and 35% by Ms. Hong Ye.

10. To the best of our Directors' knowledge, Hillhouse Capital Management, Ltd. owns HH SUM-XXIV Holdings Limited. Therefore, under the SFO, Hillhouse Capital Management, Ltd. is deemed to be interested in our Shares held by HH SUM-XXIV Holdings Limited.

11. To the best of our Directors' knowledge, LAV Aero Limited is wholly-owned by LAV Biosciences Fund IV, L.P., a Cayman exempted limited partnership fund. The general partner of LAV Biosciences Fund IV, L.P. is LAV GP IV, L.P., whose general partner is LAV Corporate IV GP, Ltd., a Cayman company owned by Yi Shi. Therefore, under the SFO, each of LAV Biosciences Fund IV, L.P., LAV GP IV, L.P., LAV Corporate IV GP, Ltd. and Yi Shi is deemed to be interested in our Shares held by LAV Aero Limited.

    To the best of our Directors' knowledge, upon completion of the [**REDACTED**], LAV is entitled to control the exercise of 9.81% of the voting power at the general meeting of our Company through the equity interests held by LAV Aero Limited and Liyi Biotech.

12. To the best of our Directors' knowledge, Matrix China Management IV, L.P. is the general partner of Matrix Partners China IV, L.P. and Matrix Partners China IV-A, L.P., both are our beneficial owners. The general partner of Matrix China Management IV, L.P. is Matrix China IV GP GP, Ltd.. Therefore, under the SFO, each of Matrix China Management IV, L.P. and Matrix China IV GP GP, Ltd. is deemed to be interested in an aggregate 1,982,772 Shares held by Matrix Partners China IV, L.P. and Matrix Partners China IV-A, L.P..

13. To the best of our Directors' knowledge, both MGR International Limited and Flexmed International (HK) Limited are wholly-owned by Ms. Jin Zhu. Therefore, under the SFO, Ms. Jin Zhu is deemed to be interested in an aggregate 1,802,069 Shares held by MGR International Limited and Flexmed International (HK) Limited.

BOARD OF DIRECTORS

Our Board consists of eleven (11) Directors, of whom three (3) are executive Directors, four (4) are non-executive Directors and four (4) are independent non-executive Directors. Our Board is responsible for, and has general powers for, the management and conduct of our business.

The table below sets out certain information in respect of the members of the Board.

Name	Position	Age	Date of appointment as Director	Time of joining the Group	Role and responsibility	Relationship with other Directors and senior management
Yi ZHANG (張一)	Executive Director; Chairman of the Board; Chief Executive Officer; Chief Technology Officer	51	May 30, 2012	May 2006	In charge of overall management, business, and strategy of our Group and oversight of the commercial suitability and sustainability of our Group; advising on matters relating to the nomination of our Directors and senior management	Spouse of Ping Ye Zhang; Brother-in-law of Hong Ye
Ping Ye ZHANG (張葉萍)	Executive Director	52	August 28, 2018	November 2005	In charge of overall management, business, and strategy of our Group	Spouse of Yi Zhang; sibling of Hong Ye
Hong YE (葉紅)	Executive Director; Board Secretary	48	October 23, 2012	June 2006	In charge of overall management, business, and strategy of our Group, as well as the general corporate governance and development of our Group;	Sibling of Ping Ye Zhang; Sister-in-law of Yi Zhang
Zhiyun YU (喻志雲)	Non-executive Director	41	March 22, 2016	March 2016	Providing overall guidance on the business and strategic development of our Group; supervising the management of our Board; advising on matters relating to the remuneration of our Directors and senior management	None
Jifeng GUAN (關繼峰)	Non-executive Director	50	October 22, 2019	March 2016	Providing overall guidance on the business and strategic development of our Group; supervising the management of our Board; advising on matters relating to audit	None

Name	Position	Age	Date of appointment as Director	Time of joining the Group	Role and responsibility	Relationship with other Directors and senior management
Fei CHEN (陳飛)	Non-executive Director	40	June 6, 2019	June 2019	Providing overall guidance on the business and strategic development of our Group; supervising the management of our Board; advising on matters relating to the nomination of our Directors and senior management	None
Bing SHANG (尚兵)	Non-executive Director	52	September 25, 2019	September 2019	Providing overall guidance on the business and strategic development of our Group; supervising the management of our Board advising on matters relating to the remuneration of our Directors and senior management ;	None
Stephen Newman OESTERLE	Independent Non-executive Director	68	January 21, 2020 (effective from the [**REDACTED**])	the [**REDACTED**]	Supervising and providing independent advice and judgment to our Board; advising on matters relating to corporate governance and the remuneration and nomination of our Directors and senior management	None
Robert Ralph PARKS	Independent Non-executive Director	75	January 21, 2020 (effective from the [**REDACTED**])	the [**REDACTED**]	Supervising and providing independent advice and judgment to our Board; advising on matters relating to corporate governance, audit and the remuneration of our Directors and senior management	None
Wayne WU	Independent Non-executive Director	57	January 21, 2020 (effective from the [**REDACTED**])	the [**REDACTED**]	Supervising and providing independent advice and judgment to our Board; advising on matters relating to corporate governance, audit and the remuneration and nomination of our Directors and senior management	None

Name	Position	Age	Date of appointment as Director	Time of joining the Group	Role and responsibility	Relationship with other Directors and senior management
Wai Ming YIP (葉偉明)	Independent Non-executive Director	54	January 21, 2020 (effective from the [REDACTED])	the [REDACTED]	Supervising and providing independent advice and judgment to our Board; advising on matters relating to corporate governance, audit and the nomination of our Directors and senior management	None

The following sets forth the biographies of our Directors.

DIRECTORS

Executive Directors

Yi ZHANG (張一), aged 51, is our Chairman of the Board, Chief Executive Officer and Chief Technology Officer. He was appointed as a Director on May 30, 2012, and re-designated as an executive Director on January 21, 2020.

Dr. Zhang is primarily responsible for the overall management, business, technology development, strategy and oversight of the commercial suitability and sustainability of our Group. Dr. Zhang has served as a director at XinYue International Limited since September 2009, a company in which he holds 65% interest. Dr. Zhang holds the following positions in the subsidiaries of our Group:

Name of subsidiary	Position	Period
Achieva Medical	Director	August 2009 to present
Marvel Finder	Director	December 2018 to present
Achieva HK	Director	August 2009 to present
Peijia Suzhou	Director	January 2013 to present
	Legal Representative	November 2018 to May 2019
Peijia Shanghai	Director	October 2012 to present
Achieva Shanghai	Director	May 2006 to present
Achieva Suzhou	Director	January 2019 to present
Jiangxi Zhisheng	Director	May 2019 to present

Prior to joining our Group, from 1996 to 1998, Dr. Zhang worked at Medtronic Plc, a biomedical engineering company listed on the NYSE (stock code: MDT). From 1998 to 2002, Dr. Zhang was a senior engineer at the research & development department of Guidant Corporation (subsequently acquired by Boston Scientific Corporation, a company listed on the NYSE (stock code: BSX)), a company which designs and manufactures artificial cardiac pacemakers, stents, and cardiovascular medical products. From February 2002 to June 2006, Dr. Zhang served as the chief executive officer of MicroPort Medical (Shanghai) Co., Ltd., the predecessor of MicroPort Scientific Corporation, which is a company listed on the Stock Exchange (stock code: 0853) that manufactures and sells coronary drug eluting stents, peripheral vascular stents, aortic balloon dilation catheters, aortic stent grafts, and other related products, primarily in China. In this capacity, Dr. Zhang was responsible for overseeing the company's overall business and strategic expansion. From 2006 to 2019, Dr. Zhang served in Otsuka (China) Investment Co., Ltd. ("Otsuka China"), and Otsuka Medical Devices Co., Ltd., both being subsidiaries of Otsuka Holdings Co., Ltd. (a Company listed on the Tokyo Stock Exchange, stock code: 4578).

From 2006 to 2019, Dr. Zhang was the chairman at Otsuka China, a company which is primarily engaged in the strategic investments in pharmaceuticals and consumer products businesses, spanning pharmaceuticals, and food and beverage industries. Products manufactured by investees and/or subsidiaries of Otsuka China include oral drugs, and food and beverage products. To the best of our Directors' knowledge, none of the abovementioned products are in direct or indirect competition with our Core Products and other products currently produced by the Group.

From 2010 to 2019, Dr. Zhang was the board chairman of Otsuka Medical Devices Co., Ltd., a company which is primarily engaged in the development and production of medical devices and treatment solutions in endoscopy, orthopedic implants, vascular intervention, and regenerative medical devices targeting drug-resistant, treatment resistant and intractable diseases. In this capacity, Dr. Zhang was responsible for advising the company's strategic planning and investment. Medical devices produced by Otsuka Medical Devices Co., Ltd. mainly include ultrasound-based renal denervation which is used to treat resistant hypertension, and drug-coated scaffolds which are used in Percutaneous Coronary Intervention (PCI) procedures. To the best of our Directors' knowledge, none of the products produced by Otsuka Medical Devices Co., Ltd. are in direct or indirect competition with our Core Products and other products currently produced by the Group.

To the best of our Directors' knowledge, there is no business dealing or sharing of resources between the Group and the businesses managed or operated by Dr. Zhang which do not form part of the Group. Our Directors further confirm that there are no business dealings between the Group, and Otsuka China and Otsuka Medical Devices Co., Ltd.

Dr. Zhang received his bachelor's degree in chemical engineering, with a specialization in production process automation in July 1988, and his master's degree in chemical engineering, with a specialization in device and instrument automation in March 1991, both from Zhejiang University. Subsequently, he received his degree of doctor of philosophy in engineering science in March 1997 from the University of Toledo.

Ping Ye ZHANG (張葉萍), aged 52, was appointed as a Director on August 28, 2018, and re-designated as an executive Director on January 21, 2020. She is primarily responsible for the overall management, business, and strategy of our Group. She has served as a director at XinYue International Limited since September 2009. Mrs. Zhang holds the following positions in the subsidiaries of our Group:

Name of subsidiary	Position	Period
Achieva Medical	Director	November 2005 to present
Marvel Finder	Director	December 2018 to present
Achieva HK	Director	March 2009 to present
Peijia Suzhou	Supervisor	January 2013 to November 2018
	Director	November 2018 to present
Peijia Shanghai	Supervisor	November 2011 to December 2018
	Director	December 2018 to present
Achieva Shanghai	Director	March 2006 to present
Achieva Suzhou	Director	January 2016 to present
Jiangxi Zhisheng	Director	January 2018 to present

From June 1993 to March 2000, Mrs. Zhang served as manufacturing engineer and R&D engineer at Guidant Corporation. From March 2000 to July 2003, Mrs. Zhang served as engineering manager at Biosensors International (formerly known as Sunscope International Inc.), in which she oversaw the development of processes and designs for its Percutaneous Transluminal Coronary Angioplasty (PTCA) and stent delivery system and as project manager at Jomed Inc.

Mrs. Zhang received her bachelor's degree in polymer engineering in June 1989 from Zhejiang University. She received her degree of master of science in engineering in May 1993 from University of Akron. Subsequently, she received her degree of master of business administration in December 1996 from University of Redlands.

Hong YE (葉紅), aged 48, was appointed as a Director on October 23, 2012 and re-designated as an executive Director on January 21, 2020. She is also our Board Secretary. She is primarily responsible for the overall management, business, and strategy of our Group and also in charge of general corporate governance and development of our Group. Ms. Ye was responsible for the financial management and plant construction of our Group from its establishment until April 2019. Ms. Ye holds the following positions in the subsidiaries of our Group:

Name of subsidiary	Position	Period
Achieva Medical	Director	December 2019 to present
Marvel Finder	Director	November 2017 to present
Achieva HK	Director	December 2019 to present
Peijia Suzhou	Legal Representative	January 2013 to November 2018, and May 2019 to present
	Director	January 2013 to present
Peijia Shanghai	Director	November 2011 to present
Achieva Shanghai	Supervisor	February 2008 to March 2016
	Director	December 2019 to present
Achieva Suzhou	Supervisor	January 2016 to December 2019
	Director	December 2019 to present
Jiangxi Zhisheng	Director	December 2019 to present

Ms. Ye graduated from Sichuan Institute of Foreign Language (now known as Sichuan International Studies University) in 1992. She also took courses provided by the Certified General Accountants Association of Canada at British Columbia Institute of Technology prior to her joining the Group.

Non-executive Directors

Zhiyun YU (喻志雲), aged 41, was appointed as a Director on March 22, 2016, and re-designated as a non-executive Director on January 21, 2020. He is primarily responsible for providing overall guidance on the business and strategic development of our Group, and supervising the management of our Board. Dr. Yu holds the following positions in the subsidiaries of our Group:

Name of subsidiary	Position	Period
Achieva Medical	Director	September 2018 to present
Marvel Finder	Director	December 2018 to present
Achieva HK	Director	October 2018 to present
Peijia Suzhou	Director	March 2016 to present
Peijia Shanghai	Director	December 2016 to present
Achieva Shanghai	Director	October 2018 to present
Achieva Suzhou	Director	January 2019 to present
Jiangxi Zhisheng	Director	May 2019 to present

From October 2014 to the present, Dr. Yu served at Matrix Partners China and currently is a managing director, where he is responsible for targeting investment opportunities in the healthcare sector. From 2012 to 2014, Dr. Yu was a vice president at the Beijing Representative Office of Fidelity Growth Partners China. From 2009 to 2012, Dr. Yu was the deputy general manager at the Northeastern Office of Shenzhen Capital Group. From 2006 to 2007, Dr. Yu worked as an associate at the New York Office of McKinsey & Company.

Dr. Yu received his degree of bachelor of science in applied chemistry at Peking University in July 1999. He subsequently received his degree of doctor of philosophy at Columbia University in October 2004, and his degree of master of business administration from Dartmouth College in June 2009.

Jifeng GUAN (關繼峰), aged 50, who had previously served as a Director between March 2016 to September 2019, was reappointed as a Director on October 22, 2019, and re-designated as a non-executive Director on January 21, 2020. He is primarily responsible for providing overall guidance on the business and strategic development of our Group, and supervising the management of our Board. In addition, Mr. Guan holds the following positions in the subsidiaries of our Group:

Name of subsidiary	Position	Period
Achieva Medical	Director	December 2019 to present
Marvel Finder	Director	December 2018 to present
Achieva HK	Director	December 2019 to present
Peijia Suzhou	Director	March 2016 to present
Peijia Shanghai	Director	December 2017 to present
Achieva Shanghai	Director	December 2019 to present
Achieva Suzhou	Director	December 2019 to present

From June 2005 to May 2010, Mr. Guan served as the chairman and chief executive officer at Jiuzhitang Co., Ltd., a company engaged in the production of biological and Chinese medicine pharmaceutical products. From July 2013 to present, Mr. Guan had served as various senior management positions of various private equity funds that focus on medical investments. From July 2013 to present, Mr. Guan served as an executive director and general manager of Beijing Tianfeng Spring Capital Ltd. From November 2017 to present, he served as an executive director and general manager of Beijing Tianfeng Dehui Investment. From March 2015 to present, Mr. Guan has served as a director at Shanghai Ace Investment & Development Co., Ltd., a company principally engaged in the logistics management for sulfur, fertilizer, chemical products, non-ferrous metals, mineral products, and certain dangerous goods, and is listed on the Shanghai Stock Exchange (stock code: 603329). From May 2016 to present, Mr. Guan has served as a director at Jiangsu Apon Medical Technology Co., Ltd., a company principally engaged in the research and development, production and sale of medical device products for pain management and nasal care in China, and is listed on the Shenzhen Stock Exchange (stock code: 300753).

Mr. Guan obtained his bachelor's degree in Industrial Enterprise Management at Capital University of Economics and Business in August 1991, and his degree of master of business administration jointly issued by University of Northern Virginia and School of International Education Beijing Institute of Technology in November 2005. From December 2017 to December 2019, Mr. Guan has also obtained his China fund practitioner qualification certificate (中國基金從業人員資格證) from the Asset Management Association of China (AMAC).

Fei CHEN (陳飛), aged 40, was appointed as a Director on June 6, 2019, and re-designated as a non-executive Director on January 21, 2020. He is primarily responsible for providing overall guidance on the business and strategic development of our Group, and supervising the management of our Board. In addition, Mr. Chen holds the following positions in the subsidiaries of our Group:

Name of subsidiary	Position	Period
Achieva Medical	Director	June 2019 to present
Marvel Finder	Director	July 2019 to present
Achieva HK	Director	July 2019 to present
Peijia Suzhou	Director	August 2019 to present
Peijia Shanghai	Director	August 2019 to present
Achieva Shanghai	Director	July 2019 to present
Achieva Suzhou	Director	August 2019 to present
Jiangxi Zhisheng	Director	August 2019 to present

Mr. Chen has over 10 years of senior management experience in research and development, and investments in the biomedical industry. Prior to joining our Group, Mr. Chen served as investment manager, and subsequently as senior investment manager and investment director in Lilly Asia Ventures, the biomedical venture arm of Eli Lilly and Company, a company listed on the NYSE (stock code: LLY) which develops and manufactures human pharmaceutical products from April 2009 to September 2011, and as managing partner at Lilly Asia Ventures since its spin off from Eli Lilly and Company as an independent biomedical venture capital firm in September 2011 to the present. Since January 2015, Mr. Chen has been a director of Zhejiang Ausun Pharmaceutical Co., Ltd. (stock code: 603229), a company listed on the Shanghai Stock Exchange.

Mr. Chen received his bachelor of science degree in biology in July 2002, and his degree of doctor of philosophy in medical molecular genetics in June 2008, both at Fudan University.

Bing SHANG (尚兵), aged 52, was appointed as a Director on September 25, 2019 and re-designated as a non-executive Director on January 21, 2020. He is primarily responsible for providing overall guidance on the business and strategic development of our Group, and supervising the management of our Board. In addition, Mr. Shang holds the following positions in the subsidiaries of our Group:

Name of subsidiary	Position	Period
Achieva Medical	Director	December 2019 to present
Marvel Finder	Director	December 2019 to present
Achieva HK	Director	December 2019 to present
Peijia Suzhou	Director	December 2019 to present
Peijia Shanghai	Director	December 2019 to present
Achieva Shanghai	Director	December 2019 to present
Achieva Suzhou	Director	December 2019 to present
Jiangshi Zhisheng	Director	December 2019 to present

Prior to joining our Group, Mr. Shang has over 29 years of experience regarding government affairs and enterprise management. He joined the PRC Ministry of Commerce and the PRC Embassy in Thailand from 1989 to 2003. Thereafter from 2003 to 2007, Mr. Shang held roles as special assistant to the chairman, director, and executive director at Lifan Industry (Group) Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 601777) that is primarily engaged in research and development, manufacture, and sale of engines, motorcycles, and automobiles, as well as other investing activities. From 2008 to 2011, Mr. Shang joined the Beijing office of Deloitte Touche Tohmatsu Limited and his last job title was director at the audit and assurance department. In January 2011, Mr. Shang was appointed an assistant president of Far East Horizon Limited, an innovative financial services company listed on the main board of the Stock Exchange (stock code: 3360), and subsequently as a vice president in June 2012, a role which he continues to serve today. Since 2016, Mr. Shang has served as the general manager of Grand Flight Investment Management. Ltd., a company that is primarily engaged in equity investment business.

Mr. Shang obtained his bachelor of arts degree in English language and literature at Sichuan University in June 1989.

Independent Non-executive Directors

Stephen Newman OESTERLE, aged 68, was appointed as an independent non-executive Director on January 21, 2020 (effective from the [**REDACTED**]). He is responsible for supervising and providing independent advice and judgment to our Board. Dr. Oesterle currently holds several senior management and advisory positions. Since 2015 to the present, he has served as a venture partner at New Enterprise Associates, advisor at EQT Partners, and corporate advisor at Temasek Holdings Private Limited. Since 2016 to the present, he has served as an independent non-executive director at Sigilon Therapeutics, Inc, a company that engages in developing therapies to treat chronic diseases. Since 2017 to the present, he has served on the board of directors at each of Baxter International Inc., a Fortune 500 company listed on NASDAQ (stock code: BAX) that engages in the healthcare business, and Alcyone Lifesciences, Inc, a company that engages in developing technologies for the treatment of central nervous system disorders. Since 2018 to present, he has served as an independent non-executive director at GlobalLogic, a digital product engineering services company. From February 2018 to March 2019, Dr. Oesterle served as a director at REVA Medical, Inc., a medical device company listed on the Australian Securities Exchange (ASX: RVA) which engages in the development of bioresorbable polymers for vascular applications. From 2002 to 2015, he served as the senior vice president for medicine and technology at Medtronic plc, a company listed on the NYSE (stock code: MDT), where he was responsible for formulating technological strategies. From 1998 to 2002, Dr. Oesterle was an associate professor of medicine, director of invasive cardiology services at Harvard Medical School. From 1992 to 1998, he served as an associate professor of medicine, director of interventional cardiology at Stanford University's School of Medicine. From 1991 to 1992, he served as an associate professor of medicine, director of interventional cardiology at Georgetown University.

Dr. Oesterle received his bachelor of arts degree from Harvard University, graduating summa cum laude in 1973, and his degree of doctor of medicine from Yale University in 1977. During 1977 to 1980, he was a post-doctoral fellow at Harvard Medical School - Massachusetts General Hospital. From 1981 to 1983, he was a post-doctoral fellow at Stanford University School of Medicine.

Robert Ralph PARKS, aged 75, was appointed as an independent non-executive Director on January 21, 2020 (effective from the [**REDACTED**]). He is responsible for supervising and providing independent advice and judgment to our Board. Mr. Parks has extensive experience in senior management in the financial services sector. From 1981 to 1994, he was a general partner (and limited partner until 1997) of the investment banking division of Goldman Sachs & Co.. From 1997 to 2000, he was the

General Partner of the Beacon Group, a boutique investment bank specializing in private equity investing and merger and acquisition advisory services, which was later acquired by JPMorgan Chase. From 2001 to 2006, Mr. Parks was the executive chairman of the Asia Pacific region of JPMorgan Chase, and was responsible for all operations and functions in Asia Pacific region. From 2007 to 2012, he was the Asia chairman of Oaktree Capital Management, in which he was subsequently appointed as co-portfolio manager of the Asia Pacific Opportunities Fund. From 2014 to 2019, Mr. Parks was an independent non-executive director of Ambow Education Holding Ltd., a Company listed on the New York Stock Exchange (stock code: AMBO), a provider of education and training services in China.

From February 2010 to April 2014, Mr. Parks had served as an independent non-executive director at Siam Commercial Bank (a company listed on the Stock Exchange of Thailand (stock code: SCB)). From June 2015 to September 2018, he served as an independent non-executive director at AAG Energy Holdings, a company listed on the Stock Exchange (stock code: 2686). He has also served as the chairman of Paradigm Advisors Holdings Limited since January 2017, and as a senior advisor to Ascendent Capital Partners, a private equity fund focused on investment in China.

Mr. Parks received his bachelor's degree in history from Rice University in 1966, and his degree of master of business administration from Columbia University Graduate School of Business in 1970.

Wayne WU, aged 57, was appointed as an independent non-executive Director on January 21, 2020 (effective from the [**REDACTED**]). He is responsible for supervising and providing independent advice and judgment to our Board. He founded Pacific Health Investment Inc., a healthcare investment fund, in May 2005 as a follow on investment fund after Pacific Republic Capital and has been a director of Pacific Health Investment Inc.. From 2004 to 2010, Mr. Wu was the chairman of Accuray Incorporated, a company which uses robotic radiosurgery to treat solid tumors throughout the body and which is listed on the NASDAQ (stock code: ARAY).

Mr. Wu currently serves on the board of Preferred Bank, a California based community bank listed on the NASDAQ (stock code: PFBC) since 2013 and nRichDX, Inc., a company engaging in the liquid biopsy sample preparation market.

As of the Latest Practicable Date, Mr. Wu was indirectly interested in 1.60% of Scivita Medical Technology Co., Ltd. (蘇州新光維醫療科技有限公司) ("Scivita"), a company in which Dr. Zhang, Ms. Hong Ye and Mr. Jifeng Guan were interested in as to 28.77%, 1.00% and 4.26%, respectively. Despite such interests, our Directors are of the view that Mr. Wu meets the independence requirement as he is a passive investor in Scivita.

Mr. Wu received his master's degree in mathematics from University of Southern California in December 1992.

Wai Ming YIP (葉偉明), aged 54, was appointed as an independent non-executive Director on January 21, 2020 (effective from the [**REDACTED**]). He is responsible for supervising and providing independent advice and judgment to our Board. Mr. Yip has many years of experience in financial accounting, capital markets and corporate finance in Hong Kong and China. From 1987 to 1996, he worked in the audit department of Ernst & Young, and immediately prior to his departure, he served as a senior manager. From 1996 to 1998, he was the associate director at the merchant banking division of ING Bank N.V. (the former subsequently merged with ING Barings, and was acquired by Macquarie Group). From 1999 to 2001, Mr. Yip served as the chief financial officer at Tafu International Holdings

Limited (now known as Lamtex Holdings Limited), a company principally engaged in securities trading and property investment, and listed on the Stock Exchange (stock code: 1041). From 2001 to 2003, Mr. Yip served as the vice president at Hi Sun Technology (China) Limited, a provider of information technology services, and listed on the Stock Exchange (stock code: 0818). From 2004 to 2009, Mr. Yip served as chief financial officer at Haier Electronics Group Co., Ltd., a provider of home appliances in China, and listed on the Stock Exchange (stock code: 1169). From 2009 to 2015, Mr. Yip served as an independent non-executive director at BBMG Corporation, a company engaged in the cement and property development business, and listed on the Stock Exchange (stock code: 2009) and Shanghai Stock Exchange (stock code: 601992). Mr. Yip also served as deputy general manager of Yuzhou Properties Company Limited, a company listed on the Stock Exchange (stock code: 1628), between February and September 2010.

In addition, he currently holds directorships in the following listed companies, as independent non-executive director, his responsibilities include providing independent advice, as well as reviewing and supervising the financial reporting process and internal control system of these companies:

Name of entity	Principal business	Place of listing and stock code	Position and duration of office
Ju Teng International Holdings Limited	Manufacturing of notebook computer casings	Stock Exchange (stock code: 3336)	Independent non-executive director from May 2006 to present
PAX Global Technology Limited	Development and sale of POS products and related services	Stock Exchange (stock code: 327)	Independent non-executive director from December 2010 to present
Far East Horizon Limited	Finance lease services	Stock Exchange (stock code: 3360)	Independent non-executive director from March 2011 to present
Poly Culture Group Corporation Limited	Auction of art works and management of theaters and cinemas	Stock Exchange (stock code: 3636)	Independent non-executive director from December 2013 to present

Name of entity	Principal business	Place of listing and stock code	Position and duration of office
Yida China Holdings Limited	Development and management of business parks and related residential and business properties	Stock Exchange (stock code: 3639)	Independent non-executive director from June 2014 to present
Huobi Technology Holdings Limited	Power related electrical/electronic products business and technology solution business	Stock Exchange (stock code: 1611)	Independent non-executive director from October 2018 to present

Notwithstanding Mr. Yip's engagement as an independent non-executive director of six companies listed on the Stock Exchange, Mr. Yip confirmed that he would devote sufficient time to act as our independent non-executive Director based on the following:

- Mr. Yip is neither a full time member of the above-named companies nor involved in the day-to-day operations or management of such companies. As such, he has no executive and management responsibility therein;

- Mr. Yip is primarily required to attend relevant board meetings, committee meetings and shareholders' meetings of the above-named listed companies. He has maintained a high attendance rate for board meetings, committee meetings and shareholders' meetings for such listed companies during the respective latest financial period since his appointment date;

- with his background and experience, Mr. Yip is fully aware of the responsibilities and expected time involvement for an independent non-executive director. He has not found difficulties in devoting to and managing his time with numerous companies and he is confident that with his experience in being responsible for several roles, he will be able to discharge his duties to our Company;

- none of the above-named listed companies that he has a directorship with has questioned or complained about his time devoted to such companies; and

- Mr. Yip's role in our Group is non-executive in nature and he will not be involved in the daily management of our Group's business, thus his engagement as our independent non-executive Director will not require his full-time participation.

Based on the foregoing, our Directors do not have reasons to believe that the various positions currently held by Mr. Yip will result in Mr. Yip not having sufficient time to act as our independent non-executive Director or not properly discharging his fiduciary duties as a director of our Company.

Mr. Yip received his bachelor's degree in social science from University of Hong Kong in 1987. He subsequently received his bachelor of laws from University of London in 2001. Mr. Yip has been a member of the Hong Kong Institute of Certified Public Accountants (HKICPA) since 1996, a fellow of the Chartered Association of Certified Accountants (ACCA) since 1995, and a member of China Institute of Certified Public Accountants (CICPA) since 1996.

General

Our Directors have confirmed that:

(1) save as disclosed in the paragraph headed "Statutory and General Information—C. Further Information about Directors and Substantial Shareholders—2. Particulars of Directors' Service Contracts and Letters of Appointment" in Appendix IV to this document, none of our Directors has any existing or proposed service contract with our Company or any of its subsidiaries other than contracts expiring or determinable by the relevant member of our Group within one year without payment of compensation (other than statutory compensation);

(2) save as disclosed in the paragraph headed "Statutory and General Information—C. Further Information about Directors and Substantial Shareholders—1. Disclosure of interests" in Appendix IV to this document and above, each of our Directors has no interests in the Shares within the meaning of Part XV of the SFO;

(3) save as disclosed above, each of our Directors has not been a director of any other publicly listed company during the three years prior to the Latest Practicable Date and as at the Latest Practicable Date;

(4) save as disclosed herein, other than being a Director of our Company, none of our Directors has any relationship with any other Directors, senior management of our Company or substantial shareholders of our Company; and

(5) none of our Directors completed their respective education programs as disclosed in this section by way of attendance of long distance learning or online courses.

Except as disclosed in this document, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries:

(1) there is no other matter with respect to the appointment of our Directors that need to be brought to the attention to the Shareholders as at the Latest Practicable Date; and

(2) there is no other information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules as at the Latest Practicable Date.

OUR DIRECTORS' INTERESTS IN OTHER BUSINESSES

The Group's core business operations focus on the research and development of transcatheter valve therapeutic and neurointerventional procedural medical devices (the "Core Operations"). Apart from our Core Operations, as of the Latest Practicable Date, Dr. Zhang, Ms. Hong Ye and Mr. Jifeng Guan are interested in 28.77%, 1.00% and 4.26% of Scivita, respectively. Each of Dr. Zhang, Ms. Ye and Mr. Guan is a passive investor in Scivita and none of them has board representation on the board of directors of Scivita.

Scivita is a company incorporated in the PRC on October 28, 2016 with limited liability and is principally engaged in the research and development, manufacturing and sales of endoscopes and endoscopic visualization systems. Given the different products involved in our Core Operations and that of Scivita, our Company is of the view that there is no direct or indirect competition between Scivita and our Company.

Neither of our Directors nor their respective close associates has any interest in any business, apart from the business operated by members of our Group, that competes or is likely to compete, directly and indirectly, with the business of our Group and would require disclosure pursuant to Rule 8.10 of the Listing Rules.

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business. The table below sets out certain information in respect of the senior management of the Group.

Name	Position	Age	Date of appointment	Time of joining the Group	Role and responsibility	Relationship with other Directors and senior management
Yi ZHANG (張一)	Chairman of the Board; Chief Executive Officer; Chief Technology Officer	51	May 30, 2012	May 2006	In charge of overall management, business, strategy, and technology development of our Group	Spouse of Ping Ye Zhang; Brother-in-law of Hong Ye
Hong YE (葉紅)	Board Secretary	48	October 23, 2012	June 2006	In charge of general corporate governance and development of our Group	Sibling of Ping Ye Zhang; Sister-in-law of Yi Zhang
Leo TSAI (蔡洌)	Chief Financial Officer	39	April 2019	April 2019	In charge of overall financial management and corporate development of our Group	None

Name	Position	Age	Date of appointment	Time of joining the Group	Role and responsibility	Relationship with other Directors and senior management
Kongrong Karl PAN (潘孔榮)	Chief Operating Officer	60	August 2017	August 2017	In charge of the day-to-day operational management of our Group	None
Jian Fong TAN (陳劍鋒)	Vice President of Advanced Technology	44	September 2019	July 2006	In charge of the development of new technologies and products of our Group	None
Chen WANG (王晨)	General Manager of Achieva	44	June 2016	December 2010	In charge of overall management, business, and strategy of Achieva	None
Xiaoli SHI (施小立)	Vice President of Clinical and Regulatory Affairs	34	July 2019	July 2019	In charge of overseeing compliance with government regulations, policies, and procedures	None
Hongpeng WANG (王鴻鵬)	Director of Marketing	39	July 2019	July 2019	In charge of the sales and marketing functions of our Group	None
Xiaoping ZHONG (鍾小萍)	Director of Human Resources	43	November 2019	November 2019	In charge of the human resources function of our Group	None
Xiaoxiao ZHUANG (莊筱筱)	Director of Sales	37	April 2020	April 2020	In charge of strategic management of the sales function of our Group	None

Yi ZHANG (張一), see "– Directors" for details.

Hong YE (葉紅), see "– Directors" for details.

Leo TSAI (蔡洌), aged 39, has been serving as the Chief Financial Officer of our Company since April 2019. In this capacity, Mr. Tsai is primarily responsible for overseeing the overall financial management and corporate development of our Group. Prior to joining our Group, Mr. Tsai has broad experience in managerial positions in the investment banking sector. He was a director at Huatai Financial Holdings (Hong Kong) Limited from October 2016 to January 2019, a vice president at Barclays Capital Asia Limited from December 2015 to July 2016, and a vice president at ICBC

International Capital Limited from June 2013 to October 2015. He received his bachelor's degree from National Taiwan University in June 2003, and his degree of master of business administration from Cornell University's Samuel Curtis Johnson Graduate School of Management in May 2011.

Kongrong Karl PAN (潘孔榮), aged 60, is the Chief Operating Officer of our Company and has been serving as the chief operating officer of Peijia Suzhou since January 2017. Prior to joining our Group, he worked as the engineering manager at St. Jude Medical Supplies Co., Ltd. from January 1997 to September 2009, in which he was responsible for managing the development and manufacture of medical devices. From October 2009 to December 2015, Mr. Pan became the senior vice president of supply chain at Shanghai Microport Medical (Group) Co., Ltd, in which he was responsible for developing, manufacturing and marketing medical devices in China with a focus on minimally invasive interventional products for the treatment of vascular diseases and lesions. He received his bachelor's degree in aircraft design from Beijing Institute of Aeronautics and Astronautics in October 1982, and master's degree in mechanical engineering from Shanghai University of Technology (now known as Shanghai University) in March 1986. Subsequently, he received his master's degree in mechanical engineering in March 1992, and master's degree in management of technology in December 2002, both at the University of Minnesota.

Jian Fong TAN (陳劍鋒), aged 44, is the Vice President of Advanced Technology of our Company. He also served as the engineering director and subsequently vice president of manufacturing at Achieva Suzhou from July 2006 to January 2012. Prior to joining our Group, Dr. Tan was the operation director at Bioridge Consulting from July 2016 to June 2019, in which he was primarily responsible for the development of medical devices. Dr. Tan had also served as assistant vice president of biomedical sciences division at Exploit Technologies Pte Ltd (ETPL) (now known as A*ccelerate), the commercialization arm of Agency for Science, Technology and Research (A*STAR), and director of new technologies at Biosensors Interventional Technologies Pte Ltd from February 2013 to February 2015. He received his bachelor of science degree in applied science (materials engineering) from Nanyang Technological University, Singapore in July 1999, a master's degree followed by a degree of doctor of philosophy in the molecular engineering of biological and chemical systems programme at Singapore-MIT Alliance for Research and Technology and another degree of doctor of philosophy at the National University of Singapore in November 2006.

Chen WANG (王晨), aged 44, is the General Manager of Achieva and has been serving as the chief executive officer of Achieva Shanghai since June 2016. Prior to such role, Ms. Wang held positions in Achieva Shanghai as sales director, intercontinental marketing director, and vice president of sales & marketing from December 2010 to May 2016. In these capacities, her responsibilities primarily included sales and marketing to both domestic and overseas markets. Prior to joining our Group, Ms. Wang held various managerial positions, including as a senior district sales manager in Johnson & Johnson Medical (Shanghai) Ltd. from July 2006 to March 2010. She received her bachelor degree in science specializing in international trade from China Textile University (now known as Donghua University) in July 1998, and her degree of master of business administration from University of California, Berkeley, in May 2005.

Xiaoli SHI (施小立), aged 34, is the Vice President of Clinical and Regulatory Affairs of our Company, primarily responsible for overseeing compliance with government regulations, policies, and procedures. Prior to joining our Group, from June 2009 to July 2019, she worked as deputy vice president of registration and regulations at Lifetech Scientific (Shenzhen) Co., Ltd., a subsidiary of LifeTech Scientific Corporation, a supplier of minimally invasive interventional procedural medical devices for

treating cardiovascular diseases and listed on the main board of the Stock Exchange (stock code: 1302). From May 2008 to May 2009, Ms. Shi worked at Shenzhen Landwind Industry Co., Ltd. She received her bachelor's degree in biomedical engineering from Southwest Jiaotong University in July 2007 and a master's degree in mechanical and electrical engineering from Harbin Institute of Technology in April 2015. Since 2017, she has been studying towards a degree of doctor of philosophy in material scientific and engineering at Southwest Jiaotong University, expected to graduate in 2021.

Hongpeng WANG (王鴻鵬), aged 39, is the Director of Marketing of our Company and has been serving as the director of marketing of Peijia Suzhou since July 2019. Ms. Wang was a product manager at Cordis of Johnson & Johnson Medical (Shanghai) Co., Ltd. between September 2007 and March 2010. Ms. Wang was a product marketing manager, a senior marketing manager and an automatic external defibrillator (AED) business leader at Philips (China) Investment Co., Ltd during August 2010 to December 2018. Ms. Wang was a marketing manager of Actelion Pharmaceuticals Trading (Shanghai) Co. Ltd., a subsidiary of Actelion Pharmaceuticals Ltd., which is a Swiss-based pharmaceutical company, between December 2018 and June 2019. Ms. Wang received her degree of bachelor of medicine in nursing from Shanghai Medical College of Fudan University in June 2003. She is currently in the process of obtaining her degree of executive master of business administration from Washington University in St. Louis, with an expected graduation date of October 2020.

Xiaoping ZHONG (鍾小萍), aged 43, is the Director of Human Resources of our Company. Ms. Zhong joined our Group in November 2019, and prior to joining our Group, from September 2010 to March 2013, she served as senior human resources manager at TRW Automotive Components (Suzhou) Co., Ltd.. From March 2013 to August 2016, she was the director of human resources (China) at TMD Enterprise Management (Shanghai) Co., Ltd., in which she was responsible for implementing human resources strategy, performance management, and talent development. From December 2016 to April 2018, she served as the senior human resources business partner at Vesuvius Advanced Ceramics (China) Co., Ltd.. Ms. Zhong received her postgraduate diploma in corporate coaching and leadership development from the University of Hong Kong in 2015.

Ms. Xiaoxiao ZHUANG (莊筱筱), aged 37, is the Director of Sales of our Company, and has been serving in this capacity since April 2020. In this capacity, she is in charge of the strategic management of the sales function of our Group. Prior to joining our Group, from April 2017 to March 2020, Ms. Zhuang served as regional manager at BSC Int'l Medical Trading (Shanghai) Co., Ltd.. From January 2015 to April 2017, she had served as district sales manager at Medtronic (Shanghai) Management Co., Ltd.. Ms. Zhuang was a district sales manager at Abbott Laboratories Trading (Shanghai) Co., Ltd. between March 2010 and January 2015. From July 2008 to March 2010, she served as a product specialist at Johnson & Johnson Medical (Shanghai) Ltd.. Ms. Zhuang received her bachelor's degree in biology from Szechuan University in July 2005. She received her master's degree in biotechnology and medicine from Shanghai Institutes for Biological Sciences in July 2008.

General

Save as disclosed above, each of our senior management members has confirmed that:

(1) he/she does not hold and has not held any other positions in our Company and any other members of our Group as at the Latest Practicable Date;

(2) save as being a member of our Company's senior management, he/she does not have any other relationship with any Directors, substantial shareholders of our Company, or other members of senior management of our Group as at the Latest Practicable Date;

(3) save as disclosed above, he/she does not hold and has not held any other directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the three years prior to the Latest Practicable Date and as at the Latest Practicable Date; and

(4) save as disclosed above, he/she has not completed their respective education programs as disclosed in this section by way of attendance of long distance learning or online courses.

For the business address of the senior management, please refer to the address of our principal place of business in Suzhou, the PRC in the section headed "Corporate Information" in this document.

COMPANY SECRETARY

Ms. Pui Chun Hannah Suen (孫佩真), aged 41, was appointed as our company secretary on January 21, 2020. Ms. Suen has been an assistant manager of corporate services of Vistra Corporate Services (HK) Limited, a corporate services provider, since August 2014. She has over thirteen years of experience in providing full range of company secretarial services and is currently serving a portfolio of clients including public listed companies, MNCs and private companies. Prior to her current role, Ms. Suen was a secretarial officer in KCS Hong Kong Limited between June 2011 and August 2014, and a company secretary of AG Consultants Limited between February 2010 and June 2011.

Ms. Suen has been an associate member of the Hong Kong Institute of Chartered Secretaries since November 2019.

Ms. Suen obtained her master's degree in Corporate Governance from the Open University of Hong Kong and her bachelor's degree in Translation and Interpretation from the City University of Hong Kong.

COMPLIANCE ADVISER

We have appointed Maxa Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us on the following circumstances:

- before the publication of any announcements, circulars or financial reports required by regulatory authorities or applicable laws;
- where a transaction, which might be a notifiable or connected transaction under Chapters 14 and 14A of the Listing Rules is contemplated, including share issues and share repurchases;
- where we propose to use the [**REDACTED**] of 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 us regarding unusual price movement and trading volume or other issues under Rule 13.10 of the Listing Rules.

The terms of the appointment shall commence on the [**REDACTED**] and end on the date which we distribute our annual report of our financial results for first full the financial year commencing after the [**REDACTED**].

BOARD COMMITTEES

We have established the following committees on our Board: an audit committee, a remuneration committee and a nomination committee. The committees operate in accordance with the terms of reference established by our Board.

Audit Committee

Our Company has established an audit committee (effective from the [**REDACTED**]) 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. Jifeng Guan, and three independent non-executive Directors, Mr. Wai Ming Yip, Mr. Wayne Wu and Mr. Robert Ralph Parks. The chairman of the audit committee is Mr. Yip 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 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 (effective from the [**REDACTED**]) 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 two non-executive Directors, Dr. Zhiyun Yu and Mr. Bing Shang, and three independent non-executive Directors, Mr. Wayne Wu, Dr. Stephen Newman Oesterle and Mr. Robert Ralph Parks, with Mr. Wu as the chairman. The primary duties of the remuneration committee include, but are not limited to, the following: (i) making 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 developing policy on such remuneration; (ii) determining the specific remuneration packages of all Directors and senior management; and (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by our Board from time to time.

Nomination Committee

Our Company has established a nomination committee (effective from the [**REDACTED**]) with written terms of reference in compliance with paragraph A.5 of the Corporate Governance Code. The nomination committee consists of our Chairman of the Board, Dr. Zhang, one non-executive Director, Mr. Fei Chen, and three independent non-executive Directors, Dr. Stephen Newman Oesterle, Mr. Wayne Wu and Mr. Wai Ming Yip, with Dr. Zhang as the chairman. The primary functions of the nomination committee include, without limitation, reviewing the structure, size and composition of our Board, assessing the independence of independent non-executive Directors and making recommendations to our Board on matters relating to the appointment of Directors.

CORPORATE GOVERNANCE

Code Provision A.2.1 of the Corporate Governance Code

Dr. Zhang is our Chairman of the Board, Chief Executive Officer and Chief Technology Officer. With extensive experience in the medical devices industry and having served in our Company since its establishment, Dr. Zhang is in charge of overall management, business, strategic development and scientific research and development of our Group. Our Board considers that vesting the roles of the chairman of the Board and the chief executive officer in the same person is beneficial to the management of our Group. The balance of power and authority is ensured by the operation of our Board, which comprises experienced and diverse individuals. Our Board currently comprises three executive Directors (including Dr. Zhang), four non-executive Directors and four independent non-executive Directors, and therefore has 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

In order to enhance the effectiveness of the Board and to maintain the high standard of corporate governance, we have adopted the board diversity policy which sets out our objectives and approach to achieve and maintain diversity of the Board. Pursuant to the board diversity policy, we seek to achieve board diversity through the consideration of a number of factors when selecting the candidates to the Board, including but not limited to gender, skills, age, professional experience, knowledge, cultural, education background and length of service. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to the Board.

The Board comprises eleven members, including three executive Directors, four non-executive Directors and four independent non-executive Directors. Our Directors have a balanced mix of gender knowledge, skills, perspectives and experience, including overall management and strategic development, business, science, investment, accounting and consulting. They obtained professional and academic qualifications including business administration, applied physics, biological sciences, English language and literature, and philosophy. Furthermore, the Board possesses members spanning a wide range of ages, from 39 years old to 75 years old. Taking into account our existing business model and specific needs as well as the different background of our Directors, the composition of the Board satisfies our board diversity policy, and the Board and the nomination committee of our Company will assess the Board composition regularly.

Our nomination committee is responsible for reviewing the diversity of the Board. After [**REDACTED**], our nomination committee will continue to monitor and evaluate the implementation of 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, including any measurable objectives set for implementing the board diversity policy and the progress on achieving these objectives on an annual basis. We will also continue to take steps to promote gender diversity at all levels of our Company, including but without limitation at the Board and senior management levels.

KEY TERMS OF EMPLOYMENT CONTRACTS

We normally enter into (i) an employment contract, and (ii) a confidentiality and non-competition agreement with our senior management members and other key personnel. Below sets forth the key terms of these contracts we enter into with our senior management and other key personnel.

Term

- We normally enter into three to five year employment contracts with our senior management members or other key personnel.

Confidentiality

- *Scope of confidential information*. The employee shall keep the following information confidential:

  i. Information including but not limited to any trade secrets of our Company, customer information, and technical secrets, including process design, manufacturing methods, formulas, and test reports;

  ii. information relating to our research and development, such as our meeting minutes, experiment results, and inspection methods;

  iii. information relating to our business operations, such as our pricing plans, financial information, marketing plans, client list and supplier list;

  iv. intellectual property of the Group, such as patents and trademarks; and

  v. any other information not publicly available.

- *Confidential obligation.* The employee shall not leak, disclose, publish, announce, issue, teach, transfer or otherwise make available to any third party (including employees who are not privy to such trade secrets) any trade secrets of our Company or our Company's customers in any manner and shall not utilize such trade secret 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 to be in effect after the cessation of the employee's employment with our Company.

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 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 a business, or the manufacture 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 relevant laws and regulations.

Compensation for breach of covenants

- If the employee breaches the obligations under the confidentiality and non-competition agreement, our Group shall be entitled to seek the amount of RMB200,000 in compensation from the defaulting employee. Where such amount is inadequate in compensating the loss suffered by our Group as a result of his breach, our Group reserves the right to pursue further compensation from the defaulting employee.

SHARE INCENTIVE SCHEMES

We have adopted the Share Incentive Schemes. The principal terms of the Share Incentive Schemes are summarized in the paragraph headed "Statutory and General Information—D. Share Incentive Schemes" in Appendix IV to this document.

COMPENSATION OF DIRECTORS AND MANAGEMENT

Our Directors 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. We determine the salaries of our Directors based on each Director's responsibilities, qualification, position and seniority.

The aggregate amount of remuneration to our Directors for the years ended December 31, 2018 and 2019 were RMB247,000 and RMB6,787,000, respectively.

It is estimated that remuneration and benefits in kind (excluding any possible payment of discretionary bonus) equivalent to approximately RMB14,950,000 in aggregate will be paid and granted to our Directors by us in respect of the financial year ending December 31, 2020 under arrangements in force at the date of this document.

The aggregate amount of remuneration to our five highest paid individuals (including both employees and Directors) for the years ended December 31, 2018 and 2019 were RMB3,354,000 and RMB10,963,000, respectively.

During the Track Record Period, (i) no remuneration was paid to 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.

Our Directors' remuneration is determined with reference to the relevant Director's experience and qualifications, level of responsibility, performance and the time devoted to our business, and the prevailing market conditions.

For additional information on Directors' remuneration during the Track Record Period as well as information on the highest paid individuals, please refer to Note 8 of the Accountants' Report set out in Appendix I to this document.

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of the Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as of the Latest Practicable Date.

FUTURE PLANS

For a detailed description of our future plans, see "Business—Our Strategies."

USE OF [REDACTED]

We estimate that we will receive net [**REDACTED**] of approximately HK$[**REDACTED**] million after deducting the [**REDACTED**] fees and expenses payable by us in the [**REDACTED**] and taking into account any additional incentive fee (assuming the full payment of the discretionary incentive fee), assuming that the [**REDACTED**] is not exercised and assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] being the mid-point of the indicative [**REDACTED**] range of HK$[**REDACTED**] to HK$[**REDACTED**] per [**REDACTED**] in this [**REDACTED**].

Assuming an [**REDACTED**] at the mid-point of the indicative [**REDACTED**] range, 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 [65.0]%, or HK$[**REDACTED**] million, allocated to the development and commercialization of our Core Product, TaurusOne®, as well as our other major product candidates, as follows:

  (i) approximately [35.0]%, or HK$[**REDACTED**] million, will be used to fund the ongoing confirmatory clinical trial, preparation for registration filings, and planned commercial launches (including sales and marketing) of our Core Product, TaurusOne®. Specifically, we expect:

  (a) approximately [1.0]%, or HK$[**REDACTED**] million will be used to fund the remaining costs for TaurusOne®'s confirmatory clinical trial (the amount was estimated based on the outstanding amounts under the contracts with our clinical trial partners including CROs, SMOs and hospitals);

  (b) approximately [11.6]%, or HK$[**REDACTED**] million will be used to fund part of the post-launch clinical studies and follow-ups for TaurusOne® in line with industry practice, we plan to conduct a five-year follow-up for a sizable pool of patients (up to 1,500 patients as currently planned) who use TaurusOne® to further evaluate TaurusOne®'s safety and efficacy. The expected costs for such post-launch clinical studies and follow-ups are approximately RMB150,000 to RMB200,000 per patient, which costs would cover, among other things, clinical fees paid to hospitals and clinical research organizations, subsidies for the patients to participate in the follow-up clinical studies, and travel expenses incurred by the patients);

  (c) approximately [10.9]%, or HK$[**REDACTED**] million will be used to expand our current manufacturing capacity for TaurusOne®, including approximately HK$[**REDACTED**] million to be used to establish a new manufacturing facility at our premises in Suzhou by 2022, approximately HK$[**REDACTED**] million to be used to purchase new machineries, and approximately HK$[**REDACTED**] million to be used to provide trainings to production workers;

(d) approximately [3.3]%, or HK$[**REDACTED**] million will be used to conduct four continuous development projects regarding potential improvements to TaurusOne®'s various features and on our manufacturing process, including the following:

- approximately [0.9]%, or HK$[**REDACTED**] million for further optimizing TaurusOne®'s product structure within the range of specifications submitted to the NMPA;

- approximately [0.8]%, or HK$[**REDACTED**] million for developing in-house bovine pericardium processing capabilities, and conducting tests and verifications for the bovine pericardium to be procured from new suppliers;

- approximately [0.8]%, or HK$[**REDACTED**] million for enhancing, optimizing and verifying the product's manufacturing technology; and

- approximately [0.9]%, or HK$[**REDACTED**] million for further automating and standardizing the product's manufacturing process;

(e) approximately [2.8]%, or HK$[**REDACTED**] million will be used to cover costs for sponsoring and attending more industry conferences. We plan to attend approximately ten domestic industry conferences and approximately three international industry conferences each year for the next three years, and expect that the relevant costs will be incurred from, among others, sponsoring the conferences, making advertisements, conducting surgery demonstrations, and livestreaming company presentations;

(f) approximately [1.3]%, or HK$[**REDACTED**] million will be used to provide more training programs to physicians, to build more direct access with KOLs, and to carry out other general marketing activities for the commercialization of TaurusOne®; We expect to provide at least four training programs to physicians in the next five years, including the following:

- approximately [0.3]%, or HK$[**REDACTED**] million for providing trainings at our training center for 60 physicians each year for three years, with a cost of approximately RMB30,000 per physician each year;

- approximately [0.2]%, or HK$[**REDACTED**] million for providing procedure practice sessions on animals to 45 physicians each year for three years, with a cost of approximately RMB30,000 per physician each year;

- approximately [0.3]%, or HK$[**REDACTED**] million for conducting follow-up studies with 60 physicians each year for three years, with a cost of approximately RMB30,000 per physician each year; and

- approximately [0.5]%, or HK$[**REDACTED**] million for implementing four international training projects each year for three years, with a cost of approximately RMB500,000 per project each year;

(g) approximately [1.2]%, or HK$[**REDACTED**] million will be used to establish and pay the compensation for our internal medical team composed of four experienced cardiologists to collaborate with KOLs and other external partners in connection with TaurusOne®;

(h) approximately [1.9]%, or HK$[**REDACTED**] million will be used to hire and compensate three to five overseas technical consultants and experts in connection with TaurusOne®; and

(i) approximately [1.0]%, or HK$[**REDACTED**] million will be used for other miscellaneous expenses in relation to the development and commercialization of TaurusOne®.

We currently expect to complete the multi-center confirmatory clinical trial for TaurusOne® by the end of the second quarter of 2020, to make the registration submission with the NMPA in the third quarter of 2020, to obtain the NMPA approval in the first or second quarter of 2021, and to commercialize the product shortly after obtaining the NMPA approval.

(ii) approximately [10.0]%, or HK$[**REDACTED**] million, will be used to fund the ongoing clinical trial, preparation for registration filings, and planned commercial launches (including sales and marketing) of TaurusElite. Specifically, we expect that:

(a) approximately [2.1]%, or HK$[**REDACTED**] million will be used to fund the remaining costs for TaurusElite's clinical trial;

(b) approximately [0.5]%, or HK$[**REDACTED**] million will be used to prepare for and carry out product registration for TaurusElite;

(c) approximately [1.3]%, or HK$[**REDACTED**] million will be used to conduct continuous development projects regarding potential improvements to TaurusElite's various features;

(d) approximately [5.5]%, or HK$[**REDACTED**] million will be used to commercialize TaurusElite by sponsoring and attending more industry conferences, providing more training programs to physicians, and carrying out general marketing activities; and

(e) approximately [0.6]%, or HK$[**REDACTED**] million will be used for other miscellaneous expenses in relation to TaurusElite.

We currently expect to complete the patient enrollment of the clinical trial for TaurusElite by the third or fourth quarter of 2020, to obtain the NMPA approval in the second or third quarter of 2021, and to commercialize the product shortly after obtaining the NMPA approval.

(iii) approximately [15.0]%, or HK$[**REDACTED**] million, will be used to fund the ongoing pre-clinical studies and planned clinical trials for TaurusNXT. Specifically, we expect that:

(a) approximately [3.3]%, or HK$[**REDACTED**] million will be used to fund the pre-clinical research and development, including approximately [1.3]%, or HK$[**REDACTED**] million for product verifications, [0.7]%, or HK$[**REDACTED**] million for product inspections and [1.3]%, or HK$[**REDACTED**] million for animal studies, for TaurusNXT; and

(b) approximately [11.7]%, or HK$[**REDACTED**] million will be used to fund the clinical trials for TaurusNXT.

We currently expect to complete the type testing and animal studies for TaurusNXT in the third quarter of 2020.

(iv) approximately [5.0]%, or HK$[**REDACTED**] million, will be used to fund the ongoing clinical trial, preparation for registration filings, and planned commercial launches (including sales and marketing) of Shenyi® Stent Retriever.

- approximately [10.0]%, or HK$[**REDACTED**] million allocated to our ongoing pre-clinical studies and planned clinical trials, preparation for registration filings and potential commercial launches (including sales and marketing) of our other product candidates in our pipeline, including:

(i) approximately [6.0]%, or HK$[**REDACTED**] million, to fund the ongoing and planned research and development of our other transcatheter valve therapeutic product candidates, including TMVR device, TTVR devices, lithotripsy valvuloplasty catheter; and

(ii) approximately [4.0]%, or HK$[**REDACTED**] million, to fund the ongoing and planned research and development of our other neurointerventional procedural product candidates, including balloon dilatation catheter, distal access catheter, intermediate catheter, aspiration catheter, balloon microcatheter, balloon guide catheter, heat-fusion detachable coil, intracranial stent and Jasper supersoft detachable coil.

- approximately [8.0]%, or HK$[**REDACTED**] million, to be used to strengthen our research and development capabilities to enrich our product pipeline, which primarily includes recruiting and covering three years of salary for high-caliber talents for our in-house research and development team, especially engineers with a broad range of design and development skills and experience. We expect to hire:

  (i) three additional research and development directors for both the transcatheter valve therapeutic and neurointerventional business units in 2020;

  (ii) approximately 80 additional engineers specialized in TAVR products by 2022; and

  (iii) approximately 50 additional engineers specialized in neurointerventional procedural products by 2022.

- approximately [10.0]%, or HK$[**REDACTED**] million, to be used to expand our product portfolio or intellectual property portfolio through potential strategic acquisitions, investments, partnerships and licensing opportunities; and

- approximately [7.0]%, or HK$[**REDACTED**] million, to be used for working capital and other general corporate purposes.

The allocation of the [**REDACTED**] used for the above will be adjusted in the event that the [**REDACTED**] is fixed at a higher or lower level compared to the mid-point of the estimated [**REDACTED**] range. If the [**REDACTED**] is fixed at HK$[**REDACTED**] per Share, being the high end of the stated [**REDACTED**] range, our net [**REDACTED**] will be (i) increased by approximately HK$[**REDACTED**] million, assuming the [**REDACTED**] [**REDACTED**] is not exercised; or (ii) increased by approximately HK$[**REDACTED**] million, assuming the [**REDACTED**] is exercised in full. In such circumstances, we currently intend to use such additional [**REDACTED**] to increase the net [**REDACTED**] applied for the same purposes as set out above on a pro rata basis. If the [**REDACTED**] is fixed at HK$[**REDACTED**] per Share, being the low end of the stated [**REDACTED**] range, our net [**REDACTED**] will be (i) decreased by approximately HK$[**REDACTED**] million, assuming the [**REDACTED**] is not exercised; or (ii) decreased by approximately HK$[**REDACTED**] million, assuming the [**REDACTED**] is exercised in full. In such circumstances, we currently intend to reduce the net [**REDACTED**] applied for the same purposes as set out above on a pro rata basis.

If the [**REDACTED**] is exercised in full, the additional net [**REDACTED**] that we will receive will be approximately HK$[**REDACTED**] million, assuming an [**REDACTED**] of HK$[**REDACTED**] per Share, being the mid-point of the proposed [**REDACTED**] range. Our Company may be required to issue up to an aggregate of [**REDACTED**] additional Shares pursuant to the [**REDACTED**].

To the extent that the net [**REDACTED**] of the [**REDACTED**] are not immediately required for the above purposes and to the extent permitted by applicable laws and regulations or if we are unable to put into effect any part of our development plan as intended, we may hold such funds in short-term interest-bearing deposits or money market instruments with authorized financial institutions or licensed banks so long as it is deemed to be in the best interests of our Company.

We will issue an appropriate announcement if there is any material change to the above proposed use of [**REDACTED**].

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The following is the text of a report set out on pages [I-1] to [I-2], received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to the Joint Sponsors pursuant to the requirements of 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.

[To insert firm's letter head] ***[Draft]***

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF PEIJIA MEDICAL LIMITED, MORGAN STANLEY ASIA LIMITED AND HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED

Introduction

We report on the historical financial information of Peijia Medical Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages [I-3] to [I-83], which comprises the consolidated balance sheets as at 31 December 2018 and 2019, the Company's balance sheets as at 31 December 2018 and 2019, and the consolidated statements of comprehensive loss, changes in equity and cash flows for each of the years then ended (the "Track Record Period") 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-3 to I-83 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [●] (the "Document") in connection with the initial [**REDACTED**] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of 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 Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's 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 accountant's 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 accountant considers internal control relevant to the entity's preparation of 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 accountant's report, a true and fair view of the financial position of the Company as at 31 December 2018 and 2019, and the consolidated financial position of the Group as at 31 December 2018 and 2019 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period 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 of Hong Kong Limited (the "Listing Rules") 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-3 have been made.

Dividends

We refer to Note 32 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

[PricewaterhouseCoopers]
Certified Public Accountants
Hong Kong, ***[Date]***

I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report. The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers Zhong Tian LLP (普華永道中天會計師事務所(特殊普通合夥)) in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board (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 COMPREHENSIVE LOSS

		Year ended 31 December	
	Note	**2018**	**2019**
		RMB'000	*RMB'000*
Revenue	*6*	–	18,699
Cost of sales	*7*	–	(6,686)
Gross profit		–	12,013
Selling and distribution expenses	*7*	–	(7,482)
Administrative expenses	*7*	(45,680)	(173,367)
Research and development expenses	*7*	(27,851)	(55,134)
Other income	*9*	3,027	4,049
Other gains/(losses) – net	*10*	282	(7,002)
Operating loss		(70,222)	(226,923)
Finance income	*11*	238	3,944
Finance costs	*11*	(4,797)	(823)
Finance (costs)/income – net		(4,559)	3,121
Fair value change in financial instruments issued to investors	*25*	(8,095)	(308,175)
Loss before income tax		(82,876)	(531,977)
Income tax expense	*12*	–	–
Loss for the year		(82,876)	(531,977)
Loss attributable to:			
– Owners of the Company		(82,625)	(531,977)
– Non-controlling interests		(251)	–
		(82,876)	(531,977)

	Note	Year ended 31 December 2018	2019
		RMB'000	*RMB'000*
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
– Fair value change relating to preferred shares due to own credit risk	*25*	4,619	15,856
Other comprehensive income for the year, net of tax		4,619	15,856
Total comprehensive loss for the year		(78,257)	(516,121)
Total comprehensive loss attributable to:			
– Owners of the Company		(78,006)	(516,121)
– Non-controlling interests		(251)	–
		(78,257)	(516,121)
Loss per share attributable to the owners of the Company			
Basic and diluted loss per share (in RMB per share)	*13*	(9.05)	(45.28)

CONSOLIDATED BALANCE SHEETS

	Note	As at 31 December 2018	As at 31 December 2019
		RMB'000	*RMB'000*
ASSETS			
Non-current assets			
Right-of-use assets	*14*	2,449	6,394
Property, plant and equipment	*15*	15,495	70,241
Investment properties	*16*	14,495	22,460
Intangible assets	*17*	269	219,308
Prepayments and other receivables	*18*	660	3,455
Total non-current assets		33,368	321,858
Current assets			
Inventories	*19*	1,282	11,163
Financial assets at fair value through profit or loss	*20*	–	15,000
Prepayments and other receivables	*18*	44,952	26,836
Cash and cash equivalents	*21*	94,762	504,627
Total current assets		140,996	557,626
Total assets		174,364	879,484

	Note	As at 31 December 2018	As at 31 December 2019
		RMB'000	*RMB'000*
EQUITY AND LIABILITIES			
Equity attribute to owners of the Company			
Share capital and share premium	*22*	50,627	79,563
Other reserves	*23*	(3,874)	35,298
Accumulated losses		(141,090)	(673,067)
Total equity in deficit		(94,337)	(558,206)
Liabilities			
Non-current liabilities			
Financial instruments issued to investors	*25*	220,589	1,362,309
Lease liabilities	*14*	1,090	1,129
Deferred tax liabilities	*26*	–	20,320
Deferred income	*27*	2,341	3,591
Trade and other payables	*28*	154	154
Total non-current liabilities		224,174	1,387,503
Current liabilities			
Lease liabilities	*14*	1,399	1,233
Trade and other payables	*28*	43,128	47,641
Contract liabilities	*6*	–	1,313
Total current liabilities		44,527	50,187
Total liabilities		268,701	1,437,690
Total equity and liabilities		174,364	879,484

BALANCE SHEETS – COMPANY

	Note	As at 31 December 2018	As at 31 December 2019
		RMB'000	*RMB'000*
ASSETS			
Non-current assets			
Investments in subsidiaries	*33*	117,951	532,668
Current assets			
Prepayments and other receivables	*18*	97,937	6,470
Cash and cash equivalents	*21*	4,253	472,857
Total current assets		102,190	479,327
Total assets		220,141	1,011,995
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital and share premium	*22*	50,627	79,563
Other reserves	*23*	(3,623)	35,549
Accumulated losses		(51,513)	(495,863)
Total equity in deficit		(4,509)	(380,751)
Liabilities			
Non-current liabilities			
Financial instruments issued to investors	*25*	220,589	1,362,309
Current liabilities			
Trade and other payables	*28*	4,061	30,437
Total liabilities		224,650	1,392,746
Total equity and liabilities		220,141	1,011,995

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Note	Share capital and share premium	Other reserves	Accumulated losses	Total	Non-controlling interests	Total equity in deficit
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2018		22,143	(8,511)	(58,465)	(44,833)	–	(44,833)
Comprehensive loss:							
Loss for the year		–	–	(82,625)	(82,625)	(251)	(82,876)
Other comprehensive income	*25*	–	4,619	–	4,619	–	4,619
Total comprehensive income/(loss)		–	4,619	(82,625)	(78,006)	(251)	(78,257)
Transactions with owners in their capacity as owners:							
Issuance of ordinary shares	*22*	38,408	–	–	38,408	–	38,408
Shares bought back and cancelled	*22*	(9,924)	–	–	(9,924)	–	(9,924)
Transaction with non-controlling interests		–	(251)	–	(251)	251	–
Share-based payments	*24*	–	269	–	269	–	269
Balance at 31 December 2018		50,627	(3,874)	(141,090)	(94,337)	–	(94,337)
Balance at 1 January 2019		50,627	(3,874)	(141,090)	(94,337)	–	(94,337)
Comprehensive loss:							
Loss for the year		–	–	(531,977)	(531,977)	–	(531,977)
Other comprehensive income	*25*	–	15,856	–	15,856	–	15,856
Total comprehensive income/(loss)		–	15,856	(531,977)	(516,121)	–	(516,121)
Transactions with owners in their capacity as owners:							
Issuance of ordinary shares	*22*	21,567	–	–	21,567	–	21,567
Shares bought back and cancelled	*22*	(5,572)	–	–	(5,572)	–	(5,572)
Ordinary shares issued and stock options granted as consideration for business combination	*22, 35*	143,513	5,935	–	149,448	–	149,448
Re-designation of ordinary shares to preferred shares	*22*	(130,572)	–	–	(130,572)	–	(130,572)
Share-based payments	*24*	–	17,381	–	17,381	–	17,381
Balance at 31 December 2019		79,563	35,298	(673,067)	(558,206)	–	(558,206)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Year ended 31 December 2018	2019
		RMB'000	*RMB'000*
Cash flows from operating activities			
Cash used in operations	*29(a)*	(38,890)	(102,705)
Interest received	*11*	238	239
Interest paid	*11*	(76)	(124)
Net cash outflow from operating activities		(38,728)	(102,590)
Cash flows from investing activities			
Payments for property, plant and equipment		(8,098)	(13,471)
Payments for intangible assets	*17*	(286)	(55)
Payments for financial assets at fair value through profit or loss	*20*	–	(137,710)
Proceeds from disposals of financial assets at fair value through profit or loss	*20*	–	122,710
Interest income received from financial assets at fair value through profit or loss	*9*	–	629
Cash acquired from acquisition of subsidiaries	*35*	–	59,622
Proceeds from disposal of property, plant and equipment		1	232
Net cash (outflow)/inflow from investing activities		(8,383)	31,957

	Note	Year ended 31 December 2018	2019
		RMB'000	*RMB'000*
Cash flows from financing activities			
Capital contribution from shareholders		38,408	21,567
Payments for shares bought back		(34,347)	(19,217)
Proceeds from issuance of financial instruments issued to investors	*25*	101,835	495,386
Proceeds from a bank loan		4,500	–
Repayment of a bank loan		(4,500)	–
Payments for [**REDACTED**] expenses		–	(3,635)
Interest paid to borrowings from related parties		–	(300)
Repayment of borrowings from related parties	*31(b)*	–	(16,620)
Interest paid for a bank loan	*11*	(87)	–
Principal elements of lease payments	*14, 35*	(1,377)	(1,444)
Net cash inflow from financing activities		104,432	475,737
Net increase in cash and cash equivalents		57,321	405,104
Cash and cash equivalents at beginning of the year		35,103	94,762
Exchange gains on cash and cash equivalents		2,338	4,761
Cash and cash equivalents at end of the year	*21*	94,762	504,627

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

Peijia Medical Limited (the "Company", or "Peijia Medical") was incorporated in the Cayman Islands on 30 May 2012 as an exempted company with limited liability under the Company Law of the Cayman Islands. The Company and its subsidiaries (together, the "Group") are principally engaged in the business of (i) research and development of transcatheter valve therapeutic medical devices ("Transcatheter Valve Therapeutic Business") and (ii) research and development of neurointerventional procedural medical devices ("Neurointerventional Business") in the People's Republic of China (the "PRC") and other countries. Transcatheter Valve Therapeutic Business is primarily operated by the subsidiaries of the Company mainly comprising of Peijia Medical Technology (Suzhou) Co., Ltd. ("Peijia Suzhou") and Peijia Medical Technology (Shanghai) Co., Ltd. ("Peijia Shanghai"), and Neurointerventional Business is primarily operated by Achieva Medical Limited ("Achieva Medical") together with its subsidiaries ("Achieva Group").

The address of the Company's registered office is Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205 Cayman Islands.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The Historical Financial Information of the Group has been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs") issued by International Accounting Standards Board ("IASB"). The Historical Financial Information has been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss, which are carried at fair value.

The Historical Financial Information has been prepared on a going concern basis. The Group's business is in the high growth interventional procedural medical device development stage with significant expenditures for research and development activities. While the Group has net deficits and net operating cash outflows, the Group has positive working capital resulting from capital raising activities through issuance of preferred shares.

As at 31 December 2019, the Group had a total equity in deficit of RMB558,206,000 and cash and cash equivalents of RMB504,627,000. On the other hand, the Group have preferred shares issued to investors, with carrying amount of RMB1,362,309,000 under non-current liabilities, which would not be contractually redeemable within the next twelve months period, subject to redemption and other clauses as set out in Note 25. The holders of these preferred shares have confirmed that their shares will automatically be converted into ordinary shares upon the closing of the [**REDACTED**] of the Company's shares. Accordingly, the directors are of the opinion that the preferred shares are not expected to have cash flow impact on the Group and therefore the Group has sufficient cash for its daily operation for the next twelve months.

Accordingly, the directors of the Company consider that it is appropriate to prepare the Historical Financial Information on a going concern basis.

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 judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4 below.

All effective standards, amendments to standards and interpretations, including IFRS 15 and IFRS 9, which are mandatory for the financial year beginning 1 January 2018, and IFRS 16 which is mandatory for the financial year beginning 1 January 2019, are consistently applied to the Group throughout the Track Record Period.

(a) New Standards, amendments to standards and interpretations not yet adopted

Standards, amendments and interpretations that have been issued but not yet effective and not been early adopted by the Group during the Track Record Period are as follows:

	New standards, amendments	Effective date
IFRS 17	Insurance contracts	Annual periods beginning on or after 1 January 2021
IFRS 3 (Amendments)	Definition of a Business	Annual periods beginning on or after 1 January 2020
IAS 1 and IAS 8 (Amendments)	Definition of Material	Annual periods beginning on or after 1 January 2020
IFRS 10 and IAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	Annual periods beginning on or after 1 January 2020
IFRS 9, IAS 39, and IFRS 7 (Amendments)	IBOR reform	Annual periods beginning on or after 1 January 2020
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	Annual periods beginning on or after 1 January 2022

(b) Changes in accounting policy and disclosures

The Group has already commenced an assessment of the impact of these new or revised standards and interpretations, and amendments, certain of which are relevant to the Group's operations. According to the preliminary assessment made by the Directors, no significant impact on the financial performance and financial position of the Group is expected when they become effective.

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intra-group transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest ("NCI") in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9 in profit or loss. Contingent consideration that is classified is as equity not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means the amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Group on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as executive directors of the Company.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "Functional Currency"). The Historical Financial Information is presented in RMB, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised within "Other gains/(losses) – net" in the consolidated statements of comprehensive loss.

2.5 Property, plant and equipment

Property, plant and equipment, are stated at historical cost or acquisition cost less accumulated depreciation and impairment, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

	Years	Residual rate
– Buildings	20	5%
– Furniture	5	5%
– Electronic equipment	3	5%
– Machinery	10	5%
– Vehicles	5	5%
– Leasehold improvements	5-10	5%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised in "Other gains/(losses) – net" in the consolidated statements of comprehensive loss.

Construction in progress represents property, plant and equipment under construction or pending installation and is stated at historical cost or acquisition cost less provision for impairment loss, if any. Cost includes the costs of construction and acquisition as well as interest expenses during the periods of construction and installation, minus the government grants received as a compensation to the interest expense spent. When the assets concerned are available for use, the costs are transferred to property, plant and equipment and intangible assets and depreciated in accordance with the policy as stated above.

2.6 Investment properties

Investment properties comprise buildings, held for long-term rental yields or for capital appreciation or both and not occupied by the Group, and is measured initially at its cost, including related transaction costs. After initial recognition, the Group chooses the cost model to measure all of its investment properties, which are stated at historical costs less accumulated depreciation and accumulated impairment losses, if any. Depreciation of buildings is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives of 20 years, and amortisation of land use right is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives of 50 years.

The investment properties' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An investment property's carrying amount is written down immediately to its recoverable amount if the investment property's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised in the profit and loss.

2.7 Intangible assets

(a) Goodwill

Goodwill is measured as described in Note 17. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

(b) Technologies

Technologies acquired in a business combination are recognised at fair value at the acquisition date. Technologies have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of technologies over their estimated useful lives of 15 years from the point at which the asset is ready for use. The Group determined the acquired technologies (Note 35) to have a useful life of 15 years based on periods that acquired technologies can generate economic benefits under current business needs.

(c) Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring the specific software into usage. These costs are amortised using the straight-line method over their estimated useful lives of 3 years. Costs associated with maintaining computer software programs are recognised as expense as incurred.

(d) Research and development expenditures

Research and development cost comprise all costs that are directly attributable to research and development activities (relating to the design and testing of new or improved high end medical instruments) or that can be allocated on a reasonable basis to such activities. Research and development costs are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the medical instruments so that it will be available for use or sale;
- management intends to complete the medical instruments, and use or sell it;
- the ability to use or sell the medical instruments;
- it can be demonstrated how the medical instruments will generate economic benefits;
- there are adequate technical, financial and other resources to complete the development and the ability to use or sell the medical instruments; and
- the expenditure attributable to the medical instruments during its development phase can be reliably measured.

Other development expenditures that do not meet these criteria are charged to expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

2.8 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.9 Financial assets and liabilities

2.9.1 Initial recognition

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost and investments in debt instruments measured at fair value through other comprehensive income, which results in an accounting loss being recognised in profit or loss.

2.9.2 Classification and subsequent measurement

Financial assets

The Group classifies its financial assets in the following measurement categories:

(i) amortised cost;

(ii) fair value through other comprehensive income; or

(iii) fair value through profit or loss

The classification requirements for debt instruments are described below:

Debt instruments

Classification and subsequent measurement of debt instruments depend on the Group's business model for managing the asset and the cash flow characteristics of the asset.

A debt instrument shall be measured at amortised cost if all of the following conditions are met:

(i) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows;

(ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding; and

(iii) they are not designated at financial assets at fair value through profit or loss.

The carrying amount of these assets is adjusted by any expected credit loss allowance. Interest income from these financial assets is measured using the effective interest rate method.

A debt instrument shall be measured at fair value through other comprehensive income if all of the following conditions are met:

(i) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets;

(ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding; and

(iii) they are not designated at fair value through profit or loss.

When the financial asset measured at fair value through other comprehensive income is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss. Interest income from these financial assets is measured using the effective interest rate method and recognised in profit or loss.

A debt instrument shall be measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change.

The Group may also irrevocably designate financial assets at fair value through profit or loss if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases.

Financial liabilities

In both the current and prior years, financial liabilities are classified as subsequently measured at amortised cost, except for:

Financial liabilities at fair value through profit or loss. Such liabilities, including derivatives, and financial liabilities designated as fair value through profit or loss. The Group shall present a gain or loss on those financial liabilities designated as at fair value through profit or loss as follows: the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability shall be presented in other comprehensive income, and the remaining amount of change in the fair value of the liability shall be presented in profit or loss unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch in profit or loss.

2.9.3 Derecognition

(a) 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 balance sheets) when:

(i) the rights to receive cash flows from the asset have expired; or

(ii) 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 the Group's 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.

(b) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged 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.

2.9.4 Impairment

The Group assesses on a forward-looking basis the ECL associated with its debt instrument assets carried at amortised cost, and at fair value through other comprehensive income, contract assets and with the exposure arising from loan commitments and financial guarantee contracts. The Group recognises a loss allowance for such losses at each reporting date.

At each reporting date, the Group shall assess whether the credit risk on a financial instrument has increased significantly since initial recognition.

The measurement of ECL reflects: An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; the time value of money; and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated balance sheet where the Group currently has a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.11 Inventories

Inventories including raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventories are determined after deducting discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.12 Trade receivables and other receivables

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. If collection of prepayments and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.13 Cash and cash equivalents

Cash and cash equivalents includes cash in hand and banks, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.14 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction, net of tax, from the proceeds. Preferred shares are classified as financial liabilities based on the respective contract terms (see Note 2.16).

2.15 Trade and other payables

Trade and other payables mainly represent the obligations to pay for goods, services or construction that have been acquired in the ordinary course of business from suppliers. Trade and other payables are presented as current liabilities unless payment is not due within one year or less after the reporting period.

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Financial instruments issued to investors

Financial instruments issued to investors consist of preferred shares and convertible loans. Accounting policies and other explanatory information of these financial instruments are elaborated as follows:

(a) Preferred shares

During the Track Record Period, the Company entered into a series of share purchase agreements with financial investors and issued Series A, Series B, Series A-1, Series C, Series C-1 and New Series C-1 preferred shares, respectively (collectively, "Preferred Shares").

Preferred Shares issued by the Company are redeemable upon occurrence of certain future events. This instrument can be converted into ordinary shares of the Company at any time at the option of the holders or automatically converted into ordinary shares upon occurrence of an initial public offering ("IPO") of the Company or agreed by at least two-thirds of the holders as detailed in Note 25.

The Group designated the Preferred Shares as financial liabilities at fair value through profit or loss. They are initially recognised at fair value.

Subsequent to initial recognition, the Preferred Shares are carried at fair value with changes in fair value recognised in the profit or loss.

If the Company's own credit risk results in fair value changes in financial liabilities designated as at fair value through profit or loss, they are recognised in other comprehensive income in the circumstances other than avoiding accounting mismatch or recognising in profit or loss for loan commitments or financial guarantee contracts.

(b) Convertible loan

Convertible loan issued by a subsidiary of the Company bear no interest as long as all the other ordinary shares subscribers complete the funding obligation within the agreed period.

The principle amount can be converted into ordinary shares of the issuer of the convertible loan upon at any time when all the ordinary share subscribers fulfilled the funding obligation.

The Group designated the convertible loan as financial liabilities at fair value through profit or loss, which is initially recognised at fair value.

Subsequent to initial recognition, the convertible loan is carried at fair value with changes in fair value recognised in the profit or loss.

If the Company's own credit risk results in fair value changes in financial liabilities designated as at fair value through profit or loss, they are recognised in other comprehensive income in the circumstances other than avoiding accounting mismatch or recognising in profit or loss for loan commitments or financial guarantee contracts.

2.17 Borrowings and borrowing costs

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are removed from the consolidated balance sheets when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Other borrowing costs are expensed in the period in which they are incurred.

2.18 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.19 Employee benefits

(a) Pension, housing funds, medical insurances and other social insurances obligations

Employees of the Group are covered by various government-sponsored defined-contribution pension plans under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these employees when they retire. The Group contributes on a monthly basis to these pension plans for the employees which are determined at a certain percentage of their salaries. Under these plans, the Group has no obligation for post-retirement benefits beyond the contribution made. Contributions to these plans are expensed as incurred and contributions paid to the defined contribution pension plans for a staff are not available to reduce the Group's future obligations to such defined-contribution pension plans even if the staff leaves the Group.

Employees of the Group are entitled to participate in various government supervised housing funds, medical insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each period.

(b) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated balance sheets.

(c) Share-based compensation benefits of the Group

(i) Equity-settled share-based payment transaction

The Group operates stock options granted to employees, under which the entity receives services from employees as consideration for equity instruments of the Group. The fair value of the employee services received in exchange for the grant of equity instruments is recognised as an expense on the consolidated financial statements. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions;
- including the impact of any non-vesting conditions (for example, the requirement for employees to serve).

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated statements of comprehensive loss, with a corresponding adjustment to equity.

In addition, in some circumstances, employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement date and grant date.

Where there is any modification of terms and conditions which increases the fair value of the equity instruments granted, the Group includes the incremental fair value granted in the measurement of the amount recognised for the services received over the remainder of the vesting period. The incremental fair value is the difference between the fair value of the modified equity instrument and that of the original equity instrument, both estimated as at the date of the modification. An expense based on the incremental fair value is recognised over the period from the modification date to the date when the modified equity instruments vest in addition to any amount in respect of the original instrument, which should continue to be recognised over the remainder of the original vesting period.

(ii) Share-based payment transaction among group entities

The grant by the Company of options over its equity instruments to the employees of subsidiaries undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiaries undertakings, with a corresponding credit to equity in separate financial statements of the Company.

2.20 Revenue recognition

Revenue is recognised when, or as, obligations under the terms of a contract are satisfied, which occurs when control of the promised products or services is transferred to customers. Revenue is measured as the amount of consideration the Group expects to receive in exchange for transferring products or services to a customer ("transaction price").

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Depending on the terms of the contract and the laws applicable, control of the goods and services may be transferred over time or at a point in time.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with using the same approach as for trade receivables. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due. There is normally no significant cost to obtain contract.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

The following is a description of the accounting policy for the principal revenue stream of the Group.

During the Track Record Period, revenue of the Group arose from sale of neurointerventional procedural medical devices by Achieva Group. Sales are recognised when control of the products has transferred, being when the products are delivered to the customers, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been transferred to the customers at the Group's storehouse, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

2.21 Leases as leasee

The Group leases properties and land use rights in the PRC as leasee. Rental contracts are typically made for fixed periods of 3 to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

The lease payments are discounted using the interest rate implied in the lease, if that rate can be determined, or the respective incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs; and
- restoration costs.

2.22 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Where the grants relates to an expense item, it is recognised as income on a systematic basis over the period that the costs, which it is intended to compensate, are expensed. Where the grants 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 on straight-line basis or deducted from the carrying amount of the asset and released to the profit or loss by way of a reduced depreciation charge.

2.23 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2.24 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the management of the Group. The Group currently does not use any derivative financial instruments to hedge certain risk exposure.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the Group entities' Functional Currency. Functional Currency of the Group's entities are RMB.

Certain bank balances and cash, other receivables, financial instruments issued to investors and other payables are denominated in foreign currencies of respective group entities that are exposed to foreign currency risk. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity. The Group has entities operating in USD and RMB, and the Group will constantly review the economic situation and its foreign exchange risk profile, and will consider appropriate hedging measures in the future, as may be necessary.

Most foreign exchange transactions were denominated in USD for the group companies that have functional currency in RMB. As at 31 December 2018 and 31 December 2019, if the USD strengthened/weakened by 5% against the RMB with all other variables held constant, net loss for the year would have been RMB4,657,713 higher/ lower and RMB34,033,436 higher/ lower, respectively.

(b) Credit risk

Credit risk mainly arises from cash and cash equivalents and trade and other receivables. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheet.

The Group expects that there is no significant credit risk associated with cash and cash equivalents since they are deposited at state-owned banks or reputable commercial banks which are high-credit-quality financial institutions. Management does not expect that there will be any significant losses from non-performance by these counterparties.

For trade and other receivables, management makes periodic assessments as well as individual assessment on the recoverability based on historical settlement records and past experience and adjusts for forward looking information. The Group has applied simplified approach for the Group's trade receivables using a lifetime expected loss provision. As of 31 December 2018 and 31 December 2019, there was no remaining balance in respect of trade receivables. Thus no loss allowance provision for trade receivables was recognised.

Management has assessed that during the Track Record Period, other receivables have not had a significant increase in credit risk since initial recognition. Thus, a 12-month expected credit loss approach that results from possible default event within 12 months of each reporting date is adopted by management. The directors of the Company do not expect any losses from non-performance by the counterparties of other receivables and no loss allowance provision for other receivables was recognised.

(c) Liquidity risk

The Group aims to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying businesses, the policy of the Group is to regularly monitor the Group's liquidity risk and to maintain adequate cash and cash equivalents to meet the Group's liquidity requirements.

The table below analyses the Group's non-derivative financial liabilities that will be settled into relevant maturity grouping based on the remaining period at each balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

The following table presents the Group's contractual maturities of financial liabilities at 31 December 2019:

	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2019					
Trade and other payables *(Note 28)*	27,914	–	154	–	28,068
Lease liabilities *(Note 14)*	1,322	1,159	–	–	2,481
	29,236	1,159	154	–	30,549

The following table presents the Group's contractual maturities of financial liabilities at 31 December 2018:

	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2018					
Trade and other payables *(Note 28)*	37,590	–	154	–	37,744
Lease liabilities *(Note 14)*	1,485	652	489	–	2,626
	39,075	652	643	–	40,370

The Group recognises the financial instruments issued to investors at fair value through profit or loss. Accordingly, the financial instruments issued to investors are managed on a fair value basis rather than by maturing dates (Note 25).

Trade and other payables exclude accrued taxes other than income tax and staff salaries and welfare payables. Lease liabilities have taken the impact of interest into consideration.

3.2 Capital risk management

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

In order to maintain or adjust the capital structure, the Group may issue new shares or sell assets to reduce debt.

The Group monitors capital (including share capital and share premium, other reserves, and Preferred Shares on an as-if-converted basis) by regularly reviewing the capital structure. As a part of this review, the Company considers the cost of capital and the risks associated with the issued share capital. In the opinion of the directors of the Company, the Group's capital risk is low.

3.3 Fair value estimation

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the consolidated financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards.

The fair values of the financial assets and liabilities, which are measured at amortised cost, approximate their carrying amounts as at 31 December 2018 and 31 December 2019.

The following table presents the Group's assets and liabilities that were measured at fair value at 31 December 2018:

	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Liabilities:				
Financial instruments				
– Preferred Shares *(Note 25)*	–	–	220,589	220,589

The following table presents the Group's assets and liabilities that were measured at fair value at 31 December 2019:

	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets:				
Financial assets at fair value through profit or loss	–	–	15,000	15,000
Liabilities:				
Financial instruments				
– Preferred Shares *(Note 25)*	–	–	1,362,309	1,362,309

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting year.

Level 1: The fair value of financial instruments traded in active markets is based on quoted market at each of the reporting dates. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments; and
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

There were no changes in valuation techniques during the Track Record Period.

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the Track Record Period.

The changes in level 3 instruments for the years ended 31 December 2018 and 2019 are presented in Note 25.

Valuation processes of the Group (Level 3)

The Group has a team of personnel who performs valuation on these level 3 instruments for financial reporting purposes. On an annual basis, the team adopts various valuation techniques to determine the fair value of the Group's level 3 instruments.

The components of the level 3 instruments mainly include investments in wealth management products and financial liabilities at fair value through profit or loss. As these instruments are not traded in an active market, their fair values have been determined using various applicable valuation techniques, including discounted cash flows approach and binomial model approach, etc. Major assumptions used in the valuation include historical financial results, assumptions about future growth rates, estimates of weighted average cost of capital (WACC), discount for lack of marketability and other exposure etc.

The investment in wealth management products mainly represent the investments in wealth management products issued by banks in the PRC with non-guaranteed principal and floating return of investment. The Group used discounted cash flows approach to value the fair value of the financial product as at period end. Due to the short period and low expected return rate ranging from 2.20% to 3.05% per annum, the Group considered the fair value of financial product approximately to the cost.

The Group issued preferred shares and convertible loan to investors, which were classified as financial liabilities and designed as financial liabilities at fair value through profit or loss (Note 25). They are initially recognised at fair value, and subsequently stated at fair value with changes in fair value and own credit risk recognised in the consolidated statements of comprehensive loss.

If the fair values of financial assets and liabilities at fair value through profit or loss held by the Group had been 10% higher/lower, the loss before income tax for the years ended 31 December 2018 and 2019 would have been approximately RMB22,059,000 higher/lower and RMB134,730,900 higher/lower, respectively.

4. CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also need to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Estimated impairment of goodwill and acquired technologies

The Group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount of a cash generating unit ("CGU") is determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a eight-year period. Cash flows beyond the eight-year period are extrapolated using the estimated growth rates. Details of impairment charge, key assumptions and impact of possible changes in key assumptions are disclosed in Note 17.

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

Determination of the value in use is an area involving management judgement in order to assess whether the carrying value of the intangible assets not available for use can be supported by the net present value of future cash flows. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters including management's expectations of (I) timing of commercialisation, productivity and market size; (II) revenue compound growth rate; (III) costs and operating expenses; and (IV) the selection of discount rates to reflect the risks involved.

(b) Fair value of financial instruments

The financial instruments issued by the Group including preferred shares and convertible loan which are not traded in an active market and the respective fair value is determined by using valuation techniques. The discounted cash flow method was used to determine the total equity value of the Group and the equity allocation model was adopted to determine the fair value of the financial instruments. Key assumptions, such as discount rate, risk-free interest rate and volatility are disclosed in Note 25.

(c) Recognition of share-based compensation expenses

As mentioned in Note 24, equity-settled share-based compensation plans were granted to the Group's employees. The Company has engaged an independent valuer to determine the total fair value of the options granted to employees, which is to be expensed over the vesting period. Significant estimate on assumptions, such as the discount rate, risk-free interests rate, expected volatility, estimation of vesting period and dividend yield, is required to be made by the Group in applying the discounted cash flow method.

(d) Estimated useful lives and residual values of property, plant and equipment and technologies

The Group's management determines the estimated useful lives, residual values and related depreciation and amortisation charges for the Group's property, plant and equipment and technologies with reference to the estimated periods that the Group intends to derive future economic benefits from the use of these assets. Management will revise the depreciation and amortisation charges where useful lives are different to that of previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives and actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation and amortisation charges in future periods.

5. SEGMENT

The Group's business activities, for which discrete financial information is available, are regularly reviewed and evaluated by the CODM. The CODM, who is responsible for allocating resource and assessing performance of the operating segments, has been identified as the executive directors of the Company that make strategic decisions.

The CODM assessed the performance of the operation segments mainly based on segment revenues, cost of revenues, selling and distribution expenses, administrative expenses, and research and development expenses of each operation segment. Thus, segment result would present revenues, cost of revenues, selling and distribution expenses, administrative expenses, research and development expenses and gross profit for each segment, which is in line with CODM's performance review.

As a result of this evaluation, the Group determined that it has operating segments as follows:

Transcatheter Valve Therapeutic Business

Transcatheter Valve Therapeutic Business is primarily operated by the subsidiaries of the Company mainly comprising of Peijia Suzhou and Peijia Shanghai, which is engaged in the business of research and development of transcatheter valve therapeutic medical devices.

Neurointerventional Business

Neurointerventional Business is primarily operated by Achieva Medical together with its subsidiaries, which is engaged in the business of research and development of neurointerventional procedural medical devices.

There were no separate segment assets and segment liabilities information provided to the CODM, as CODM does not use this information to allocate resources to or evaluate the performance of the operating segments.

The revenue is mainly generated in China.

The segment information provided to the Group's CODM for reportable segments for the relevant periods is as follows:

	Year ended 31 December 2018 Transcatheter Valve Therapeutic Business
	RMB'000
Revenue	–
Cost of sales	–
Selling and distribution expenses	–
Administrative expenses	(45,680)
Research and development expenses	(27,851)
Segment loss	(73,531)

	Year ended 31 December 2019		
	Transcatheter Valve Therapeutic Business	Neurointerventional Business (a)	Total
	RMB'000	*RMB'000*	*RMB'000*
Revenue	–	18,699	18,699
Cost of sales	–	(6,686)	(6,686)
Selling and distribution expenses	–	(7,482)	(7,482)
Administrative expenses	(156,047)	(17,320)	(173,367)
Research and development expenses	(32,219)	(22,915)	(55,134)
Segment loss	(188,266)	(35,704)	(223,970)

(a) The information of Neurointerventional Business for the year ended 31 December 2019 represented the post-acquisition financial information of Neurointerventional Business (Note 35).

6. REVENUE

	Year ended 31 December	
	2018	2019
	RMB'000	*RMB'000*
Revenue from sales of goods		
– at a point in time	–	18,699

	As at 31 December	
	2018	2019
	RMB'000	*RMB'000*
Contract liabilities	–	1,313

Contract liabilities are recognised when payments are received before the transfer of goods. As of 31 December 2018 and 31 December 2019, there are no material unsatisfied performance obligations resulting from contracts.

7. EXPENSES BY NATURE

	Year ended 31 December	
	2018	2019
	RMB'000	*RMB'000*
Employee benefits expenses *(Note 8)*	13,893	52,125
Share-based compensation expenses related to repurchase of ordinary shares *(Note 24)*	28,484	15,994
Share-based compensation expenses related to re-designation of ordinary shares to preferred shares *(Note 24)*	–	73,538
Share-based compensation expenses related to re-designation of preferred shares within different series *(Note 24)*	–	6,837
Testing and clinical trial fees for research and development	10,571	13,823
Professional services fees	4,494	25,926
Raw materials and consumables used – Research and development expenses	5,174	11,884
Raw materials and consumables used – Cost of sales	–	3,174
Depreciation of right-of-use assets *(Note 14)*	1,394	1,418
Depreciation of property, plant and equipment *(Note 15)*	2,693	7,317
Depreciation of investment properties *(Note 16)*	666	1,071
Amortisation of intangible assets *(Note 17)*	17	3,533
Utilities and office expenses	2,833	5,238
Travelling and transportation expenses	1,507	3,219
Auditor's remuneration	17	52
[**REDACTED**] expenses	–	11,837
Others	1,788	5,683
Total cost of sales, selling and distribution expenses, administration expenses and research and development expenses	73,531	242,669

8. EMPLOYEE BENEFITS EXPENSES

	Year ended 31 December	
	2018	**2019**
	RMB'000	*RMB'000*
Wages, salaries and bonuses	10,596	28,539
Social security costs and housing benefits (a)	1,917	5,461
Employee welfare	1,111	744
Share-based compensation expenses *(Note 24)*	269	17,381
	13,893	52,125

(a) The employees of the Group in the PRC are members of state-managed pension scheme operated by the PRC Government. The Group is required to contribute a specified percentage of payroll costs as determined by local government authority to the pension obligations to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contribution under the scheme.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include nil and 2 directors for the years ended 31 December 2018 and 2019 respectively. Their emoluments are reflected in the analysis presented in Note 8(c). The emoluments payable to the remaining 5 and 3 individuals for the years ended 31 December 2018 and 2019 respectively are as follows:

	Year ended 31 December	
	2018	**2019**
	RMB'000	*RMB'000*
Wages, salaries and bonuses	2,953	2,275
Social security costs and housing benefits	244	100
Share-based compensation expenses	157	8,588
	3,354	10,963

The emoluments fell within the following bands:

	Year ended 31 December	
	2018	**2019**
	RMB'000	*RMB'000*
Emolument bands		
HK$1-HK$500,000	2	–
HK$500,001 – HK$1,000,000	1	–
HK$1,000,001 – HK$1,500,000	2	–
HK$1,500,001 – HK$2,000,000	–	1
HK$2,000,001 – HK$3,500,000	–	–
HK$3,500,001 – HK$5,000,000	–	–
HK$5,000,001 – HK$5,500,000	–	1
HK$5,500,001 – HK$6,000,000	–	1
	5	3

(c) Benefits and interests of directors

The remuneration of each director and chief executive for the years ended 31 December 2018 and 2019 respectively is set out below:

Emoluments paid or receivable in respect of a person's service as a director

	Fees	**Salaries**	**Discretionary bonuses**	**Share-based compensation expenses**	**Social security costs, housing benefits and employee welfare**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended 31 December 2018						
Chairman of the Board						
Yi ZHANG	–	69	–	111	–	180
Non-executive directors						
Jian LIU (vi)	–	–	–	–	–	–
Zhiyun YU	–	–	–	–	–	–
Jifeng GUAN (v)	–	–	–	–	–	–
Quan SHEN (i)	–	–	–	–	–	–
Executive directors						
Hong YE	–	28	–	–	39	67
Ping Ye ZHANG (ii)	–	–	–	–	–	–
	–	97	–	111	39	247

	Fees	Salaries	Discretionary bonuses	Share-based compensation expenses	Social security costs, housing benefits and employee welfare	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended 31 December 2019						
Chairman of the Board						
Yi ZHANG	–	556	–	2,708	3	3,267
Non-executive directors						
Jian LIU (vi)	–	–	–	–	–	–
Zhiyun YU	–	–	–	–	–	–
Jifeng GUAN (v)	–	–	–	–	–	–
Quan SHEN (i)	–	–	–	–	–	–
Fei CHEN (iii)	–	–	–	–	–	–
Bing SHANG (iv)	–	–	–	–	–	–
Executive directors						
Hong YE	–	427	–	2,987	34	3,448
Ping Ye ZHANG (ii)	–	58	–	–	14	72
	–	1,041	–	5,695	51	6,787

(i) Mr. Quan SHEN was appointed as a director since August 2018 and resigned as a director in June 2019.

(ii) Mrs. Ping Ye ZHANG was appointed as a director since August 2018.

(iii) Mr. Fei CHEN was appointed as a director since June 2019.

(iv) Mr. Bing SHANG was appointed as a director since September 2019.

(v) Mr. Jifeng GUAN resigned as a director in September 2019 and was reappointed as a director since October 2019.

(vi) Mr. Jian LIU resigned as a director in October 2019.

(d) Directors' retirement benefits

None of the directors received or will receive any retirement benefits during the Track Record Period.

(e) Directors' termination benefits

None of the directors received or will receive any termination benefits during the Track Record Period.

(f) Consideration provided to third parties for making available directors' services

During the Track Record Period, the Company did not pay consideration to any third parties for making available directors' services.

(g) Information about loans, quasi-loans and other dealings in favour of directors, bodies corporate controlled by or entities connected with directors

There were no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors during the Track Record Period.

(h) Directors' material interests in transactions, arrangements or contracts

Except as disclosed in Note 31(b), no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the Track Record Period.

9. OTHER INCOME

	Year ended 31 December	
	2018	**2019**
	RMB'000	*RMB'000*
Rental income	1,167	1,719
Government grants-asset related *(Note 27(a))*	30	30
Government grants-cost related	1,830	1,671
Interest income on financial assets at fair value through profit or loss	–	629
	3,027	4,049

10. OTHER GAINS/(LOSSES) – NET

	Year ended 31 December	
	2018	**2019**
	RMB'000	*RMB'000*
Foreign exchange gains/(losses) - net	615	(6,612)
Losses on disposal of property, plant and equipment *(Note 29)*	(349)	(289)
Others	16	(101)
	282	(7,002)

11. FINANCE (COSTS)/INCOME – NET

	Year ended 31 December	
	2018	**2019**
	RMB'000	*RMB'000*
Finance income:		
Bank interest income	238	1,527
Exchange gains on financial instruments issued to investors *(Note 25)*	–	2,417
	238	3,944
Finance costs:		
Exchange losses on financial instruments issued to investors *(Note 25)*	(4,634)	–
Interest expense on lease liabilities *(Note 14(b))*	(76)	(124)
Interest expense on bank borrowings (a)	(87)	–
Interest expense on borrowings from a related party *(Note 31(b))*	–	(699)
	(4,797)	(823)
Finance (costs)/income – net	(4,559)	3,121

(a) On 28 June 2018, a subsidiary of the Company borrowed a secured bank loan amounting to RMB4,500,000 with maturity date of 13 November 2018, and the bank loan was fully repaid. The annual interest rate was 4.4%.

12. INCOME TAX EXPENSE

The Group's principal applicable taxes and tax rates are as follows:

(a) Cayman Islands

Under the current laws of the Cayman Islands, the Company is not subject to tax on income or capital gains. In addition, upon payments of dividends by the Company to its shareholders, no Cayman Islands withholding tax is imposed.

(b) Hong Kong

No provision for Hong Kong profits tax has been provided for at the rate of 16.5% as the Group has no estimated assessable profit.

(c) Mainland China

No provision for Mainland China income tax has been provided for at a rate of 25% or 15% pursuant to the Corporate Income Tax Law of the PRC and the respective regulations (the "CIT Law"), as the Group's PRC entities have no estimated assessable profits.

Achieva Medical (Shanghai) Co., Ltd. ("Achieva Shanghai") is qualified as a "High and New Technology Enterprise" under the relevant PRC laws and regulations in 24 November 2016. Accordingly, it was entitled to a preferential income tax rate of 15% on its estimated assessable profits for the years ended 31 December 2016, 2017 and 2018.

According to the relevant laws and regulations promulgated by the State Administration of Taxation of the PRC that has been effective from 2018 onwards, enterprise engaging in research and development activities are entitled to claim 175% of their research and development expenses incurred as tax deductible expenses when determining their assessable profits for that year.

(d) A reconciliation of the expected income tax calculated at the applicable tax rate and loss before income tax, with the actual income tax is as follow:

	Year ended 31 December	
	2018	**2019**
	RMB'000	*RMB'000*
Loss before income tax	(82,876)	(531,977)
Tax calculated at statutory tax rates applicable to each group entity	(11,201)	(21,324)
Tax effect of:		
Expenses not deductible for tax purpose *(Note (i))*	287	671
Super deduction for research and development expenses	(5,248)	(10,300)
Unrecognised tax losses carried forward *(Note (ii))*	16,162	30,953
Income tax expense	–	–

(i) Expenses not deductible for tax purpose primarily include expenses not related to business activities, welfare and entertainment expenses exceeding the tax deduction limits under the Corporate Income Tax Law.

(ii) Deductible losses that are not recognised as deferred tax assets will be expired during the Track Record Period are analysed as follows:

Tax losses carried forward

	As at 31 December	
	2018	**2019**
	RMB'000	*RMB'000*
2023	2,402	2,402
2024	3,090	3,090
2025	4,363	4,363
2026	14,915	14,915
2027	37,126	37,126
2028	51,584	51,584
2029	–	128,878
Unrecognised tax losses carried forward	113,480	242,358

The tax losses of the Company's PRC subsidiaries will expire within ten years for small and medium-sized high-tech enterprises. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

13. LOSS PER SHARE

Basic loss per share is calculated by dividing the loss of the Group attributable to owners of the Company by weighted average number of ordinary shares issued during the Track Record Period.

	Year ended 31 December	
	2018	**2019**
Loss for the year and attributable to owners of the Company (RMB'000)	82,625	531,977
Weighted average number of ordinary shares in issue (thousand)	9,125	11,749
Basic loss per share (RMB)	9.05	45.28

(i) Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the years ended 31 December 2018 and 2019 respectively, the Company had two categories of potential ordinary shares: preferred shares and the stock options granted to employees (Notes 25 and 24). For the years ended 31 December 2018 and 2019 respectively, diluted loss per share was calculated by considering that the above two categories of potential ordinary shares, and the potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for the years ended 31 December 2018 and 2019 are the same as basic loss per share.

14. RIGHT-OF-USE ASSETS

	As at 31 December	
	2018	**2019**
	RMB'000	*RMB'000*
Right-of-use assets		
– Land use rights (a)	–	4,312
– Buildings (b)	2,449	2,082
	2,449	6,394

(a) Land use rights

(i) The group's interests in land use rights represent prepaid operating lease payments for land located in the PRC and the remaining lease term after acquisition of subsidiaries is 42 years. The movements of land use rights are analysed as follows:

	Land use rights
	RMB'000
At 1 January 2019	
Cost	–
Accumulated amortisation	–
Net book value	–
Year ended 31 December 2019	
Opening net book value	–
Acquisition of subsidiaries	4,390
Amortisation charge *(Note 7)*	(78)
Closing net book value	4,312
At 31 December 2019	
Cost	4,390
Accumulated amortisation	(78)
Net book value	4,312

(ii) Amortisation of land use rights has been charged to the consolidated statements of comprehensive loss as follows:

	Year ended 31 December 2019
	RMB'000
Administrative expenses *(Note 7)*	78

(b) Buildings

(i) The Group leases offices for its own use. Information about leases for which the Group is a lessee is presented below:

	Buildings
	RMB'000
At 1 January 2018	
Cost	2,750
Accumulated depreciation	(690)
Net book value	2,060
Year ended 31 December 2018	
Opening net book value	2,060
Additions	1,783
Depreciation charge *(Note 7)*	(1,394)
Closing net book value	2,449
At 31 December 2018	
Cost	4,533
Accumulated depreciation	(2,084)
Net book value	2,449
At 1 January 2019	
Cost	4,533
Accumulated depreciation	(2,084)
Net book value	2,449
Year ended 31 December 2019	
Opening net book value	2,449
Acquisition of subsidiaries	973
Depreciation charge *(Note 7)*	(1,340)
Closing net book value	2,082
At 31 December 2019	
Cost	5,506
Accumulated depreciation	(3,424)
Net book value	2,082

(ii) Lease liabilities recognised in the consolidated balance sheets

	As at 31 December	
	2018	2019
	RMB'000	*RMB'000*
Lease liabilities		
– current	1,399	1,233
– non-current	1,090	1,129
	2,489	2,362

(iii) Amounts recognised in the consolidated statements of comprehensive loss

	Year ended 31 December	
	2018	2019
	RMB'000	*RMB'000*
Depreciation charge of right-of-use assets *(Note 7)*	1,394	1,340
Interest expense *(Note 11)*	76	124

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Furniture	Electronic equipment	Machinery	Vehicles	Construction in progress	Leasehold improvements	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2018								
Cost	103	674	1,479	4,646	153	1,083	4,422	12,560
Accumulated depreciation	–	(173)	(565)	(509)	(25)	–	(1,463)	(2,735)
Net book value	103	501	914	4,137	128	1,083	2,959	9,825
Year ended 31 December 2018								
Opening net book value	103	501	914	4,137	128	1,083	2,959	9,825
Transferred in from construction in progress	–	–	192	–	–	(3,772)	3,580	–
Additions	–	274	903	4,202	–	3,334	–	8,713
Disposals	–	–	(8)	(342)	–	–	–	(350)
Depreciation charge *(Note 7)*	(5)	(145)	(553)	(495)	(29)	–	(1,466)	(2,693)
Closing net book value	98	630	1,448	7,502	99	645	5,073	15,495
At 31 December 2018								
Cost	103	946	2,411	8,257	153	645	8,002	20,517
Accumulated depreciation	(5)	(316)	(963)	(755)	(54)	–	(2,929)	(5,022)
Net book value	98	630	1,448	7,502	99	645	5,073	15,495

	Buildings	Furniture	Electronic equipment	Machinery	Vehicles	Construction in progress	Leasehold improvements	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2019								
Cost	103	946	2,411	8,257	153	645	8,002	20,517
Accumulated depreciation	(5)	(316)	(963)	(755)	(54)	–	(2,929)	(5,022)
Net book value	98	630	1,448	7,502	99	645	5,073	15,495
Year ended 31 December 2019								
Opening net book value	98	630	1,448	7,502	99	645	5,073	15,495
Transferred in from construction in progress	–	130	–	687	–	(4,489)	3,672	–
Transfer to intangible assets *(Note 17)*	–	–	–	–	–	(119)	–	(119)
Additions	138	499	2,277	4,133	19	4,268	638	11,972
Acquisition of subsidiaries *(Note 35)*	39,528	778	1,588	4,131	128	1,008	3,570	50,731
Disposals	–	(15)	(2)	(504)	–	–	–	(521)
Depreciation charge *(Note 7)*	(1,842)	(399)	(1,519)	(1,317)	(59)	–	(2,181)	(7,317)
Closing net book value	37,922	1,623	3,792	14,632	187	1,313	10,772	70,241
At 31 December 2019								
Cost	39,769	2,305	6,234	16,487	300	1,313	15,882	82,290
Accumulated depreciation	(1,847)	(682)	(2,442)	(1,855)	(113)	–	(5,110)	(12,049)
Net book value	37,922	1,623	3,792	14,632	187	1,313	10,772	70,241

(a) Depreciation of property, plant and equipment has been charged to the consolidated statements of comprehensive loss as follows:

	Year ended 31 December	
	2018	*2019*
	RMB'000	*RMB'000*
Cost of sales	–	493
Selling and distribution expenses	–	23
Administrative expenses	938	3,876
Research and development expenses	1,755	2,925
Total *(Note 7)*	2,693	7,317

16. INVESTMENT PROPERTIES

	Buildings	Land use rights	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2018			
Cost	12,550	3,476	16,026
Accumulated depreciation and amortisation	(546)	(319)	(865)
Net book value	12,004	3,157	15,161
Year ended 31 December 2018			
Opening net book value	12,004	3,157	15,161
Depreciation and amortisation charge *(Note 7)*	(596)	(70)	(666)
Closing net book value	11,408	3,087	14,495
At 31 December 2018			
Cost	12,550	3,476	16,026
Accumulated depreciation and amortisation	(1,142)	(389)	(1,531)
Net book value	11,408	3,087	14,495
At 1 January 2019			
Cost	12,550	3,476	16,026
Accumulated depreciation and amortisation	(1,142)	(389)	(1,531)
Net book value	11,408	3,087	14,495
Year ended 31 December 2019			
Opening net book value	11,408	3,087	14,495
Acquisition of subsidiaries *(Note 35)*	8,405	631	9,036
Depreciation and amortisation charge *(Note 7)*	(990)	(81)	(1,071)
Closing net book value	18,823	3,637	22,460
At 31 December 2019			
Cost	20,955	4,107	25,062
Accumulated depreciation and amortisation	(2,132)	(470)	(2,602)
Net book value	18,823	3,637	22,460

(i) As at 31 December 2018 and 31 December 2019, the fair values of the investment properties of the Group were RMB15,157,000 and RMB23,773,000 respectively. As at 31 December 2018, the fair values of the investment properties were assessed by management whereas at 31 December 2019, the fair values of the investment properties were determined by an independent professional valuation firm.

Depreciation and amortisation have been charged to "administrative expenses" amounted to RMB666,000 for the year ended 31 December 2018 and RMB1,071,000 for the year ended 31 December 2019 respectively.

(ii) Leasing arrangements

The investment properties are leased to tenants under operating leases with rentals payable monthly. Lease payments for some contracts include CPI increases, but there are no other variable lease payments that depend on an index or rate. Where considered necessary to reduce credit risk, the Group may obtain bank guarantees for the term of the lease.

Although the Group is exposed to changes in the residual value at the end of the current leases, the Group typically enters into new operating leases and therefore will not immediately realise any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the properties.

Minimum lease payments receivable on leases of investment properties are as follows:

	At 31 December	
	2018	**2019**
	RMB'000	*RMB'000*
Within 1 year	906	1,365
Between 1 and 2 years	810	810
Between 2 and 3 years	810	83
Between 3 and 4 years	83	–
	2,609	2,258

17. INTANGIBLE ASSETS

	Goodwill	**Technologies**	**Computer software**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2018				
Cost	–	–	–	–
Accumulated amortisation	–	–	–	–
Net book value	–	–	–	–
Year ended 31 December 2018				
Opening net book value	–	–	–	–
Additions	–	–	286	286
Amortisation charge *(Note 7)*	–	–	(17)	(17)
Closing net book value	–	–	269	269
At 31 December 2018				
Cost	–	–	286	286
Accumulated amortisation	–	–	(17)	(17)
Net book value	–	–	269	269

	Goodwill	Technologies	Computer software	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2019				
Opening net book value	–	–	269	269
Transferred in from construction in progress *(Note 15)*	–	–	119	119
Acquisition of subsidiaries *(Note 35)*	51,658	170,740	–	222,398
Additions	–	–	55	55
Amortisation charge *(Note 7)*	–	(3,390)	(143)	(3,533)
Closing net book value	51,658	167,350	300	219,308
At 31 December 2019				
Cost	51,658	170,740	460	222,858
Accumulated amortisation	–	(3,390)	(160)	(3,550)
Net book value	51,658	167,350	300	219,308

(a) Amortisation of intangible assets has been charged to the consolidated statements of comprehensive loss as follows:

	Year ended 31 December	
	2018	2019
	RMB'000	*RMB'000*
Administrative expenses *(Note 7)*	17	3,533

(b) Goodwill

	Year ended 31 December 2019
	RMB'000
Acquisition of Achieva Group	51,658

The details of the acquisitions of Achieva Group are set out in Note 35 below. Goodwill is attributable to the business prospects of the acquired business and will not be deductible for tax purpose.

Impairment review on the goodwill of the Group has been conducted by an independent qualified valuer as at 31 December 2019. For the purpose of impairment review, the recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets prepared by management covering an eight-year period, which includes a period of 2 to 3 years for further development of currently ongoing projects, and a period of 5 to 6 years with production and sales of the future products of these projects. Cash flows beyond the eight-year period are extrapolated using the estimated terminal growth rates stated below.

The key parameters used for value-in-use calculations are as follows:

	Gross margin	Growth rate of the first eight years	Terminal growth rate	Pre-tax discount rate
As at 31 December 2019	58.18%–63.76%	10.12%–229.01%	3%	27.06%

The growth rate for the first 8 years and budgeted gross margin were determined by the management based on past performance and its expectation for market and product development. The terminal growth rate used does not exceed the industry growth forecast for the market in which the Group operates. The discount rate used is pre-tax and reflects market assessments of the time value and the specific risks relating to the industry.

Based on the result of the goodwill impairment testing, the estimated recoverable amount of the CGU far exceeded its carrying amount and the headroom was RMB209,209,210 as at 31 December 2019. The management of the Group has not identified that a reasonable possible change in any of the key assumptions that could cause the carrying amount to exceed the recoverable amount.

The Group performs the sensitivity analysis based on the assumptions that revenue amount or terminal value or the discount rate have been changed. Had the estimated key assumptions during the forecast period been changed as below, the headroom would be decreased to as below:

	As at 31 December 2019
	RMB'000
Revenue amount decreases by 10%	140,619
Terminal value decreases by 10%	180,552
Discount rate increases by 5%	161,921

(c) Technologies

Technologies acquired in a business combination are recognised at fair value at the acquisition date, which includes technologies in use and technologies under research and development.

As at 31 December 2018 and 31 December 2019, the balance of technologies under research and development were nil and RMB102,950,000 respectively. Technologies under research and development is not available for use and is tested for impairment on an annual basis. The recoverable amount is determined based on the higher of fair value less cost to sell and value in use.

Fair value was estimated using the discounted cash flow approach. For the discounted cash flow, the estimated revenue was based on the management's expected timing of the product candidates' commercialization, productivity and sales volume. The management estimated the product candidates' sales volume based on market conditions and the state of technology development. The management then adjusted the estimated revenue by applying a percentage of costs and operating expenses to the revenue, which was based on the current operating margin levels of comparable companies, with adjustments made based on the management's industry experience as well as the research and development plans. Finally, the management estimated the discount rate based on the uncertain success rate of commercialization for the applicable product candidates.

The key assumptions used as at 31 December 2019 are as follows.

	Gross margin	Growth rate	Percentage of costs and operating expenses	Post-tax discount rate
As at 31 December 2019	40.2%-77.9%	-72.3%-218.6%	46.5%-354.4%	27.0%

Based on the result of impairment assessment, the recoverable amount of technologies under research and development is estimated to exceed the carrying amount as at 31 December 2019 by RMB48,820,000. Considering there was still sufficient headroom based on the assessment, the Directors and management believe that a reasonably possible change in any of the key assumptions would not cause the aggregate carrying amount of the technologies under research and development to exceed its recoverable amount.

The recoverable amount of technologies under research and development would equal its carrying amount if each of the key assumptions were to change as follows, with all other variables held constant, and the Directors and management believe that the key assumptions would not likely to change as follows:

	As at 31 December 2019
Gross margin	-12.45%
Revenue amount	-23.83%
Percentage of costs and operating expenses	9.72%
Post-tax discount rate	19.81%

18. PREPAYMENTS AND OTHER RECEIVABLES

Group

	As at 31 December	
	2018	*2019*
	RMB'000	*RMB'000*
Other receivables from related parties *(Note 31(c))*	4	4
Other receivables from third parties	37,581	637
Prepayments to:		
– equipment not received	660	3,455
– [**REDACTED**] expenses	–	3,635
– third parties	1,551	7,606
Value-added tax recoverable	4,894	12,571
Interest receivables	–	1,288
Deposits	856	854
Others	66	241
	45,612	30,291
Less: non-current portion	(660)	(3,455)
Current portion	44,952	26,836

Company

	As at 31 December	
	2018	**2019**
	RMB'000	*RMB'000*
Other receivables from subsidiaries	58,281	–
Other receivables from related parties	1,732	1,547
Other receivables from third parties	37,924	–
Interest receivables	–	1,288
Prepayments to [**REDACTED**] expenses	–	3,635
	97,937	6,470

19. INVENTORIES

	As at 31 December	
	2018	**2019**
	RMB'000	*RMB'000*
Raw materials	1,282	8,864
Finished goods	–	1,540
Work in progress	–	759
	1,282	11,163

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2018	**2019**
	RMB'000	*RMB'000*
Opening balance	–	–
Additions	–	137,710
Disposals	–	(122,710)
Closing balance	–	15,000

The Group entered into contracts in respect of wealth management products from banks with expected but not guaranteed rates of return ranging from 2.2% to 3.05% per annum for the year ended 31 December 2019. The Group managed and evaluated the performance of these investments on a fair value basis, in accordance with the Group's risk management and investment strategy and hence they are designated as financial assets at fair value through profit or loss as at 31 December 2019.

21. CASH AND CASH EQUIVALENTS

Group

	As at 31 December	
	2018	**2019**
	RMB'000	*RMB'000*
Cash in bank	94,762	504,627

	As at 31 December	
	2018	**2019**
	RMB'000	*RMB'000*
Cash and cash equivalents are denominated in:		
– USD	93,094	493,233
– RMB	1,668	11,030
– HKD	–	364
	94,762	504,627

Company

	As at 31 December	
	2018	**2019**
	RMB'000	*RMB'000*
Cash in bank	4,253	472,857

	As at 31 December	
	2018	**2019**
	RMB'000	*RMB'000*
Cash and cash equivalents are denominated in:		
– USD	4,253	472,857

22. SHARE CAPITAL AND SHARE PREMIUM

As at 31 December 2019, the Company's authorised share capital was USD5,000 divided into (i) 39,109,377 Ordinary Shares of a nominal or par value of US$0.0001 each, and (ii) 10,890,623 convertible Preferred Shares of a nominal or par value of USD0.0001 each, 1,900,000 of which are designated Series A Preferred Shares, 2,088,204 of which are designated Series A-1 Preferred Shares, 1,527,110 of which are designated Series B Preferred Shares, 1,969,118 of which are designated Series C Preferred Shares and 3,406,191 of which are designated Series C-1 Preferred Shares.

Group and Company

	Number of ordinary shares	Share capital	Share premium	Total
		RMB'000	*RMB'000*	*RMB'000*
Issued:				
As at 1 January 2018	9,125,000	6	22,137	22,143
Shares bought back and cancelled	(445,407)	(0.3)	(9,924)	(9,924)
Issuance of ordinary shares	445,407	0.3	38,408	38,408
As at 31 December 2018	9,125,000	6	50,621	50,627
As at 1 January 2019	9,125,000	6	50,621	50,627
Shares bought back and cancelled	(241,793)	(0.2)	(5,572)	(5,572)
Issuance of ordinary shares	241,793	0.2	21,567	21,567
Issuance of ordinary shares as consideration for business combination (b) *(Note 35)*	3,833,476	3	143,510	143,513
Re-designation of ordinary shares to preferred shares (c) *(Note 25)*	(1,505,264)	(1)	(130,571)	(130,572)
At 31 December 2019	11,453,212	8	79,555	79,563

(a) The Company was established in the Cayman Islands on 30 May 2012, by Offshore Incorporations (Cayman) Limited with one share valued USD0.0001. Offshore Incorporations (Cayman) Limited transferred the one share of the Company to XinYue International Limited ("XinYue") on the same day, and then the Company issued and allotted 5,324,999 ordinary shares to XinYue and 675,000 ordinary shares to Hong Ye, for considerations of USD532.49 and USD67.5, respectively.

In October 2012, the Company issued and allotted 240,000, 900,000, 60,000, 900,000, 900,000 ordinary shares at USD 1 per share to Hong Ye, Country Bay Investment Limited ("Country Bay"), Gateway Medical Innovation Center Limited ("Gateway"), Flexmed International (HK) Limited ("Flexmed") and Mega Goal International Limited ("Mega Goal"), respectively.

In March 2016, the Company issue and allotted 125,000 ordinary shares to City Dragon Holdings Group Limited ("City Dragon") for a total consideration of USD500,000.

In August 2018, the Company repurchased 187,307, 95,000, 60,000, 95,000 and 8,100 ordinary shares at USD13.0141 per share from XinYue, Country Bay, Gateway, Mega Goal and City Dragon, respectively, and then cancelled these ordinary shares at the date of repurchasing. On the same day of cancellation, the Company issued and allotted 101,807, 152,711 and 190,889 new ordinary shares at USD13.0141 per share to LAV Aero Limited ("LAV Aero"), Matrix Partners China IV Hong Kong Limited ("Matrix Partners IV") and Joyful Bliss Holdings Limited ("Joyful Bliss"), respectively.

In February 2019, the Company repurchased 161,793 and 80,000 ordinary shares at USD13.0141 per share from XinYue and Flexmed, respectively, and then cancelled these ordinary shares at the date of repurchasing. On the same day of cancellation, the Company issued and allotted 50,904 and 190,889 new ordinary shares at USD13.0141 per share to Suzhou Lirui Equity Investment Center (Limited Partnership) ("Suzhou Lirui") and Shanghai Founder KIP Equity Investment Partnership (Limited Partnership) ("Shanghai Founder KIP"), respectively.

(b) On 29 March 2019, the Company issued 3,833,476 ordinary shares with fair value of USD5.5775 each as consideration for the acquisition of Achieva Group (Note 35).

(c) Simultaneous with the issuance of Series C-1 preferred shares in October 2019, HH SUM-XXIV Holdings Limited ("Hillhouse") purchased 903,589 ordinary shares, 57,034 Series A-1 preferred shares and 100,000 Series A preferred shares at USD19.1851 per share from the existing shareholders, or holders of preferred shares, respectively, the aforementioned shares were then re-designated as Series C-1 preferred shares (Note 25).

Simultaneous with the issuance of New Series C-1 preferred shares in late October 2019, Matrix Partners IV, LAV Aero and Shanghai Liyi Biotech, L.P. ("Liyi Biotech") purchased 601,675 ordinary shares at USD18.2823 per share from XinYue, and City Dragon, and these 601,675 ordinary shares were then re-designated as Series C Preferred Shares (Note 25).

23. OTHER RESERVES

Group

	Share-based compensation reserve	Others	Total
	RMB'000	*RMB'000*	*RMB'000*
As at 1 January 2018	1,027	(9,538)	(8,511)
Share-based compensation expenses *(Note 24)*	269	–	269
Changes in fair value of preferred shares attribute to own credit risk *(Note 25)*	–	4,619	4,619
Transaction with non-controlling interests	–	(251)	(251)
As at 31 December 2018	1,296	(5,170)	(3,874)

	Share-based compensation reserve	Others	Total
	RMB'000	*RMB'000*	*RMB'000*
As at 1 January 2019	1,296	(5,170)	(3,874)
Share-based compensation expenses *(Note 24)*	17,381	–	17,381
Changes in fair value of preferred shares attribute to own credit risk *(Note 25)*	–	15,856	15,856
Stock options granted as consideration for business combination *(Note 35)*	5,935	–	5,935
As at 31 December 2019	24,612	10,686	35,298

Company

	Share-based compensation reserve	Others	Total
	RMB'000	*RMB'000*	*RMB'000*
As at 1 January 2018	1,027	(9,538)	(8,511)
Share-based compensation expenses *(Note 24)*	269	–	269
Changes in fair value of preferred shares attribute to own credit risk *(Note 25)*	–	4,619	4,619
As at 31 December 2018	1,296	(4,919)	(3,623)
As at 1 January 2019	1,296	(4,919)	(3,623)
Share-based compensation expenses *(Note 24)*	17,381	–	17,381
Changes in fair value of preferred shares attribute to own credit risk *(Note 25)*	–	15,856	15,856
Stock options granted as consideration for business combination *(Note 35)*	5,935	–	5,935
As at 31 December 2019	24,612	10,937	35,549

24. SHARE-BASED PAYMENTS

(a) Stock options granted to employees in 2017

In 2017, the Company granted 462,500 stock options to senior management members as rewards for their services and in exchange for their full-time devotion and professional expertise.

The exercise price of granted options is USD5.00 or USD7.8084 per ordinary share. The stock options included certain performance conditions, which required the employees to complete a service period and still in the same position as when granted. The vesting term of the stock options includes a five-year and one-year vesting schedule respectively. The five-year vesting schedule consisting of a cliff vesting of twenty percent (20%) on every anniversary of the grant date. All options shall expire in ten years from the respective grant dates.

(b) Stock options granted to employees in 2019

In 2019, the Company granted 2,473,941 stock options to certain directors, senior management members and employees of the Group as rewards for their services and in exchange for their full-time devotion and professional expertise.

The weighted average exercise price of granted options is USD8.7630 per ordinary share. The vesting term of the stock options includes different vesting schedule, which varies from one year to six years with different performance conditions respectively. All options shall expire in ten years from the respective grant dates.

In March 2019, pursuant to the share swap agreement completed on 29 March 2019, the stock options of Achieva Medical was converted to stock options of Peijia Medical in the ratio of 3.5682:1 (Note 35).

(c) The financial impact of stock options in 2017 and in 2019 is as follows:

(i) Movements in the number of stock options granted in 2017 and in 2019 are as follows:

	Year ended 31 December	
	2018	**2019**
At the beginning of year	462,500	462,500
Granted during the year	–	2,461,330
Forfeited during the year	–	(22,841)
At the end of year	462,500	2,900,989

As at 31 December 2018 and 31 December 2019, 166,875 and 931,055 outstanding options were exercisable respectively.

No stock options were exercised for the years ended 31 December 2018 and 2019. No options expired during the periods covered by the above tables.

(ii) The total expense recognised in the consolidated statements of comprehensive loss for the above stock options granted are RMB269,000 and RMB17,381,498 for the years ended 31 December 2018 and 2019 respectively.

(d) The fair value of the stock options granted have been valued by an independent qualified valuer using Binomial valuation model as at the grant date. Key assumptions are set as below:

Risk-free interest rate	1.85%–3. 99%
Volatility	35.71%–47.15%
Dividend yield	0.00%

The directors estimated the risk-free interest rate based on the yield of curve of US Treasury strips with a maturity life close to the life of stock option. Volatility was estimated at grant date based on average of historical volatilities of the comparable companies with length commensurable to the time to maturity of the stock option. Dividend yield is based on the directors' estimation at the grant date.

(e) Simultaneous with the issuance of Series B preferred shares on 28 August 2018, the Company repurchased 687,200 ordinary shares at USD13.0141 per share from certain shareholders. The closing date was 28 August 2018 and 2 February 2019. According to third party valuation result, the fair value of ordinary shares at that time was USD3.3627 per share. The difference between the repurchase price and fair value of the ordinary shares was recognised as share-based compensation expense in the consolidated statements of comprehensive loss. Total expense recognised was RMB28,484,000 and RMB15,994,000 for the years ended 31 December 2018 and 2019 respectively.

(f) Simultaneous with the issuance of Series C - 1 preferred shares in October 2019, Hillhouse purchased 903,589 ordinary shares, 57,034 Series A-1 preferred shares and 100,000 Series A preferred shares at USD19.1851 per share from the existing shareholders, or holders of preferred shares, respectively, the aforementioned shares were then re-designated as Series C-1 preferred shares. According to third party valuation result, the fair value of ordinary shares at that time was USD12.2687 per share, and the fair value of the Series A-1 and A preferred shares was USD 13.9488 and USD12.5043 per share. The difference between the transaction price and fair value of the ordinary shares, Series A-1 and A preferred shares were recognised as share-based compensation expense in the consolidated statements of comprehensive loss.

Simultaneous with the issuance of New Series C 1 preferred shares in late October 2019, Matrix Partners IV, LAV Aero and Liyi Biotech purchased 601,675 ordinary shares at USD18.2823 per share from XinYue and City Dragon, and these 601,675 ordinary shares were then re-designated as Series C Preferred Shares. According to third party valuation result, the fair value of ordinary shares at that time was USD12.2687 per share, and the fair value of the Series C preferred shares was USD 19.1684 per share. The difference between the fair value of the ordinary shares and Series C preferred shares was recognised as share-based compensation expense in the consolidated statements of comprehensive loss.

Total expense recognised related to re-designation of ordinary shares to preferred shares and re-designation of preferred shares within different series was RMB73,538,376 and RMB6,837,371 for the year ended 31 December 2019 respectively.

Expenses for the share-based payments have been charged to the consolidated statements of comprehensive loss as follows:

	Year ended 31 December	
	2018	**2019**
	RMB'000	*RMB'000*
Stock options		
Administrative expenses	269	10,514
Research and development expenses	–	6,024
Selling and distribution expenses	–	494
Cost of sales	–	349
	269	17,381
Repurchase of ordinary shares		
Administrative expenses *(Note 7, 24(e))*	28,484	15,994
Re-designation of ordinary shares to preferred shares		
Administrative expenses *(Note 7, 24(f))*	–	73,538
Re-designation of preferred shares within different series		
Administrative expenses *(Note 7, 24(f))*	–	6,837
Total	28,753	113,750

25. FINANCIAL INSTRUMENTS ISSUED TO INVESTORS

	As at 31 December	
	2018	*2019*
	RMB'000	*RMB'000*
Preferred Shares *(a)*	220,589	1,362,309
Convertible loan *(b)*	–	–
	220,589	1,362,309

The key terms of these financial instruments are summarised as follows:

(a) Preferred Shares

Series A Preferred Shares

The Company issued 1,700,000 shares of Series A Preferred Shares at cash consideration of USD8,500,000 (equivalent to RMB55,223,000) in March 2016. In June 2016, the Company further issued 300,000 shares of Series A Preferred Shares at cash consideration of USD1,500,000 (equivalent to RMB9,949,000).

Series B Preferred Shares

The Company issued 1,527,110 shares of Series B Preferred Shares at cash consideration of USD19,873,962 (equivalent to RMB136,173,973) in August 2018.

Series A-1 Preferred Shares

In March 2019, pursuant to the Share Swap Acquisition (Note 35), the Company issued 2,145,238 shares of Series A-1 Preferred Shares, as well as ordinary shares and stock options in exchange of the assets and liabilities of Achieva Group (Note 35).

Series C Preferred Shares

In September 2019, the Company issued 1,367,443 shares of Series C Preferred Shares at cash consideration of USD25,000,000 (equivalent to RMB176,801,000).

Series C-1 Preferred Shares

In October 2019, the Company issued 1,024,326 Series C-1 Preferred Shares to Hillhouse at cash consideration of USD19,651,816.87 (equivalent to RMB139,113,264). Simultaneous with the subscription of the Series C-1, Hillhouse purchased 903,589 ordinary shares, 57,034 Series A-1 preferred shares and 100,000 Series A preferred shares from the existing shareholders, or holders of preferred shares, respectively, the aforementioned shares were then re-designated as Series C-1 preferred shares.

New Series C-1 Preferred Shares

In addition, the Company further issued 1,321,242 shares of new Series C-1 Preferred Shares at cash consideration of USD25,348,183 (equivalent to RMB179,130,595) in late October 2019. Simultaneous with the subscription of the new Series C-1, a total number of 601,675 ordinary shares was transferred between certain existing shareholders. The purchasing unit price was the same as that of Series C Preferred Shares. These 601,675 ordinary shares were then re-designated as Series C Preferred Shares.

Terms of Preferred Shares

(i) Dividends rights

The holders of Preferred Shares shall be entitled to receive dividends, out of any funds legally available therefor, prior and in preference to any declaration or payment of any dividend on the ordinary shares. No dividend, whether in cash, in property or in shares of the capital of the Company, shall be paid on or declared and set aside for any ordinary shares or any other class or series of shares of the Company unless and until all dividends have been paid in full on the Preferred Shares (on an as-converted basis).

(ii) Conversion feature

(1) Optional Conversion

Any Preferred Share may, at the option of the holder thereof, be converted at any time into fully-paid ordinary shares based on the then-effective applicable conversion price. The conversion price shall initially equal the original issue price of each of the series of Preferred Shares, and each shall be adjusted from time to time as provided in below situation.

The initial conversion ratio for each series of the Preferred Shares to ordinary shares shall be 1:1. No adjustment in the applicable conversion price shall be made in respect of the issuance of additional ordinary shares unless the consideration for any additional ordinary share issued or deemed to be issued by the Company is less than the applicable conversion price in effect on the date of and immediately prior to such issue. In the event that the Company shall issue additional ordinary shares without consideration or for a consideration per share received by the Company (net of any selling concessions, discounts or commissions) that is less than the applicable conversion price in effect on the date of and immediately prior to such issue, then and in such event, the applicable conversion price shall be reduced, concurrently with such issue, to the consideration per share for which the new securities are issued.

(2) Automatic Conversion

Without any action being required by the holder of such share and whether or not the certificates representing such share are surrendered to the Company or its transfer agent, each Preferred Share shall automatically be converted, based on the then-effective applicable conversion price, into ordinary shares upon the closing of a qualified IPO, or upon the written approval of the holders of at least two-thirds (2/3) of the Series A Preferred Shares then outstanding to convert all Series A Preferred Shares into ordinary shares, or upon the written approval of the holders of at least two-thirds (2/3) of the Series A-1 Preferred Shares then outstanding to convert all Series A-1 Preferred Shares into ordinary shares, or upon the written approval of the holders of at least two-thirds (2/3) of the Series B Preferred Shares then outstanding to convert all Series B Preferred Shares into ordinary shares, or upon the written approval of the holders of at least two-thirds (2/3) of the Series C Preferred Shares then outstanding to convert all Series C Preferred Shares into ordinary shares.

(iii) Liquidation preferences

Upon any liquidation, dissolution or winding up of the Company and/or any of the subsidiaries of the Company ("Group Company"), either voluntary or involuntary (each a "Liquidation Event"), distributions to the members of the Company shall be made in the following manner: first to holders of Series C Preferred Shares, second to Series B Preferred Shares, third to Series A-1 Preferred Shares and fourth to Series A Preferred Shares.

After distribution or payment in full of the amount distributable or payable on the Preferred Shares pursuant to the order agreed in the above paragraph, the remaining assets of the Company available for distribution to holders of Junior Shares shall be distributed ratably among the holders of outstanding Junior Shares.

If any holder of Preferred Shares fails to receive the amounts set forth in above paragraph in full for whatever reason, each holder of ordinary shares (excluding the ordinary shares converted from the Preferred Shares) shall severally and jointly transfer all of the assets or cash it received from the Company in such Liquidation Event or Deemed Liquidation Event until all the amount set forth in above paragraph have been fully paid to such holder of Preferred Shares.

The aforementioned series of Preferred Shares are recognised as financial liabilities at fair value through profit or loss. They are initially recognised at fair value.

(iv) Special Repurchase Right

One subscriber of Series A Preferred Shares agreed with the Company regarding a special repurchase right, whereas management shareholders were entitled to buy back up to 50 percent of the Preferred Shares from this subscriber with a fixed simple interest rate per annum at the end of the first or the third anniversary after the issuance through the companies held by those management shareholders ("Repurchase Right"). The Repurchase Right was redeemed at the first anniversary in 2017. The Repurchase Right was valued at the date of issuance and was then amortised through the estimated life to other reserves.

(v) Cornerstone subscription right

One Subscriber of Series C-1 Preferred Shares, Hillhouse agreed with the Company regarding a cornerstone subscription right, whereas Hillhouse shall have the right to and shall undertake to, as a cornerstone investor, purchase or direct its Affiliate to purchase, at such per share price equal to the per share price offered by the Company in its initial public offering.

(b) Convertible loan

Peijia Suzhou issued a convertible loan to one investor with the entire principal amounting to RMB34,000,000 on 24 October 2017. The payment was received by Peijia Suzhou in November 2017. The investor of the aforementioned convertible loan would be able to conduct the conversion right should all the other ordinary shares subscribers complete the funding obligation within the agreed period.

(i) Interest rate

As long as all the other ordinary shares subscribers complete the funding obligation within the agreed period, this convertible loan would be non-interest bearing, or otherwise bearing an interest accrued at 8% or 16% annual compound rate on the outstanding principal based on different conditions agreed.

(ii) Maturity date

The entire unpaid principal amounts shall become fully due and payable on the expiration of the eighth month commencing from the date of the convertible loan. The maturity date could be extended by the investor should the conversion condition was not satisfied in eight month commencing from the date of the convertible loan.

(iii) Conversion right

At any time when all the ordinary share subscribers fulfilled the funding obligation, the investor of the convertible loan is entitled to convert the principal amount then outstanding into series of ordinary shares of Peijia Suzhou.

(iv) Modification of the convertible loan agreement

In April 2018, management of the Company decided to start to apply [**REDACTED**] in Hong Kong market. As such, the investor and the subscribers of the convertible loan entered into a new Series B funding agreement which would be completed at the Company level, of which included the issuance of the Series B Preferred Shares (Note 25(a)), as well as several transactions of the ordinary shares.

Pursuant to the agreement, the entire principal amount of the convertible loan was agreed to be returned to the investor. The entire principal amount was then de-recognised as financial liabilities at fair value through profit or loss and recognised as other payables at the fair value of the date of the new Series B funding agreement.

(c) The movements of Preferred Shares and convertible loan for the years ended 31 December 2018 and 2019 are set out below:

Group and Company

	Preferred Shares	Convertible loan	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2018	75,082	35,223	110,305
Issuance for cash	136,174	–	136,174
Reclassification to other payables	–	(34,000)	(34,000)
Fair value losses/(gains)	9,318	(1,223)	8,095
Changes in fair value of preferred shares attribute to own credit risk	(4,619)	–	(4,619)
Foreign exchange losses *(Note 11)*	4,634	–	4,634
At 31 December 2018	220,589	–	220,589

	Preferred Shares	Convertible loan	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2019	220,589	–	220,589
Issuance for cash	495,386	–	495,386
Issuance of preferred shares as consideration for business combination *(Note 35)*	145,484	–	145,484
Re-designation of ordinary shares to preferred shares	204,111	–	204,111
Re-designation of preferred shares within different series	6,837	–	6,837
Fair value losses	308,175	–	308,175
Changes in fair value of preferred shares attribute to own credit risk	(15,856)	–	(15,856)
Foreign exchange gains *(Note 11)*	(2,417)	–	(2,417)
At 31 December 2019	1,362,309	–	1,362,309

Key valuation assumptions used to determine the fair value of Preferred Shares and the convertible loan are as follows:

	As at 31 December	
	2018	2019
Discount rate	30.50%	24.50%
Risk-free interest rate	2.49%	1.83%
Volatility	36.31%	36.47%
[**REDACTED**] possibility	50.00%	70.00%

Discount rate for convertible loan was estimated by making reference to the bond yield of corporate bonds at credit rating similar to the Group as of each valuation date. The directors estimated the risk-free interest rate based on the yield curve of China Government Bond Yield as of the valuation date. Volatility was estimated based on annualised standard deviation of daily stock price return of comparable companies for the period before valuation date and with similar span as time to exit. Probability weight under each of the redemption feature and liquidation preferences was based on the directors' best estimates.

26. DEFERRED TAX ASSETS AND LIABILITIES

(i) The movements in deferred tax assets and deferred liabilities during the Track Record Period, without taking into consideration the offsetting of balanced within the same tax jurisdiction, are as follows:

Deferred tax assets

	Tax losses
	RMB'000
As at 1 January 2019	–
Business combinations *(Note 35(6)(d)(ii))*	25,410
Charge to consolidated statements of comprehensive loss	(1,064)
As at 31 December 2019	24,346

Deferred tax liabilities

	Property, plant and equipment acquired in business combination	Investment property acquired in business combination	Land use rights acquired in business combination	Intangible assets acquired in business combination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2019	–	–	–	–	–
Business combinations *(Note 35)*	1,824	744	477	42,685	45,730
Credit to consolidated statements of comprehensive loss	(173)	(35)	(9)	(847)	(1,064)
As at 31 December 2019	1,651	709	468	41,838	44,666

(ii)

	As at 31 December 2019
	RMB'000
Deferred tax liabilities	
– to be recovered within 12 months	1,347
– to be recovered more than 12 months	43,319
	44,666

27. DEFERRED INCOME

	As at 31 December	
	2018	2019
	RMB'000	*RMB'000*
Government grants –		
Asset-related grants *(a) (Note 9)*	1,341	1,311
Cost-related grants *(b)*	1,000	2,280
	2,341	3,591

(a) The asset-related grants are subsidies received from the government for the purpose of compensation for purchase of the Group's land use rights. The estimated useful life of the land use rights is 50 years and the aforementioned grants are amortised based on the remaining useful life of the land.

(b) The cost-related grants are subsidies received from the government as support on expenses relating to certain projects. When the required criteria set by the government for such grants are met, the portion of the qualified funds is recognised as "other income" and the remaining balance is recorded as deferred income.

28. TRADE AND OTHER PAYABLES

Group

	As at 31 December	
	2018	**2019**
	RMB'000	*RMB'000*
Trade payables – third party	2,353	6,043
Other payables		
– a related party *(Note 31 (c))*	–	691
– third parties	35,391	19,036
Staff salaries and welfare payables	1,302	6,422
Interest payable – a related party	–	2,298
Accrued taxes other than income tax	4,236	13,305
	43,282	47,795
Less: non-current portion	(154)	(154)
Current portion	43,128	47,641

Company

	As at 31 December	
	2018	**2019**
	RMB'000	*RMB'000*
Other payables – subsidiaries	–	11,226
Other payables – third parties	–	12,889
Accrued taxes other than income tax	4,061	6,322
	4,061	30,437

(a) As at 31 December 2018 and 31 December 2019, all trade and other payables of the Group were non-interest bearing except for borrowing from Hong Ye. As at 31 December 2019, the Group has borrowings from Hong Ye amounted to RMB691,000 with an interest rate of 10% per annum. The expected maturity date of these borrowings is 20 November 2020. The Group made early repayment on 15 January 2020. The fair value of aforementioned trade and other payables approximated their carrying amounts.

(b) The aging analysis of trade payables at the respective balance sheet dates is as follows:

	As at 31 December	
	2018	2019
	RMB'000	*RMB'000*
Within 1 year	2,351	6,043
Between 1 year and 2 years	2	–
	2,353	6,043

29. CASH USED IN OPERATIONS

(a) Reconciliation of loss before income tax to cash used in operations

	Year ended 31 December	
	2018	2019
	RMB'000	*RMB'000*
Loss for the year before income tax	(82,876)	(531,977)
Adjustments for:		
– Depreciation of property, plant and equipment and investment properties *(Note 7)*	3,359	8,388
– Amortisation/depreciation of intangible assets and right-of-use assets *(Note 7)*	1,411	4,951
– Losses on disposal of property, plant and equipment *(Note 10)*	349	289
– Share-based compensation expenses *(Note 24)*	28,753	113,750
– Fair value change on financial instruments issued to investors *(Note 25(c))*	8,095	308,175
– Interest income received from financial assets at fair value through profit or loss *(Note 9)*	–	(629)
– Finance costs/(income) – net	4,559	(1,833)
	(36,350)	(98,886)
Changes in working capital:		
– Increase in inventories	(396)	(4,140)
– (Increase)/Decrease in prepayments and other receivables	(3,967)	23,530
– Increase/(Decrease) in trade and other payables	1,854	(23,179)
– Decrease in deferred income	(31)	(30)
	(2,540)	(3,819)
Cash used in operations	(38,890)	(102,705)

(b) Non-cash investing and financing activities

For the years ended 31 December 2018 and 2019, other than the issuance of ordinary shares, series A-1 preferred shares and stock options for the acquisition of Achieva Group as described in Note 35, and re-designation of ordinary shares and series A and A-1 preferred share as described in Note 25, the Group did not have any material non-cash investing and financing activities.

(c) Changes in liabilities from financing activities

	Short-term Liabilities		Long-term Liabilities		
	Lease Liabilities	Borrowings	Lease Liabilities	Borrowings from a related party	Financial instruments issued to investors
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2018	1,270	–	813	–	110,305
Cash flows	(1,377)	–	–	–	101,835
Increase of right of use assets *(Note 14)*	1,783	–	–	–	–
Impact of changes in foreign exchange rate	–	–	–	–	4,634
Other non-cash movements	(277)	–	277	–	339
Changes in fair value	–	–	–	–	3,476
At 31 December 2018	1,399	–	1,090	–	220,589

	Short-term Liabilities		Long-term Liabilities		
	Lease Liabilities	Borrowings	Lease Liabilities	Borrowings from a related party	Financial instruments issued to investors
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2019	1,399	–	1,090	–	220,589
Cash flows	(1,444)	–	–	(16,620)	495,386
Impact of changes in foreign exchange rate	–	–	–	–	(2,417)
Other non-cash movements	1,278	–	39	17,311	356,432
Changes in fair value	–	–	–	–	292,319
At 31 December 2019	1,233	–	1,129	691	1,362,309

30. COMMITMENTS

(a) Capital commitments

Capital expenditures contracted for at each balance sheet date, but not yet incurred are as follows:

	As at 31 December	
	2018	2019
	RMB'000	*RMB'000*
Property, plant and equipment	1,282	3,872

31. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control.

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the years ended 31 December 2018 and 2019 respectively, and balances arising from related party transactions as at 31 December 2018 and 2019 respectively .

(a) Name and relationship with related parties

Name of related party	Nature of relationship
XinYue International Limited	Shareholder of the Company
Hong YE	Director and shareholder of the Company

(b) Transactions with related-party

(i) Repayment of related party's loan

	Year ended 31 December	
	2018	**2019**
	RMB'000	*RMB'000*
Hong YE	–	16,620

(ii) Interest expense

	As at 31 December	
	2018	**2019**
	RMB'000	*RMB'000*
Hong YE	–	699

(c) Balances with related parties

(i) Receivables from related party

	As at 31 December	
	2018	**2019**
	RMB'000	*RMB'000*
XinYue International Limited	3	3
Hong YE	1	1
	4	4

The amounts due from related parties are non-trade in nature, neither past due nor impaired and non-interest bearing. The carrying amounts of the amounts due to a related party approximate their fair values and are denominated in RMB. These balances have been fully settled in January 2020.

(ii) Loan from related party

	As at 31 December	
	2018	**2019**
	RMB'000	*RMB'000*
Hong YE	–	691

(iii) Interest payable to a related party

	As at 31 December	
	2018	**2019**
	RMB'000	*RMB'000*
Hong YE	–	2,298

As at 31 December 2019, the Group has remaining borrowing from Hong Ye amounted to RMB691,000 with an interest rate of 10% per annum, which is non-trade in nature. The expected maturity date is 20 November 2020. The Group made early repayment of the loan on 15 January 2020. The accumulated interest payable as at 31 December 2019 will be settled before [**REDACTED**].

The carrying amounts of the amounts due to a related party approximate their fair values and are denominated in RMB.

(d) Key management compensation

	Year ended 31 December	
	2018	**2019**
	RMB'000	*RMB'000*
Salaries, wages and bonuses	2,439	5,658
Housing fund, medical insurance and other social insurance	39	242
Share-based compensation expenses	269	14,561
	2,747	20,461

32. DIVIDEND

No dividend has been paid or declared by the Company or the companies now comprising the Group during each of the years ended 31 December 2018 and 2019 respectively.

33. SUBSIDIARIES

(a) Particulars of the subsidiaries of the Group as at the date of this report are set out below:

Company name	Country/place and date of incorporation/ establishment	Issued and paid up capital or registered capital	Effective interests held by the Group % as at the date of this report At 31 December 2018	2019	Direct or Indirect	Principle activities
Marvel Finder Limited ("Marvel Finder")	HK, 25 August 2017	HKD10,000	100%	100%	Direct	Holding
Peijia Suzhou	PRC, 4 March 2013	RMB523,311,785	100%	100%	Indirect	Research and development of transcatheter valve therapeutic devices
Peijia Shanghai	PRC, 24 February 2012	RMB15,500,000	100%	100%	Indirect	Research and development of transcatheter value therapeutic devices
Achieva Medical*	Cayman Islands, 2 November 2005	USD24,227,887	NA	100%	Direct	Holding
Achieva Medical HK Limited*	HK, 25 March 2009	HKD1	NA	100%	Indirect	Holding
Achieva Shanghai*	PRC, 21 March 2006	USD27,580,000	NA	100%	Indirect	Research and development, manufacturing and sales of neurointerventional procedural medical devices
Achieva Medical (Suzhou) Co., Ltd . ("Achieva Suzhou")*	PRC, 29 November 2016	RMB15,000,000	NA	100%	Indirect	Research and development, manufacturing and sales of neurointerventional procedural medical devices
Jiangxi Zhisheng Medical Equipment Co., Ltd. ("Jiangxi Zhisheng")*	PRC, 3 April 2018	RMB5,000,000	NA	100%	Indirect	Trading

* Achieva Medical Limited, Achieva Medical HK Limited, Achieva Shanghai, Achieva Suzhou, Jiangxi Zhisheng became the subsidiaries of the Company since 29 March 2019 (Note 35).

(b) The statutory auditor of the following PRC subsidiaries of the Group for the years ended 31 December 2018 and 2019 is Unitax Zhenqing Certified Public Accountants Co., Ltd. ("尤尼泰振青會計師事務所有限公司"):

Company Name
Peijia Suzhou
Peijia Shanghai
Achieva Shanghai
Achieva Suzhou

34. SUBSEQUENT EVENTS

(1) After the outbreak of Coronavirus Disease 2019 ("COVID-19 outbreak") in early 2020, a series of precautionary and control measures have been and continued to be implemented across the country/region. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group. At current stage, while the sales of the Group's commercialized neurointerventional procedural products are expected to be impacted, the research and development team have already resumed working, and the Group does not expect its research and development process to be materially and adversely impacted. As at the date on which this set of financial statements were authorised for issue, the overall impact as a result of the COVID-19 outbreak on the Group's continuing business operation and sustainability is considered not significant.

(2) In March 2020, Yi ZHANG, Chairman of the Board, Hong YE, Board Secretary, and Kongrong PAN, Chief Operating Officer, exercised stock options granted to them in 2017 and 2019, and 261,636, 48,579 and 222,500 Shares were issued to them, respectively.

Save as disclosed in this report, no significant subsequent events undertaken by the Company or by the Group after 31 December 2019.

35. BUSINESS COMBINATION

In 2019, the Company acquired 100% of the equity interest in Achieva Medical and its subsidiaries by issuing ordinary shares, preferred shares and stock options to the then equity holders of Achieva Medical ("Share Swap Acquisition"). The Company controlled the board and business of Achieva Medical from 29 March 2019. Accordingly, the acquisition date was determined on 29 March 2019. After the acquisition, Achieva Medical and its subsidiaries are owned by the Group.

The following table summarise the consideration paid for the acquisitions, the fair value of assets acquired and liabilities assumed at the acquisition date.

	As at 29 March 2019
	RMB'000
Ordinary shares issued *(Note 22)*	143,513
Preferred shares issued *(Note 25)*	145,484
Stock options granted *(Note 23)*	5,935
	294,932

Recognised amounts of identifiable assets acquired and liabilities assumed

	Fair value
	RMB'000
As at 29 March 2019	
Right-of-use assets	5,764
Property, plant and equipment	50,731
Investment properties	9,036
Intangible assets	170,740
Inventories	5,741
Prepayments and other receivables	40,634
Cash and cash equivalents	59,622
Trade and other payables	(74,901)
Lease liabilities	(1,720)
Deferred income	(1,280)
Contract liabilities	(773)
Deferred tax liabilities	(45,730)
Deferred tax assets	25,410
Total identifiable net assets	243,274
Goodwill	51,658
	294,932

The goodwill of approximately RMB51,658,000 recognised represents the excess of the purchase consideration over the fair value of the net identifiable assets acquired and is attributable to the core technology and synergy effects expected from combining the Transcatheter Valve Therapeutic Business and the Neurointerventional Business. None of the goodwill recognised is expected to be deductible for income tax purposes.

The total cash flows from business combinations were the net cash inflows derived from the cash and cash equivalents acquired from Achieva Group, as the consideration for the acquisition are ordinary shares and preferred shares issued and stock options granted to the then equity holders of Achieva Medical.

The acquired business contributed revenue of RMB18,698,823 and loss before tax of RMB32,537,190 to the Group for the period from acquisition date to 31 December 2019.

If the acquisitions had occurred on 1 January 2019, the consolidated revenue and comprehensive loss for the period ended 31 December 2019 would have been increased by RMB5,217,903 and RMB8,287,416 respectively.

Below is the pre-acquisition information of Achieva Group for the year ended 31 December 2018 and the period from 1 January 2019 to 29 March 2019 respectively.

Consolidated Statements of Comprehensive Loss

	Note	**Year ended 31 December 2018**	**Period from 1 January 2019 to 29 March 2019**
		RMB'000	*RMB'000*
Revenue	*(1)*	15,390	5,218
Cost of sales	*(2)*	(7,443)	(2,473)
Gross profit		7,947	2,745
Administrative expenses	*(2)*	(21,260)	(4,285)
Research and development expenses	*(2)*	(13,516)	(5,150)
Selling and distribution expenses	*(2)*	(7,669)	(1,035)
Other income		2,610	388
Other losses – net	*(4)*	(4,897)	(462)
Operating loss		(36,785)	(7,799)
Finance income	*(5)*	13	6
Finance costs	*(5)*	(1,581)	(494)
Finance costs – net		(1,568)	(488)
Loss before income tax		(38,353)	(8,287)
Income tax expense	*(6)*	–	–
Loss for the year/period		(38,353)	(8,287)
Loss attributable to:			
– Owners of the Company		(34,788)	(8,125)
– Non-controlling interests		(3,565)	(162)
		(38,353)	(8,287)

Consolidated Balance Sheets

	Note	As at 31 December 2018	As at 29 March 2019
		RMB'000	*RMB'000*
ASSETS			
Non-current assets			
Right-of-use assets	*(7)*	3,413	3,277
Property, plant and equipment	*(8)*	35,631	35,709
Investment properties	*(9)*	14,575	14,365
Prepayments and other receivables	*(10)*	128	93
Total non-current assets		53,747	53,444
Current assets			
Inventories	*(11)*	5,506	5,741
Prepayments and other receivables	*(10)*	48,132	40,540
Cash and cash equivalents	*(12)*	28,782	59,622
Total current assets		82,420	105,903
Total assets		136,167	159,347
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital and share premium	*(13)*	159,437	159,437
Other reserves	*(14)*	34,843	34,069
Accumulated losses		(104,707)	(112,832)
Total equity attributable to owners of the Company		89,573	80,674
Non-controlling interests		(936)	–
Total equity		88,637	80,674
LIABILITIES			
Non-current liabilities			
Lease liabilities	*(7)*	1,272	1,120
Deferred income	*(15)*	1,280	1,280
Trade and other payables	*(16)*	691	691
Total non-current liabilities		3,243	3,091
Current liabilities			
Lease liabilities	*(7)*	593	600
Trade and other payables	*(16)*	43,240	74,209
Contract liabilities	*(1)*	454	773
Total current liabilities		44,287	75,582
Total liabilities		47,530	78,673
Total equity and liabilities		136,167	159,347

Consolidated Statements of Changes in Equity

	Note	Share capital and share premium	Other reserves	Accumulated losses	Total	Non-controlling interests	Total equity
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2018		82,764	37,431	(69,919)	50,276	2,515	52,791
Comprehensive loss:							
Loss and total comprehensive loss for the year		–	–	(34,788)	(34,788)	(3,565)	(38,353)
Transactions with owners in their capacity as owners:							
Issuance of ordinary shares	*(13)*	147,766	–	–	147,766	–	147,766
Shares bought back and cancelled	*(13)*	(71,093)	–	–	(71,093)	–	(71,093)
Transaction with non-controlling interests		–	(4,427)	–	(4,427)	114	(4,313)
Share-based payments		–	1,839	–	1,839	–	1,839
Balance at 31 December 2018		159,437	34,843	(104,707)	89,573	(936)	88,637
Balance at 1 January 2019		159,437	34,843	(104,707)	89,573	(936)	88,637
Comprehensive loss:							
Loss and total comprehensive loss for the year		–	–	(8,125)	(8,125)	(162)	(8,287)
Transactions with owners in their capacity as owners:							
Transaction with non-controlling interests		–	(1,098)	–	(1,098)	1,098	–
Share-based payments		–	324	–	324	–	324
Balance at 29 March 2019		159,437	34,069	(112,832)	80,674	–	80,674

Consolidated Statements of Cash Flows

	Note	Year ended 31 December 2018	Period from 1 January 2019 to 29 March 2019
		RMB'000	*RMB'000*
Cash flows from operating activities			
Cash used in operations	*(17)(a)*	(25,004)	(4,929)
Interest received	*(5)*	13	6
Interest paid	*(5)*	(98)	(22)
Net cash outflow from operating activities		(25,089)	(4,945)
Cash flows from investing activities			
Payments for property, plant and equipment		(1,404)	(878)
Proceeds from disposal of property, plant and equipment	*(4), (8)*	27	1
Interest income received from financial assets at fair value through profit or loss		16	–
Payments for financial assets at fair value through profit or loss		(9,900)	–
Proceeds from disposal of financial assets at fair value through profit or loss		9,900	–
Net cash outflow from investing activities		(1,361)	(877)
Cash flows from financing activities			
Capital contribution from shareholders		108,417	39,343
Payments for shares bought back		(67,086)	(76)
Borrowings from a related party	*(19)(b)*	15,311	–
Repayment of borrowings from related parties	*(19)(b)*	(2,400)	(2,000)
Interest paid for related parties' borrowings	*(5), (16)*	(300)	–
Principal elements of lease payments	*(7)*	(384)	(145)
Net cash inflow from financing activities		53,558	37,122
Net increase in cash and cash equivalents		27,108	31,300
Cash and cash equivalents at beginning of the year/period		1,472	28,782
Exchange gains/(losses) on cash and cash equivalents		202	(460)
Cash and cash equivalents at end of the year/period	*(12)*	28,782	59,622

(1) Revenue from contracts with customers

	Year ended 31 December 2018	Period from 1 January 2019 to 29 March 2019
	RMB'000	*RMB'000*
Revenue from sales of goods		
– at point in time	15,390	5,218

(a) Contract liabilities

Achieva Group had recognised the following contract liabilities related to contracts with customers:

	As at 31 December 2018	As at 29 March 2019
	RMB'000	*RMB'000*
Contract liabilities	454	773

Contract liabilities are recognised when the payments are received before the transfer of goods. As of 31 December 2018 and 29 March 2019, there are no material unsatisfied performance obligations resulting from contracts.

(2) Expenses by nature

	Year ended 31 December 2018	Period from 1 January 2019 to 29 March 2019
	RMB'000	*RMB'000*
Employee benefits expenses *(Note 35(3))*	20,073	5,003
Utilities and office expenses	7,266	1,186
Raw materials and consumables used		
– Research and development expenses	3,768	1,392
Raw materials and consumables used		
– Cost of sales	3,782	1,461
Depreciation of right-of-use assets *(Note 35(7))*	545	136
Depreciation of property, plant and equipment *(Note 35(8))*	3,151	834
Depreciation of investment properties *(Note 35(9))*	839	210
Travelling and transportation expenses	3,109	207
Testing and clinical trial fees of research and development	2,545	1,315
Professional services fees	2,296	870
Auditor's remuneration	166	–
Others	2,348	329
	49,888	12,943

(3) Employee benefits expenses

	Year ended 31 December 2018	Period from 1 January 2019 to 29 March 2019
	RMB'000	*RMB'000*
Wages, salaries and bonuses	15,193	3,831
Social security costs and housing benefits	2,468	640
Welfare	573	208
Share-based compensation expenses *(Note 35(14))*	1,839	324
	20,073	5,003

(a) The employees of Achieva Group in the PRC are members of state-managed pension scheme operated by the PRC government. Achieva Group is required to contribute a specified percentage of payroll costs as determined by local government authority to the pension obligations to fund the benefits. The only obligation of Achieva Group with respect to the retirement benefits scheme is to make the specified contribution under the scheme.

(4) Other losses – net

	Year ended 31 December 2018	Period from 1 January 2019 to 29 March 2019
	RMB'000	*RMB'000*
Foreign exchange losses – net	4,591	483
Loss on disposal of property, plant and equipment *(Note 35(8))*	4	–
Others	302	(21)
	4,897	462

(5) Finance costs – net

	Year ended 31 December 2018	Period from 1 January 2019 to 29 March 2019
	RMB'000	*RMB'000*
Finance income:		
Interest income on bank deposits	13	6
Finance costs:		
Interest expense on lease liabilities *(Note 35(7))*	(98)	(22)
Interest expense on borrowings from related-parties *(Note 35(19))*	(1,483)	(472)
	(1,581)	(494)
Finance costs – net *(Note 35(17))*	(1,568)	(488)

(6) Income tax expense

Achieva Group's principal applicable taxes and tax rates are as follows:

(a) Cayman Islands

Under the current laws of the Cayman Islands, Achieva Medical is not subject to tax on income or capital gains. In addition, upon payments of dividends by Achieva Medical to its shareholders, no Cayman Islands withholding tax is imposed.

(b) Hong Kong

No provision for Hong Kong profits tax has been provided for at the rate of 16.5% as Achieva Group has no estimated assessable profit.

(c) Mainland China

No provision for Mainland China income tax has been provided for at a rate of 25% or 15% pursuant to the Corporate Income Tax Law of the PRC and the respective regulations (the "CIT Law"), as Achieva Group's PRC entities have no estimated assessable profits.

Achieva Medical Shanghai is qualified as a "High and New Technology Enterprise" under the relevant PRC laws and regulations in 24 November 2016. Accordingly, It was entitled to a preferential income tax rate of 15% on its estimated assessable profits for the years ended 31 December 2016, 2017 and 2018.

According to the relevant laws and regulations promulgated by the State Administration of Taxation of the PRC that was effective from 2018 onwards, enterprise engaging in research and development activities are entitled to claim 175% of their research and development expenses incurred as tax deductible expenses when determining their assessable profits for that year.

(d) A reconciliation of the expected income tax calculated at the applicable tax rate and loss before income tax, with the actual income tax is as follow:

	Year ended 31 December 2018	**Period from 1 January 2019 to 29 March 2019**
	RMB'000	*RMB'000*
Loss before income tax	(38,353)	(8,287)
Tax calculated at statutory tax rates applicable to each group entity	(6,503)	(1,910)
Tax effect of:		
Expenses not deductible for tax purpose *(Note (i))*	78	14
Super deduction for research and development expenses	(2,331)	(966)
Unrecognised tax losses carried forward *(Note (ii))*	8,756	2,862
Income tax expense	–	–

(i) Expenses not deductible for tax purpose primarily include expenses not related to business activities, welfare and entertainment expenses exceeding the tax deduction limits under the Corporate Income Tax Law.

(ii) Deductible losses that are not recognised as deferred tax assets will be expired during the Track Record Period are analysed as follows:

Tax losses carried forward

	As at 31 December 2018	As at 29 March 2019
	RMB'000	*RMB'000*
2023	728	728
2024	1,074	1,074
2025	9,226	9,226
2026	17,301	17,301
2027	26,196	26,196
2028	35,670	35,670
2029	–	11,447
Unrecognised tax losses carried forward	90,195	101,642

The tax losses of Achieva Group's PRC subsidiaries will expire within ten years for small and medium-sized high-tech enterprises. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

(7) Right-of-use assets

	As at 31 December 2018	As at 29 March 2019
	RMB'000	*RMB'000*
Right-of-use assets		
– Land use rights *(a)*	1,913	1,902
– Buildings *(b)*	1,500	1,375
	3,413	3,277

(a) Land use rights

(i) Achieva Group's interests in land use rights represent prepaid operating lease payments for land located in the PRC and the lease term is 50 years. The movements of land use rights are analysed as follows:

	Land use rights
	RMB'000
At 1 January 2018	
Cost	2,273
Accumulated amortisation	(315)
Net book value	1,958
Year ended 31 December 2018	
Opening net book value	1,958
Amortisation charge *(Note 35(2))*	(45)
Closing net book value	1,913
At 31 December 2018	
Cost	2,273
Accumulated amortisation	(360)
Net book value	1,913
Period from 1 January 2019 to 29 March 2019	
Opening net book value	1,913
Amortisation charge *(Note 35(2))*	(11)
Closing net book value	1,902
At 29 March 2019	
Cost	2,273
Accumulated amortisation	(371)
Net book value	1,902

(ii) Amortisation of land use rights has been charged to the consolidated statements of comprehensive loss as follows:

	Year ended 31 December 2018	**Period from 1 January 2019 to 29 March 2019**
	RMB'000	*RMB'000*
Administrative expenses *(Note 35(2))*	45	11

(b) Buildings

(i) Achieva Group leases properties for own use. Information about leases for which Achieva Group is a lessee is presented below:

	Buildings
	RMB'000
At 1 January 2018	
Cost	3,000
Accumulated depreciation	(1,000)
Net book value	2,000
Year ended 31 December 2018	
Opening net book value	2,000
Depreciation charge *(Note 35(2))*	(500)
Closing net book value	1,500
At 31 December 2018	
Cost	3,000
Accumulated depreciation	(1,500)
Net book value	1,500
Period from 1 January 2019 to 29 March 2019	
Opening net book value	1,500
Depreciation charge *(Note 35(2))*	(125)
Closing net book value	1,375
At 29 March 2019	
Cost	3,000
Accumulated depreciation	(1,625)
Net book value	1,375

(ii) Lease liabilities recognised in the consolidated balance sheets

	As at 31 December 2018	**As at 29 March 2019**
	RMB'000	*RMB'000*
Lease liabilities		
– current	593	600
– non-current	1,272	1,120
	1,865	1,720

(iii) Depreciation of right-of-use assets has been charged to the consolidated statements of comprehensive loss as follows:

	Year ended 31 December 2018	Period from 1 January 2019 to 29 March 2019
	RMB'000	*RMB'000*
Depreciation charge of right-of-use assets *(Note 35(2))*	545	136
Interest expense *(Note 35(5))*	98	22

(8) Property, plant and equipment

	Buildings	Furniture	Electronic equipments	Machinery	Vehicles	Construction in progress	Leasehold improve-ments	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2018								
Cost	32,561	939	2,174	5,272	156	584	3,900	45,586
Accumulated depreciation	(5,282)	(208)	(1,198)	(1,184)	(11)	–	(338)	(8,221)
Net book value	27,279	731	976	4,088	145	584	3,562	37,365
Year ended 31 December 2018								
Opening net book value	27,279	731	976	4,088	145	584	3,562	37,365
Transferred in from construction in progress	–	–	–	156	–	(156)	–	–
Additions	–	92	688	234	–	–	434	1,448
Disposals	–	(2)	(29)	–	–	–	–	(31)
Depreciation charge *(Note 35(2))*	(1,547)	(181)	(436)	(546)	(30)	–	(411)	(3,151)
Closing net book value	25,732	640	1,199	3,932	115	428	3,585	35,631
At 31 December 2018								
Cost	32,561	1,016	2,768	5,662	156	428	4,334	46,925
Accumulated depreciation	(6,829)	(376)	(1,569)	(1,730)	(41)	–	(749)	(11,294)
Net book value	25,732	640	1,199	3,932	115	428	3,585	35,631
Period from 1 January 2019 to 29 March 2019								
Opening net book value	25,732	640	1,199	3,932	115	428	3,585	35,631
Additions	–	74	155	–	–	580	104	913
Disposals	–	–	(1)	–	–	–	–	(1)
Depreciation charge *(Note 35(2))*	(387)	(48)	(138)	(135)	(7)	–	(119)	(834)
Closing net book value	25,345	666	1,215	3,797	108	1,008	3,570	35,709
At 29 March 2019								
Cost	32,561	1,090	2,903	5,662	156	1,008	4,438	47,818
Accumulated depreciation	(7,216)	(424)	(1,688)	(1,865)	(48)	–	(868)	(12,109)
Net book value	25,345	666	1,215	3,797	108	1,008	3,570	35,709

(a) Depreciation of property, plant and equipment has been charged to the consolidated statements of comprehensive loss (Note 35(2)) as follows:

	Year ended 31 December 2018	Period from 1 January 2019 to 29 March 2019
	RMB'000	*RMB'000*
Cost of sales	311	86
Administrative expenses	1,932	504
Research and development expenses	894	242
Selling and distribution expenses	14	2
	3,151	834

(9) Investment properties

	Buildings	Land use rights	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2018			
Cost	17,166	1,198	18,364
Accumulated depreciation and amortisation	(2,785)	(165)	(2,950)
Net book value	14,381	1,033	15,414
Year ended 31 December 2018			
Opening net book value	14,381	1,033	15,414
Depreciation and amortisation charge *(Note 35(2))*	(815)	(24)	(839)
Closing net book value	13,566	1,009	14,575
At 31 December 2018			
Cost	17,166	1,198	18,364
Accumulated depreciation and amortisation	(3,600)	(189)	(3,789)
Net book value	13,566	1,009	14,575
Period from 1 January 2019 to 29 March 2019			
Opening net book value	13,566	1,009	14,575
Depreciation and amortisation charge *(Note 35(2))*	(204)	(6)	(210)
Closing net book value	13,362	1,003	14,365
At 29 March 2019			
Cost	17,166	1,198	18,364
Accumulated depreciation and amortisation	(3,804)	(195)	(3,999)
Net book value	13,362	1,003	14,365

Depreciation and amortisation have been charged to "administrative expenses" amounted to RMB839,000 for the year ended 31 December 2018 and RMB210,000 for the period from 1 January 2019 to 29 March 2019 respectively.

(10) Prepayments and other receivables

	As at 31 December 2018	As at 29 March 2019
	RMB'000	*RMB'000*
Other receivables from third parties	42,067	34,891
Prepayments to:		
– equipment not received	128	93
– third parties	3,022	2,157
Value-added tax recoverable	2,455	2,677
Staff advances	–	50
Deposits	456	477
Others	132	288
	48,260	40,633
Less: non-current portion	(128)	(93)
Current portion	48,132	40,540

(11) Inventories

	As at 31 December 2018	As at 29 March 2019
	RMB'000	*RMB'000*
Raw materials	3,989	4,169
Finished goods	1,114	1,269
Work in progress	403	303
	5,506	5,741

(12) Cash and cash equivalents

	As at 31 December 2018	As at 29 March 2019
	RMB'000	*RMB'000*
Cash in bank	28,782	59,622

	As at 31 December 2018	As at 29 March 2019
	RMB'000	*RMB'000*
Cash and cash equivalents are denominated in:		
– RMB	28,530	20,589
– USD	252	39,033
	28,782	59,622

(13) Share capital and share premium

Group and Company

	Number of Ordinary shares	Share capital	Share premium	Total
		RMB'000	*RMB'000*	*RMB'000*
Issued:				
As at 1 January 2018	19,626,666	13	82,751	82,764
Shares bought back and cancelled	(7,654,666)	(5)	(71,088)	(71,093)
Issuance of ordinary shares	7,654,666	5	147,761	147,766
As at 31 December 2018 and 29 March 2019	19,626,666	13	159,424	159,437

In September 2018, Achieva Medical repurchased 2,028,000 and 5,626,666 ordinary shares from two initial shareholders, and then cancelled these ordinary shares at the date of repurchasing. On the same day of cancellation, the Company issued and allotted 3,381,185, 973,440, 711,111, 533,333, 1,690,593 and 365,004 new ordinary shares to LAV Aero, Matrix IV, Tianfeng Healthcare Fund I Management, L.P. ("Tianfeng Healthcare Fund"), Kortex Limited ("Kortex"), Suzhou Lirui and Shanghai Founder KIP, respectively.

(14) Other reserves

	Transactions with non-controlling interests	Share-based compensation reserve	Total
	RMB'000	*RMB'000*	*RMB'000*
As at 1 January 2018	25,041	12,390	37,431
Share-based compensation expenses *(Note 35(3))*	–	1,839	1,839
Transactions with non-controlling interests	(4,427)	–	(4,427)
As at 31 December 2018	20,614	14,229	34,843

	Transaction with non-controlling interests	Share-based compensation reserve	Total
	RMB'000	*RMB'000*	*RMB'000*
As at 1 January 2019	20,614	14,229	34,843
Share-based compensation expense *(Note 35(3))*	–	324	324
Transactions with non-controlling interests	(1,098)	–	(1,098)
As at 29 March 2019	19,516	14,553	34,069

(15) Deferred income

	As at 31 December 2018	As at 29 March 2019
	RMB'000	*RMB'000*
Government grants –		
Reimbursement of future expenses *(a)*	1,280	1,280

(a) Government grants as reimbursement of future expenses are subsidies received for compensating Achieva Group's future research.

(16) Trade and other payables

	As at 31 December 2018	As at 29 March 2019
	RMB'000	*RMB'000*
Other payables		
– related parties *(Note 35(19)(c))*	19,311	17,311
– third parties	16,767	48,488
Staff salaries and social welfare payables	3,475	3,362
Accrued taxes other than income tax	2,281	2,267
Interest payable – a related party *(Note 35(19)(c))*	1,428	1,900
Trade payables – third party	669	1,572
	43,931	74,900
Less: non-current portion	(691)	(691)
Current portion	43,240	74,209

(a) The ageing analysis of trade payables at the respective balance sheet dates is as follows:

	As at 31 December 2018	As at 29 March 2019
	RMB'000	*RMB'000*
Within 1 year	636	1,568
Between 1 year and 2 years	33	4
	669	1,572

(17) Cash used in operations

(a) Reconciliation of loss before income tax to cash used in operations

	Year ended 31 December 2018	Period from 1 January 2019 to 29 March 2019
	RMB'000	*RMB'000*
Loss for the year/period before income tax	(38,353)	(8,287)
Adjustments for:		
– Depreciation of property, plant and equipment and investment properties *(Notes 35(8), (9))*	3,990	1,044
– Amortisation of right-of-use assets *(Note 35(2))*	545	136
– Loss on disposal of property, plant and equipment *(Note 35(4))*	4	–
– Share-based compensation expenses *(Note 35(3))*	1,839	324
– Finance cost – net *(Note 35(5))*	1,568	488
– Interest income received from financial assets at fair value through profit or loss	(16)	–
Changes in working capital:		
– Increase in inventories	(1,374)	(235)
– Decrease in prepayments and other receivables	1,386	925
– Increase in trade and other payables	5,282	357
– Increase in contract liabilities	125	319
Cash used in from operations	(25,004)	(4,929)

(18) Commitments

(a) Capital commitments

Capital expenditures contracted for at each balance sheet date, but not yet incurred are as follows:

	As at 31 December 2018	As at 29 March 2019
	RMB'000	*RMB'000*
Property, plant and equipment	1,765	1,070

(19) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control.

The following is a summary of the significant transactions carried out between Achieva Medical and its related parties in the ordinary course of business during the year ended 31 December 2018 and the period from 1 January 2019 to 29 March 2019 respectively, and balances arising from related party transactions as at 31 December 2018 and as at 29 March 2019 respectively.

(a) Name and relationship with related parties

Name of related party	Nature of relationship
Hong YE	Director and shareholder of Achieva Medical
Jifeng GUAN	Director of Achieva Medical

(b) Transactions with related parties

(i) Repayment of related parties' loan

	Year ended 31 December 2018	Period from 1 January 2019 to 29 March 2019
	RMB'000	*RMB'000*
Jifeng GUAN	2,000	–
Hong YE	400	2,000
	2,400	2,000

(ii) Loan received from a related party

	Year ended 31 December 2018	Period from 1 January 2019 to 29 March 2019
	RMB'000	*RMB'000*
Hong YE	15,311	–

(iii) Interest expense

	Year ended 31 December 2018	Period from 1 January 2019 to 29 March 2019
	RMB'000	*RMB'000*
Hong YE	1,433	472
Jifeng GUAN	50	–
	1,483	472

(c) ***Balances with related parties***

(i) *Loan payable to a related party*

	As at 31 December 2018	As at 29 March 2019
	RMB'000	*RMB'000*
Hong YE	19,311	17,311

(ii) *Interest payable to a related party*

	As at 31 December 2018	As at 29 March 2019
	RMB'000	*RMB'000*
Hong YE	1,428	1,900

As at 29 March 2019, Achieva Medical has remaining borrowings from Hong Ye amounted to RMB17,311,000, all with an interest rate of 10% per annum. This non-trade balance has been fully repaid after 29 March 2019. The accumulated interest payable as at 29 March 2019 was RMB1,900,000, which will be settled before [**REDACTED**].

The amounts due from related parties are neither past due nor impaired. The carrying amounts of the amounts due to related parties approximate their fair values and are denominated in RMB.

(20) Dividend

No dividend has been paid or declared by Achieva Medical or the companies now comprising Achieva Group during the year ended 31 December 2018 and the period from 1 January 2019 to 29 March 2019.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2019 and up to the date of this report. No dividend or distribution have been declared, made or paid by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2019.

The information set out in this Appendix does not form part of the Accountant's Report from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountant of the Company, as set out in Appendix I in this document, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this document and the Accountant's Report set out in Appendix I to this document.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the [**REDACTED**] on the net tangible assets of the Group attributable to the owners of the Company as of 31 December 2019 as if the [**REDACTED**] had taken place on 31 December 2019.

This 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 consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2019 or at any future dates following the [**REDACTED**].

	Audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2019[(1)]	Estimated impact to the net tangible assets upon conversion of the Series A, Series B, Series A-1, Series C, Series C-1 and New Series C-1 Preference Share[(2)]	Estimated net [REDACTED] from the [REDACTED][(3)]	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2019	Unaudited pro forma adjusted net tangible assets per Share	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB[(4)]*	*HK$[(5)]*
Based on an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**]	(771,514)	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Based on an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**]	(771,514)	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]

Notes:

(1) The audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2019 is extracted from the Accountant's Report set out in Appendix I to this document, which is based on the audited consolidated net assets of the Group attributable to the owners of the Company as at 31 December 2019 of RMB(558,206,000) with adjustments for the intangible assets as at 31 December 2019 of RMB219,308,000.

(2) The Company's Series A Preferred Shares, Series B Preferred Shares, Series A-1 Preferred Shares, Series C Preferred Shares, Series C-1 Preferred Shares and New Series C-1 Preferred Shares are all required to be converted into ordinary shares upon the [**REDACTED**]. The adjustment represents the impact of the conversion of all these preferred shares into ordinary shares, issued up to the date of this document, on the net tangible assets attributable to the equity holders. The estimated impact is RMB[**REDACTED**] for Series A Preferred Shares, Series B Preferred Shares, Series A-1 Preferred Shares, Series C Preferred Shares, Series C-1 Preferred Shares and New Series C-1 Preferred Shares, being the carrying amount of the Series A Preferred Shares, Series B Preferred Shares, Series A-1 Preferred Shares, Series C Preferred Shares, Series C-1 Preferred Shares and New Series C-1 Preferred Shares as of 31 December 2019.

(3) The estimated net [**REDACTED**] from the [**REDACTED**] are based on the indicative [**REDACTED**] of HK$[**REDACTED**] and HK$[**REDACTED**] per [**REDACTED**], being the low end to high end of the indicative [**REDACTED**] range, respectively, after deduction of the [**REDACTED**] fees and other related expenses (excluding [**REDACTED**] expenses of approximately RMB11,838,000 which have been accounted for in the Group's consolidated statements of comprehensive loss prior to 31 December 2019) payable by the Company and takes no account of any options which may be granted under the Stock Option Scheme or any Shares which may be allotted and issued or repurchased by the Company under the general mandate to issue Shares and general mandate to repurchase Shares as described in the section headed "Share Capital" in this document.

(4) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in Note 3 above and on the basis that [**REDACTED**] Shares (including the completion of the conversion of the preferred shares into ordinary shares as mentioned above and the [**REDACTED**] to be effective upon [**REDACTED**]) were in issue assuming that the [**REDACTED**] had been completed on 31 December 2019 but takes no account of any options which may be granted under the Stock Option Scheme or any Shares which may be allotted and issued or repurchased by the Company under the general mandate to issue Shares and general mandate to repurchase Shares as set out in the section headed "Share Capital" in this document.

(5) For the purpose of this unaudited pro forma adjusted net tangible assets, the balances stated in Renminbi are converted into Hong Kong dollars at the rate of RMB[0.88504] to HK$[1.00]. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

(6) Except as disclosed above, no adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2019.

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

SUMMARY OF THE CONSTITUTION OF OUR COMPANY

1 Memorandum of Association

The Memorandum of Association of our Company was conditionally adopted on [●] and states, inter alia, that the liability of the members of our Company is limited, that the objects for which our Company is established are unrestricted and our Company shall have full power and authority to carry out any object not prohibited by the Cayman Companies Law or any other law of the Cayman Islands.

The Memorandum of Association is available for inspection at the address specified in Appendix V to this document.

2 Articles of Association

The Articles of Association of our Company were conditionally adopted on [●] and include provisions to the following effect:

2.1 Classes of Shares

The share capital of our Company consists of ordinary shares. The authorized share capital of our Company at the date of adoption of the Articles is [US$100,000] divided into [1,000,000,000] Shares of [US$0.0001] each.

2.2 Directors

(a) Power to allot and issue Shares

Subject to the provisions of the Cayman Companies Law and the Memorandum and Articles of Association, the unissued shares in our Company (whether forming part of its original or any increased capital) shall be at the disposal of our Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as our Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by our Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such times and for such consideration as our Directors may determine. Subject to the Cayman Companies Law and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of our Company or the holder thereof, liable to be redeemed.

(b) Power to dispose of the assets of our Company or any subsidiary

The management of the business of our Company shall be vested in our Directors who, in addition to the powers and authorities by the Articles of Association expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by our Company and are not by the Articles of Association or the Cayman Companies Law expressly directed or required to be exercised or done by our Company in general meeting, but subject nevertheless to the provisions of the Cayman Companies Law and of the Articles of Association and to any regulation from time to time made by our Company in general meeting not being inconsistent with such provisions or the Articles of Association, provided that no regulation so made shall invalidate any prior act of our Directors which would have been valid if such regulation had not been made.

(c) Compensation or payment for loss of office

Payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must first be approved by our Company in general meeting.

(d) Loans to Directors

There are provisions in the Articles of Association prohibiting the making of loans to Directors or their respective close associates which are equivalent to the restrictions imposed by the Companies Ordinance.

(e) Financial assistance to purchase Shares

Subject to all applicable laws, our Company may give financial assistance to Directors and employees of our Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in our Company or any such subsidiary or holding company. Further, subject to all applicable laws, our Company may give financial assistance to a trustee for the acquisition of shares in our Company or shares in any such subsidiary or holding company to be held for the benefit of employees of our Company, its subsidiaries, any holding company of our Company or any subsidiary of any such holding company (including salaried Directors).

(f) Disclosure of interest in contracts with our Company or any of its subsidiaries

No Director or proposed Director shall be disqualified by his office from contracting with our Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of our Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to our Company for any profit so realized by any such contract or arrangement by reason only of such Director holding that

office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the board of Directors at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by our Company.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of our Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates (or, if required by the Listing Rules, his other associates) has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

(i) the giving to such Director or any of his close associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of our Company or any of its subsidiaries;

(ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of our Company or any of its subsidiaries for which the Director or any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

(iii) any proposal concerning an offer of shares, debentures or other securities of or by our Company or any other company which our Company may promote or be interested in for subscription or purchase where the Director or any of his close associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(iv) any proposal or arrangement concerning the benefit of employees of our Company or any of its subsidiaries including:

(A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or

(B) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their close associates and employees of our Company or any of its subsidiaries and does not provide in respect of any Director or any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(v) any contract or arrangement in which the Director or any of his close associates is/are interested in the same manner as other holders of shares or debentures or other securities of our Company by virtue only of his/their interest in shares or debentures or other securities of our Company.

(g) Remuneration

Our Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by our Directors, or our Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst our Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in our Company may be entitled by reason of such employment or office.

Our Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or in connection with the performance of their duties as Directors including their expenses of traveling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of our Company or in the discharge of their duties as Directors.

Our Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of our Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of our Company shall from time to time be fixed by our Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as our Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

(h) Retirement, appointment and removal

The number of Directors shall not be less than two.

Our Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next general meeting of our Company and shall then be eligible for re-election at that meeting.

Neither a Director nor an alternate Director is required to hold any shares in our Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

Managing Director or other executive Director before the expiration of his period of office notwithstanding anything in the Articles of Association or in any agreement between our Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment of office as a result of the termination of this appointment as Director).

Our Company may by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed. Our Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following general meeting of our Company and shall then be eligible for re-election but shall not be taken into account in determining the number of Directors and which Directors who are to retire by rotation at such meeting.

No person shall, unless recommended by the Board, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the dispatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of our Company notice in writing by a member of our Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors. The office of a Director shall be vacated:

(i) if he resigns his office by notice in writing to our Company at its registered office or its principal office in Hong Kong;

(ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and our Directors resolve that his office be vacated;

(iii) if, without leave, he is absent from meetings of our Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and our Directors resolve that his office be vacated;

(iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;

(vi) if he is removed from office by a notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of our Directors (including himself) for the time being then in office; or

(vii) if he shall be removed from office by an ordinary resolution of the members of our Company under the Articles of Association.

At every annual general meeting of our Company one-third of our Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. Our Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) Borrowing powers

Our Directors may from time to time at their discretion exercise all the powers of our Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of our Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

(j) Proceedings of the Board

Our Directors may meet together for the dispatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.3 Alteration to constitutional documents

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

2.4 Variation of rights of existing shares or classes of shares

If at any time the share capital of our Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Cayman Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall mutatis mutandis apply, but so that the quorum for the purposes of any such separate meeting

and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorized representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking pari passu therewith.

2.5 Alteration of capital

Our Company may, from time to time, whether or not all the shares for the time being authorized shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

Our Company may from time to time by ordinary resolution:

(a) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, our Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares ratably in accordance with their rights and interests or may be paid to our Company for our Company's benefit;

(b) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so canceled subject to the provisions of the Cayman Companies Law; and

(c) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Cayman Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as our Company has power to attach to unissued or new shares.

Our Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorized and subject to any conditions prescribed by the Cayman Companies Law.

2.6 Special resolution -majority required

A "special resolution" is defined in the Articles of Association to have the meaning ascribed thereto in the Cayman Companies Law, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of our Company as, being entitled to do so, vote in person or, where proxies are allowed, by proxy or, in the case of corporations, by their duly authorized representatives, at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution signed by all members for the time being entitled to receive notice of and to attend and vote at general meetings (or being corporations by their duly appointed representatives), and any such resolution shall be deemed to have been passed at a meeting held on the date on which it was signed by the last member to sign.

In contrast, an "ordinary resolution" is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of our Company as, being entitled to do so, vote in person or, where proxies are allowed, by proxy or, in the case of corporations, by their duly authorized representatives, at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of our Company aforesaid.

2.7 Voting rights

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy shall have one vote for each share registered in his name in the register of members of our Company.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of our Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote by any person authorized in such circumstances to do so and such person may vote by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by our Directors, no person other than a member of our Company duly registered and who shall have paid all sums for the time being due from him payable to our Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of our Company), or to be reckoned in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairman of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

If a recognized clearing house (or its nominee(s)) is a member of our Company it may authorize such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any general meeting of our Company or at any general meeting of any class of members of our Company provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognized clearing house (or its nominee(s)) which he represents as that recognized clearing house (or its nominee(s)) could exercise as if it were an individual member of our Company holding the number and class of shares specified in such authorization, including, where a show of hands is allowed, the right to vote individually on a show of hands.

2.8 Annual general meetings and extraordinary general meetings

Our Company shall hold a general meeting as its annual general meeting each year, within a period of not more than 15 months after the holding of the last preceding annual general meeting (or such longer period as the Stock Exchange may authorize). The annual general meeting shall be specified as such in the notices calling it.

Extraordinary general meetings may be convened on the requisition of two or more shareholders (or any one member which is a recognized clearing house (or its nominee(s)) holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of our Company having the right of voting at general meetings.

2.9 Accounts and audit

Our Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of our Company's affairs and to show and explain its transactions and otherwise in accordance with the Cayman Companies Law.

Our Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of our Company, or any of them, shall be open to the inspection by members of our Company (other than officers of our Company) and no such member shall have any right of inspecting any accounts or books or documents of our Company except as conferred by the Cayman Companies Law or any other relevant law or regulation or as authorized by our Directors or by our Company in general meeting.

Our Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of our Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of our Company and, in any other case, since the preceding account, together with a statement of financial position as at the date to which the profit and loss account is made up and a Director's report with respect to the profit or loss of our Company for the period covered by the profit and loss account and the state of our Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of our Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by our Company as provided in the Articles of Association to every member of our Company and every holder of debentures of our Company provided that our Company shall not be required to send copies of those documents to any person of whose address our Company is not aware or to more than one of the joint holders of any shares or debentures.

Our Company shall at every annual general meeting appoint an auditor or auditors of our Company who shall hold office until the next annual general meeting. The removal of an auditor before the expiration of his period of office shall require the approval of an ordinary resolution of the members in general meeting. The remuneration of the auditors shall be fixed by our Company at the annual general meeting at which they are appointed provided that in respect of any particular year our Company in general meeting may delegate the fixing of such remuneration to our Directors.

2.10 Notice of meetings and business to be conducted thereat

An annual general meeting shall be called by not less than 21 days' notice in writing and any extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions and the general nature of the business to be considered at the meeting. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of our Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from our Company).

Notwithstanding that a meeting of our Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

(a) in the case of a meeting called as an annual general meeting, by all members of our Company entitled to attend and vote thereat or their proxies; and

(b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right.

2.11 Transfer of shares

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as our Directors may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless our Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of our Company in respect thereof. All instruments of transfer shall be retained by our Company.

Our Directors may, in its absolute discretion, and without assigning any reason, refuse to register any transfer of any share which is not fully paid up or on which our Company has a lien. Our Directors may also decline to register any transfer of any shares unless:

(a) the instrument of transfer is lodged with our Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be canceled) and such other evidence as our Directors may reasonably require to show the right of the transferor to make the transfer;

(b) the instrument of transfer is in respect of only one class of shares;

(c) the instrument of transfer is properly stamped (in circumstances where stamping is required);

(d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;

(e) the shares concerned are free of any lien in favor of our Company; and

(f) a fee of such amount not exceeding the maximum amount as the Stock Exchange may from time to time determine to be payable (or such lesser sum as our Directors may from time to time require) is paid to our Company in respect thereof.

If our Directors refuse to register a transfer of any share they shall, within two months after the date on which the transfer was lodged with our Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 10 Business Days' notice (or on 6 Business Days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by our Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be suspended and the register of members of our Company closed at such times for such periods as our Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register

closed for more than 30 days in any year (or such longer period as the members of our Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

2.12 Power of our Company to purchase its own shares

Our Company is empowered by the Cayman Companies Law and the Articles of Association to purchase its own shares subject to certain restrictions and our Directors may only exercise this power on behalf of our Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the Securities and Futures Commission of Hong Kong. Shares which have been repurchased will be treated as canceled upon the repurchase. The holder of the shares being purchased shall be bound to deliver up to our Company at its principal place of business in Hong Kong or such other place as our Directors shall specify the certificate(s) thereof, if any, for cancellation and thereupon our Company shall pay to him the purchase or redemption monies in respect thereof.

2.13 Power of any subsidiary of our Company to own shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.14 Dividends and other methods of distribution

Subject to the Cayman Companies Law and the Articles of Association, our Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by our Directors. No dividend may be declared or paid other than out of profits and reserves of our Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

Our Directors may from time to time pay to the members of our Company such interim dividends as appear to our Directors to be justified by the profits of our Company. Our Directors may also pay half-yearly or at other intervals to be selected by them any dividend which may be at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

Our Directors may retain any dividends or other monies payable on or in respect of a share upon which our Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. Our Directors may also deduct from any dividend or other monies payable to any member of our Company all sums of money (if any) presently payable by him to our Company on account of calls, installments or otherwise.

No dividend shall carry interest against our Company.

Whenever our Directors or our Company in general meeting have resolved that a dividend be paid or declared on the share capital of our Company, our Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of our Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of our Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as our Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. Our Company may upon the recommendation of our Directors by ordinary resolution resolve in respect of any one particular dividend of our Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of our Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of our Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of our Company in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of our Company in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to our Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. Our Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, our Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by our Directors and shall revert to our Company.

Whenever our Directors or our Company in general meeting have resolved that a dividend may be paid or declared, our Directors may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution our Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of our Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of our Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to our Directors.

2.15 Proxies

Any member of our Company entitled to attend and vote at a meeting of our Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of our Company.

Instruments of proxy shall be in common form or in such other form as our Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favor of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorized in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorized to sign the same.

The instrument appointing a proxy and (if required by our Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of our Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of our Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

2.16 Calls on shares and forfeiture of shares

Our Directors may from time to time make calls upon the members of our Company in respect of any monies unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium or otherwise) and not by the conditions of allotment thereof made payable at fixed times and each member of our Company shall (subject to our Company serving upon him at least 14 days' notice specifying the time and place of payment and to whom such payment shall be made) pay to the person at the time and place so specified the amount called on his shares. A call may be revoked or postponed as our Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by installments and shall be deemed to have been made at the time when the resolution of our Directors authorizing the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and installments due in respect of such share or other monies due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15% per annum, as our Directors may determine, but our Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or installment of a call remains unpaid on any share after the day appointed for payment thereof, our Directors may at any time during such time as any part thereof remains unpaid serve a notice on the bolder of such shares requiring payment of so much of the call or installment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or installment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or installments and interest due in respect thereof has been made, be forfeited by a resolution of our Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of our Company and may be re-allotted, sold or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of our Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to our Company all monies which at the date of forfeiture were payable by him to our Company in respect of the shares, together with (if our Directors shall in their discretion so require) interest thereon at such rate not exceeding 15% per annum as our Directors may prescribe from the date of forfeiture until payment, and our Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

2.17 Inspection of register of members

The register of members of our Company shall be kept in such manner as to show at all times the members of our Company for the time being and the shares respectively held by them. The register may, on 10 Business Days' notice (or on 6 Business Days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by our Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be closed at such times and for such periods as our Directors may

from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of our Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as our Directors may impose) be open to inspection by any member of our Company without charge and by any other person on payment of a fee of such amount not exceeding the maximum amount as may from time to time be permitted under the Listing Rules as our Directors may determine for each inspection.

2.18 Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman which shall not be treated as part of the business of the meeting.

Two members of our Company present in person or by proxy shall be a quorum provided always that if our Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of our Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorized representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of our Company or at any relevant general meeting of any class of members of our Company.

The quorum for a separate general meeting of the holders of a separate class of shares of our Company is described in paragraph 2.4 above.

2.19 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.20 Procedure on liquidation

If our Company shall be wound up, and the assets available for distribution amongst the members of our Company as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of our Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. If in a winding up the assets available for distribution amongst the members of our Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of our Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If our Company shall be wound up, the liquidator may with the sanction of a special resolution of our Company and any other sanction required by the Cayman Companies Law, divide amongst the members of our Company in specie or kind the whole or any part of the assets of our Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of our Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of our Company as the liquidator, with the like sanction and subject to the Cayman Companies Law, shall think fit, but so that no member of our Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.21 Untraceable members

Our Company shall be entitled to sell any shares of a member of our Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) our Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12 year period, our Company has caused an advertisement to be published in the newspapers or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by our Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to our Company and upon receipt by our Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION

1 Introduction

The Cayman Companies Law is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Cayman Companies Law and the current Companies Act of England. Set out below is a summary of certain provisions of the Cayman Companies Law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2 Incorporation

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 30 May 2012 under the Cayman Companies Law. As such, its operations must be conducted mainly outside the Cayman Islands. Our Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorized share capital.

3 Share Capital

The Cayman Companies Law permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Cayman Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the "share premium account". At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancelation of shares in any other company and issued at a premium. The Cayman Companies Law provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

(a) paying distributions or dividends to members;

(b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Cayman Companies Law);

(d) writing-off the preliminary expenses of the company;

(e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and

(f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Cayman Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Cayman Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorized either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors of the

company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

4 Dividends and Distributions

With the exception of section 34 of the Cayman Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Cayman Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (please refer to paragraphs 3 above for details).

5 Shareholders' Suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in Foss v. Harbottle (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6 Protection of Minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7 Disposal of Assets

The Cayman Companies Law contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8 Accounting and Auditing Requirements

The Cayman Companies Law requires that a company shall cause to be kept proper books of account with respect to:

(a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;

(b) all sales and purchases of goods by the company; and

(c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

9 Register of Members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Cayman Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

10 Inspection of Books and Records

Members of a company will have no general right under the Cayman Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

11 Special Resolutions

The Cayman Companies Law provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. Written resolutions signed by all the members

entitled to vote for the time being of the company may take effect as special resolutions if this is authorized by the articles of association of the company.

12 Subsidiary Owning Shares in Parent

The Cayman Companies Law does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13 Mergers and Consolidations

The Cayman Companies Law permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by (a) a special resolution of each constituent company and (b) such other authorization, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

14 Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75% in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

15 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

16 Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

17 Liquidation

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, ratably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

18 Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

19 Taxation

Pursuant to section 6 of the Tax Concessions Law (2018 Revision) of the Cayman Islands, our Company may obtain an undertaking from the Financial Secretary of the Cayman Islands:

(a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to our Company or its operations; and

(b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:

(i) on or in respect of the shares, debentures or other obligations of our Company; or

(ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2018 Revision).

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to our Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to our Company.

20 Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

21 General

Campbells, our Company's legal adviser on Cayman Islands law, have sent to our Company a letter of advice summarizing aspects of Cayman Islands company law. This letter, together with a copy of the Cayman Companies Law, is available for inspection as referred to in Appendix V to this document. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of Our Company

We were incorporated in the Cayman Islands on May 30, 2012, under the Companies Law as an exempted company with limited liability. Accordingly, our corporate structure and Articles of Association are subject to the relevant laws of the Cayman Islands. A summary of our Articles of Association is set out in Appendix III to this document.

Our principal place of business in Hong Kong is at Room 1901, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong. We were registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on March 4, 2020. Ms. Pui Chun Hannah Suen has been appointed as our agent for the acceptance of service of process and notices in Hong Kong.

2. Changes in the Share Capital of Our Company

As at the date of our incorporation, our authorized share capital was US$600, divided into 6,000,000 shares of par value of US$0.0001 each. On October 23, 2012, our Company allotted and issued a total of 3,000,000 Ordinary Shares at a purchase price of US$1.00 per share for a total consideration of US$3,000,000.

In connection with the Series A financing, our Company allotted and issued (i) a total of 1,700,000 Series A Preferred Shares at the initial closing on March 22, 2016, and (ii) a total of 300,000 Series A Preferred Shares, all at a purchase price of US$5.00 per share for a total consideration of USD10,000,000.00 at the second closing on June 22, 2016. Concurrently with the initial closing of the Series A financing, our Company allotted and issued 125,000 Ordinary Shares at a purchase price of USD4.00 per share for a total consideration of USD500,000.00.

In connection with the Series B financing, our Company issued (i) a total of 1,145,332 Series B Preferred Shares and a total of 445,407 Ordinary Shares at the first closing on August 28, 2018 and (ii) a total of 381,778 Series B Preferred Shares and 241,793 Ordinary Shares at the second closing on February 2, 2019, all at a purchase price of USD13.0141 per share for a total consideration of USD28,817,251.78. Concurrently with the Series B financing, our Company repurchased a total of 687,200 Ordinary Shares from shareholders at a repurchase price of USD13.0141 per share for a total consideration of USD8,943,289.52 at the first closing on August 28, 2018 and at the second closing on February 2, 2019.

The following alterations in the share capital of our Company have taken place within the two years immediately preceding the date of this document:

(a) On August 28, 2018, the authorized share capital of our Company, being 25,000,000 shares with a par value of US$0.0001 each, was reclassified and re-designated to (i) 21,472,890 Ordinary Shares of a nominal or par value of US$0.0001 each, and (ii) 3,527,110 convertible Preferred Shares of a nominal or par value of US$0.0001, 2,000,000 of which are designated Series A Preferred Shares and 1,527,110 of which are designated Series B Preferred Shares;

(b) On March 29, 2019, our Company allotted and issued 2,145,238 Series A-1 Preferred Shares and 3,370,395 Ordinary Shares to the then shareholders of Achieva Medical in exchange for all the outstanding shares of Achieva Medical. Accordingly, the authorized share capital of our Company, being 25,000,000 shares with a par value of US$0.0001 each, was reclassified and re-designated to (i) 19,327,652 Ordinary Shares of par value US$0.0001 each, and (ii) 5,672,348 convertible preferred shares of a nominal or par value of US$0.0001, 2,000,000 of which are designated Series A Preferred Shares, 2,145,238 of which are designated Series A-1 Preferred Shares, and 1,527,110 of which are designated Series B Preferred Shares;

(c) On September 25, 2019, in connection with the Series C financing, our Company issued a total of 1,367,443 Series C Preferred Shares to the following investors at a purchase price of USD18.2823 per share for a total consideration of USD25,000,000.00. Accordingly, the authorized share capital of our Company, being 25,000,000 shares with a par value of US$0.0001 each, was reclassified and re-designated to (i)17,960,209 Ordinary Shares of par value US$0.0001 each, and (ii) 7,039,791 convertible preferred shares of a nominal or par value of US$0.0001, 2,000,000 of which are designated Series A Preferred Shares, 2,145,238 of which are designated Series A-1 Preferred Shares, 1,527,110 of which are designated Series B Preferred Shares, and 1,367,443 of which are designated Series C Preferred Shares;

(d) On October 12, 2019, the authorized share capital of our Company was increased to US$5,000 divided into 50,000,000 Shares of par value US$0.0001 each, divided into (i) 41,032,294 Ordinary Shares of par value US$0.0001 each, and (ii) 8,967,706 convertible preferred shares of a nominal or par value of US$0.0001, 1,900,000 of which are designated Series A Preferred Shares, 2,088,204 of which are designated Series A-1 Preferred Shares, 1,527,110 of which are designated Series B Preferred Shares, 1,367,443 of which are designated Series C Preferred Shares and 2,084,949 of which are designated Series C-1 Preferred Shares;

(e) On October 22, 2019, in connection with the Series C-1 financing, our Company issued a total of 2,345,568 Series C-1 Preferred Shares to the following investors at a purchase price of USD19.1851 per share for a total consideration of US$44,999,956.60. Accordingly, the authorized share capital of our Company, being 50,000,000 shares with a par value of US$0.0001 each, was reclassified and re-designated to (i) 39,109,377 Ordinary Shares of a nominal or par value of US$0.0001 each, and (ii) 10,890,623 convertible preferred shares of a nominal or par value of US$0.0001, 1,900,000 of which are designated Series A Preferred Shares, 2,088,204 of which are designated Series A-1 Preferred Shares, 1,527,110 of which are designated Series B Preferred Shares, 1,969,118 of which are designated Series C Preferred Shares, and 3,406,191 of which are designated Series C-1 Preferred Shares.

Save as disclosed above, there has been no alteration in our share capital within two years immediately preceding the date of this document.

3. Changes in the Share Capital of our Subsidiaries

Our subsidiaries are set out in the Accountants' Report, the text of which is set out in Appendix I to this document. The following alterations in the share capital of our subsidiaries have taken place within the two years immediately preceding the date of this document:

Peijia Suzhou

On February 13, 2018, the registered capital of Peijia Suzhou was increased from RMB9,500,000 to RMB9,655,975.

On October 22, 2018, the registered capital of Peijia Suzhou was increased from RMB9,655,975 to RMB120,000,000.

On November 16, 2018, the registered capital of Peijia Suzhou was increased from RMB120,000,000 to RMB123,311,785.

On July 23, 2019, the registered capital of Peijia Suzhou was increased from RMB123,311,785 to RMB223,311,785.

Achieva Shanghai

Achieva Shanghai became our subsidiary upon completion of the Share Swap in March 2019. On June 3, 2019, the registered capital of Achieva Shanghai was increased from US$13,780,000 to US$18,580,000. On January 15, 2020, the registered capital of Achieva Shanghai was increased from US$18,580,000 to US$27,580,000.

Achieva Suzhou

On November 20, 2019, the registered capital of Achieva Suzhou was increased from RMB5,000,000 to RMB15,000,000.

4. Resolutions of the Shareholders of our Company Passed on [●]

Pursuant to the resolutions passed at a duly convened general meeting of our Shareholders on [*], it was resolved, among others:

(a) the Memorandum and Articles of Association were approved and adopted, and will come into effect upon [**REDACTED**];

(b) the RSU Scheme was approved and adopted, and will come into effect upon [**REDACTED**];

(c) conditional on (1) the Listing Committee granting the [**REDACTED**] of, and permission to [**REDACTED**] in, the Shares in issue and to be issued as mentioned in this document; and (2) the obligations of the [**REDACTED**] under the [**REDACTED**] Agreements becoming unconditional and the [**REDACTED**] Agreements not being terminated in accordance with the terms therein or otherwise:

(i) the [**REDACTED**] was approved and our Directors were authorized to effect the same, and to allot and issue the [**REDACTED**] pursuant to the [**REDACTED**];

(ii) the grant of the [**REDACTED**] by our Company to the [**REDACTED**] to allot and issue up to 15% of the [**REDACTED**] initially available under the [**REDACTED**] to cover, among other things, the over-allocations in the [**REDACTED**] was approved; and

(iii) the proposed [**REDACTED**] was approved, and our Directors were authorized to implement such [**REDACTED**];

(d) all the issued and unissued Preferred Shares be re-designated and re-classified as ordinary Shares, having the rights and restrictions as set out in the Memorandum and the Articles;

(e) the authorised share capital of our Company be increased from US$5,000 divided into 50,000,000 shares to US$100,000 divided into 1,000,000,000 shares by the creation of an additional of 950,000,000 shares of par value of US$0.0001 each;

(f) upon the re-designation and re-classification of the share capital of our Company referred to in paragraph (c) above and subject to the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the allotment and issue of the [**REDACTED**] pursuant to the [**REDACTED**], our Directors be authorized to allot and issue a total of [**REDACTED**] Shares credited as fully paid at par value to the Shareholders on the register of members of our Company at the close of business on the date immediately preceding the date on which the [**REDACTED**] becomes unconditional (or as it/they may direct) in proportion to their respective shareholdings in our Company (as nearly as possible without fractions) by way of capitalization of the sum of US$[**REDACTED**] standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the then existing issued Shares, in each case to be effective on the [**REDACTED**];

(g) a general unconditional mandate was granted to our Directors to allot, issue and deal with Shares, and to make or grant offers, agreements, or options which might require such Shares to be allotted and issued or dealt with at any time subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued, shall not exceed 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the [**REDACTED**].

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or scrip dividend scheme or similar arrangements, or a specific authority granted by our Shareholders or upon the exercise of the [**REDACTED**] or under the Share Incentive Schemes. This general mandate to issue Shares will remain in effect until:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the expiration of the period within which the next annual general meeting of our Company is required to be held under the applicable laws or the Articles of Association; or

(iii) it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting of our Company,

whichever is the earliest; and

(h) a general unconditional mandate was granted to our Directors to exercise all powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the [**REDACTED**] (excluding Shares which may be allotted and issued upon the exercise of the [**REDACTED**] or under the Share Incentive Schemes).

This mandate only relates to repurchase made on the Stock Exchange or on any other stock exchange on which the Shares may be [**REDACTED**] (and which is recognized by the SFC and the Stock Exchange for this purpose) and made in accordance with all applicable laws and regulations and the requirements of the Listing Rules. This general mandate to repurchase Shares will remain in effect until:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws or the Articles of Association; or

(iii) it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting of our Company;

whichever is the earliest; and

(i) the general unconditional mandate as mentioned in paragraph (c) above would be extended by the addition to the aggregate nominal value of the Shares which may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the Shares purchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (d) above (up to 10% of the aggregate nominal value of the Shares in issue immediately following completion of the [**REDACTED**], excluding any Shares which may fall to be allotted and issued pursuant to the exercise of the [**REDACTED**] or under the Share Incentive Scheme).

5. Repurchase of our Shares

This section sets out information required by the Stock Exchange to be included in this document concerning the repurchase by us of our own Shares.

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own Shares on the Stock Exchange subject to certain restrictions, the more important of which are summarized below:

(i) Shareholders' Approval

All proposed repurchase of Shares (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

(ii) Source of Funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the constitutive documents of a listed company, the laws of the jurisdiction in which the listed company is incorporated or otherwise established. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. Subject to the foregoing, any repurchases by a listed company may be made out of the funds which would otherwise be available for dividend or distribution or out of the proceeds of a new issue of shares made for the purpose of the repurchase. Any amount of premium payable on the purchase over the par value of the shares to be repurchased must be out of the funds which would otherwise be available for dividend or distribution or from sums standing to the credit of our share premium account.

(b) Reasons for Repurchase

Our Directors believe that it is in the best interest of us and our Shareholders for our Directors to have general authority from the Shareholders to enable us to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit us and our Shareholders.

(c) Funding of Repurchases

In repurchasing securities, we may only apply funds legally available for such purpose in accordance with the Memorandum of Association and Articles of Association, the Companies Law or other applicable laws of Cayman Islands and the Listing Rules. On the basis of our current financial condition as disclosed in this document and taking into account our current working capital position, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on our working capital and/or our gearing position as compared with the position disclosed in this document. However, our Directors do not propose to exercise the repurchase mandate to such an extent as would, in the circumstances, have a material adverse effect on our working capital requirements or the gearing levels which in the opinion of our Directors are from time to time appropriate for us.

(d) General

Exercise in full of the current repurchase mandate, on the basis of [**REDACTED**] Shares in issue after completion of the [**REDACTED**] (without taking into account of the Shares which may be allotted and issued pursuant to the exercise of the [**REDACTED**] or the Shares that may be allotted and issued under the Share Incentive Schemes), could accordingly result in up to [**REDACTED**] Shares being repurchased by us during the period prior to:

(i) the conclusion of our next annual general meeting;

(ii) the expiration of the period within which the next annual general meeting of our Company is required by any applicable law or the Articles of Association to be held; or

(iii) the date on which the repurchase mandate is varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates (as defined in the Listing Rules) currently intends to sell any Shares to us or our subsidiaries. Our Directors have undertaken with the Stock Exchange that, so far as the same may be applicable, they will exercise the repurchase mandate in accordance with the Listing Rules, the Memorandum of Association and Articles of Association, the Companies Law or any other applicable laws of the Cayman Islands.

If, as a result of a repurchase of our Shares pursuant to the repurchase mandate, a Shareholder's proportionate interest in our voting rights is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of us and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the repurchase mandate.

No core connected person, as defined in the Listing Rules, has notified us that he/she or it has a present intention to sell his/her or its Shares to us, or has undertaken not to do so, if the repurchase mandate is exercised.

6. Our Corporate Reorganization

The companies comprising the Group underwent corporate restructuring in preparation for the [**REDACTED**]. Please refer to the section headed "History, Development and Corporate Structure" in this document for further details.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR COMPANY

1. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Group within the two years preceding the date of this document and are or may be material:

(a) [**REDACTED**].

2. Our Material Intellectual Property Rights

(a) Trademarks

As of the Latest Practicable Date, our material registered trademarks were as follows:

No.	Trademark	Place of registration	Name of registered proprietor	Registration no.	Class	Expiry date
1	SpyderOne	PRC	Peijia Suzhou	20620950	10	September 6, 2027
2	SpyderOne	PRC	Peijia Suzhou	38558812	10	February 27, 2030
3	TaurusOne	PRC	Peijia Suzhou	10862255	10	August 6, 2023
4	沛嘉	PRC	Peijia Suzhou	11327523	42	January 6, 2024
5	PEIJIA	PRC	Peijia Suzhou	11327473	42	January 6, 2024
6	PEIJIA	PRC	Peijia Suzhou	11327335	10	January 6, 2024
7	沛嘉	PRC	Peijia Suzhou	11327283	10	January 6, 2024
8	Presgo	PRC	Achieva Shanghai	8592405	10	August 27, 2021
9	加奇	PRC	Achieva Shanghai	10821113	42	July 20, 2023
10	ACHIEVA	PRC	Achieva Shanghai	10821088	42	July 20, 2023
11	ACHIEVA	PRC	Achieva Shanghai	10820921	10	July 20, 2023
12	加奇	PRC	Achieva Shanghai	10820847	10	August 6, 2023
13	StarryMoon	PRC	Achieva Shanghai	10820787	10	July 20, 2023
14	NeuroStellar	PRC	Achieva Shanghai	20661906	10	September 6, 2027
15	JASPER	PRC	Achieva Shanghai	32106048	10	May 6, 2029
16	畅越	PRC	Suzhou branch office of Achieva Shanghai	20439189	10	August 13, 2027
17	申翼	PRC	Achieva Suzhou	21906527	10	February 6, 2028

No.	Trademark	Place of registration	Name of registered proprietor	Registration no.	Class	Expiry date
18	RetrieverOne	PRC	Achieva Suzhou	21906635	10	December 27, 2027
19	申韵	PRC	Achieva Suzhou	21906678	10	January 13, 2028
20	T-smooth	PRC	Achieva Suzhou	24262476	10	August 20, 2028
21	Route	PRC	Achieva Suzhou	27695999	10	January 6, 2029
22	SupSaber	PRC	Achieva Suzhou	27695996	10	October 27, 2028
23	易必达	PRC	Achieva Suzhou	27691238	10	October 27, 2028
24	SacEase	PRC	Achieva Suzhou	29972243	10	January 27, 2029
25	SacSpeed	PRC	Achieva Suzhou	29963351	10	January 27, 2029
26	易必赢	PRC	Achieva Suzhou	34785455	10	July 13, 2029
27	易必衡	PRC	Achieva Suzhou	34788339	10	July 13, 2029
28	易必稳	PRC	Achieva Suzhou	34788341	10	July 13, 2029

As of the Latest Practicable Date, we have applied for the registration of the following trademarks which have been published to the public and we consider to be material to our business:

No.	Trademark	Place of registration	Name of applicant	Application no.	Class	Application date
1	PEIJIA 沛嘉医疗 PEIJIA MEDICAL	PRC	Peijia Suzhou	39930013	42	July 26, 2019
2	TaurusOne	PRC	Peijia Suzhou	39930787	10	July 26, 2019
3	PEIJIA 沛嘉医疗 PEIJIA MEDICAL	PRC	Peijia Suzhou	39931773	10	July 26, 2019
4	TaurusElite	PRC	Peijia Suzhou	40736290	10	August 30, 2019
5	TaurusNXT	PRC	Peijia Suzhou	40733680	10	August 30, 2019
6	TaurusWave	PRC	Peijia Suzhou	44182373	10	February 24, 2020
7	TaurusBeryl	PRC	Peijia Suzhou	44271555	10	February 28, 2020
8	TaurusExplora	PRC	Peijia Suzhou	44261838	10	February 28, 2020
9	TaurusAtlas	PRC	Peijia Suzhou	43869495	10	January 16, 2020
10	Berylstiff	PRC	Peijia Suzhou	43865502	10	January 16, 2020
11	Explorium	PRC	Peijia Suzhou	43845938	10	January 16, 2020
12	PEIJIA	Hong Kong	Our Company	304967993	10, 42	June 21, 2019
13	PEIJIA 沛嘉医疗 PEIJIA MEDICAL	Hong Kong	Our Company	304967993	10, 42	June 21, 2019

(b) Patents

As of the Latest Practicable Date, our material patents were as follows:

Patent No.	Description	Place of Registration	Registration Authority	Registered Owner	Issuance Date	Expiry Date	Related Product
Relating to TaurusOne®							
ZL201320124365.6	Artificial heart valve	PRC	CNIPA	Peijia Suzhou	August 14, 2013	March 18, 2023	TaurusOne®
ZL201621267994.4	Novel TIP tip for aortic valve delivery system	PRC	CNIPA	Peijia Suzhou	November 21, 2017	November 22, 2026	TaurusOne®
ZL201611046786.6	Novel TIP tip for aortic valve delivery system and manufacturing method thereof	PRC	CNIPA	Peijia Suzhou	February 2, 2018	November 22, 2036	TaurusOne®
ZL201510681755.7	Artificial heart valve positioning device	PRC	CNIPA	Peijia Suzhou	April 13, 2018	October 20, 2035	TaurusOne®
ZL201720215085.4	Outer sheath tube for aortic valve delivery system	PRC	CNIPA	Peijia Suzhou	May 22, 2018	March 6, 2027	TaurusOne®
ZL201320278285.6	Artificial heart valve	PRC	CNIPA	Peijia Shanghai	November 6, 2013	May 20, 2023	TaurusOne®
ZL201210163818.6	A new model of artificial heart valve	PRC	CNIPA	Peijia Shanghai	August 3, 2016	May 23, 2032	TaurusOne®
ZL201220236665.9	A new model of artificial heart valve	PRC	CNIPA	Peijia Shanghai	December 26, 2012	May 23, 2022	TaurusOne®
Relating to other products and product candidates							
ZL201830489378.1	Transapical puncture catheter valve conveyor	PRC	CNIPA	Peijia Suzhou	March 1, 2019	August 30, 2028	TMVR device
ZL201830489376.2	Transcatheter aortic valve delivery device	PRC	CNIPA	Peijia Suzhou	March 1, 2019	August 30, 2028	TaurusNXT
ZL201820688851.3	Translobal device	PRC	CNIPA	Peijia Suzhou	August 6, 2019	May 8, 2028	TaurusNXT
ZL201721260532.4	In-line stent for transcatheter aorta delivery system	PRC	CNIPA	Peijia Suzhou	August 6, 2019	September 27, 2027	TaurusNXT
ZL201821594514.4	Stand crimping device	PRC	CNIPA	Peijia Suzhou	September 20, 2019	September 27, 2028	TaurusNXT
ZL201821438215.1	Device for treating heart value and blood vessel calcification	PRC	CNIPA	Peijia Suzhou	October 29, 2019	September 2, 2028	Lithotripsy valvuloplasty catheter
ZL201930489248.2	Transcatheter aortic valve conveyor	PRC	CNIPA	Peijia Suzhou	September 5, 2019	September 4, 2029	TaurusNXT
ZL201710675846.9	Replacement valve with valve stent suitable for heart mitral and tricuspid valve	PRC	CNIPA	Peijia Suzhou	August 9, 2017	August 8, 2037	Mitral valve
ZL201080017546.8	Mechanical interlocking connection conveying device for conveying embolization instruments	PRC	CNIPA	Achieva Shanghai	November 26, 2014	April 18, 2030	Presgo® Detachable Coil
ZL201210378906.8	Braid system for embolizing aneurysms	PRC	CNIPA	Achieva Shanghai	April 29, 2015	October 8, 2032	*Note 1*
ZL201210542048.6	Covered braid system for embolization of aneurysms	PRC	CNIPA	Achieva Shanghai	June 24, 2015	December 13, 2032	*Note 1*
ZL201220692065.3	Covered braid system for embolization of aneurysms	PRC	CNIPA	Achieva Shanghai	August 21, 2013	December 13, 2022	*Note 1*
ZL201420224223.1	Intracranial drug eluting stent	PRC	CNIPA	Achieva Shanghai	September 17, 2014	May 4, 2024	Intracranial stent
ZL201210314624.1	Balloon microcatheter for treating cerebral vascular stenosis	PRC	CNIPA	Achieva Suzhou	March 12, 2014	August 29, 2032	Balloon guide catheter
ZL201310218084.1	Intracranial thrombus removal device	PRC	CNIPA	Achieva Suzhou	June 10, 2015	June 3, 2033	Stent retriever

Patent No.	Description	Place of Registration	Registration Authority	Registered Owner	Issuance Date	Expiry Date	Related Product
ZL201520851695.4	Carotid stent system	PRC	CNIPA	Achieva Suzhou	March 9, 2016	October 29, 2025	Intracranial stent
ZL201620073136.X	Device for removing thrombus	PRC	CNIPA	Achieva Suzhou	September 28, 2016	January 25, 2026	Stent retriever
ZL201620788691.0	Arterial vascular delivery system	PRC	CNIPA	Achieva Suzhou	April 19, 2017	July 25, 2026	Presgo® Detachable Coil
ZL201621473544.0	Intravascular thrombus removal device	PRC	CNIPA	Achieva Suzhou	November 28, 2017	December 29, 2026	Stent retriever
ZL201820751485.1	Artificial robot for Intracranial aneurysm treatment	PRC	CNIPA	Achieva Suzhou	November 5, 2019	May 20, 2028	*Note 1*
10,052,201	Valved Stent for Mitral and Tricuspid Heart Valve Replacement	U.S.	USPTO	Peijia Suzhou	August 21, 2018	September 20, 2036	TMVR device
8,974,488	Delivery Assembly for Occlusion Device Using Mechanical Interlocking Coupling Mechanism	U.S.	USPTO	Achieva Shanghai	March 10, 2015	November 29, 2031	Presgo® Detachable Coil

Note:

(1) This patent is used for the general purpose of treating aneurysms, and is not affiliated with a specific product of the Group.

As of the Latest Practicable Date, we own or have rights in the following patent applications which have been published to the public and are material to our business:

Application No.	Description	Place of Filing	Registration Authority	Registered Owner	Date of Application	Related Product(s)
Relating to products and product candidates other than TaurusOne®						
201710901326.5	Transcatheter aortic valve delivery system and method of use	PRC	CNIPA	Peijia Suzhou	September 28, 2017	TaurusNXT
201810180284.5	Transcatheter heart valve stent	PRC	CNIPA	Peijia Suzhou	March 5, 2018	TaurusNXT
201810439785.0	Translobal device	PRC	CNIPA	Peijia Suzhou	May 9, 2018	TaurusNXT
201811021764.3	Device for treating heart valve and blood vessel calcification and method of use	PRC	CNIPA	Peijia Suzhou	September 3, 2018	Lithotripsy valvuloplasty catheter
201811143264.7	Bracket crimping device and method for bracket crimping loading	PRC	CNIPA	Peijia Suzhou	September 28, 2018	TaurusNXT
201811327535.4	Artificial biological valve and method of preparation	PRC	CNIPA	Peijia Suzhou	November 8, 2018	TaurusNXT
201811326745.1	Cross-linking method of artificial biological tissue	PRC	CNIPA	Peijia Suzhou	November 8, 2018	TaurusNXT
201811326743.2	Method for preserving artificial biological tissue	PRC	CNIPA	Peijia Suzhou	November 8, 2018	TaurusNXT
201910100555.6	Valve loading device and loading system	PRC	CNIPA	Peijia Suzhou	January 31, 2019	TaurusNXT
201910435409.9	Transcatheter valve preloading system device	PRC	CNIPA	Peijia Suzhou	May 23, 2019	TaurusNXT
201910723439.X	Shock wave heart valve interventional therapy delivery system	PRC	CNIPA	Peijia Suzhou	August 6, 2019	Lithotripsy valvuloplasty catheter

Application No.	Description	Place of Filing	Registration Authority	Registered Owner	Date of Application	Related Product(s)
201910775391.7	Heart valve in vitro test system and test method	PRC	CNIPA	Peijia Suzhou	August 21, 2019	TMVR device
201910838515.1	Delivery device of artificial valve	PRC	CNIPA	Peijia Suzhou	September 5, 2019	TaurusNXT
201911252830.2	Antioxidation method of biological materials and biological materials	PRC	CNIPA	Peijia Suzhou	December 9, 2019	TaurusNXT
201911252842.5	Anti-calcification method of biological material and biological material	PRC	CNIPA	Peijia Suzhou	December 9, 2019	TaurusNXT
201911357928.4	Guide wire and its manufacturing method	PRC	CNIPA	Peijia Suzhou	December 25, 2019	Guide wire
201911158378.3	Transapical mitral valve delivery device	PRC	CNIPA	Peijia Suzhou	October 22, 2019	Mitral valve
201911423069.4	Guide sheath	PRC	CNIPA	Peijia Suzhou	December 31, 2019	Mitral valve
PCT/CN2019/099128	Device for treating heart valve and blood vessel calcification and use method thereof	PRC	CNIPA	Peijia Suzhou	August 2, 2019	Shockwave
201610591330.1	Arterial vascular delivery system	PRC	CNIPA	Achieva Suzhou	July 26, 2016	Presgo® Detachable Coil
201611253290.6	Intravascular thrombus removal device	PRC	CNIPA	Achieva Suzhou	December 30, 2016	Stent retriever
201810159203.3	Intravascular thrombus catcher	PRC	CNIPA	Achieva Suzhou	February 26, 2018	Stent retriever
201810486226.5	Artificial robot for cerebral aneurysm treatment and operation method thereof	PRC	CNIPA	Achieva Suzhou	May 21, 2018	*Note 1*
201910952555.9	Dedicated catheter for cerebrovascular distal thrombus aspiration	PRC	CNIPA	Achieva Suzhou	October 9, 2019	Aspiration catheter
201910998714.9	Ultrasonic cleaning device system for implant raw materials and method for cleaning implant raw materials	PRC	CNIPA	Achieva Suzhou	October 21, 2019	Balloon dilatation catheter, Stent retriever, Yibida® Guiding Catheter, Aspiration catheter
201911051807.7	Protective tube dedicated for protecting head end shape of interventional catheter	PRC	CNIPA	Achieva Suzhou	October 31, 2019	Distal access catheter
201911064961.8	Self-imaging rapid exchange balloon expansion and manufacturing method	PRC	CNIPA	Achieva Suzhou	November 4, 2019	Balloon dilatation catheter
201911146418.2	Device for delivering and releasing implants	PRC	CNIPA	Achieva Suzhou	November 21, 2019	Heat-fusion detachable coil
201911299930.0	Implant for treating pulmonary arteriovenous fistula	PRC	CNIPA	Achieva Suzhou	December 17, 2019	Jasper®Detachable Coil
201911308288.8	Spring coil double guide wire release system	PRC	CNIPA	Achieva Suzhou	December 18, 2019	Heat-fusion detachable coil
201911361807.7	Stent for directly treating aneurysm without blocking blood vessel around aneurysm	PRC	CNIPA	Achieva Suzhou	December 26, 2019	Guilding DA
16/414,188	Method for Crosslinking Artificial Biological Tissue	U.S.	USPTO	Peijia Suzhou	May 16, 2019	TaurusNXT
16/525,543	Prosthetic Tissue Valve and Method of Preparing the Same	U.S.	USPTO	Peijia Suzhou	July 29, 2019	TaurusNXT

Note:

(1) This patent is used for the general purpose of treating aneurysms, and is not affiliated with a specific product of the Group.

(c) Domain Names

As of the Latest Practicable Date, our material domain names were as follows:

No.	Domain name	Registrant	Date of registration	Expiry date
1	peijiamedical.com	Peijia Suzhou	September 3, 2019	May 8, 2021
2	achievamedical1.com	Achieva Suzhou	June 19, 2017	February 23, 2022
3	achievamedical.com	Achieva Suzhou	June 19, 2017	May 30, 2020

C. FURTHER INFORMATION ABOUT DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) Interests and short positions of our Directors and chief executive of our Company in the Shares, underlying Shares and debentures of our Company and our associated corporations

The following table sets out the interests and short positions of our Directors and chief executive of our Company immediately following completion of the [**REDACTED**] (without taking into account the Shares which may be allotted and issued pursuant to the exercise of the [**REDACTED**] and the Shares that may be allotted and issued under the Share Incentive Schemes) in the Shares, underlying Shares or debentures of our Company or any of our associated corporations (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 in which they are 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 to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, once the Shares are [**REDACTED**]:

Name of Director	Capacity/nature of interest[1]	Name of Company	Number of Shares[1]	Approximate percentage of shareholding
Dr. Yi Zhang	Beneficial owner	our Company	5,232,720	[**REDACTED**]%
	Trustee[2]		32,807,560	[**REDACTED**]%
	Interest of controlled corporation[3]		90,685,640	[**REDACTED**]%
	Interest held jointly with other persons[4]		144,436,380	[**REDACTED**]%
	Interest of spouse[5]		144,436,380	[**REDACTED**]%
Mrs. Ping Ye Zhang	Beneficial owner	our Company	1,021,500	[**REDACTED**]%
	Trustee[2]		32,807,560	[**REDACTED**]%
	Interest held jointly with other persons[4]		144,436,380	[**REDACTED**]%
	Interest of spouse[5]		144,436,380	[**REDACTED**]%
Ms. Hong Ye	Beneficial owner	our Company	14,688,960	[**REDACTED**]%
	Interest held jointly with other persons[4]		144,436,380	[**REDACTED**]%
	Interest of controlled corporation[3]		90,685,640	[**REDACTED**]%

Notes:

1. All interests stated are long position and after adjustment pursuant to the [**REDACTED**].

2. Jinnius Drive Trust and Hanlindale Trust were respectively established by Dr. Zhang and Mrs. Ping Ye Zhang as grantor. Both Dr. Zhang and Mrs. Zhang are trustees of Jinnius Drive Trust and Hanlindale Trust. Therefore, each of Dr. Zhang and Mrs. Zhang is deemed to be interested in an aggregate 1,640,378 Shares held by the two trusts, including 785,678 Shares held by Jinnius Drive Trust and 854,700 Shares held by Hanlindale Trust as of the Latest Practicable Date.

3. XinYue International Limited was owned as to 65% by Dr. Zhang and 35% by Ms. Ye as at the Latest Practicable Date. Dr. Zhang is therefore deemed to be interested in 4,534,282 Shares held by XinYue International Limited.

4. Dr. Zhang, Jinnius Drive Trust, Mrs. Zhang, Hanlindale Trust, Ms. Ye and XinYue International Limited are Concert Parties according to the Concert Party Agreement. Therefore, each of Dr. Zhang, Jinnius Drive Trust, Mrs. Zhang, Hanlindale Trust, Ms. Ye and XinYue International Limited is deemed to be interested in the aggregate equity interests of all the Concert Parties.

5. Dr. Zhang and Mrs. Zhang are spouses, and are therefore deemed to be interested in the equity interests held by each other.

(b) Interests of the substantial shareholders in the Shares

Save as disclosed in the section headed "Substantial Shareholders" in this document, immediately following the completion of the [**REDACTED**] and without taking into account any Shares which may be issued pursuant to the exercise of the [**REDACTED**] and the Shares that may be allotted and issued under the Share Incentive Schemes, our Directors are not aware of any other person (not being a Director or chief executive of our Company) who 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, or who is, directly or indirectly, interested in 10% or more of the issued voting shares of our Company.

(c) Interests of the substantial shareholders of other members of our Group

So far as our Directors are aware, as at the Latest Practicable Date, no persons are, 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 any other members of our Group.

2. Particulars of Directors' Service Contracts and Letters of Appointment

Each of Dr. Zhang, Mrs. Ping Ye Zhang, and Ms. Hong Ye, being our executive Directors, [has entered] into a service contract with us for an initial term of three years commencing from the [**REDACTED**], which may be terminated by not less than 30 days' notice in writing served by either the executive Director or our Company.

Each of Mr. Zhiyun Yu, Mr. Jifeng Guan, Mr. Fei Chen and Mr. Bing Shang, being our non-executive Directors, [has entered] into a service contract with us for an initial term of three years commencing from the [**REDACTED**], which may be terminated by not less than 30 days' notice in writing served by either the non-executive Director or our Company.

Each of Mr. Robert Ralph Parks, Mr. Stephen Oesterle, Mr. Wayne Wu and Mr. Wai Ming Yip, being our independent non-executive Directors, [has entered] into a letter of appointment with us for an initial term of three years commencing from the [**REDACTED**], which may be terminated by not less than 30 days' notice in writing served by either the independent non-executive Director or our Company.

Save as disclosed in this document, none of our Directors has or is proposed to have entered into any service agreement or letter of appointment with any member of the Group (excluding agreements expiring or determinable by any member of the Group within one year without payment of compensation other than statutory compensation).

3. Remuneration of Directors

The aggregate amount of remuneration to our Directors for the years ended December 31, 2018 and 2019 was RMB247,000 and RMB6,787,000, respectively.

It is estimated that remuneration and benefits in kind (excluding any possible payment of discretionary bonus) equivalent to approximately RMB14,950,000 in aggregate will be paid and granted to our Directors by us in respect of the financial year ending December 31, 2020, under arrangements in force at the date of this document.

The aggregate amount of remuneration to our five highest paid individuals (including both employees and Directors) for the years ended December 31, 2018 and 2019 were RMB3,354,000 and RMB10,963,000, respectively.

During the Track Record Period, (i) no remuneration was paid to 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.

4. Disclaimers

Save as disclosed in this document:

(a) none of our Directors or our chief executive has any interest or short position in the Shares, underlying Shares or debentures of us or any of our associated corporations (within the meaning of Part XV 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, 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 to be notified to us and the Stock Exchange pursuant to Model Code for Securities Transactions by Directors of Listed Issuers once the Shares are [**REDACTED**];

(b) none of our Directors is aware of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the [**REDACTED**] (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the [**REDACTED**] and the Shares that may be allotted and issued under the Share Incentive Schemes), have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO or

who is interested, directly or indirectly, in 10% or more of the issued voting shares of any member of our Group;

(c) so far as is known to our Directors, none of our Directors, their respective close associates (as defined under the Listing Rules) or Shareholders who own more than 5% of the number of issued shares of our Company have any interests in the five largest suppliers of the Group; and

(d) each of our executive and non-executive Directors have confirmed that as of the Latest Practicable Date, none of them or any of their respective close associates (as defined in the Listing Rules) had interests in any business other than our business, which compete, or is likely to compete, either directly or indirectly with our business that would require disclosure under Rule 8.10 of the Listing Rules.

D. SHARE INCENTIVE SCHEMES

1. Share Option Plan

(a) Purpose and Principal Terms

The purpose of the Share Option Plan is to enable our Group to grant options or awards to qualified persons (as determined by the sole opinion of our Board) including any director, employee, adviser and consultant of our Company or any of our associated companies as incentives, attraction, motivation or rewards by reason of their contribution or potential contribution to our Company and/or any of our associated companies. The principal terms of the Share Option Plan are as follows:

(i) Subject to any alterations set out under the Share Option Plan in the event of any capitalization issue, rights issue, open offer, sub-division, consolidation of shares, or reduction of capital of our Company that may take place after the [**REDACTED**], the maximum number of Shares in respect of which options or awards may be granted under the Share Option Plan shall be [**REDACTED**] Shares (or [**REDACTED**] as adjusted after [**REDACTED**]), representing approximately [**REDACTED**]% of the total issued share capital of our Company immediately before completion of the [**REDACTED**].

(ii) An Option shall be deemed to have been granted and accepted by the grantee and to have taken effect when a copy of the Grant Letter has been duly signed by the grantee, and a non-refundable payment of HK$0.10 or its RMB equivalent has been made in favour of our Company by way of consideration for the grant and is received by our Company on or before the relevant acceptance date.

(iii) No option or award under the Share Option Plan will be granted after the [**REDACTED**], although provisions of the Share Option Plan will in all other respects remain in full force and effect to the extent necessary to give effect to the exercise of any options granted pursuant to the Share Option Plan ("Option") on or prior to the [**REDACTED**] or otherwise as may be required in accordance with the provisions of the Share Option Plan and Options granted prior thereto but not yet exercised shall continue to be valid and exercisable in accordance with this Scheme.

(iv) A Grantee may subscribe for the Shares on the exercise of an Option at the price approved by the Board in its absolute discretion with reference to factors which may include business performance and value of our Company and individual performance of the relevant grantee, and in any case, shall not be less than the par value of the Shares.

(v) An Option is personal to the grantee and is not assignable and no grantee is permitted in any way to sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any Option or attempt to do so (with the exception that the grantee may transfer the Options to a trust in which he/she is a beneficiary thereof or the grantee may nominate a nominee in whose name the Shares issued pursuant to the Share Option Plan may be registered). Any breach of the foregoing shall entitle our Company to cancel any outstanding Options or any part thereof granted to such Grantee without compensation.

(vi) the Shares to be allotted upon the exercise of an Option is subject to the constitutional documents of our Company for the time being in force and, once issued, ranks *pari passu* in all respects with and has the same voting, dividend, transfer and other rights, including those arising on liquidation of our Company as attached to the fully-paid Shares in issue on the date of issue.

(vii) Each grantee to whom a share award has been granted shall be entitled to the Shares they are awarded in accordance with the terms (including any restrictions and vesting requirement that may be imposed) of the Share Option Plan and the Grant Letter. However, in any case, a grantee is not entitled to exercise any Option until the [**REDACTED**].

(viii) In terms of rights on death or termination of employment:

(a) If the grantee ceases to be an eligible participant of the Share Option Plan as a result of death, ill-health, injury or disability (including permanent disability), provided that the grantee's relationship with the Group had not been otherwise terminated by the occurrence of events which would have caused his Option(s) to lapse (as defined in the Share Option Plan), the grantee or his personal representatives is entitled within 12 months from the date of cessation of being an eligible participant or death to exercise his Option in full (to the extent not already exercised);

(b) If the grantee ceases to be an eligible participant of the Share Option Plan as a result of termination of his relationship with the Group due to the occurrence of events which would have caused his Option(s) to lapse (as defined in the Share Option Plan), the grantee's Options will terminate on the date of such cessation without compensation, regardless of whether the Options are exercisable or not;

(c) If the grantee's ceases to be an eligible participant of the Share Option Plan as a result of termination of his relationship with the Group for any reason other than those referred to in (a) and (b) above, the grantee may exercise his Option up to his entitlement at the date of cessation of being an eligible participant (to the extent not already exercised) within 60 days following the date of such cessation.

(ix) The Board may, at any time, alter in any respect the terms and conditions of the Share Option Plan and the regulations for the Share Option Plan's administration and operation, provided that such alteration does not adversely affect the terms of issue of any Option granted or agreed to be granted prior to such alteration or to reduce the proportion of the equity capital to which any person was entitled pursuant to such Option prior to such alteration except with the Grantee's written consent or by special resolution passed at a meeting of the grantees.

(x) Our Company by ordinary resolution of the Board may at any time resolve to terminate the operation of the Share Option Plan and in such event no further Options shall be offered but the provisions of the Share Option Plan shall remain in force to the extent necessary to give effect to the exercise of any Option granted prior to the termination or otherwise as may be required in accordance with the provisions of the Share Option Plan and Options granted prior to such termination shall continue to be valid and exercisable in accordance with this Scheme.

(b) Establishment of Employee Trust

On December 31, 2019, our Company entered into a trust deed with Trident Trust Company (HK) Limited (the "Trustee"), pursuant to which the Trustee has agreed to act as the trustee to administer the Share Option Plan and to hold the Shares underlying the options granted under the Share Option Plan.

To the extent permitted under the Scheme and applicable law and regulations, the Trustee shall follow the instruction of Dr. Zhang, the current Chairman of the Board, Chief Executive Officer and Chief Technology Officer of our Company (the "Advisor") in respect of the exercise of voting rights (if any) and powers in relation to the Shares underlying the Options until the Shares underlying the Options have been transferred outside of the Trust to the relevant Grantee(s) or their designated nominee(s).

The trust deed will terminate automatically upon the expiry of the trust period as stipulated in the Trust Deed provided that the Trustee has received all fees, costs, expenses and other amounts payable to it under or in connection with the terms of this Deed.

(c) Outstanding Grants

As of the date of this document, share options to subscribe for an aggregate of 47,585,473 Shares (as adjusted after [**REDACTED**]) have been granted to a total of 184 eligible participants by our Company under the Share Option Plan.

A summary of the grantees who have been granted options under the Share Option Plan is set forth below:

Grantee	Position/Relationship	Address	Number of outstanding Shares under the options granted (as adjusted after [REDACTED])	Approximate percentage of enlarged issued share capital of the Company immediately after completion of the [REDACTED] (assuming the [REDACTED] is not exercised and no shares are issued pursuant to the Share Incentive Schemes)	Note(s)
Directors					
Yi ZHANG (張一)	Executive Director; Chairman; Chief Executive Officer; Chief Technology Officer	No. 170, Lane 1 Xiu Yan Road Kangqiao Town Pudong District Shanghai PRC	4,657,720	[**REDACTED**]%	1, 2, 3, 4, 5
Hong YE (葉紅)	Executive Director; Board Secretary	No. 141, Baoli-Linyuxi 68 West Xiuyan Road Pudong New Area Shanghai PRC	5,690,339	[**REDACTED**]%	6, 7, 8, 17
Senior Management					
Leo TSAI (蔡洌)	Chief Financial Officer	13-2103 No.6 Chaowai Street Chaoyang District, Beijing PRC	9,157,440	[**REDACTED**]%	7, 9, 10
Kongrong Karl PAN (潘孔榮)	Chief Operating Officer	56-1207 88 Yibang Road Suzhou Industrial Park Suzhou PRC	2,225,000	[**REDACTED**]%	11
Jian Fong TAN (陳劍鋒)	Vice President of Advanced Technology	#14-06 122 Lorong 2 Toa Payoh Singapore 310122	9,626,820	[**REDACTED**]%	7, 12
Chen WANG (王晨)	General Manager of Achieva	302 No. 17, Lane 1325 Gudai Road Minhang District, Shanghai PRC	3,118,447	[**REDACTED**]%	13, 14
Xiaoli SHI (施小立)	Vice President of Clinical and Regulatory Affairs	Floor 1-3 Saiba Research Building North District of Hi-Tech Park No.6 Langshan 2nd Road Nanshan District, Shenzhen City Guangdong Province PRC	400,000	[**REDACTED**]%	15

Grantee	Position/Relationship	Address	Number of outstanding Shares under the options granted (as adjusted after [REDACTED])	Approximate percentage of enlarged issued share capital of the Company immediately after completion of the [REDACTED] (assuming the [REDACTED] is not exercised and no shares are issued pursuant to the Share Incentive Schemes)	Note(s)
Hongpeng WANG (王鴻鵬)	Director of Marketing	Room 302 No. 11, Lane 88 Dongxin Road Putuo District, Shanghai PRC	800,000	[**REDACTED**]%	16
Other Grantees					
Ruixin DING (丁瑞新)	Technical Department Manager	Room 1602 No.133 Shangjincheng Binhu District, Wuxi Jiangsu Province PRC	950,000	[**REDACTED**]%	23
Lei ZHANG (張磊)	Vice President of Sales	No. 45, Building 7, Yard 3 Yousheng South Road Jinshui District Zhengzhou City PRC	742,863	[**REDACTED**]%	18, 19, 24
Nobuyuki SAKAI	External Consultant	701 Nagatacho Hoso Building 2-2-41 Akasaka, Minato-ku Tokyo Japan	420,378	[**REDACTED**]%	21
173 other option holders including employees and advisors of the Group	Not applicable	Not applicable	9,796,466	[**REDACTED**]%	17, 18, 20, 21, 22, 25, 26, 27, 28
Total			**47,585,473**	[**REDACTED**]%	

Notes:

1. With vesting commencement date on July 5, 2017 and on July 31, 2017 and exercisable at an exercise price of US$0.25 (equivalent to approximately HK$1.94), and US$0.65 (equivalent to approximately HK$5.06), respectively.

2. With vesting commencement date on July 5, 2017 and on July 31, 2017 and exercisable when a qualified [**REDACTED**] is achieved (which this [**REDACTED**] qualifies for) at an exercise price of US$0.25 (equivalent to approximately HK$1.94), and US$0.65 (equivalent to approximately HK$5.06), respectively.

3. With vesting commencement date on July 5, 2017 and on July 31, 2017 and exercisable when certain product candidate obtains relevant regulatory approvals and has commenced sales for one year at an exercise price of US$0.25 (equivalent to approximately HK$1.94), and US$0.65 (equivalent to approximately HK$5.06), respectively.

4. With vesting commencement date on July 5, 2017 and on July 31, 2017 and exercisable when certain product candidate obtains relevant regulatory approvals at an exercise price of US$0.25 (equivalent to approximately HK$1.94), and US$0.65 (equivalent to approximately HK$5.06), respectively.

5. With vesting commencement date on July 5, 2017 and on July 31, 2017 and exercisable when certain product candidates commence their corresponding clinical trials at an exercise price of US$0.25 (equivalent to approximately HK$1.94), and US$0.65 (equivalent to approximately HK$5.06), respectively.

6. With vesting commencement date on August 24, 2011 and exercisable when a qualified [**REDACTED**] is achieved (which this [**REDACTED**] qualifies for) at an exercise price of US$0.03 (equivalent to approximately HK$0.23).

7. With vesting commencement date on December 31, 2019 and in accordance with a vesting schedule, the Shares subject to the corresponding options will be vested in equal proportions in yearly intervals, but in any event not later than the fourth anniversary of the vesting commencement date, and exercisable upon the satisfaction of certain performance conditions as determined by the Board at its discretion, at an exercise price of, where applicable, US$0.25 (equivalent to approximately HK$1.94), US$0.39 (equivalent to approximately HK$3.04), or US$0.55 (equivalent to approximately HK$4.27), respectively.

8. With vesting commencement date on December 27, 2019 and exercisable when a qualified [**REDACTED**] is achieved (which this [**REDACTED**] qualifies for), at an exercise price of US$0.73 (equivalent to approximately HK$5.69).

9. With vesting commencement date on December 27, 2019 and exercisable when a qualified [**REDACTED**] is achieved (which this [**REDACTED**] qualifies for), at an exercise price of, where applicable, US$0.25 (equivalent to approximately HK$1.94), or US$0.65 (equivalent to approximately HK$5.06), respectively.

10. With vesting commencement date on April 7, 2020 and in accordance with a vesting schedule, 9.09% of the Shares subject to the corresponding options will be vested on the vesting commencement date, 18.18% of the Shares on the first anniversary, 27.27% of the Shares on the second anniversary, and 45.45% on the third anniversary, and are exercisable at an exercise price of US$0.65 (equivalent to approximately HK$5.06).

11. With vesting commencement date on January 1, 2017 and exercisable immediately and in yearly intervals, in equal proportions on the last day of each calendar year, when certain long service condition is satisfied, but in any event before the fifth anniversary of the vesting commencement date, at an exercise price of US$0.25 (equivalent to approximately HK$1.94).

12. With vesting commencement date on August 31, 2020 and in accordance with a vesting schedule, 20% of the Shares subject to the corresponding options will be vested on the vesting commencement date, 50% of the Shares on the first anniversary, and 30% of the Shares on the second anniversary, and each exercisable when certain long service condition is satisfied, at an exercise price of US$0.65 (equivalent to approximately HK$5.06).

13. With vesting commencement date on December 31, 2020 and in accordance with a vesting schedule, 50% of the Shares subject to the corresponding options will be vested on the vesting commencement date and the remainder on the first anniversary, and each exercisable upon the satisfaction of certain performance conditions as determined by the Board at its discretion, at an exercise price of US$0.03 (equivalent to approximately HK$0.23).

14. With vesting commencement date on September 1, 2016 and exercisable in yearly intervals, in equal proportions, when certain performance condition is satisfied, but in any event not later than the fourth anniversary of the vesting commencement date, at an exercise price of US$0.03 (equivalent to approximately HK$0.23).

15. With vesting commencement date on July 15, 2021 and in accordance with a vesting schedule, 40% of the Shares subject to the corresponding options will be vested on the vesting commencement date, 40% of the Shares on the second anniversary, and 20% of the Shares on the third anniversary, and each exercisable when certain long service condition is satisfied, at an exercise price of US$0.39 (equivalent to approximately HK$3.04).

16. With vesting commencement date on June 30, 2021 and in accordance with a vesting schedule, 20% of the Shares subject to the corresponding options will be vested on the vesting commencement date, 20% of the Shares on the first anniversary, 20% of the Shares on the second anniversary, and 40% of the Shares on the third anniversary, and each exercisable when certain long service condition is satisfied, at an exercise price of, where applicable, US$0.25 (equivalent to approximately HK$1.94), or US$0.39 (equivalent to approximately HK$3.04), respectively.

17. With vesting commencement date on August 18, 2020 and in accordance with a vesting schedule for the eligible participants, 20% of the Shares subject to the corresponding options will be vested on the vesting commencement date, 50% of the Shares on the second anniversary, and 30% of the Shares on the third anniversary, and are exercisable at an exercise price of, where applicable, US$0.25 (equivalent to approximately HK$1.94), or US$0.39 (equivalent to approximately HK$3.04), respectively.

18. With vesting commencement dates falling on either the December 31 of 2019, 2020, 2021, 2022, or 2023 and in accordance with a vesting schedule for each of the eligible participants, the Shares subject to the corresponding options will be vested at annual intervals, but in any case not later than the fourth anniversary of the vesting commencement date, upon the satisfaction of certain performance conditions as determined by the Board at its discretion, and exercisable at an exercise price of, where applicable, US$0.03 (equivalent to approximately HK$0.23), or US$0.39 (equivalent to approximately HK$3.04), respectively.

19. For one eligible participant, with vesting commencement date on January 1, 2015 and exercisable when certain sales target is satisfied as determined by the Board at its discretion, at an exercise price of US$0.03 (equivalent to approximately HK$0.23).

20. For one eligible participant, with vesting commencement date on December 31, 2020, the Shares subject to the corresponding options will be vested on the vesting commencement date, and exercisable upon the satisfaction of certain performance conditions as determined by the Board at its discretion, at an exercise price of US$0.03 (equivalent to approximately HK$0.23).

21. For two eligible participants, with vesting commencement date on April 30, 2010 and on October 25, 2018 and exercisable 12 months after a qualified [**REDACTED**] is achieved (which this [**REDACTED**] qualifies for), at an exercise price of US$0.029 (equivalent to approximately HK$0.23), and US$0.18 (equivalent to approximately HK$1.38), respectively.

22. For three eligible participants, with vesting commencement date on February 28, 2018 and exercisable if certain employment condition is satisfied, at an exercise price of US$0.03 (equivalent to approximately HK$0.23).

23. For one eligible participant, with vesting commencement date on December 31, 2019 and exercisable when certain product candidates obtain registration certificates and production permits, at an exercise price of US$0.39 (equivalent to approximately HK$3.04); with vesting commencement date on December 31, 2020, the Shares subject to the corresponding options will be vested on the vesting commencement date, and exercisable upon the satisfaction of certain performance conditions as determined by the Board at its discretion, at an exercise price of US$0.39 (equivalent to approximately HK$3.04).

24. For one eligible participant, with vesting commencement date on December 31, 2019 and exercisable when certain sales target is satisfied as determined by the Board at its discretion, at an exercise price of US$0.39 (equivalent to approximately HK$3.04).

25. For 19 eligible participants, with vesting commencement date on December 31, 2020 and in accordance with their respective vesting schedules, the Shares subject to the corresponding options will be vested in equal proportions at annual intervals, upon the satisfaction of certain performance conditions as determined by the Board at its discretion, but in any event not later than the fourth anniversary of the vesting commencement date, and are exercisable at an exercise price of US$0.39 (equivalent to approximately HK$3.04).

26. For one eligible participant, with vesting commencement date on July 31, 2019, and exercisable when certain product candidate successfully completes a clinical trial, at an exercise price of US$0.65 (equivalent to approximately HK$5.06).

27. For 14 eligible participants, with vesting commencement date on December 27, 2019 and exercisable when a qualified [**REDACTED**] is achieved (which this [**REDACTED**] qualifies for), at an exercise price of US$0.73 (equivalent to approximately HK$5.69).

28. For one eligible participant, with vesting commencement date on August 18, 2021, the Shares subject to the corresponding options will be vested on the vesting commencement date, and exercisable at an exercise price of US$0.39 (equivalent to approximately HK$3.04).

29. The exercise price has been adjusted to give effect to the [**REDACTED**] and rounded to two decimal places.

Save as disclosed above, no other options have been granted or agreed to be granted by our Company under the Share Option Plan.

Application has been made to the Listing Committee for the [**REDACTED**] of and permission to [**REDACTED**] in the 47,585,473 Shares that may be allotted and issued pursuant to the options granted under the Share Option Plan.

(d) Dilution Effect and Impact on Earnings per share

Subject to any alterations set out under the Share Option Plan in the event of any capitalization issue, rights issue, open offer, sub-division, consolidation of shares, or reduction of capital of our Company that may take place after the [**REDACTED**], the total number of shares subject to the options granted under the Share Option Plan shall be no more than 58,239,780 Shares, representing approximately [**REDACTED**]% of the issued share capital of our Company immediately upon completion of the [**REDACTED**] (excluding any Share which may fall to be allotted and issued upon the exercise of the [**REDACTED**] or under the Share Incentive Scheme). As such, taking into account the Shares to be allotted and issued under the Share Option Plan, the shareholding of our Shareholders immediately following completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised) will be diluted by approximately [**REDACTED**]%. The consequent impact on the earnings per ordinary Share for the years ended December 31, 2018 and 2019 is nil and nil, respectively, being the incremental impact to diluted earnings per share, since the options would not be included in the calculation of diluted earnings per share due to anti-dilution.

2. RSU Scheme

The Company has conditionally adopted an RSU Scheme by a resolution of our Shareholders on [●], 2020. The RSU Scheme is not subject to the provisions of Chapter 17 of the Listing Rules as the RSU Scheme does not involve the grant of options by our Company to subscribe for new Shares. The following is a summary of the principal terms of the RSU Scheme.

(a) Purposes of the RSU Scheme

The purposes of this RSU Scheme is to incentivize eligible participants in the RSU Scheme (the RSU Participants as defined below) for their contribution to the Group, to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group by providing them with the opportunity to own equity interests in the Company.

(b) RSU Participants

Persons eligible to receive RSUs under the RSU Scheme are employees or officers of the Group, including executive, non-executive and independent non-executive directors, any person or entity that provides research, development, consultancy and other technical or operational or administrative support to the Group; and any other persons who, in the sole opinion of the Board, have contributed or will contribute to the Company and/or any of its Subsidiaries (the "**RSU Participant(s)**").

(c) RSU Awards

A RSU award gives a RSU Participant a conditional right when the RSU vests to obtain either Shares or an equivalent value in cash with reference to the market value of the Shares on or about the date of exercise of the RSUs, less any tax, stamp duty and other charges applicable, as determined by our Board in its absolute discretion. Each RSU represents one underlying Share.

(d) Status of the RSU Scheme

The RSU Scheme is conditional upon the satisfaction of the following conditions:

(i) the passing by the shareholders of a resolution to authorize the Board to grant RSUs under the RSU Scheme and to allot and issue, procure the transfer of, and otherwise deal with Shares in connection with the RSU Scheme;

(ii) the Listing Committee of the Stock Exchange granting the [**REDACTED**] of and permission to [**REDACTED**] in the Shares underlying any RSU which may be granted pursuant to the RSU Scheme; and

(iii) the commencement of trading of the Shares on the Stock Exchange;

(collectively, the "**RSU Conditions**").

(e) Term of the Scheme

Subject to the RSU Conditions being satisfied and the termination clause in paragraph (y), the RSU Scheme shall be valid and effective for the period of ten (10) years commencing on the [**REDACTED**] (unless it is terminated earlier in accordance with its terms) (the "**Term of the RSU Scheme**"), after which period no further Awards will be granted, but the provisions of the RSU Scheme shall in all other respects remain in full force and effect and Awards that are granted during the Term of the RSU Scheme may continue to be exercisable in accordance with their terms of issue.

(f) Grant of Award

On and subject to the terms of the RSU Scheme and the terms and conditions that the Board imposes pursuant thereto, the Board shall be entitled at any time during the life of the RSU Scheme to make a grant to any RSU Participant, as the Board may in its absolute discretion determine.

Awards may be granted on such terms and conditions (e.g. by linking the vesting of their RSU to the attainment or performance of milestones by any member of the Group, the grantee or any group of RSU Participants) as the Board may determine, provided such terms and conditions shall not be inconsistent with any other terms and conditions of the RSU Scheme.

A grant shall be made to a RSU Participant by a letter and/or any such notice or document in such form as the Board may from time to time determine (the "**Notice of Grant**") and such grant shall be subject to the terms as specified in the RSU Scheme and the Notice of Grant shall be substantially in the form prescribed in the RSU Scheme. The Participant shall undertake to hold the Award on the terms on

which it is granted and be bound by the provisions of the RSU Scheme. Such Award shall remain open for acceptance by the RSU Participant to whom a grant is made for a period to be determined by the Board, provided that no such grant shall be open for acceptance after the 10th anniversary of the [**REDACTED**] or after the RSU Scheme has been terminated in accordance with the provisions hereof. To the extent that the Award is not accepted within the period determined by the Board, it will be deemed to have been irrevocably declined and shall immediately lapse.

(g) Acceptance of Award

If the RSU Participant accepts the offer of grant of RSU(s) by signing the Notice of Grant, he is required to sign the Acceptance Notice and return it to the Company within the period specified and in a manner prescribed in the Notice of Grant. Upon the receipt from the RSU Participant of a duly executed Acceptance Notice, the RSU(s) is deemed granted to such RSU Participant from the date of the Notice of Grant, and the RSU Participant becomes a grantee (the "**Grantee**") in the RSU Scheme.

(h) Restrictions on Grants

The Board may not grant any Awards to any Participants (the "**Excluded Participants**") in any of the following circumstances:

a) the requisite approvals for that grant from any applicable regulatory authorities have not been obtained;

b) the securities laws or regulations require that a document or other offering documents be issued in respect of the grant of the Awards or in respect the RSU Scheme, unless the Board determines otherwise;

c) where granting the Award would result in a breach by the Company, its subsidiaries or any of the directors of any applicable securities laws, rules or regulations; or

d) where such grant of Award would result in a breach of the limits of the RSU Scheme.

Further, no grant shall be made to, nor shall any grant be capable of acceptance by, any RSU Participant at a time when the RSU Participant would or might be prohibited from dealing in the Shares by any applicable rules, regulations or laws.

Further, a grant must not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced in accordance with the requirements of the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of:

a) the date of the meeting of the Board (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and

b) the deadline for the Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement;

no Award may be granted. Such period will cover any period of delay in the publication of a results announcement.

(i) Grant to Directors

Where any Award is proposed to be granted to a director of any members of the Group, it shall not be granted on any day on which the financial results of the Company are published and during the period of:

a) 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and

b) 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(j) Grant to Connected Persons

Any grant of an Award to any director, chief executive or substantial shareholder of any member of the Group, or any of their respective associates (as defined in the Listing Rules), shall be subject to the prior approval of the independent non-executive directors (excluding the independent non-executive director who is the proposed Grantee of the Awards in question) and shall otherwise be subject to compliance with the requirements of the Listing Rules. Notwithstanding the foregoing, any grant of an Award to a director pursuant to Rule 14A.73(6) of the Listing Rules will be exempted from reporting, announcement and independent Shareholders' approval requirements if the Award forms part of the relevant director's remuneration under his/her service contract.

(k) RSU Scheme Limit

No Award shall be granted pursuant to the RSU Scheme if as a result of such Grant (assumed accepted), the aggregate number of Shares (being in a Board Lot or an integral multiple thereof) (or, where cash is awarded in lieu of Shares, the aggregate number of Shares as are equivalent to the amount of cash so awarded (Share Equivalents)) underlying all grants made pursuant to the RSU Scheme (excluding the Awards that have lapsed or been cancelled in accordance with the rules of the RSU Scheme) will exceed [**REDACTED**]% of the number of Shares in issue (i.e. a total of [**REDACTED**] Shares, without taking into account the shares which may be allotted and issued pursuant to the exercise of the [**REDACTED**] and pursuant to the RSU Scheme) on the [**REDACTED**] (the "**RSU Scheme Limit**").

(l) Rights Attached to the Awards

The RSUs do not carry any right to vote at general meetings of the Company. No RSU Participant shall enjoy any of the rights of a Shareholder by virtue of the grant of an Award pursuant to the RSU Scheme, unless and until such Shares underlying the Award are actually issued or transferred (as the case may be) to the RSU Participant upon the vesting of the RSU and the RSU Participant's name has been entered in the register of members of the Company as holder of such Shares. Unless otherwise specified by the Board in its entire discretion in the Notice of Grant, the RSU Participants do not have any rights to

any cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions from any Shares underlying an Award.

(m) Rights Attached to Shares

The Shares to be issued upon the vesting of RSUs granted pursuant to the RSU Scheme shall be subject to all the provisions of the memorandum and Articles of Association of the Company for the time being in force and shall rank *pari passu* in all respects with the existing fully paid Shares in issue on the date on which those Shares are issued. Once the name of a RSU holder has been recorded in the register of members of the Company, such holder shall be entitled to participate in all dividends or other distributions of the Company.

(n) Awards to be Personal to the Grantee

An Award shall be personal to the Grantee and the Grantee shall not sell, transfer, assign, charge, mortgage, encumber, hedge or create any interest in favor of any other person over and in relation to the RSUs or any interest or benefits therein, provided that following the Grantee's death, RSUs may be transferred by will or by the laws of testacy and distribution.

The terms of the RSU Scheme and the Notice of Grant shall be binding upon the executors, administrators, heirs, successors and assigns of the Grantee.

Subject to the above, no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interests in favour of any third party over or in relation to any RSU.

For the purpose of the RSU Scheme, "Family Members" means the Grantee's child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law, including adoptive relationships, any person sharing the Grantee's household (other than a tenant or employee), a trust in which these persons have more than 50% of the beneficial interest, a foundation in which these persons (or the Grantee) control the management of assets, and any other entity in which these persons (or the Grantee) own more than 50% of the voting interests;

(o) Right of Appointment of RSU Trustee

Our Company may appoint a trustee to assist with the administration and vesting of RSUs granted pursuant to the RSU Scheme. Our Company may (i) allot and issue Shares to the trustee to be held by the trustee and which will be used to satisfy the RSUs granted to Participants who are not connected persons of our Company upon exercise and/or (ii) direct and procure the trustee to receive existing Shares from any Shareholder or purchase existing Shares (either on-market or off-market) to satisfy the RSUs granted to any Participants (including connected or non-connected RSU Participants) upon exercise.

(p) Vesting

The Board has the sole discretion to determine the vesting criteria, conditions and the time for any grant of Award(s) to any Grantee, which may also be adjusted and re-determined by the Board from time to time.

If the vesting conditions are not satisfied or waived by the Board, the RSU shall be cancelled automatically on the date on which such conditions are not satisfied, as determined by the Board in its absolute discretion.

(q) Provision of Funds

Where a trustee is appointed to assist with the administration of the RSU, the Company shall procure that sufficient funds are provided to the trustee by whatever means as the Board may in its absolute discretion determine to enable the trustee to satisfy its obligations in connection with the administration of the Scheme.

Upon fulfillment or waiver of the vesting period and vesting conditions (if any) applicable to each of the Grantees, a vesting notice (the "**Vesting Notice**") will be sent to the Grantee by the Board confirming (a) the extent to which the vesting period and vesting conditions (if any) have been fulfilled or waived and, (b) the number of Shares (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of these Shares) or the amount of cash the Grantee will receive.

The Grantee is required to execute, after receiving the Vesting Notice, certain documents set out in the Vesting Notice that the Board considers necessary (which may include, without limitation, a certification to the Company that he has complied with all the terms and conditions set out in the RSU Scheme and the Notice of Grant).

In the event that the Grantee fails to execute the required documents within seven (7) days after receiving the Vesting Notice, the relevant RSU(s) will lapse.

(r) Rights on a Takeover

In the event a general offer by way of voluntary offer, takeover or otherwise (other than by way of scheme of arrangement pursuant to paragraph(s) below) is made to all the Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional prior to the vesting date of any RSU, the Board shall, prior to the offer becoming or being declared unconditional, determine at its absolute discretion whether such RSU shall vest and the period within which such RSU shall vest. If the Board determines that such RSU shall vest, it shall notify the Grantee that the RSU shall vest and the period within which such RSU shall vest.

(s) Rights on a Scheme of Arrangement

In the event a general offer for Shares by way of scheme of arrangement is made to all the Shareholders and has been approved by the necessary number of shareholders at the requisite meetings prior to the vesting of any RSU, the Board shall, prior to such meetings, determine at its absolute discretion whether such RSU shall vest and the period within such RSU shall vest. If the Board determines that such RSU shall vest, it shall notify the Grantee that the RSU shall vest and the period within which such RSU shall vest.

(t) Rights on a Voluntary Winding-up

In the event a notice is given by the Company to its Shareholders to convene a Shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind-up

the Company prior to the vesting date of any RSU, the Board shall determine at its discretion whether such RSU shall vest, and the period when such RSU shall vest and in the latter case, the unvested RSUs must be vested and effected by no later than two Business Days before the day of the proposed shareholders' meeting. If the Board determines that such RSU shall vest, it shall notify the Grantee that the RSU shall vest and the period within which such RSU shall vest.

(u) Rights on a Compromise or Arrangement

In the event of a compromise or arrangement, other than a scheme of arrangement contemplated in paragraph(s) above, between the Company and its members and/or creditors being proposed in connection with a scheme for the reconstruction or amalgamation of the Company, the Board shall determine at its discretion whether such RSU shall vest, and the period when such RSU shall vest. If the Board determines that such RSU shall vest, it shall notify the Grantee that the RSU shall vest and the period within which such RSU shall vest.

(v) Lapse or Cancelation of RSU

An unvested RSU shall be lapsed and cancelled automatically upon the earliest of:

a) the date of the termination of Grantee's employment or service by the Company or any of its Subsidiaries for Cause or by reasons that the relevant Subsidiary with which the Grantee is employed ceased to be a subsidiary of the Group; or

b) the date on which the offer (or, as the case may be, revised offer) referred to in paragraph (t) closes; or

c) the record date for determining entitlements under the scheme of arrangement referred to in paragraph (s); or

d) the date of the commencement of the winding-up of the Company; or

e) the date on which the Grantee commits a breach of paragraph (n); or

f) the date on which it is no longer possible to satisfy any outstanding conditions to vesting.

The Board shall have the right to determine what constitutes Cause, whether the Grantee's employment has been terminated for Cause, the effective date of such termination and whether someone is a Competitor, and such determination by the Board shall be final and conclusive.

For the purpose of this RSU Scheme, "Cause" means, with respect to a Grantee, the grounds of termination of employment or office including but not limited to the following (which shall be determined and judged by sole discretion of the Board): the Grantee has been guilty of misconduct, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by the Board in its absolute discretion) on any other ground on which the relevant company in the Group would be entitled to terminate his employment or office summarily at common law or pursuant to any applicable laws or under the Grantee's service contract with the relevant company in the Group. Notwithstanding the foregoing, a resolution of the Board or the board of directors of the relevant Subsidiary to the effect that the employment or office of a Grantee has or has not been terminated on one or more of the grounds specified herein shall be conclusive.

If the Grantee's employment or service with the Company or its subsidiaries is terminated for any reason other than for Cause (including by reason of resignation, retirement, death, disability or non-renewal of the employment or service agreement upon its expiration for any reason other than for Cause), the Board shall determine at its absolute discretion and shall notify the Grantee whether any unvested RSU granted to such Grantee shall vest and the period within which such RSU shall vest. If the Board determines that such RSU or any part thereof shall not vest, such RSU shall be cancelled automatically with effect from the date on which the Grantee's employment or service is terminated.

The Board may at any time cancel any unvested RSUs granted to a Grantee subject to consent by the Grantee. Where the Company cancels unvested RSUs and makes a grant of new RSUs to the same Grantee, such Grant may only be made with available RSUs to the extent not yet granted (excluding the cancelled RSUs) within the limits prescribed by paragraph (k) above. Notwithstanding the aforesaid in this paragraph, in each case, the Board may in its absolute discretion decide that any RSU shall not be cancelled or determine subject to such conditions or limitations as the Board may decide.

(w) Reorganization of Capital Structure

In the event of an alteration in the capital structure of the Company whilst any RSU has not vested by way of capitalization of profits or reserves, bonus issue, rights issue, open offer, subdivision or consolidation of shares, reduction of the share capital of the Company or otherwise howsoever in accordance with legal requirements and requirements of the Stock Exchange (other than an issue of Shares as consideration in respect of a transaction to which the Company or the Subsidiary is a party or in connection with any share option, restricted share or other equity incentive schemes of the Group or in the event of any distribution of the Company's capital assets to its shareholders on a pro rata basis (whether in cash or in specie) (other than dividends paid out of the net profits attributable to its shareholders for each financial year of the Company), such corresponding alterations (if any) shall be made to the number or nominal amount of Shares subject to the RSU so far as unvested as the Auditors or an approved independent financial adviser shall certify in writing, either generally or as regard any particular Grantee, to have in their opinion, fairly and reasonably satisfied the requirement that such adjustments give a Participant the same proportion (or rights in respect of the same proportion) of the share capital of the Company as that to which that Grantee was previously entitled, but that no such adjustments be made to the extent that a Share would be issued at less than its nominal value. The capacity of the Auditors or the approved independent financial adviser in this paragraph is that of experts and not of arbitrators and their certification shall, in absence of manifest error, be final and binding on the Company and the Grantees. The costs of the Auditors or the approved independent financial adviser shall be borne by the Company.

(x) Amendment of the RSU Scheme

This RSU Scheme shall be subject to the administration of the Board in accordance with the Scheme Rules. Save for any material amendments to the RSU Scheme, the RSU Scheme may be altered in any respect by a resolution of the Board. The Board's determination as to whether any proposed alteration to the terms and conditions of the RSU Scheme is material shall be conclusive, provided in each case that such decision is made in accordance with the Articles and any applicable laws.

Any alteration to the terms and conditions of the RSU Scheme, which is of a material nature, or any change to the terms of any RSU granted or agreed to be granted must be approved by the Shareholders in general meeting, except where such alterations take effect automatically under the existing terms of the RSU Scheme.

Shareholders of the Company in general meeting must approve any change to the authority of the Board in relation to any alteration to the terms of the RSU Scheme.

(y) Termination of the RSU Scheme

The Company by ordinary resolution in general meeting or the Board may at any time terminate the operation of the RSU Scheme and in such event no further RSUs will be offered but in all other respects the provisions of the RSU Scheme shall remain in full force and effect in respect of RSUs which are granted during the life of the RSU Scheme and which remain unvested immediately prior to the termination of the operation of the RSU Scheme.

(z) Administration of the RSU Scheme

The RSU Scheme shall be subject to the administration of the Board and the decision of the Board shall be final and binding on all parties. The Board shall have the right to:

(i) interpret and construe the provisions of the RSU Scheme,

(ii) determine the persons who will be granted Awards under the RSU Scheme, the terms on which Awards are granted and when the RSUs granted pursuant to the RSU Scheme may vest,

(iii) make such appropriate and equitable adjustments to the terms of the Awards granted under the RSU Scheme as it deems necessary,

(iv) appoint one or more independent third party professionals and contractors to assist in the administration of the RSU Scheme and delegate such powers and/or functions relating to the administration of the RSU Scheme as the Board deems appropriate, and

(v) make such other decisions or determinations as it shall deem appropriate in the administration of the RSU Scheme.

(a)(a) General

An application has been made to the [**REDACTED**] Committee of the Stock Exchange for the [**REDACTED**] of, and permission to [**REDACTED**] in, new Shares underlying any awards which may be granted pursuant to the RSU Scheme.

The maximum number of Shares which may be granted under the RSU Scheme is [**REDACTED**], representing [**REDACTED**]% of the number of Shares in issue (without taking into account the shares which may be allotted and issued pursuant to the exercise of the [**REDACTED**] and pursuant to this RSU Scheme). As of the Latest Practicable Date, no RSUs have been granted by our Company pursuant to the RSU Scheme. The grant and vesting of any RSUs which may be granted pursuant to the RSU Scheme will be in compliance with Rule 10.08 of the Listing Rules.

The Company will issue announcements according to applicable Listing Rules, disclosing particulars of any RSUs granted under the RSU Scheme, including the date of grant, number of Shares involved, the vesting period, the appointment and arrangement with the RSU Trustee and comply with Chapter 14A of the Listing Rules. Details of the RSU Scheme, including particulars and movements of the RSUs granted during each financial year of our Company, and our employee costs arising from the grant of the RSUs will be disclosed in our annual report.

3. Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by the resolutions in writing of all our Shareholders passed on [●].

(a) Purpose

The purpose of the Share Option Scheme is to enable our Group to grant options to selected participants as incentives or rewards for their contribution to our Group. Our Directors consider the Share Option Scheme, with its broadened basis of participation, will enable our Group to reward our employees, our Directors and other selected participants for their contributions to our Group. Given that our Directors are entitled to determine the performance targets to be achieved as well as the minimum period that an option must be held before an option can be exercised on a case by case basis, and that the exercise price of an option cannot in any event fall below the price stipulated in the Listing Rules or such higher price as may be fixed by our Directors, it is expected that grantees of an option will make an effort to contribute to the development of our Group so as to bring about an increased market price of the Shares in order to capitalize on the benefits of the options granted.

(b) Who may join

Our Directors (which expression shall, for the purpose of this paragraph, include a duly authorized committee thereof) may, at their absolute discretion, invite any person belonging to any of the following classes of participants, who our Board considers, in its sole discretion, have contributed or will contribute to our Group, to take up options to subscribe for Shares:

(i) any directors (including executive Directors, non-executive Directors and independent non-executive Directors) and employees of any member of our Group; and

(ii) any advisers, consultants, distributors, contractors, customers, suppliers, agents, business partners, joint venture business partners, service providers of any member of our Group.

For the purposes of the Share Option Scheme, the options may be granted to any company wholly-owned by one or more persons belonging to any of these classes of participants. For the avoidance of doubt, the grant of any options by our Company for the subscription of Shares or other securities of our Group to any person who falls within any of these classes of participants shall not, by itself, unless our Directors otherwise so determine, be construed as a grant of option under the Share Option Scheme.

The eligibility of any of these class of participants to the grant of any option shall be determined by our Directors from time to time on the basis of our Directors' opinion as to the participant's contribution to the development and growth of our Group.

(c) Maximum number of Shares

(i) The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of our Group shall not in aggregate exceed 30% of the issued share capital of our Company from time to time.

(ii) The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of our Group shall not in aggregate exceed 10% of the Shares in issue on the day on which trading of the Shares commence on the Stock Exchange, such 10% limit represents [**REDACTED**] (the "General Scheme Limit"), but excluding any Shares which may be issued upon the exercise of the [**REDACTED**].

(iii) Subject to paragraph (i) above and without prejudice to paragraph (iv) below, our Company may issue a circular to its Shareholders and seek approval of its Shareholders in a general meeting to extend the General Scheme Limit provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of our Group shall not exceed 10% of the Shares in issue as of the date of approval of the limit and, for the purpose of calculating the limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of our Group) previously granted under the Share Option Scheme and any other share option scheme of our Group will not be counted. The circular sent by our Company to its Shareholders shall contain, among other information, the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.

(iv) Subject to paragraph (i) above and without prejudice to paragraph (iii) above, our Company may seek separate Shareholders' approval in a general meeting to grant options beyond the General Scheme Limit or, if applicable, the extended limit referred to in paragraph (iii) above to participants specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to its Shareholders containing a general description of the specified participants, the number and terms of options to be granted, the purpose of granting options to the specified participants with an explanation as to how the terms of the options serve such purpose and such other information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.

(d) Maximum entitlement of each participant

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of our Company (including both exercised and outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of our Company for the time being (the "Individual Limit"). Any further grant of options in aggregate in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the issue of a circular to our Shareholders and our Shareholders' approval in general meeting of our Company with such participant and his close associates

(or his associates if the participant is a connected person) abstaining from voting. The number and terms (including the exercise price) of options to be granted to such participant must be fixed before Shareholders' approval and the date of board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under note (1) to Rule 17.03(9) of the Listing Rules.

(e) Grant of options to connected persons

(i) Any grant of options under the Share Option Scheme to a director, chief executive or substantial shareholder of our Company or any of their respective associates must be approved by our independent non-executive Directors (excluding any independent non-executive Director who is the proposed grantee of the options).

(ii) Where any grant of options to a substantial Shareholder of our Company or an independent non-executive Director or any of their respective associates would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

1. representing in aggregate over 0.1% (or such other higher percentage as may from time to time be specified by the Stock Exchange) of the Shares in issue; and

2. having an aggregate value, based on the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet the date of the offer of grant, in excess of [HK$5 million] (or such other higher amount as may from time to time be specified by the Stock Exchange);

such further grant of options must be approved by our Shareholders in a general meeting. Our Company must send a circular to its Shareholders. The grantee, his associates and all core connected persons of our Company must abstain from voting in favor of the relevant resolution at such general meeting. Any vote taken at the general meeting to approve the grant of such options must be taken on a poll. Any change in the terms of options granted to a substantial shareholder or an independent non-executive Director or any of their respective associates must be approved by our Shareholders in a general meeting.

(f) Time of acceptance and exercise of option

An option may be accepted by a participant within [5] Business Days from the date of the offer of grant of the option.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by our Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination under the Share Option Scheme. Unless otherwise determined by our Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

(g) Performance targets

Unless our Directors otherwise determine and state in the offer of the grant of options to a grantee, a grantee is not required to achieve any performance targets before any options granted under the Share Option Scheme can be exercised.

(h) Subscription price for Shares and consideration for the option

The subscription price per Share under the Share Option Scheme will be a price determined by our Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a Business Day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations for the five Business Days immediately preceding the date of the offer of grant (provided that in the event that any option is proposed to be granted within a period of less than five Business Days after the trading of the Shares first commences on the Stock Exchange, the new issue price of the Shares for the [**REDACTED**] shall be used as the closing price for any Business Day falling within the period before [**REDACTED**]); and (iii) the nominal value of a Share on the date of grant.

A nominal consideration of [HK$1.00] is payable upon acceptance of the grant of an option.

(i) Ranking of Shares

(i) Shares allotted and issued upon the exercise of an option will be identical to the then existing issued shares of our Company and subject to all the provisions of the Memorandum of Association and Articles of Association and will rank *pari passu* in all respects with the fully paid Shares in issue on the date the name of the grantee is registered on the register of members of our Company or, if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members ("Exercise Date") and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Exercise Date. A Share allotted upon the exercise of an option shall not carry voting rights or rights to participate in any dividends or distributions (including those arising on a liquidation of our Company) declared or recommended or resolved to be paid to the Shareholders on the register until the completion of the registration of the grantee on the register of members of our Company as the holder thereof.

(ii) Unless the context otherwise requires, references to "Shares" in this paragraph include references to shares in the ordinary equity share capital of our Company of such nominal amount as shall result from a subdivision, consolidation, re-classification or re-construction of the share capital of our Company from time to time.

(j) Restrictions on the time of grant of options

No offer for grant of options shall be made after inside information has come to our Company's knowledge until it has announced the information in accordance with the requirements of the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of (a) the date of the meeting of our Directors (as such date is first notified to the Stock Exchange in accordance with the requirements of the Listing Rules) for the approval of our Company's results for any year, half-year, quarter or any other interim period (whether or not required under the Listing Rules); and (b) the last date on which our Company must publish its announcement of its results for any year, half-year, quarter or any other interim period (whether or not required under the Listing Rules), and ending on the date of the announcement of the results, no offer for grant of options may be made.

Our Directors may not grant any option to a participant who is a Director during the period or time in which Directors are prohibited from dealing in shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

(k) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted.

(l) Rights are personal to the grantee

An option is personal to the grantee and shall not be transferable or assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest in favor of or enter into any agreement with any other person over or in relation to any option, except for the transmission of an option on the death of the grantee to his personal representative(s) on the terms of the Share Option Scheme.

(m) Rights on ceasing employment

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee for any reason other than death, or for serious misconduct or other grounds referred to in sub-paragraph (o) below before exercising his option in full, the option (to the extent not already exercised) will lapse on the date of cessation and will not be exercisable unless our Directors otherwise determine in which event the grantee may exercise the option (to the extent not already exercised) in whole or in part within such period as our Directors may determine following the date of such cessation, which will be taken to be the last day on which the grantee was physically at work with our Group whether salary is paid in lieu of notice or not.

(n) Rights on death

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason of his death, before exercising the option in full, his personal representative(s), or, as appropriate, the grantee may exercise the option (to the extent not already exercised) in whole or in part within a period of 12 months following the date of death of the grantee.

(o) Rights on dismissal

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason that he has been guilty of serious misconduct or has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of our Directors does not bring the grantee or our Group into disrepute) or on any other ground on which an employer would be entitled to terminate his or her employment summarily, his option will lapse automatically and will not be exercisable on or after the date of ceasing to be an Eligible Employee.

(p) Rights on a general offer, a compromise or arrangement

If a general offer by way of takeover or otherwise (other than by way of scheme of arrangement) is made to our Shareholders (other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror) and such offer becomes or is declared unconditional prior to the expiry date of the relevant option, our Company shall forthwith give notice thereof to the grantee and the grantee shall be entitled to exercise the option to its full extent or, if our Company shall give the relevant notification, to the extent notified by our Company, at any time within such period as shall be notified by our Company.

If a general offer for Shares by way of scheme of arrangement is made to our Shareholders and has been approved by the necessary number of Shareholders at the requisite meetings, our Company shall forthwith give notice thereof to the grantee and the grantee may at any time thereafter (but before such time as shall be notified by our Company) exercise the option to its full extent or, if our Company shall give the relevant notification, to the extent notified by our Company.

(q) Rights on winding up

In the event a notice is given by our Company to our Shareholders to convene a general meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to the grantee and the grantee (or in the case of the death of the grantee, his personal representatives(s)) may at any time within such period as shall be notified by our Company, subject to the provisions of all applicable laws, exercise the option to its full extent or, if our Company shall give the relevant notification, to the extent notified by our Company, and our Company shall as soon as possible and in any event no later than three days prior to the date of the proposed general meeting, allot, issue and register in the name of the Grantee such number of fully paid Shares which fall to be issued on exercise of such option.

(r) Adjustments to the subscription price

In the event of a capitalization issue, rights issue, subdivision or consolidation of Shares or reduction of capital of our Company whilst an option remains exercisable, such corresponding adjustment (if any) certified by the auditors for the time being of or an independent financial adviser to our Company as fair and reasonable will be made to (a) the number or nominal amount of Shares to which the Share Option Scheme or any option relates, so far as unexercised, and/or (b) the subscription price of the option concerned, and/or (c) the method of exercise of the Option, provided that (i) any adjustments shall give a grantee the same proportion of the issued share capital to which he was entitled prior to such

alteration; (ii) the issue of Shares or other securities of our Group as consideration in a transaction may not be regarded as a circumstance requiring adjustment; and (iii) no adjustment shall be made the effect of which would be to enable a Share to be issued at less than its nominal value. In addition, in respect of any such adjustments, other than any adjustment made on a capitalization issue, such auditors or independent financial adviser must confirm to our Directors in writing that the adjustments satisfy the requirements of the relevant provision of the Listing Rules and such other applicable guidance and/or interpretation of the Listing Rules from time to time issued by the Stock Exchange (including, but not limited to, the "Supplementary Guidance on Main Board Listing Rule 17.03(13) and the Note immediately after the Rule" attached to the letter from the Stock Exchange dated September 5, 2005 to all issuers relating to share option schemes).

(s) Cancellation of options

Any options granted but not exercised may be cancelled if the grantee so agrees. Issuance of new options to the same grantee may only be made if there are unissued options available under the Share Option Scheme (excluding the cancelled options) and in compliance with the terms of the Share Option Scheme.

(t) Termination of the Share Option Scheme

Our Company may by ordinary resolution in a general meeting at any time resolve to terminate the Share Option Scheme prior to the expiry of the Share Option Scheme and in such event no further options shall be offered or granted but in all other respects the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(u) Lapse of option

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

(i) the expiry of the period referred to in sub-paragraph (f);

(ii) the expiry of the periods or dates referred to in sub-paragraphs (m), (n), (o), (p) and (q);

(iii) the date on which the grantee commits a breach of the provision which restricts the grantee to transfer or assign an option granted under the Share Option Scheme or sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest in favor of or enter into any agreement with any other person over or in relation to any option except for the transmission of an Option on the death of the Grantee to his personal representative(s) on the terms of this Scheme;

(iv) the date on which the grantee (being an employee or a director of any member of our Group) ceases to be a participant of the Share Option Scheme by reason of the termination of his or her employment or engagement on the grounds that he or she has been guilty of serious misconduct, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his or her debts or has become bankrupt or has made any arrangement or

composition with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty or on any other ground on which an employer would be entitled to terminate his or her employment summarily;

(v) the date on which the grantee joins a company which the board believes in its sole and reasonable opinion to be a competitor of our Company;

(vi) the date on which the grantee (being a corporation) appears either to be unable to pay or to have no reasonable prospect of being able to pay its debts or has become insolvent or has made any arrangement or composition with its creditors generally; and

(vii) unless our Board otherwise determines, and other than in the circumstances referred to in sub-paragraphs (m) or (n), the date the Grantee ceases to be a Participant (as determined by a Board resolution) for any other reason.

(v) Others

(i) The Share Option Scheme is conditional on the Listing Committee granting or agreeing to grant approval of (subject to such condition as the Stock Exchange may impose) the [**REDACTED**] of and permission to [**REDACTED**] in such number of Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, such number representing the General Scheme Limit. Application has been made to the Listing Committee for the [**REDACTED**] of and permission to [**REDACTED**] in the Shares to be issued within the General Scheme Limit pursuant to the exercise of any options which may be granted under the Share Option Scheme.

(ii) The terms and conditions of the Share Option Scheme relating to the matters set forth in Rule 17.03 of the Listing Rules shall not be altered to the advantage of grantees of the options except with the approval of our Shareholders in a general meeting.

(iii) Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted must be approved by our Shareholders in a general meeting and the Stock Exchange, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.

(iv) The amended terms of the Share Option Scheme or the options shall comply with the relevant requirements of Chapter 17 of the Listing Rules.

(v) Any change to the authority of our Directors or the scheme administrators in relation to any alteration to the terms of the Share Option Scheme shall be approved by our Shareholders in a general meeting.

(w) Value of options

Our Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option Scheme as if they had been granted as of the Latest Practicable Date. Any such valuation will have to be made on the basis of a certain option pricing model or other method that depends on various assumptions including the exercise price, the exercise period, interest rate, expected volatility

and other variables. As no options have been granted, certain variables are not available for calculating the value of options. Our Directors believe that any calculation of the value of options granted as of the Latest Practicable Date would be based on a number of speculative assumptions that are not meaningful and would be misleading to investors.

(x) Grant of options

As of the date of this document, no options have been granted or agreed to be granted under the Share Option Scheme.

Application has been made to the [**REDACTED**] Committee for the [**REDACTED**] of, and permission to [**REDACTED**] in, the Shares which may fall to be issued pursuant to the exercise of the options to be granted under the Share Option Scheme.

E. OTHER INFORMATION

1. Litigation

Except as disclosed in this document, as of the Latest Practicable Date, we were not engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against any member of our Group, that would have a material adverse effect on our Group's results of operations or financial condition, taken as a whole.

2. Preliminary expenses

As of the Latest Practicable Date, our Company has not incurred any material preliminary expenses.

3. Estate duty

Our Directors confirmed that no material liability for estate duty is likely to fall on any member of our Group.

4. Promoter

Our Company has no promoter for the purpose of the [**REDACTED**]. Within the two years preceding the date of this document, no cash, securities or other benefit has been paid, allotted or given or is proposed to be paid, allotted or given to any promoter in connection with the [**REDACTED**] and the related transactions described in this document.

5. Application for [REDACTED]

The Joint Sponsors have made an application on behalf of our Company to the [**REDACTED**] Committee of the Stock Exchange for the [**REDACTED**] of, and permission to [**REDACTED**] in, the Shares in issue (including the Shares issued pursuant to the conversion of the Preferred Shares and the [**REDACTED**]) and to be issued as mentioned in this document. All necessary arrangements have been made to enable the securities to be admitted into CCASS.

6. No Material Adverse Change

Our Directors confirm that up to the date of this document, other than the financial impact of the outbreak of COVID-19 as disclosed in the paragraph headed "Summary—Outbreak of Novel Coronavirus Disease 2019," there has been no material adverse change in our finances, operations or prospects since December 31, 2019, being the latest balance sheet date of our consolidated financial statements as set out in the Accountants' Report included in Appendix I to this document.

As far as our Directors are aware, other than the adverse impacts caused by the outbreak of COVID-19 as stated above, there has been no material change in our business, financial condition and results of operations since December 31, 2019 and up to the date of this document.

7. Agency Fees and Commissions Received

The [**REDACTED**] will receive an [**REDACTED**] commission as referred to in the section headed "[**REDACTED**] Arrangements and [**REDACTED**]—The [**REDACTED**]—Commission and [**REDACTED**]" in this document.

8. 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 their opinion and/or advice in this document are as follows:

Name	Qualifications
Morgan Stanley Asia Limited	Licensed corporation under the SFO for Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities as defined under the SFO
Huatai Financial Holdings (Hong Kong) Limited	Licensed corporation under the SFO for Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities as defined under the SFO
PricewaterhouseCoopers	Certified public accountants under Professional Accountant Ordinance (Cap.5) and Registered Public Interest Entity Auditor under Financial Reporting Council Ordinance (Cap. 588)
Hengtai Law Offices	PRC legal adviser
Jingtian & Gongcheng Law Firm	PRC legal adviser
Guangdong Junlong Law Firm	Legal adviser as to PRC intellectual property laws
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant
Campbells	Cayman Islands attorneys-at-law

9. Consents

Each of Morgan Stanley Asia Limited, Huatai Financial Holdings (Hong Kong) Limited, PricewaterhouseCoopers, Hengtai Law Offices, Jingtian & Gongcheng Law Firm, Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. and Campbells has given and has not withdrawn their respective written consents to the issue of this document with the inclusion of their reports and/or letters and/or the references to their names included herein in the form and context in which they are respectively included.

10. Joint Sponsors

Each of the Joint Sponsors satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

The Joint Sponsors' fees payable by us in respect of the Joint Sponsors' services as sponsors for the [**REDACTED**] are US$1.0 million.

11. Binding Effect

This document shall have the effect, if an application is made in pursuance of it, of rendering all persons concerned bound by all of 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.

12. Taxation of Holders of Our Shares

(a) Hong Kong

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty. The current rate charged on each of the purchaser and seller is 0.1% of the consideration or, if higher, the value of the Shares being sold or transferred. Dividends paid on Shares will not be subject to tax in Hong Kong and no tax is imposed in Hong Kong in respect of capital gains. However, profits from dealings in the Shares derived by persons carrying on a business of trading or dealings in securities in Hong Kong arising in or derived from Hong Kong may be subject to Hong Kong profits tax. The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on February 11, 2006 in Hong Kong. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for a grant of representation in respect of holders of Shares whose death occurs on or after February 11, 2006.

(b) Cayman Islands

There is no stamp duty payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(c) Consultation with professional advisers

Potential investors in the [**REDACTED**] are urged to consult their professional tax advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, and dealing in our Shares (or exercising rights attached to them). None of us, the Joint Sponsors, the [**REDACTED**], the [**REDACTED**] or any other person or party involved in the [**REDACTED**] accept responsibility for any tax effects on, or liabilities of, any person, resulting from the subscription, purchase, holding or disposal of, dealing in or the exercise of any rights in relation to our Shares.

13. Miscellaneous

Save as otherwise disclosed in this document:

(i) none of our Directors or experts referred to in the paragraph headed "E. Other Information—8. Qualifications of Experts" of this appendix has any direct or indirect interest in the promotion of us, or in any assets which have within the two years immediately preceding the date of this document been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(ii) none of our Directors or experts referred to in the paragraph headed "E. Other Information—8. Qualifications 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 the business of our Group taken as a whole;

(iii) save for the [**REDACTED**] Agreements, none of the experts referred to under the paragraph headed "E. Other Information—8. Qualifications of Experts" of this appendix has any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;

(iv) save for the transactions under the Share Swap, within the two years preceding the date of this document, no share or loan capital of our Company or of any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;

(v) within the two years preceding the date of this document, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of any member of our Group;

(vi) within the two years preceding the date of this document, no commission has been paid or is payable (except commissions to sub-[**REDACTED**]) for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any Shares in our Company;

(vii) neither our Company nor any of our subsidiaries have issued or agreed to issue any founder shares, management shares or deferred shares;

(viii) our Company has no outstanding convertible debt securities or debentures;

(ix) no capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(x) there is no arrangement under which future dividends are waived or agreed to be waived;

(xi) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this document;

(xii) no member of our Group is presently listed on any stock exchange or traded on any trading system, and no listing or permission to deal is being or proposed to be sought.

14. Bilingual Document

The English language and Chinese language versions of this document are being published separately, in reliance upon the exemption provided under 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

The documents attached to a copy of this document and delivered to the Registrar of Companies in Hong Kong for registration were (i) copies of the **WHITE**, **YELLOW** and **GREEN** [**REDACTED**]; (ii) copies of each of the material contracts referred to in the paragraph headed "Appendix IV—Statutory and General Information—B. Further Information about the Business of our Company—1. Summary of material contracts" in this document; and (iii) the written consents issued by each of the experts and referred to in paragraph headed "Appendix IV—Statutory and General Information—E. Other information—8. Qualifications of Experts" in this document.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of, O'Melveny & Myers at 31/F, AIA Central, 1 Connaught 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 Memorandum of Association and Articles of Association;

(b) the accountants' report of the Group for the [two financial years ended December 31, 2019] prepared by PricewaterhouseCoopers, the text of which is set out in Appendix I to this document;

(c) the report received from PricewaterhouseCoopers on the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this document;

(d) the PRC legal opinions issued by Hengtai Law Offices and Jingtian & Gongcheng Law Firm, our legal advisers on PRC law, in respect of our general matters and property interests;

(e) the letter issued by Campbells, our legal advisers on Cayman Islands laws, summarizing certain aspects of Companies Law referred to in the paragraph headed "Appendix III—Summary of the Constitution of our Company and Cayman Islands Company Law" in this document;

(f) the Companies Law;

(g) the material contracts referred to in the paragraph headed "Appendix IV—Statutory and General Information—B. Further Information about the Business of our Company—1. Summary of Material Contracts" in this document;

(h) the service agreements and letters of appointment referred to in the paragraph headed "Appendix IV—Statutory and General Information—C. Further Information about Directors and Substantial Shareholders—2. Particulars of Directors' Service Contracts and Letters of Appointment" in this document;

(i) the written consents referred to in the paragraph headed "Appendix IV—Statutory and General Information—E. Other Information—9. Consents" in this document;

(j) the rules of the Share Option Plan;

(k) the rules of the Share Option Scheme; and

(l) a full list of all the grantees under the Share Option Plan.