上海康德萊醫療器械股份有限公司
Shanghai Kindly Medical Instruments Co., Ltd.*

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

Stock Code : 1501

GLOBAL OFFERING

Sole Sponsor

交銀國際
BOCOM International

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

交銀國際
BOCOM International

招銀国际
CMB INTERNATIONAL

**For identification purposes only*

IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

上海康德萊醫療器械股份有限公司

Shanghai Kindly Medical Instruments Co., Ltd.*

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

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	**:**	**40,000,000 H Shares (subject to the Over-allotment Option)**
Number of International Offer Shares	**:**	**36,000,000 H Shares (subject to reallocation and the Over-allotment Option)**
Number of Hong Kong Offer Shares	**:**	**4,000,000 H Shares (subject to reallocation)**
Maximum Offer Price	**:**	**HK$20.80 per Offer Share, plus brokerage of 1.0%, 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	**:**	**RMB1.00 per H Share**
Stock code	**:**	**1501**

Sole Sponsor

交銀國際 BOCOM International

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

交銀國際 BOCOM International

招銀国际 CMB INTERNATIONAL

A copy of this prospectus, having attached thereto the documents specified in Appendix VII to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong, The Stock Exchange of Hong Kong Limited, Hong Kong Exchanges and Clearing Limited and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date, which is expected to be on or about Friday, November 1, 2019 or such later date as may be agreed between the Joint Global Coordinators and our Company, but in any event not later than Monday, November 4, 2019. The Offer Price will not be more than HK$20.80 per Offer Share and is currently expected to be not less than HK$20.10 per Offer Share unless otherwise announced. Investors applying for Hong Kong Offer Shares must pay, on application, the maximum Offer Price of HK$20.80 for each Hong Kong Offer Share together with a brokerage of 1.0%, an SFC transaction levy of 0.0027% and a Hong Kong Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is lower than HK$20.80.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may, with consent of our Company, reduce the indicative Offer Price range stated in this prospectus and/or the number of Offer Shares being offered under the Global Offering at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, a notice of the reduction in the number of Offer Shares being offered in the Global Offering and/or the indicative offer price range will be published on our website at www.kdl-int.com and the website of the Hong Kong Stock Exchange at www.hkexnews.hk not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. For further information, please refer to the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on or before Monday, November 4, 2019, the Global Offering will not become unconditional and will lapse immediately.

Prospective investors should note the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe, and to procure subscribers to subscribe, for the Hong Kong Offer Shares, are subject to termination by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) if certain events shall occur prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Further details of the terms of such provisions are set out in the section headed "Underwriting" in this prospectus.

Our Company is established, and substantially all of our businesses are located, in the PRC. Potential investors should be aware of the differences in the legal, economic and financial systems between the PRC and Hong Kong and that there are different risk factors relating to investment in PRC-incorporated businesses. Potential investors should also be aware that the regulatory framework in the PRC is different from the regulatory framework in Hong Kong and should take into consideration the different market nature of the shares of our Company. Such differences and risk factors are set out in the section headed "Risk Factors" in this prospectus, and Appendices III, IV and V to this prospectus.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered or sold, pledged or transferred within the United States or to, or for the account or benefit of, U.S. persons, except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares are being offered and sold outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

* *For identification purpose only*

October 28, 2019

Latest time for completing electronic applications under **White Form eIPO** service through the designated website **www.eipo.com.hk**[2] ..... 11:30 a.m. on Thursday, October 31, 2019

Application lists open[3] ..... 11:45 a.m. on Thursday, October 31, 2019

Latest time for lodging **WHITE** and **YELLOW** Application Forms ..... 12:00 noon on Thursday, October 31, 2019

Latest time for completing payment for **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s) ..... 12:00 noon on Thursday, October 31, 2019

Latest time for giving **electronic application instructions** to HKSCC[4] ..... 12:00 noon on Thursday, October 31, 2019

Application lists close[3] ..... 12:00 noon on Thursday, October 31, 2019

Expected Price Determination Date[5] ..... Friday, November 1, 2019

Announcement of:

- the Offer Price;
- the level of applications in the Hong Kong Public Offering;
- the level of indications of interest in the International Offering;
- the basis of allocation of the Hong Kong Public Offering; and
- the number of Offer Shares reallocated, if any, between the Hong Kong Public Offering and the International Offering

to be published on the website of the Stock Exchange at **www.hkexnews.hk**[6] and our website at **www.kdl-int.com**[6] on or before ..... Thursday, November 7, 2019

An announcement of results of allocations in the Hong Kong Public Offering (including successful applicants' identification document numbers, where appropriate) will be available through a variety of channels (including the website of the Stock Exchange at **www.hkexnews.hk**[6] and our website at **www.kdl-int.com**[6]) (please refer to the paragraph headed "How to Apply for Hong Kong Offer Shares – 11. Publication of Results" in this prospectus) from . . . . . Thursday, November 7, 2019

Results of allocations in the Hong Kong Public Offering will be available at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment**) with a "search by ID" function from . . . . . Thursday, November 7, 2019

Dispatch/Collection of H Share certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering[7] . . . . . Thursday, November 7, 2019

White Form e-Refund payment instructions/refund cheques in respect of wholly or partially unsuccessfully applications to be dispatched on or before[8] . . . . . Thursday, November 7, 2019

Dealings in H Shares on the Stock Exchange expected to commence . . . . . 9:00 a.m. on Friday, November 8, 2019

(1) Unless otherwise stated, all times and dates refer to Hong Kong local times and dates. Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus.

(2) You will not be permitted to submit your application to the **White Form eIPO Service Provider** through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is/are a "black" rainstorm warning, a tropical cyclone warning signal number 8 or above and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, October 31, 2019, the application lists will not open and close on that day. Further information is set out in the paragraph headed "How to Apply for Hong Kong Offer Shares – 10. Effect of Bad Weather on the Opening of the Application Lists" in this prospectus. If the application lists do not open and close on Thursday, October 31, 2019, the dates mentioned in this section may be affected.

(4) Applicants who apply for the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the paragraph headed "How to Apply for Hong Kong Offer Shares – 6. Applying by giving **electronic application instructions** to HKSCC via CCASS" in this prospectus.

(5) We expect to determine the Offer Price by agreement with the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on the Price Determination Date which is expected to be on or around Friday, November 1, 2019 and, in any event, not later than Monday, November 4, 2019. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us by Monday, November 4, 2019, the Hong Kong Public Offering and the International Offering will not proceed.

(6) None of the websites or any of the information contained on the websites form part of this prospectus.

(7) No temporary documents of title will be issued in respect of the Offer Shares. H Share certificates for the Hong Kong Offer Shares will only become valid certificates of title if (i) the Global Offering has become unconditional in all respects, and (ii) the Underwriting Agreements have not been terminated in accordance with their respective terms before 8:00 a.m. on the Listing Date. Investors who trade H Shares on the basis of publicly available allocation details prior to the receipt of H Share certificates or prior to the H Share certificates becoming valid certificates of title do so entirely at their own risk.

(8) e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications, and also in respect of successful applications if the Offer Price is less than the price payable on application. Part of the applicant's Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant's Hong Kong identity card number or passport number before cashing the refund cheque. Inaccurate completion of an applicant's Hong Kong identity card number or passport number may lead to delay in encashment of or may invalidate the refund cheque.

The above expected timetable is a summary only. For details of the structure of the Global Offering, including its conditions, and the procedures for applications for Hong Kong Offer Shares, please refer to the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus, respectively.

CONTENTS

This prospectus is issued by our Company solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. Our Company has not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus or the Application Forms must not be relied on by you as having been authorized by our Company, the Sole Sponsor, any of the Joint Global Coordinators, any of the Underwriters, any of our or their respective directors, officers, representatives, or affiliates, or any other person or party involved in the Global Offering. Information contained in our website, located at ***www.kdl-int.com****, does not form part of this prospectus.*

CONTENTS

This summary aims to give you an overview of the information contained in this prospectus and should be read in conjunction with the full text of this prospectus. Since this is a summary, it does not contain all the information that may be important to you. You should read the whole prospectus, including our financial statements and the accompanying notes, before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks of investing in the Offer Shares are set forth in the section headed "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are a leading Chinese cardiovascular interventional device manufacturer. Our major products are primarily used for cardiovascular surgeries, in particular PCI procedures, including inflation device, introducer set, guidewire, pressure bandage, Y connector pack, pressure extension tube, manifold and angiography catheter. According to Frost & Sullivan, we ranked first in the PRC PCI supporting device market among domestic brands (seventh among all brands with a 3.1% market share), and second in the PRC coronary interventional device market among domestic brands (tenth among all brands with a 1.8% market share), both in terms of sales revenue in 2018.

We believe that our strong research and development capabilities are critical to our leading position in the cardiovascular interventional device market in China. We have begun designing, developing and producing medical devices since our inception, and have developed a comprehensive range of products to meet clinical needs. Our raw materials are mainly plastic resins and are primarily procured from suppliers in China. As of the Latest Practicable Date, we had 62 registered patents, 75 patents under application and five registered software. In addition, we had obtained 15 NMPA registration certificates for Class III medical devices and 12 Shanghai MPA registration certificates for Class II medical devices. As of the Latest Practicable Date, we had 28 CE approved products and 10 FDA approved products.

A substantial majority of our total revenue was generated from sales of our cardiovascular interventional medical devices, while the remaining portion was generated from sales of our medical accessories or other products. Leveraging on our extensive network of distributors, we benefit from our distributors' established channels and resources to save costs and expedite the time required for launching and selling our products in target markets. During the Track Record Period, approximately 50% of our total revenue was generated from the sales to our distributors, while the remainder was generated from the sales to medical device manufacturers and other customers.

OUR STRENGTHS

We believe that our principal competitive strengths include the following:

- Leading market position for cardiovascular interventional devices in China with strong reputation and market recognition
- Established leader in fast-growing medical device market in China that benefits from favorable policies
- Strong in-house research and development capabilities to expand our product lines and enter into new intervention areas
- Broad portfolio covering major medical devices necessary for cardiovascular interventional surgeries
- Established marketing and distribution network covering major regions across China and around the world
- Visionary and dedicated management team supported by energetic and cohesive talent pool

For details, please refer to the paragraph headed "Business – Our Strengths" in this prospectus.

OUR STRATEGIES

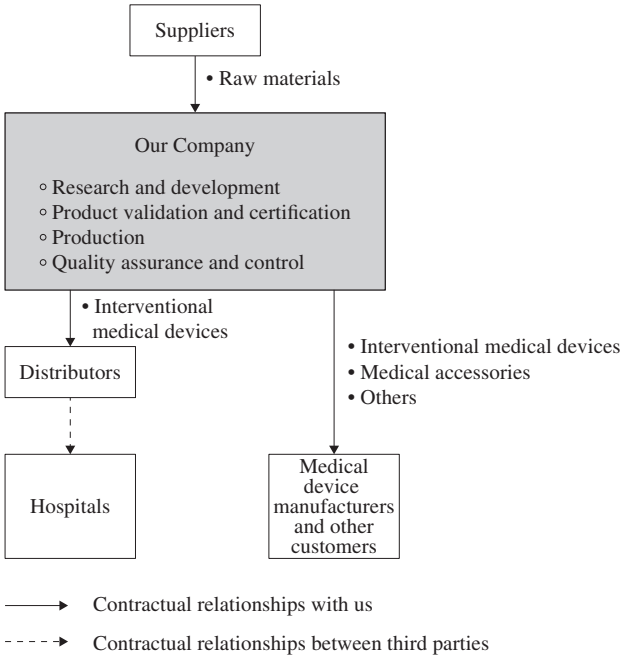
Our goal is to be a world-renowned interventional and implantable medical device group led by scientific and technological innovation. We plan to implement the following strategies to achieve this goal and vision.

- Expand production capacity to meet growing market demand
- Continue to develop and commercialize existing pipeline products, as well as to further expand our product offerings
- Pursue strategic acquisitions and partnerships in start-up projects and distributors
- Consolidate cooperation with doctors, hospitals and research institutions to enhance our research and development capabilities

For details, please refer to the paragraph headed "Business – Our Strategies" in this prospectus.

OUR BUSINESS MODEL

We currently focus on the research and development, manufacturing and sales of cardiovascular interventional medical devices. We also manufacture medical accessories and provide other products and services, such as certain non-interventional products and mold design, mold manufacturing and production services, to selected customers. The diagram below sets forth our business model:



For details, please refer to the paragraph headed "Business – Our Business Model" in this prospectus.

OUR PRODUCT AND SERVICE OFFERINGS

Overview

Below is a description of our major products and services:

Products and services	Description
Interventional medical devices	We manufacture and sell certain medical devices that are used in interventional procedures, such as inflation device, introducer set, guidewire, pressure bandage, Y connector pack, pressure extension tube, manifold and angiography catheter. As of the Latest Practicable Date, we had 27 NMPA/Shanghai MPA registration certificates for medical devices, 28 CE approved products and 10 FDA approved products.
Medical accessories	We manufacture certain types of medical accessories, such as luer connectors and others, mainly for other medical device manufacturers.
Others	Our other products and services primarily include (i) customized mold design, mold manufacturing and production services; and (ii) certain non-interventional products, such as vaginal dilators.

The table below sets forth a breakdown of our revenue by major product line for the periods indicated:

	For the year ended December 31,						For the four months period ended April 30,			
	2016		2017		2018		2018		2019	
							(unaudited)			
	(RMB in thousands, except percentages)									
Interventional medical devices										
Cardiovascular	80,910	76.0%	108,809	79.1%	175,676	86.6%	50,370	83.8%	78,979	90.9%
Orthopedics and others	490	0.5%	877	0.6%	1,098	0.5%	352	0.6%	181	0.2%
Subtotal	81,400	76.5%	109,686	79.7%	176,774	87.1%	50,722	84.4%	79,160	91.1%
Medical accessories	18,735	17.6%	23,240	16.9%	20,589	10.1%	7,147	11.9%	5,112	5.9%
Others	6,310	5.9%	4,625	3.4%	5,696	2.8%	2,224	3.7%	2,638	3.0%
Total	106,445	100.0%	137,551	100.0%	203,059	100.0%	60,093	100.0%	86,910	100.0%

For details, please refer to the paragraph headed "Business – Our Product and Service Offerings" in this prospectus.

SALES, DISTRIBUTION AND MARKETING

Consistent with the industry practice, we sell our interventional medical devices to third party distributors in China and overseas, which then sell these devices to hospitals and/or other end-customers directly or through sub-distributors. We also sell our interventional medical devices and medical accessories to medical device manufacturers and other customers in China and overseas directly. We require most of our distributors to make full prepayment for our products before we ship products to them. We also require most of our medical device manufacturers and other customers to pay off all outstanding invoices before the end of their credit periods. Our payment scheme helps ensure we maintain strong liquidity and healthy cash flows. Please refer to the paragraph headed "Business – Sales, Distribution and Marketing" in this prospectus for details. In addition, we generally price our products by taking into account our costs, prices for competing products, suggested price or price range set by the tender process, our market position and distributor feedback. Nonetheless, our products' prices in China are subject to price control as they are affected by the bidding and tender processes organized by government agencies and hospitals. For further details, please refer to the paragraph headed "Risk Factors – Aspects of the impending healthcare reform in China may adversely affect our business. If the Chinese government decides to impose stronger price controls over our products, our results of operations would be materially and adversely affected" in this prospectus.

We have an extensive and growing distribution network. In 2018, we had 296 PRC distributors covering 22 provinces, four directly-administered municipalities and three autonomous regions in China, and 43 overseas distributors covering over 40 countries and regions. In the first four months of 2019, we had 235 PRC distributors covering 21 provinces, four directly-administered municipalities and two autonomous regions in China, and 32 overseas distributors covering over 24 countries and regions. In comparison, in the first four months of 2018, we had 206 PRC distributors covering 19 provinces, four directly-administered municipalities and two autonomous regions in China, and 26 overseas distributors covering 18 countries and regions. The table below sets forth the number of our distributors in China and overseas for the periods indicated:

	Year ended December 31,			Four months period ended April 30,	
	2016	2017	2018	2018	2019
Mainland China	206	238	296	206	235
Overseas					
Europe	11	14	15	10	14
Others[(1)]	20	23	28	16	18
Subtotal	31	37	43	26	32
Total	237	275	339	232	267

(1) Others include various countries and regions in Oceania, Africa, North America, South America and Asia (other than Mainland China).

For details of our pricing model, please refer to the paragraph headed "Business – Sales, Distribution and Marketing – Pricing" in this prospectus.

OUR CUSTOMERS AND SUPPLIERS

Our Customers

Our customers comprise of: (i) distributors which sell our products to hospitals and/or other end-customers directly or through sub-distributors; and (ii) medical device manufacturers and other customers. The table below sets forth the number of our customers (which include both distributors and medical device manufacturers and other customers) by geographic region for the periods indicated:

	Year ended December 31,			Four months period ended April 30,	
	2016	2017	2018	2018	2019
Mainland China	392	404	466	307	354
Overseas					
Europe	31	33	35	26	28
U.S.	3	2	3	1	4
Others[(1)]	70	67	78	51	50
Subtotal	104	102	116	78	82
Total	496	506	582	385	436

(1) Others include various countries and regions in Oceania, Africa, North America (other than the U.S.), South America, and Asia (other than Mainland China).

The following table sets forth a breakdown of our revenue by sales channel for the periods indicated:

	For the year ended December 31,						For the four months period ended April 30,			
	2016		2017		2018		2018		2019	
							(unaudited)			
	(RMB in thousands, except percentages)									
Sales to distributors	53,092	49.9%	64,694	47.0%	107,278	52.8%	30,984	51.6%	45,847	52.8%
Sales to medical device manufacturers and other customers	53,353	50.1%	72,857	53.0%	95,781	47.2%	29,109	48.4%	41,063	47.2%
Total	106,445	100%	137,551	100%	203,059	100%	60,093	100%	86,910	100%

For details, please refer to the paragraph headed "Business – Our Customers" in this prospectus.

For details of our relationship with the KDL Group, please refer to the paragraph headed "Business – Our Customers – Relationship with the KDL Group" in this prospectus.

Raw Materials and Our Suppliers

Our principal raw materials include plastic resins, accessories and packaging materials. We procure our raw materials primarily from suppliers in China. We purchased these raw materials from multiple suppliers at prevailing market prices. During the Track Record Period and up to the Latest Practicable Date, we purchased raw materials for our products from approximately 81 suppliers. We generally enter into annual contracts with our suppliers. We select our raw material suppliers based on a number of factors, including their reputation, production capacity, quality control systems and their ability to deliver raw materials that meet our quality standards in a timely manner. In 2016, 2017 and 2018 and the first four months of 2018 and 2019, costs of raw materials accounted for 49.3%, 52.2%, 54.4%, 54.3% and 54.2% of our total cost of sales, respectively. For details, please refer to the paragraph headed "Business – Raw Materials and Our Suppliers" in this prospectus.

For details of our relationship with the KDL Group, please refer to the paragraph headed "Business – Raw Materials and Our Suppliers" in this prospectus.

RESEARCH AND DEVELOPMENT

Our research and development team works closely with hospitals and doctors to develop clinically effective and commercially attractive products. In designing and developing our products, we consult with hospitals and doctors to assist us in identifying the clinical needs. As of the Latest Practicable Date, our research and development team consisted of 101 members. Our research and development head, Mr. Li Tao, has over 12 years of relevant research and development experience. As of the Latest Practicable Date, we had a total of 62 registered patents, 75 patents under application and five registered software. As of the same date, we had obtained 27 registration certificates for PRC products, including 15 NMPA registration certificates for Class III medical devices and 12 Shanghai MPA registration certificates for Class II medical devices. In 2016, 2017 and 2018 and the first four months of 2018 and 2019, we incurred

research and development expenses of RMB10.9 million, RMB12.9 million, RMB22.1 million, RMB4.9 million and RMB7.7 million, respectively, representing 10.2%, 9.4%, 10.9%, 8.1% and 8.9% of our total revenue, respectively. For details, please refer to the paragraph headed "Business – Research and Development" in this prospectus.

BUSINESS ACTIVITIES IN COUNTRIES SUBJECT TO INTERNATIONAL SANCTIONS

During the Track Record Period, we delivered certain of our products (including but not limited to introducer set, inflation device, Y connector pack and angiography catheter) to Iran and Syria, both of which are subject to comprehensive sanctions programs administered by OFAC. As advised by our International Sanctions Legal Adviser, our activities during the Track Record Period (including our transactions denominated in U.S. dollars with two distributors in Syria, our involvement with the Iranian SDNs and the Part 561 List Entity) are unlikely to violate any International Sanctions law or regulation and do not give rise to any material sanctions risk. We have no present intention to undertake any future business with persons on the SDN Lists, any business connected to any comprehensively sanctioned countries, or any other business that may expose us to sanctions risks. Furthermore, in our future dealing with customers in Countries subject to International Sanctions of any kind, we will implement internal control measures to minimize our risk exposure to international sanctions. Please refer to the paragraph headed "Business – Business Activities in Countries Subject to International Sanctions" in this prospectus for more details.

SUMMARY FINANCIAL INFORMATION

The tables below include, for the periods indicated, selected financial data derived from the section headed "Historical Financial Information" of the Accountants' Report contained in Appendix I to this prospectus, and these should be read in conjunction with the financial statements in the Accountants' Report contained in Appendix I to this prospectus, including the related notes.

Summary Consolidated Statements of Profit or Loss and Other Comprehensive Income

	For the year ended December 31,			For the four months period ended April 30,	
	2016	2017	2018	2018	2019
				(unaudited)	
	(RMB in thousands)				
Revenue	106,445	137,551	203,059	60,093	86,910
Cost of sales	(47,440)	(59,755)	(84,662)	(25,467)	(32,924)
Gross profit	59,005	77,796	118,397	34,626	53,986
Other income	7,854	2,939	9,694	882	3,089
Distribution costs	(6,095)	(8,604)	(17,600)	(3,505)	(4,733)
Administrative expenses	(10,476)	(11,489)	(20,504)	(3,671)	(6,981)
Research and development expenses	(10,876)	(12,922)	(22,098)	(4,867)	(7,720)
(Recognition)/reversal of impairment losses	(60)	8	111	7	58
Profit from operations	39,352	47,728	68,000	23,472	37,699
Finance costs	–	–	(1,527)	(17)	(980)
Profit before taxation	39,352	47,728	66,473	23,455	36,719
Income tax	(5,351)	(6,958)	(8,237)	(2,870)	(5,460)
Profit for the year	34,001	40,770	58,236	20,585	31,259

Summary of Certain Items of Consolidated Statements of Financial Position

	As of December 31,			As of April 30,	As of August 31,
	2016	2017	2018	2019	2019
	(RMB in thousands)				
Non-current assets	37,482	42,773	134,410	145,809	167,512
Current assets	148,610	189,683	347,630	323,798	290,400
Financial assets at fair value through profit or loss	–	–	–	169,945	23,824
Non-current liabilities	6,434	5,008	57,996	56,707	4,169
Current liabilities	20,214	27,234	42,734	48,210	49,842
Net current assets	128,396	162,449	304,896	275,588	240,558
Net assets	159,444	200,214	381,310	364,690	403,901

The increase in our net assets from December 31, 2016 to December 31, 2018 was primarily attributable to (i) an increase in net profit and (ii) the capital injection from our shareholders and non-controlling interests of our subsidiaries of RMB189.5 million in aggregate in 2018. The decrease in our nets assets from December 31, 2018 to April 30, 2019 was primarily attributable to cash dividends of RMB53.4 million distributed in April 2019, partially offset by the net profit of RMB31.3 million generated in the period.

Please refer to the section headed "Financial Information" in this prospectus for more details.

Our financial assets at fair value through profit or loss increased by RMB169.9 million as of April 30, 2019 because we purchased certain wealth management products using cash. Our wealth management products were issued by reputable commercial banks and financial institutions. Please refer to the paragraph headed "Financial Information – Liquidity and Capital Resources – Current Assets and Current Liabilities" in this prospectus for details.

Summary Consolidated Cash Flow Statement

	For the year ended December 31,			For the four months period ended April 30,	
	2016	2017	2018	2018	2019
			(RMB in thousands)	*(unaudited)*	
Operating profits before changes in working capital	41,061	55,091	75,641	26,774	40,819
Net cash generated from operating activities	38,910	39,324	66,492	10,642	25,303
Net cash (used in)/generated from investing activities	(12,883)	45,675	(39,584)	(732)	(184,103)
Net cash (used in)/generated from financing activities	(12,800)	–	121,896	1,382	(51,774)
Net increase/(decrease) in cash and cash equivalent	13,227	84,999	148,804	11,292	(210,574)
Effects of foreign exchange rates changes	1,378	(2,742)	2,658	(2,174)	(1,120)
Cash and cash equivalent at the end of the year	64,445	146,702	298,164	155,820	86,470

In 2016, 2017 and 2018, our total revenue was RMB106.4 million, RMB137.6 million and RMB203.1 million, respectively, representing a CAGR of 38.1% from 2016 to 2018, while our net profit was RMB34.0 million, RMB40.8 million and RMB58.2 million, respectively, representing a CAGR of 30.9% for the same periods. In the first four months of 2018 and 2019, our total revenue was RMB60.1 million and RMB86.9 million, respectively, while our net profit was RMB20.6 million and RMB31.3 million, respectively. Our total revenue and net profit experienced a continued increase during the Track Record Period, primarily driven by, among other things, increases in our market share and market demand.

We generate revenue from sales of interventional medical devices, medical accessories and other products and services. In 2016, 2017 and 2018 and the first four months of 2018 and 2019, our interventional medical devices sales accounted for 76.5%, 79.7%, 87.1%, 84.4% and 91.1% of our total revenue, respectively, and our medical accessories sales accounted for 17.6%, 16.9%, 10.1%, 11.9% and 5.9% of our total revenue, respectively. We derive most of our revenue from sales of interventional medical devices in China. Accordingly, our revenue depends on the market demand for medical devices in China. We expect that favorable governmental policies will drive the demand for medical devices in China.

Please refer to the section headed "Financial Information" in this prospectus for more details.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios for the periods and as of the dates indicated.

	Year ended/as of December 31,			For the four months period ended/as of April 30,
	2016	2017	2018	2019
Gross profit margin[(1)]	55.4%	56.6%	58.3%	62.1%
Net profit margin[(2)]	31.9%	29.6%	28.7%	36.0%
Return on equity[(3)]	22.8%	22.7%	20.4%	N/A
Return on total assets[(4)]	19.8%	19.5%	16.3%	N/A
Current ratio[(5)]	7.4	7.0	8.1	6.7

(1) Calculated by dividing gross profit by total revenue.

(2) Calculated by dividing profit for the year/period by total revenue.

(3) Calculated by dividing profit attributable to equity shareholders for the year by the average of total equity attributable to equity shareholders at the beginning and the end of each year.

(4) Calculated by dividing profit for the year by the average of total assets at the beginning and the end of each year.

(5) Calculated by dividing total current assets by total current liabilities.

OUR CONTROLLING SHAREHOLDERS

As of May 31, 2019, (i) Zhang Family, as concert parties, indirectly controlled KDL Holding; and (ii) KDL Holding was directly interested in 40.91% of the issued ordinary share capital of KDL, which in turn directly held 35.71% of the Shares in issue prior to the Global Offering. KDL Holding is the holding company of KDL as (i) it controls the board of directors of KDL as it has nominated six out of nine directors of KDL; and (ii) it is the single largest Shareholder of KDL.

Immediately following completion of the Global Offering, KDL will have a direct interest in 26.79% of our Shares in issue (assuming that the Over-Allotment Option is not exercised). Each of the Domestic Shareholders (except KDL) has executed an undertaking in favour of KDL (i) for KDL to, subject to compliance with the Listing Rules, Articles and terms of reference of our nomination

committee, nominate three non-independent Directors and two independent non-executive Directors; and to (ii) vote in favour of the Director candidates nominated by KDL. As such, KDL controls the composition of a majority of our Board and will continue to be a Controlling Shareholder by virtue of Rule 1.01 of the Listing Rules after the completion of the Global Offering. Based on the above, KDL, KDL Holding and Zhang Family are considered as our Controlling Shareholders by virtue of the Listing Rules. Pursuant to the statements regarding acting in concert and related party relationships executed by the Domestic Shareholders, the Domestic Shareholders confirmed that they do not act in concert in exercising their rights as Domestic Shareholders.

We have entered into certain continuing connected transactions with our Controlling Shareholders and their respective associates. For details, please refer to the sections headed "Waivers from Strict Compliance with Listing Rules" and "Connected Transactions" in this prospectus.

THE SPIN-OFF

KDL is a company established in the PRC, the issued A shares of which are listed on the Shanghai Stock Exchange with the stock code 603987. Pursuant to the Spin-off Circular, the offshore listing of the subsidiaries controlled by the domestic listed companies shall comply with the conditions set out in the Spin-off Circular and obtain approvals from the CSRC. The Listing of our Company constitutes a Spin-off of KDL and is subject to the approval of the CSRC. The Listing of our Company was approved by KDL's shareholders at an annual general meeting on April 19, 2019 and by the CSRC on August 14, 2019. As advised by our PRC Legal Adviser, our Company has obtained all necessary approvals and authorization in the PRC in relation to Listing. Please refer to the section headed "Relationship with Our Controlling Shareholders" in this prospectus.

PRE-IPO INVESTMENTS

In August 2018, Ningbo Huaige Taiyi and Ningbo Tongchuang Suwei acquired 21.0% and 5.0% of our issued share capital, respectively. For details, please refer to the paragraph headed "Pre-IPO Investments" in the section headed "History and Corporate Structure" in this prospectus.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since April 30, 2019, the date of our latest audited consolidated financial statements, and there has been no event since April 30, 2019 which materially affects the information in the Accountants' Report in Appendix I to this prospectus.

RISK FACTORS

Our business faces risks including those set out in the section headed "Risk Factors" in this prospectus. As different investors may have different interpretations and criteria when determining the significance of a risk, you should read the section headed "Risk Factors" in its entirety of this prospectus. Some of the major risk factors that we face include:

- The medical device industry is highly regulated in China and other countries where our products are exported.
- The medical device industry in China is rapidly evolving and highly competitive.
- We are dependent on sales of interventional medical devices.
- We may not be able to maintain or renew all the permits, licenses and certificates required for our business, and if we fail any inspections, examinations, audits or reviews by the relevant regulatory authorities, our reputation will be damaged and we may be subject to fines or other penalties.
- Aspects of the impending healthcare reform in China may adversely affect our business. If the Chinese government decides to impose stronger price controls over our products, our results of operations would be materially and adversely affected.
- We may be unable to effectively manage our network of distributors.
- We may not be able to develop and successfully market new and advanced products in a timely manner or at all and we may not be able to price our new products at a favorable level.

DIVIDENDS AND DIVIDEND POLICY

Our Board of Directors is responsible for submitting proposals for dividend payments to the shareholders' general meeting for approval. The determination of whether to pay a dividend and in which amount is based on our results of operations, cash flow, financial condition, future business prospects, statutory and regulatory restrictions and other factors that our Board of Directors deems relevant. In the case of meeting the capital needs of our normal operations, if there is no major investment or major cash expenditures, we shall give priority to dividend distribution policy of cash dividends. Subject to the Board's discretion, approval of shareholders and market conditions, our Company's accumulated profit to be distributed in cash for fiscal years 2019 and 2020 is expected to be not less than 30% of the annual distributable profit realized for the respective fiscal year. We paid cash dividends of RMB12.8 million, nil, RMB66.6 million and RMB48.2 million in 2016, 2017 and 2018 and for the four months ended April 30, 2019, respectively. For more details, please refer to the paragraph headed "Financial Information – Dividends and Dividend Policy" in this prospectus.

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, we were not a party to any lawsuit. Our Directors confirmed that, as of the Latest Practicable Date, none of our Directors, Supervisors or senior management personnel was personally involved in any lawsuits or arbitrations.

As of the Latest Practicable Date, our Directors confirmed and our PRC Legal Adviser opined that we had complied with applicable PRC laws and regulations in all material respects, and were not involved in any material or systemic non-compliance incident during the Track Record Period and up to the Latest Practicable Date. Please refer to the paragraph headed "Business – Legal Proceedings and Regulatory Compliance" in this prospectus.

RECENT DEVELOPMENTS

There had not been, as far as we are aware, any material changes in the general economic and market conditions in the PRC or the industry in which we operate that have been a material and adverse impact on our business operations and financial condition since April 30, 2019 and up to the Latest Practicable Date.

In April 2019, we have entered into a strategic cooperation framework agreement with China National Medical Device Co., Ltd. ("China National Medical Device"), the largest medical device distributor in China in terms of sales revenue in 2018 to establish and strengthen cooperation in increasing both parties' competitiveness in the medical device industry. Through this strategic cooperation framework agreement, we aim to provide comprehensive services to distributors, hospitals and patients in face of changing policies promulgated by the PRC government.

In April and May 2019, we obtained two product certificates for our PTCA balloon catheter and micro-catheter, respectively, from NMPA. We expect these two products to have higher sale prices which help to further improve our profitability.

On July 31, 2019, we entered into an asset transfer framework agreement (the "Asset Transfer Agreement") with KDL after negotiations and internal approval by both parties to acquire from KDL (i) the land use right of a plot of land in Jiading, Shanghai with a total area of 13,425 square meters; and (ii) ownership in the buildings thereon, which are currently leased from KDL and used as our headquarters (the "Property"). We entered into the Asset Transfer Agreement for purposes of (i) ensuring continuous operations since our products sold in China are all registered at our headquarters' address; and (ii) decreasing the amount of continuing connected transactions under the property lease framework agreement with KDL. Please refer to the paragraph headed "Connected Transactions – (B) Continuing Connected Transaction Subject to the Reporting, Annual Review, Announcement Requirements but Exempt from the Independent Shareholders' Approval Requirement – 1. Property Lease Framework Agreement" in this prospectus for more details. We have paid RMB64.3 million as the purchase price (including applicable taxes) for the Property with our internal funds. The acquisition was completed on October 12, 2019. Furthermore, we entered into a property lease termination agreement dated August 12, 2019 with KDL pursuant to which the lease agreement for the Property was terminated and KDL agreed that we may continue to use the Property at nil consideration from July 31, 2019 to the date of completion of transfer of land use rights and property ownership rights of the Property to us.

The following represents our management's analysis of our results of operations for the first six months of 2019, derived from the unaudited condensed consolidated financial statements of our Group for the first six months of 2019 (the "2019 Interim Financial Report"). Our Directors are responsible for the preparation and fair presentation of the 2019 Interim Financial Report in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the HKICPA and other applicable accounting standards as adopted in the section headed "Historical Financial Information" of the Accountant's Report contained in Appendix I to this prospectus. Our 2019 Interim Financial Report is unaudited but has been reviewed by our reporting accountants, KPMG, in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

Based on our 2019 Interim Financial Report, our total revenue increased by 41.2% from RMB95.7 million for the first six months of 2018 to RMB135.1 million for the first six months of 2019, primarily due to the increase in revenue from increased sales volumes of interventional medical devices, as a result of the increase in our market share and number of PCI procedures in China. Our net profit increased by 32.2% from RMB35.1 million for the first six months of 2018 to RMB46.4 million for the first six months of 2019 as a result of business growth.

Based on our 2019 Interim Financial Report, we had (i) net current assets and net assets of RMB288.8 million and RMB386.2 million, respectively, as at June 30, 2019; and (ii) net cash generated from operating activities of RMB42.7 million, net cash used in investing activities of RMB78.4 million and net cash used in financing activities of RMB64.8 million for the first six months of 2019.

Please refer to the paragraph headed "Financial Information – Unaudited Financial Information after Track Record Period" in this prospectus for more details of the 2019 Interim Financial Report.

KDL INTERIM REPORT

Warning Statement

YOU SHOULD RELY ONLY ON THE INFORMATION CONTAINED IN THIS PROSPECTUS TO MAKE YOUR INVESTMENT DECISION. IN PARTICULAR, YOU SHOULD NOT RELY ON ANY PARTICULAR STATEMENTS IN OTHER PUBLISHED ANNOUNCEMENTS, PRESS AND MEDIA COVERAGE AND/OR RESEARCH ANALYST REPORTS RELATING TO OUR CONTROLLING SHAREHOLDER, KDL, OUR GROUP AND THE GLOBAL OFFERING. PLEASE REFER TO THE SECTION HEADED "DISCLOSURE BY KDL" IN THIS PROSPECTUS.

On August 22, 2019, KDL published its half year financial report for the first six months of 2019 on the Shanghai Stock Exchange (the "KDL Interim Report"). The following is a summary of the selected financial information relating to our Group's performance, extracted from the subsection headed "Part X – 9. Interests in other entities – I. Interests in subsidiaries – (3) major financial information of material non-wholly-owned subsidiaries" of the KDL Interim Report, prepared under PRC GAAP:

	As of December 31, 2018	As of June 30, 2019
		(unaudited)
	(RMB in thousands)	
Current assets	359,883	293,695
Non-current assets	61,854	138,981
Total assets	421,737	432,676
Current liabilities	37,188	40,745
Non-current liabilities	3,214	3,448
Total liabilities	40,402	44,193

	For the six months period ended June 30,	
	2018	2019
	(unaudited)	*(unaudited)*
	(RMB in thousands)	
Operating revenue	95,668	135,079
Net profit	32,105	48,642
Comprehensive income	32,105	48,830
Cash generated from operating activities	100,387	14,555

Our Directors confirmed that the difference between our 2019 Interim Financial Report and those disclosed in KDL Interim Report were primarily caused by below:

- In accordance with HKFRS16, we recognized right-of-use assets and lease liabilities on our long-term leases, i.e., leases with terms of more than 12 months. The recognition of right-of-use assets and lease liabilities resulted in temporary differences between the accounting base and the tax base, and we recognised the relevant deferred tax assets on right-of-use assets and lease liabilities accordingly;
- In accordance with HKFRS9, we recognised wealth management products as financial assets at fair value through profit or loss. In addition, we recognized our wealth management products which have maturity periods within three months or are redeemable with prior notice as current assets; and
- Furthermore, we recognized our prepayments for purchase of property, plant and equipment as non-current assets and the related payments as cash flow of investing activities, and the payment for listing expenses to be capitalized as cash flow of financing activities, respectively.

The KDL Interim Report were prepared by KDL for its own reporting and disclosure purpose and we are not in a position to comment on it. We make no representation as to the appropriateness, accuracy, completeness or reliability of the information disclosed in the KDL Interim Report. Investors should not rely on any particular statements from the KDL Interim Report, or in other published announcements, press and media coverage and/or research analyst reports relating to KDL, our Group and the Global Offering other than those issued by us.

OFFER STATISTICS[1]

	Based on an Offer Price of HK$20.10 per H Share	Based on an Offer Price of HK$20.80 per H Share
Market capitalization of our H Shares[2]	HK$804.0 million	HK$832.0 million
Unaudited pro forma adjusted consolidated net tangible asset value per H Share[3]	HK$7.06	HK$7.23
Market capitalization of our Shares[4]	HK$3,216 million	HK$3,328 million

(1) All statistics in this table are presented based on the assumption that options granted under the Over-allotment Option are not exercised.
(2) The calculation of market capitalization is based on 40,000,000 H Shares expected to be in issue and outstanding following the completion of the Global Offering.
(3) The unaudited pro forma adjusted consolidated net tangible asset value per H Share is arrived at after the adjustments referred to in Appendix II to this prospectus.
(4) The calculation of market capitalization is based on a total number of 160,000,000 Shares expected to be issued and outstanding following the completion of the Global Offering.

USE OF PROCEEDS

Assuming (i) an Offer Price of HK$20.45 per Offer Share, being the mid-point of the indicative Offer Price range of HK$20.10 to HK$20.80 per Offer Share; and (ii) that the Over-Allotment Option is not exercised, the net proceeds from the Global Offering are estimated to be HK$744.5 million after deducting underwriting commission, incentive fees and other expenses payable by us in connection with the Global Offering. In line with our business strategies, we intend to use our net proceeds from the Global Offering for the following purposes:

Amount of the estimated net proceeds	Intended use of net proceeds
34.1%, or HK$253.9 million	Set up a research and development center and an additional production facility in Jiading, Shanghai, including HK$64.8 million for intending to acquire a new plot of land with 13,330 square meters, obtaining relevant approvals and designing, and HK$127.4 million for constructing the foundation and structures of new facilities on the land and HK$61.7 million for furnishing of such new facilities
14.4%, or HK$107.2 million	Develop and commercialize existing pipeline products to further expand our product offerings
13.8%, or HK$102.7 million	Purchase additional and replacement of existing production equipment and automate production lines
8.7%, or HK$64.8 million	Expand our distribution network and coverage, collaborate with local distributors and intensify our marketing efforts
19.6%, or HK$145.9 million	Fund potential strategic investments including acquisition, partnership and license-in
9.4%, or HK$70.0 million	General corporate purposes and fund our working capital

Please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus.

LISTING EXPENSES

Assuming the Global Offering is based on the middle point price of the Offer Price range, the estimated total Listing expenses in relation to the Listing and the Global Offering are approximately RMB64.6 million, consisting of approximately RMB57.1 million that is directly attributable to the issuance of new H Shares to the public and accounted for as a deduction from equity, approximately RMB7.2 million to be deducted from our consolidated statements of profits or loss after April 30, 2019 and approximately RMB0.3 million recognized in our consolidated statements of profits or loss for the year ended December 31, 2018. Our Directors do not expect these expenses to materially impact our results of operations for the year ended December 31, 2019. Please refer to the paragraph headed "Financial Information – Listing Expenses" in this prospectus.

YOU SHOULD RELY ONLY ON THE INFORMATION CONTAINED IN THIS PROSPECTUS TO MAKE YOUR INVESTMENT DECISION. IN PARTICULAR, YOU SHOULD NOT RELY ON ANY PARTICULAR STATEMENTS IN OTHER PUBLISHED ANNOUNCEMENTS, PRESS AND MEDIA COVERAGE AND/OR RESEARCH ANALYST REPORTS RELATING TO OUR CONTROLLING SHAREHOLDER, KDL, OUR GROUP AND THE GLOBAL OFFERING EXCEPT FOR THE INFORMATION THAT WAS PROVIDED BY OUR COMPANY.

Prior to Listing

Prior to the publication of this prospectus, there have been, and there may be subsequent to the date of this prospectus but prior to our Listing, announcements, press and media coverage and research analyst reports regarding KDL and its subsidiaries (including our Group) and the Global Offering, which have also included or will include certain historical and forward-looking financial information under PRC GAAP about KDL and its subsidiaries (including our Group) and information about business operation and strategic development concerning KDL and its subsidiaries (including companies comprising our Group), that do not appear in this prospectus. Forward-looking financial or business information contained in such announcements, press and media coverage and research analyst reports or other documents not authorised by us should not, in any way, be interpreted as profit projection or business forecast of our Group.

KDL published its half year report on August 22, 2019, which contained analysis of the operating results and financial position of KDL and its subsidiaries (including companies comprising our Group) for the six months ended June 30, 2019. To the best knowledge of our Directors, other than the aforesaid and any disclosure which may be required to be published by KDL upon the occurrence of any material event which may result in significant adjustment to published forecasted financial figures, KDL has no current plan to publish any other forward looking financial information of our Group before the Listing.

Our Company does not endorse or participate in the disclosure of any such half year report and announcement (except for the information that was provided by our Company), and thus our Company does not accept any responsibility for any such publications nor information contained in such publications. In particular, our Company makes no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. If any such information appearing in publications other than this prospectus is inconsistent or conflicts with the information in this prospectus, our Company disclaims it.

After the Listing

There may continue to be publication of announcements, press and media coverage and/or research analyst reports regarding KDL and its subsidiaries (including our Group) after our Listing. KDL may continue to publish certain historical and forward-looking financial information about the operations and financial condition in the ordinary course of business of KDL and its subsidiaries (including our Group). In particular, KDL publishes its consolidated

periodic financial information, which covers the business and financial performance of our Group, on a quarterly basis. Please refer to the paragraph headed "Financial Information – KDL Interim Report" in this prospectus for more details.

Accordingly, any forward-looking financial information published by KDL should not be considered as profit forecasts and estimations of our Group within the ambit of the Listing Rules and the financial results published by KDL do not necessarily contain financial information which is accurate or precise with respect to our Group. You should not place undue reliance on such information.

Accordingly, you should rely only on the information contained in this prospectus to make your investment decision and should not rely on any other information.

We will make announcements from time to time and as may be required under Rule 13.09 of the Listing Rules relating to our Group's business and operations.

Unless the context otherwise requires, the following expressions have the following meanings in this prospectus. Certain other terms are explained in the section headed "Glossary" in this prospectus.

"affiliate"	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"Application Form(s)"	**WHITE** Application Form(s), **YELLOW** Application Form(s) and **GREEN** Application Form(s), individually or collectively, as the context may require
"Articles of Association" or "Articles"	our articles of association, as conditionally adopted on April 20, 2019 with effect from the Listing Date, and as amended from time to time, a summary of which is contained in Appendix V to this prospectus
"associate"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of our Board
"Board of Directors" or "Board"	our board of Directors
"Board of Supervisors"	our board of Supervisors
"BOCOM International Securities"	BOCOM International Securities Limited, a licensed corporation under the SFO permitted to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities) and Type 5 (advising on futures contracts) regulated activities
"Business Day"	a day (other than a Saturday or a Sunday) on which banks in Hong Kong are generally open for normal banking business
"CAGR"	compound annual growth rate
"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 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, who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"China" or "PRC"	the People's Republic of China, which for the purpose of this prospectus and for geographical reference only, excludes Hong Kong, Macau Special Administrative Region of the People's Republic of China and Taiwan
"close associate"	has the meaning ascribed thereto under the Listing Rules
"CMB International Capital"	CMB International Capital Limited, a licensed corporation under the SFO permitted to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities
"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", "our Company", "the Company", "Group", "our Group", "the Group" "we" or "us"	Shanghai Kindly Medical Instruments Co., Ltd. (上海康德莱醫療器械股份有限公司), a joint stock company incorporated in the PRC with limited liability on October 26, 2015, or, where the context requires (as the case may be), its predecessor, Shanghai Kindly Corporation Development Group Medical Equipment Co., Ltd. (上海康德莱企業發展集團醫療器械有限公司), a joint venture established in the PRC on June 7, 2006 and except where the context indicated otherwise (i) our subsidiaries and (ii) with respect to the period before our Company became the holding company of our present subsidiaries, the business operated by our present subsidiaries or (as the case may be) their predecessors

"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed under the Listing Rules and in this context, refers to KDL, KDL Holding and the Zhang Family. The Zhang Family have entered into a concert party agreement on September 15, 2012 in relation to their joint control in KDL and acting in concert in relevant matters
"core connected person"	has the meaning ascribed thereto under the Listing Rules
"Countries subject to International Sanctions"	countries regarding which governments such as the United States or Australia, or governmental organizations, such as the European Union or the United Nations, have, through executive order, passing of legislation or other governmental means, implemented measures that impose economic sanctions against such countries or against targeted industry sectors, groups of companies or persons, and/or organizations within such countries
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"Director(s)"	the director(s) of our Company or any one of them
"Domestic Share(s)"	ordinary share(s) in the share capital of our Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi and are unlisted Shares which are currently not listed or traded in any stock exchange
"Domestic Shareholder(s)"	holder(s) of Domestic Share(s)
"EIT Law"	the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得税法) which was adopted by the National People's Congress on March 16, 2007 and became effective on January 1, 2008, and amended on February 24, 2017 and December 29, 2018
"Extreme Conditions"	extreme conditions caused by a super typhoon as announced by the Government of Hong Kong
"FDA"	U.S. Food and Drug Administration

"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent market, research and consulting company which was founded in 1961 and is based in United States
"Frost & Sullivan Report"	the industry report commissioned by us and independently prepared by Frost & Sullivan, a summary of which is set forth in the section headed "Industry Overview" in this prospectus
"GDP"	gross domestic product
"Global Offering"	the Hong Kong Public Offering and the International Offering
"**GREEN** Application Form(s)"	the application form(s) to be completed by the **White Form eIPO** Service Provider, Computershare Hong Kong Investor Services Limited
"H Share(s)"	overseas listed foreign invested ordinary share(s) in the ordinary share capital of our Company, with a nominal value of RMB1.00 each, which are to be subscribed for and traded in Hong Kong dollars and for which an application has been made for the granting of listing and permission to deal in on the Stock Exchange
"H Share Registrar"	Computershare Hong Kong Investor Services Limited
"HK$" or "Hong Kong dollars"	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
"HKFRS"	Hong Kong Financial Reporting Standards
"HKICPA"	Hong Kong Institute of Certified Public Accountants
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China

"Hongkong Int"	Hongkong INT Medical Instruments Company Limited (香港瑛泰醫療器械有限公司), a company incorporated in Hong Kong with limited liability on February 21, 2019, and a wholly-owned subsidiary of our Company
"Hong Kong Offer Shares"	the 4,000,000 new H Shares initially being offered by our Company for subscription at the Offer Price under the Hong Kong Public Offering (subject to adjustment as described in the section headed "Structure of the Global Offering" in this prospectus)
"Hong Kong Public Offering"	the offer by our Company of the Hong Kong Offer Shares for subscription by the public in Hong Kong as described in the section headed "Structure of the Global Offering" in this prospectus at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% of the Offer Price) and on and subject to the terms and conditions stated herein and in the Application Forms relating thereto
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering named in the paragraph headed "Underwriting – Hong Kong Underwriters" in this prospectus
"Hong Kong Underwriting Agreement"	the conditional Hong Kong underwriting agreement dated October 25, 2019 relating to the Hong Kong Public Offering entered into by, among others, our Company, the Joint Global Coordinators and the Hong Kong Underwriters, as further described in the section headed "Underwriting" in this prospectus
"IFRS(s)"	International Financial Reporting Standards
"IFSR program"	a program tag located at the end of a Sanctioned Person's entry on the SDN List which indicates that Sanctioned Person is listed on the SDN List pursuant to the Iranian Financial Sanctions Regulations, 31 C.F.R. Part 561
"Independent Third Party(ies)"	a party which is not our connected persons (as defined in the Listing Rules) as far as our Directors are aware after having made all reasonable enquiries

"International Offer Shares"	the 36,000,000 new H Shares initially being offered by our Company for subscription at the Offer Price under the International Offering (subject to adjustment as described in the section headed "Structure of the Global Offering" in this prospectus) together with (unless the context otherwise requires) any H Shares issued pursuant to any exercise of the Over-allotment Option
"International Offering"	the conditional placing by the International Underwriters of the International Offer Shares, details of which are described in the section headed "Structure of the Global Offering" in this prospectus
"International Sanctions"	all applicable laws and regulations related to economic sanctions, export controls, trade embargoes and wider prohibitions and restrictions on international trade and investment related activities, including those adopted, administered and enforced by the U.S. Government, the European Union and its member states, United Nations or the Government of Australia
"International Sanctions Legal Adviser"	Hogan Lovells, our legal adviser as to International Sanctions in connection with the Listing
"International Underwriters"	the underwriters of the International Offering, who are expected to enter into the International Underwriting Agreement to underwrite the International Offering
"International Underwriting Agreement"	the conditional international underwriting agreement relating to the International Offering and expected to be entered into by, among others, our Company, the Joint Global Coordinators and the International Underwriters on or about the Price Determination Date
"IRAN program"	a program tag located at the end of a Sanctioned Person's entry on the SDN List which indicates that Sanctioned Person is listed on the SDN List pursuant to the Iranian Transactions and Sanctions Regulations, 31 C.F.R. Part 560
"Iranian SDNs"	An Iranian shipping company and various vessels associated with it that are listed as SDNs on the IRAN program, as well as an Iranian air carrier that is listed as an SDN on the SGDT and IFSR programs

"Joint Global Coordinators", "Joint Bookrunners" or "Joint Lead Managers"	BOCOM International Securities and CMB International Capital
"KDL"	Shanghai Kindly Enterprise Development Group Co., Ltd. (上海康德萊企業發展集團股份有限公司), a company established in the PRC, whose A shares are listed on the Shanghai Stock Exchange with the stock code 603987 or where the context requires (as the case may be), its predecessor Shanghai Kindly Enterprise Development Group Ltd. (上海康德萊企業發展集團有限公司), a company incorporated in the PRC with limited liability on July 1, 1998, one of our Controlling Shareholders
"KDL Group"	KDL and its subsidiaries from time to time (other than members of our Group)
"KDL Holding"	Shanghai Kindly Holding Group Co., Ltd. (上海康德萊控股集團有限公司), a company established in the PRC on August 2, 2006, being one of our Controlling Shareholders. It is owned as to 33.25%, 35.00% and 31.75% by Shanghai Gongye Investment Co., Ltd. (上海共業投資有限公司), Kindly Holding Co., Ltd. (康德萊控股有限公司) and Wenzhou Haiersi Investment Co., Ltd. (溫州海爾斯投資有限公司), respectively
"KDL Holding Group"	KDL Holding and its subsidiaries from time to time
"Latest Practicable Date"	October 19, 2019, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
"Listing"	listing of our H Shares on the Main Board of the Stock Exchange
"Listing Committee"	the listing committee of the Stock Exchange
"Listing Date"	the date expected to be on or about Friday, November 8, 2019 on which our H Shares are listed and from which dealings therein are permitted to take place on the Stock Exchange

"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange, which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
"Mandatory Provisions"	the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas (《到境外上市公司章程必備條款》), as amended, supplemented or otherwise modified from time to time, for inclusion in the articles of association of companies incorporated in the PRC to be listed overseas (including Hong Kong), which were promulgated by the former State Council Securities Committee and the former State Commission for Economic System Reform on August 27, 1994
"NDRC"	the National Development and Reform Commission of the People's Republic of China (中華人民共和國國家發展和改革委員會)
"Ningbo Huaige Taiyi"	Ningbo Huaige Taiyi Equity Investment Partnership (Limited Partnership) (寧波懷格泰益股權投資合夥企業(有限合夥)), a limited partnership established in the PRC on August 8, 2018, being one of the Pre-IPO Investors and Shareholder. It is owned as to 1.56% by Ningbo Huaige Health Investment Management Partnership (Limited Partnership) (寧波懷格健康投資管理合夥企業(有限合夥)) as general partner, and 53.13%, 31.25%, 6.25%, 6.25% and 1.56% by Ningbo Huaige Gongxin Equity Investment Partnership (Limited Partnership) (寧波懷格共信股權投資合夥企業(有限合夥)), Mr. Shi Haibo, Mr. Li Jianyong, Mr. Xing Tao and Mr. Chen Zhigang as limited partners, respectively. Save as disclosed in this prospectus and save for being associates of a Substantial Shareholder, the limited partners of Ningbo Huaige Taiyi are Independent Third Parties
"Ningbo Int"	Ningbo Int Investment Partnership (Limited Partnership) (寧波瑛泰投資合夥企業(有限合夥)), being our employee share incentive platform and Shareholder

"Ningbo Tongchuang Suwei"	Ningbo Tongchuang Suwei Investment Partnership (Limited Partnership) (寧波同創速維投資合夥企業(有限合夥)), a limited partnership established in the PRC on July 6, 2018, being one of the Pre-IPO Investors and Shareholder. It is owned as to 30% by Mr. Chai Yanpeng as general partner, and 25%, 25% and 20% by Mr. Huang Bo, Mr. Tan Furong and Mr. Wang Xiting as limited partners, respectively. Save as disclosed in this prospectus, the general partner and limited partners of Ningbo Tongchuang Suwei are Independent Third Parties
"OFAC"	the United States Department of Treasury's Office of Foreign Assets Control
"Offer Price"	the final Hong Kong dollar price per Offer Share (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) at which H Shares are to be subscribed or purchased pursuant to the Global Offering, which will be not more than HK$20.80 and is expected to be not less than HK$20.10, to be determined as described in the paragraph headed "Structure of the Global Offering – Pricing of the Global Offering" in this prospectus
"Offer Shares"	the Hong Kong Offer Shares and the International Offer Shares
"Over-allotment Option"	the option to be granted by our Company to the International Underwriters under the International Underwriting Agreement pursuant to which our Company may be required by the Joint Global Coordinators (on behalf of the International Underwriters), to allot and issue up to 6,000,000 additional new H Shares, representing 15% of the Offer Shares initially available under the Global Offering, at the Offer Price to, among other things, cover over-allocations in the International Offering, if any
"Part 561 List program"	a program tag located at the end of a Sanctioned Person's entry on the SDN List which indicates that Sanctioned Person is listed on OFAC's list of foreign financial institutions subject to the Iranian Financial Sanctions Regulations, 31 C.F.R. Part 561

"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"PRC Company Law"	the Company Law of the People's Republic of China (中華人民共和國公司法)
"PRC GAAP"	the PRC Accounting Standards for Business Enterprises, and the Application Guidance for Accounting Standard for Business Enterprise and interpretation of Accounting Standards for Business Enterprise and other relevant regulations
"PRC Legal Adviser"	Beijing Deheng Law Offices, the legal adviser to our Company as to PRC law
"PRC Securities Law"	the Securities Law of the People's Republic of China (中華人民共和國證券法)
"Pre-IPO Investments"	investments by the Pre-IPO Investors
"Pre-IPO Investor(s)"	Ningbo Huaige Taiyi and Ningbo Tongchuang Suwei
"Price Determination Date"	the date, expected to be on or about Friday, November 1, 2019 (Hong Kong time), when the Offer Price is determined and, in any event, no later than Monday, November 4, 2019
"Promoters"	the promoters of our Company, being Shareholders of our Company as of September 21, 2015
"Regulation S"	Regulation S under the U.S. Securities Act
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SAFE"	the State Administration for Foreign Exchange of the PRC (中華人民共和國外匯管理局)
"SAMR"	the State Administration of Market Regulation of the PRC

"Sanctioned Person(s)"	certain person(s) and identity(ies) listed on OFAC's Specially Designated Nationals and Blocked Persons List or other restricted parties lists maintained by the United States, European Union, United Nations or Australia, and also referred to as "SDNs"
"SDN List"	the list of Specially Designated Nationals and Blocked Persons maintained by OFAC, which sets forth individuals and entities that are subject to its sanctions and restricted from dealing with U.S. persons
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"SGDT program"	a program tag located at the end of a Sanctioned Person's entry on the SDN List which indicates that Sanctioned Person is listed on the SDN List pursuant to the Global Terrorism Sanctions Regulations, 31 C.F.R. part 594
"Shanghai Healing"	Shanghai Healing Medical Instruments Co., Ltd. (上海翰凌醫療器械有限公司), a company established in the PRC on February 15, 2019 with limited liability and a non-wholly-owned subsidiary of our Company, owned as to 69% by our Company, and 30% by Ms. Chen Linling and 1% by Mr. Dai Gaoxu. Ms. Chen Linling is a Substantial Shareholder and Mr. Dai Gaoxu is the general manager of Shanghai Healing
"Shanghai KDL Research Center"	Shanghai Kindly Medical Instruments Automation Research Center Co., Ltd. (上海康德萊醫療器械自動化研究所有限公司) (formerly known as Shanghai Wandefu Medical Instruments Automation Research Center Co., Ltd. (上海萬德福醫療器械自動化研究所有限公司)), a company established in the PRC on February 23, 2000 with limited liability and a wholly-owned subsidiary of our Company
"Shanghai MPA"	Shanghai Medical Products Administration

"Shanghai Puhui"	Shanghai Puhui Medical Instruments Co., Ltd. (上海璞慧醫療器械有限公司), a non-wholly-owned subsidiary of our Company, a company established in the PRC on November 14, 2018 with limited liability and owned as to 45% by our Company, and 15% by Mr. Chen Gang, 14% by Mr. Chen Caizheng, 10% by Mr. Cheng Songming, 9% by Mr. Wang Xiting and 7% by Ms. Zhu Qiuli. Each of Mr. Chen Gang, Mr. Chen Caizheng and Mr. Cheng Songming is a Substantial Shareholder of Shanghai Puhui. Mr. Wang Xiting and Ms. Zhu Qiuli are Independent Third Parties
"Shanghai Pukon"	Shanghai Pukon Medical Instruments Co., Ltd. (上海璞康醫療器械有限公司), a company established in the PRC on March 28, 2018 with limited liability and a non-wholly-owned subsidiary of our Company, owned as to 85% by our Company and 15% by Mr. Jiang Xiannan. Mr. Jiang Xiannan is a Substantial Shareholder, director and general manager of Shanghai Pukon
"Shanghai Qimu"	Shanghai Qimu Medical Instruments Co., Ltd. (上海七木醫療器械有限公司), a company established in the PRC on August 17, 2018 with limited liability and a non-wholly-owned subsidiary of our Company, owned as to 35% by our Company, and 16.5% by Ms. Chen Yanli, 14% by Ms. Pang Qi, 10% by Mr. Sun Peng, 9.5% by Ms. Li Ning, 8% by Mr. Zhang Yanhong and 7% by Ms. Li Jianping. Each of Ms. Chen Yanli and Ms. Pang Qi is a substantial shareholder and Mr. Sun Peng is a Substantial Shareholder and the general manager of Shanghai Qimu, and Ms. Li Ning, Mr. Zhang Yanhong and Ms. Li Jianping are Independent Third Parties
"Shanghai-Hong Kong Stock Connect"	the Shanghai-Hong Kong stock exchanges connectivity mechanism
"Share(s)"	share(s) in the share capital of our Company, with a nominal value of RMB1.00 each, comprising the Domestic Shares and H Shares
"Shareholder(s)"	holder(s) of our Shares
"Shenzhen-Hong Kong Stock Connect"	the Shenzhen-Hong Kong stock exchanges connectivity mechanism

"Sole Sponsor"	BOCOM International (Asia) Limited, a licensed corporation under the SFO permitted to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities
"Special Regulations"	the Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (《國務院關於股份有限公司境外募集股份及上市的特別規定》), promulgated by the State Council on August 4, 1994, as amended, supplemented or modified from time to time
"Spin-off"	the separate listing of our H Shares on the Main Board, which is expected to be effected by way of the Global Offering
"Spin-off Circular"	the Circular on Issues Relevant to Regulating Offshore Listing of Securities of Domestic Listed Companies (關於規範境內上市公司所屬企業到境外上市有關問題的通知) promulgated by the CSRC on July 21, 2004
"Stabilizing Manager"	BOCOM International Securities
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary"	has the meaning ascribed to it in the Listing Rules
"Substantial Shareholder"	has the meaning ascribed to it in the Listing Rules
"Supervisor(s)"	the supervisor(s) of our Company or any one of them
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Buy-backs
"Track Record Period"	the period consisting of the three years ended December 31, 2018 and the four months ended April 30, 2019
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement

"United States" or "U.S."	the United States of America
"U.S. Person"	has the meaning given to it in Regulation S
"U.S. Securities Act"	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"US$" or "U.S. dollars"	United States dollars, the lawful currency of the United States
"**WHITE** Application Form(s)"	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be issued in the applicant's own name(s)
"**White Form eIPO**"	applying for Hong Kong Offer Shares to be issued in your own name by submitting applications online through the designated website at **www.eipo.com.hk**
"**White Form eIPO** Service Provider"	Computershare Hong Kong Investor Services Limited
"**YELLOW** Application Form(s)"	the application form(s) for the use by the public who require(s) such Hong Kong Offer Shares to be deposited directly into CCASS
"Zhang Family"	Mr. Zhang Xianmiao (張憲淼), Ms. Zheng Aiping (鄭愛平) and Mr. Zhang Wei (張偉), our Controlling Shareholders. Mr. Zhang Xianmiao and Ms. Zheng Aiping are spouses and Mr. Zhang Wei is their son
"Zhuhai Derui"	Zhuhai Derui Medical Instruments Co., Ltd. (珠海德瑞醫療器械有限公司), a company established in the PRC on February 26, 2016 with limited liability and a wholly-owned subsidiary of our Company
"Zhuhai KDL Investment"	Zhuhai Kindly Medical Industrial Investment Co., Ltd. (珠海康德萊醫療產業投資有限公司), a company established in the PRC on September 6, 2006 and is owned as to 90% by KDL Holding, one of our Controlling Shareholders, and 10% by Guangdong Sanlung Investment Management Co., Ltd. (廣東三龍投資管理有限公司), an Independent Third Party
"%"	per cent.

Unless otherwise specified, statements contained in this prospectus are made on the assumption that there is no exercise of the Over-allotment Option.

All times refer to Hong Kong time.

If there is any inconsistency between the Chinese name of the PRC laws and regulations or PRC entities mentioned in this prospectus and their English translation, the Chinese version shall prevail.

Unless otherwise specified, references to years in this prospectus are to calendar years.

Translated English names of Chinese natural persons, legal persons, governmental authorities, institutions or other entities for which no official English translation exist are unofficial translations for identification purposes only.

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

In this prospectus, the terms "associate", "close associate", "core connected person", "connected person", "connected transaction", "controlling shareholder", "subsidiary" and "substantial shareholder" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

This glossary contains certain technical terms used in this prospectus in connection with our Company. Such terms and their meanings may not correspond to standard industry definitions or usage.

"AIS"	acute ischemic stroke, a sudden loss of blood circulation to an area of brain, resulting in corresponding loss of neurologic function
"angiography"	a medical imaging technique used to visualize the inside, or lumen, of blood vessels and organs of the body
"AS"	aortic stenosis, which is the narrowing of aortic valve and obstructing blood flow from the left ventricle to the aorta during systole
"cardiovascular implantation device"	PCI devices which are implanted and remain in blood vessels or heart to maintain its therapeutic effect
"cardiovascular intervention device"	PCI devices which are withdrawn from the blood vessel after angiograph and treatment
"centralized distribution"	the business model in which a hospital engages a specific company which sources and purchases the medical consumable products designated by the hospitals and sells such products to the hospitals as a package
"CSI"	coronary stent implantation, which is an implantation procedure using cardiovascular stents for the treatment of coronary artery disease and implanted in the coronary artery to prop open arteries to provide permanent support for artery
"CTO"	coronary chronic total occlusion, which is a heavy atherosclerotic plaque burden within the coronary artery, resulting in complete or nearly complete occlusion of the vessel
"CTO-PCI"	coronary chronic total occlusion-percutaneous coronary intervention, which is a procedure whereby angiography first detects an occlusion section and then introduces together guidewire and micro-catheter to a lesion location

"electrocardiogram"	a test using electrodes to check heart rhythm and ultrasound to see blood movement
"endoscopic biliary stenting"	treatment for alleviating blockage in the bile duct
"ERCP"	endoscopic retrograde cholangio-pancreatography procedure that enables a doctor to examine pancreatic and bile ducts
"Kevlar fibre"	a heat-resistant and strong synthetic fibre
"NEEQ"	National Equities Exchange and Quotation (全國中小企業股份轉讓系統)
"Nitinol"	Nickle titanium, a metal alloy of nickle and titanium
"NMPA"	National Medical Products Administration of China (國家藥品監督管理局) or where the context requires (as the case may be), its predecessor China Food and Drug Administration (國家食品藥品監督管理總局)
"occlusion"	shutting off or obstruction
"PCI"	percutaneous coronary intervention, a non-surgical procedure used to treat the narrowing of coronary arteries of the heart found in coronary artery diseases
"PS"	plastic tube stent
"PTCA"	percutaneous coronary angioplasty, a minimally invasive procedure to open up blocked coronary arteries, allowing blood to circulate unobstructed to the heart muscle
"SEMS"	self-expandable metallic stent
"type test"	testing or other activities that determine whether a product complies with the requirements of a regulation

This prospectus contains certain forward-looking statements and information relating to us that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this prospectus, the words "aim," "anticipate," "believe," "could," "estimate," "expect," "going forward," "intend," "may," "might," "plan," "potential," "predict," "project," "seek," "should," "will," "would" and the negative of these words and other similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. 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 risk factors as described in this prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing us which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our operations and business prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our business strategies and ability to implement these strategies;
- general economic, political and business conditions in the PRC and globally;
- changes in international trade, foreign relations and policies;
- changes to the regulatory environment, policies, operating conditions and general outlook in the industries and markets in which we operate;
- our financial condition, results of operation and performance;
- the actions of and developments affecting our major customers and suppliers;
- the ability of counterparties to perform in accordance with contractual terms and specifications;
- costs, fluctuation in the price and availability of raw materials;
- our ability to control or reduce costs;
- our dividend policy;
- changes to our expansion plans and estimated capital expenditures;

- the amount and nature of, and potential for, future development of our business;
- competitive environment of the industries and markets in which we operate;
- the actions of and developments affecting our competitors;
- the exchange rate fluctuations and the development of legal systems, in each case pertaining to the PRC and the industry and markets in which we operate; and
- certain statements included in the section headed "Financial Information" in this Prospectus with respect to operations, margins, overall market trends, risk management and exchange rates.

By their nature, certain disclosures relating to these and other risks are only estimates and should one or more of these uncertainties or risks materialize or should underlying assumptions prove to be incorrect, our financial condition and actual results of operations may be materially and adversely affected and may vary significantly from those estimated, anticipated or projected, as well as from historical results.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect or at all. Accordingly, the forward-looking statements are not a guarantee of future performance and you should not place undue reliance on any forward-looking information. Moreover, the inclusion of forward-looking statements should not be regarded as representations by us that our plans and objectives will be achieved or realized. All forward-looking statements in this prospectus are qualified by reference to the cautionary statements in this section.

In this prospectus, statements of or references to our intentions or those of the Directors are made as of the date of this prospectus. Any such information may change in light of future developments.

You should carefully consider all the information set out in this prospectus, including the risks and uncertainties described below, before making an investment in our H Shares. You should pay particular attention to the fact that we are incorporated in China and that all of our operations are conducted in China and are governed by a legal and regulatory environment that in some respects differs from that prevailing in other countries. Our business, financial position or results of operations could be materially and adversely affected by any of these material risks and uncertainties. The trading price of our H Shares could decline due to any of these material risks and uncertainties and you may lose all or part of your investment as a result. For more information concerning the legal and regulatory environment of the PRC and certain related matters discussed below, please refer to the section headed "Regulatory Overview", Appendix IV and Appendix V to this prospectus.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

The medical device industry is highly regulated in China and other countries where our products are exported. Any change in the applicable laws, regulations or standards may hinder or restrict us from undertaking certain of our businesses or subject us to increased compliance cost.

The medical device industry is highly regulated in China and other countries where our products are exported. For details of applicable regulations, please refer to the section headed "Regulatory Overview" in this prospectus. Our operations are regulated by a number of local, regional and national regulations in various aspects, including license and certificate requirements, procedures, operations and safety standards for manufacturers of interventional medical devices as well as environmental regulations. We rely on a number of laws, regulations, standards or policies in foreign countries, the changes of which may hinder or restrict us from undertaking certain of our existing scopes of business.

Our future production or distribution of any medical device may be subject to any prohibition or restriction imposed by competent authorities as a result of change in laws, regulations, standards or policies. Such changes may also lead to increased compliance cost. Any changes in the relevant laws, regulations or standards or their promulgation may have material adverse effects on our business, financial conditions and results of operations.

The medical device industry in China is rapidly evolving and highly competitive, 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, increasing competition and other factors discussed in this prospectus. We invest in research and development, build robust distributor network, establish relationships with customers, seek international expansion strategies, 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 and reduce our ability to maintain our current market share in the minimally invasive interventional device market or 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 doctors and hospital administrators and our long-term ability to effectively market and sell our products or conduct clinical trials for our new products.

We are dependent on sales of interventional medical devices. Our business, financial condition and results of operations would be materially and adversely affected if sales of these products were to decline.

Our proprietary interventional medical device used in cardiovascular operations contributed a substantial portion of our revenue during the Track Record Period. We generated 76.0%, 79.1%, 86.6%, 83.8% and 90.9% of our total revenue from cardiovascular interventional medical devices in 2016, 2017 and 2018 and the first four months of 2018 and 2019, respectively. We expect to continue to derive a substantial majority of our revenue from cardiovascular interventional medical devices in the foreseeable future.

Continued market acceptance and demand for these interventional medical devices products will be critical to our success. 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 advance in alternative treatments or products, our revenue would significantly decline, and our business, financial condition and results of operations would be materially and adversely affected.

We may not be able to maintain or renew all the permits, licenses and certificates required for our business, and if we fail any inspections, examinations, audits or reviews by the relevant regulatory authorities, our reputation will be damaged and we may be subject to fines or other penalties.

In addition to the registration requirements of NMPA, companies manufacturing medical devices in China are also required to obtain permits and licenses from various Chinese government authorities, including but not limited to the Medical Device Production License (醫療器械生產許可證). Please refer to the paragraphs headed "Regulatory Overview – Medical Device Production Permit" and "Regulatory Overview – Permit for Medical Device Operation Enterprises" in this prospectus 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 renewal applications in the future. Any failure by us to obtain the necessary 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, we cannot assure you that we will be successful in obtaining these licenses, permits or certificates in a timely manner or at all.

Our manufacturing facilities and products are subject to regular inspections, examinations, audits or reviews by the relevant government authorities. In the event that any of our products or facilities fail any inspections, examinations, audits or reviews, we may be ordered to suspend or cease production and sales of such products and be subject to fines or other penalties. If we fail a quality system review or inspection or if any corrective action plan is considered to be insufficient, our manufacturing process could be delayed or suspended.

Aspects of the impending healthcare reform in China may adversely affect our business. If the Chinese government decides to impose stronger price controls over our products, our results of operations would be materially and adversely affected.

In China, our products' prices are subject to price control as they are affected by the bidding and tender processes organized by government agencies and hospitals. The government agencies and hospitals set the price limit for each product. The Chinese government has approved in principle a healthcare reform plan to address the affordability of healthcare services, the rural healthcare system and healthcare service quality in China. The healthcare reform covers various sectors of medical services, including the use of implantable medical devices. In recent years, the Chinese government announced a series of healthcare reform plans, among others, to establish a universal healthcare framework and to ensure that basic healthcare services are accessible to Chinese nationals. As part of this trend, the MOH and other relevant government authorities issued notices relating to the administration of the public tender processes used by hospitals for selecting their suppliers for medical devices and their procurement price.

The Chinese government continued to express a focus on the pricing regulation of implantable medical devices. In the Implementation Plan for the Recent Priorities of the Health Care System Reform (2009 – 2011), issued by the State Council in March 2009, the Chinese government proposed to regulate the use of interventional and implantable medical devices by public hospitals. In addition, the Opinion on the Reform of Pharmaceuticals and Healthcare Service Pricing Structures (改革藥品和醫療服務價格形成機制的意見) jointly issued in November 2009 by the NDRC, the MOH and the Ministry of Human Resources and Social Security, aims to regulate the price of interventional and implantable medical devices by restricting the margins in distribution channels and publishing market price data.

In furtherance of the healthcare reform, the Chinese government announced a pilot program to implement a "two-invoice" system which generally limits the distribution to a single level of distributors for the sale of pharmaceutical products from manufacturers to

public hospitals. Please refer to the paragraph headed "Regulatory Overview – The Two-Invoice System" in this prospectus. We cannot assure you that such implementation of "two invoice" system will not also extend to the medical device field. These changes may also have a negative impact, as there would be a smaller pool of distributors, thereby increasing the bargaining power of distributors. As the implementation of the "two-invoice system" is at an early stage, the interpretation and enforcement of similar systems in the medical device field have been evolving and are subject to uncertainty. Therefore, we are unable to predict how the business models will evolve in different provinces of China, and whether and how that will affect our results of operations in the future.

The Chinese government may announce further steps towards the regulation of implantable medical devices or implement the proposals described above. In such circumstances, we may incur additional expenses or costs to comply with the new requirements. If we fail to comply with the proposed new requirements when they become effective, we may be subject to confiscation of illegal gains and a fine. Under severe cases, operations may be suspended for rectification and the SAMR, may revoke the business licenses of those who seek excessive profits through violating pricing laws and regulations. All of these events could materially and adversely affect our business, financial condition, results of operations and prospects.

If we fail to obtain or renew applicable registrations for our products, or if such applications or renewals are delayed, we will be unable to commercially manufacture, distribute and market our products, which could significantly disrupt our business and materially adversely affect our sales and profitability.

For the manufacturing and sale of our products, we need to obtain and renew registrations with the NMPA or the competent regulatory authorities in other jurisdictions where we sell our products. The processes for obtaining the initial regulatory registrations can be lengthy and expensive, and we cannot guarantee the results. In China, for example, 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. To obtain product registrations for medical devices of Class II and Class III in China, we may need to conduct, at our own expenses, adequate and well-controlled clinical trials to demonstrate the safety and efficacy of our products. Clinical trials are expensive and can take years with typically uncertain outcomes. Failure of clinical trials can occur at any stage of the process. Our clinical trials may produce negative or inconclusive results, and we may decide, or regulators may require us, to conduct additional clinical and/or non-clinical trials.

Any failure to adequately demonstrate the safety and efficacy of any of our products would prevent receipt of regulatory approvals and, ultimately, the commercialization of those products. As a result, we may be unable to manufacture, market and sell new products in a timely manner, or at all, due to our failure to obtain regulatory licenses or registrations. The process for obtaining such approval can be lengthy. According to the approval guidance for renewal applications for registration certificates in China, we should submit renewal

applications at least six months prior to expiration of current registrations. Subject to certain conditions, it normally takes the medical renewal organization no more than 90 business days and the NMPA no more than 30 business days to review and approve renewal applications of domestically manufactured Class III products. Additionally, it shall take the NMPA no more than 10 additional business days to deliver the written approval of the renewal applications. It is possible that the application process usually takes much more time in practice. In the event that certain of our license or registration expires, without the NMPA's approval, we cannot manufacture and sell such products that have not obtained renewed licenses or registrations.

Our products are classified as medical devices and are subject to extensive regulation in the European Union and in the U.S.. These regulations relate to manufacturing, labeling, sale, promotion, distribution, importing and exporting and shipping of our products. In 2016, 2017 and 2018 and the first four months of 2018 and 2019, 8.5%, 12.4%, 10.9%, 12.8% and 15.7% of our total revenue was generated from Europe, respectively, while 3.2%, 3.3%, 3.0%, 3.8% and 3.2% of our total revenue was generated from the U.S., respectively. Please refer to the paragraph headed "Regulatory Overview – European Regulatory Overview" in this prospectus for further details of regulations in the European Union.

Medical devices may be marketed in the United States or European Union for which they have been approved or cleared. The regulators in these jurisdictions may not approve or clear products that are necessary or desirable for successful commercialization. The regulators may refuse our requests for clearance or pre-market approval of new products, or modifications to previously approved or cleared products. Moreover, any clearances or approvals we obtain may not be sufficiently broad to permit successful commercialization. Our clearances or approvals can be revoked if safety or effectiveness problems develop. Any of these outcomes could materially and adversely affect our competitiveness in the marketplace, and therefore our revenue and profitability. In addition, the relevant regulatory authorities may introduce additional requirements or procedures that delay or prolong the approval of licenses or registrations for our existing or new products. In either event, our revenue and profitability could be materially affected.

We may be unable to maintain or renew our relationships with our customers.

Our customers consist of distributors as well as medical device manufacturers and other customers. In the first four months of 2019, we had 235 PRC distributors covering customers in 21 provinces, four directly-administered municipalities and two autonomous regions in China, and 32 overseas distributors covering customers in over 24 countries and regions. In the first four months of 2019, we also had 119 and 50 medical device manufacturers and other customers in China and overseas, respectively.

In 2016, 2017 and 2018 and the first four months of 2018 and 2019, we generated 31.0%, 32.8%, 41.4%, 41.2% and 42.8%, respectively, of our revenue from sales to PRC distributors, and 18.9%, 14.2%, 11.4%, 10.3% and 9.9%, respectively, of our revenue from sales to overseas distributors. In 2016, 2017 and 2018 and the first four months of 2018 and 2019, we also

generated 32.8%, 27.8%, 24.5%, 24.1% and 19.6%, respectively, of our revenue from sales to PRC medical device manufacturers and other customers, and 17.3%, 25.2%, 22.6%, 24.4% and 27.7%, respectively, of our revenue from sales to overseas medical device manufacturers and other customers.

We typically negotiate and enter into agreements with our customers for a term of one year to five years. When our existing agreements expire, we may be unable to renew these agreements with our desired customers on favorable terms, or at all. Additionally, we may also be unable to replace an underperforming distributor easily, or at all.

We may be unable to effectively manage our network of distributors, and actions taken by our distributors and violation of distribution agreements could materially adversely affect our business, prospects and reputation.

We have limited ability to manage the activities of our distributors and their sub-distributors, who are independent from us. Our distributors or their sub-distributors may violate our distribution agreements with them. Such violations may include, among other things:

- failing to meet minimum sales targets;
- selling our products outside their designated territories or to hospitals without having obtained authorization, possibly in violation of the exclusive distribution rights of our other distributors;
- failing to comply with regulatory requirements when selling our products;
- failing to provide proper training and other services to our end customers;
- failing to adequately promote our products;
- selling products that compete with ours; or
- violating applicable laws, including the anti-corruption laws of China, the European Union, the United States or other countries, in the marketing and sale of our products.

Failure to adequately manage our network of distributors, or non-compliance by distributors or their sub-distributors with our distribution agreements could harm our corporate reputation and disrupt our sales. Our distributors or sub-distributors may violate applicable laws or otherwise engage in illegal practices, including improper payments to hospitals and doctors, 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.

Competition for distributors is intense. We compete for distributors domestically and internationally with other leading medical device companies that may have higher visibility, greater reputation, recognition and financial resources, and broader product selection than we do. Any disruption of our network of distributors, including our failure to renew our existing distribution agreements with our desired distributors, could negatively affect our ability to sell our products and materially adversely affect our business, financial condition and results of operations.

We may not be able to develop and successfully market new and advanced products in a timely manner or at all and we may not be able to price our new products at a favorable level, which would materially and adversely affect our business, financial condition, results of operations and prospects.

The market for interventional medical devices is highly competitive. As market conditions and technology evolve, our existing products may lose market share, experience slower growth or deliver lower profit margins. Our success depends on our ability to anticipate industry trends and identify, develop and market in a timely manner new and advanced products that meet our customers' demand. We expect the interventional medical device market to evolve toward newer and more advanced products, some of which we do not currently produce.

We have focused our research and development efforts on more advanced products with differentiated functionalities. We plan to launch 16 new products (including new products from our invested research and development subsidiaries) in various development stages. Developing new products in a timely manner can be difficult, particularly because product designs can change with market conditions and hospitals' and doctors' 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. Once a new product is launched, 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.

We cannot always anticipate correctly or at all the industry trends and market demand for new products. Our competitors' product development capabilities may be more effective than ours, and their new products may reach the market before our products. Our competitors' products may also be more effective and/or more price competitive than our products. The introduction of new products by our competitors may result in price reductions to our products or reduced margins or loss of market share, and may lead to our products becoming obsolete or non-competitive. Our new products may impact our gross margins depending on the level of market acceptance and pricing environment for each product. 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.

We have also been expanding our range of products and launched new product lines such as heart valves and degradable stents. Such expansions expose us to a variety of risks, including:

- we may not have sufficient experience and expertise to identify, disclose and manage risks associated with new products;
- we may be unable to provide adequate customer service for new products;
- our new products may not be attractive to customers or meet our profitability expectations;
- we may not be able to recruit additional qualified personnel; and
- we may not be able to obtain and maintain licenses for our new products.

If we are not successful in producing or selling our new products, our business, financial condition, results of operations and prospects could be materially adversely affected. If we cannot provide sufficient information to our customers or otherwise comply with relevant regulations in the sales and marketing of our new products, we may be subject to legal proceedings or regulatory sanctions that could result in significant financial losses and reputational damage.

Any failure to maintain effective quality control over our products could have a materially adverse effect our business.

The quality of our products is critical to the success of our business, and such quality to a large extent depends on the effectiveness of our quality control system. We cannot completely eliminate the risk of errors, defects or failures. We may fail to detect or cure defects as a result of a number of factors, many of which are outside our control, including:

- technical or mechanical malfunctions in the production process;
- human error or malfeasance by our quality control personnel;
- tampering by third parties; and
- defective raw materials.

Failure to detect quality defects in our products could result in harm to our assets, customer dissatisfaction, or other problems that could seriously harm our reputation and business, expose us to liability, and adversely affect our revenue and profitability.

We may not be able to successfully manage the growth of our overall business or implement our business strategies. If we do not successfully cultivate innovative medical devices through our technology transformation program or expand internationally, our profitability and prospects would be adversely affected.

We have experienced rapid growth and expansion of our operations in recent years. Our total revenue increased from RMB106.4 million in 2016 to RMB137.6 million in 2017, and further to RMB203.1 million in 2018, as well as from RMB60.1 million in the first four months in 2018 to RMB86.9 million in the first four months in 2019. Executing our business strategies and managing our growth could strain our managerial, operational and financial resources, and we may suffer losses during the expansion. In particular, the management of our growth will require:

- strengthening of financial and management controls in an efficient and effective manner;
- increased sales and marketing activities;
- identification of potential business partners;
- enhancement of our production capacity;
- capital to fund our operations and acquisitions; and

- hiring and training of additional personnel. If we are unable to effectively manage our growth and implement our business strategies, our business, financial condition and results of operations would be materially affected.

We have developed a technology transformation program that cultivate innovative medical devices. We have since inception invested the following four research and development project companies which can utilize our research and development capabilities, management experience and production facilities: Shanghai Pukon, Shanghai Qimu, Shanghai Puhui and Shanghai Healing. We may fail to identify quality medical device research and development projects or may be unable to cultivate innovative medical devices through our technology transformation program, which could adversely affect our profitability and prospects.

We plan to grow our international business by deepening market penetration of our existing international markets and entering into new international markets. In expanding our business internationally, we have entered into markets in which we have limited or no experience and in which our reputation may not be recognized. We may be unable to attract a sufficient number of distributors, and our selected distributors may not be suitable for selling our products. Furthermore, we may fail to anticipate competitive conditions in new markets that are different from those in our existing markets. These competitive conditions may make it difficult or impossible for us to effectively operate in these markets. If our expansion efforts in new markets are unsuccessful, our profitability and prospects would be adversely affected.

We mainly rely on our production facilities in Shanghai for substantially all of our revenue, any disruptions to the operation of our production facilities in Shanghai could materially adversely affect our business, financial condition and results of operations.

Most of our products were produced in our production facilities located in Shanghai during the Track Record Period. 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.

Inability or substantial delay in land acquisition could materially and adversely affect our business, financial condition, results of operation and prospects.

In the long term, we plan to expand our production capacity to a larger scale by acquiring land and building new manufacturing facilities, including without limitation, the plot of land in Jiading, Shanghai with a total area of 13,425 square meters to be acquired from KDL. Please refer to the paragraph headed "Summary – Recent Developments" in this prospectus for further details. Inability or substantial delay in land acquisition (including the uncertainty in securing a suitable land plot in 2019 despite having obtained preliminary government support and consent; please refer to the paragraph headed "Business – Production Facilities and Production Capacity" in this prospectus for further details) and construction of new facilities could materially and adversely affect our business, financial condition, results of operation and prospects, and may also result in lost business opportunities.

If doctors and hospitals are not receptive to our products, our sales will decline and we will be unable to increase our sales and profits.

Doctors and hospitals are the primary end customers of our products. Doctor and hospital receptiveness to our products depends on our ability to convince these potential customers as to the distinctive characteristics, advantages, safety and cost effectiveness of our products as compared to our competitors' products, as well as to train doctors and hospitals in the proper application of our products accompanied by our distributors. If our products are not widely accepted by doctor and hospital communities, our sales will decline, we will be unable to increase or sustain our sales and we will fail to achieve and sustain growth or profitability.

Doctors face a learning process to become proficient in the use of our products, which may take longer than expected and therefore affect our ability to increase sales. Encouraging doctors to dedicate the time and energy necessary for adequate training remains challenging, and we may not be successful in these efforts. If doctors 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 doctors to advocate the benefits of our products in the marketplace. If we do not receive support from such doctors, other doctors and hospitals may not use our products, resulting in stagnant or decreasing sales, growth and profitability

We are exposed to potential product liability claims and product recalls which would damage our reputation and have a material adverse effect on our reputation, business, financial condition, results of operations and prospects. And our insurance coverage may be inadequate to protect us from all the liabilities we may incur.

We are exposed to product liability for our products. In China, medical devices are classified by the NMPA as Class I, Class II or Class III based on product risk. Our products are classified as Class II and Class III. This classification represents 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 latent quality issues. As some of our key products were developed within a relative short period, latent defects or risks may not have been identified at the current stage. We began our operations in 2006 and launched our first product in 2007. There is no assurance that our products have no latent quality issues or disadvantages that are not discernible or foreseeable as of the Latest Practicable Date. Our products might prove to be less effective than they currently appear to be, or even prove to be defective to a certain extent at a later stage.

Complex medical devices, such as our interventional medical devices, sometimes experience problems resulting from the performance of the products or the way doctors use such products, which in both cases require review and corrective action by the manufacturer. From time to time, we receive feedback from doctors relating to issues they encounter while using our products, including technical difficulties in the delivery or placement of some of our products. We expect that we will continue to receive such feedback from time to time. Component failures, manufacturing errors or design defects could result in danger or injuries to patients. Our Directors confirm that we did not experience any material component failures, manufacturing errors or design defects which exposed patients to the risk of harm or injuries or resulted in harm or injuries to them during the Track Record Period. Any serious failures or defects could cause us to withdraw or recall products, which could result in significant costs such as product replacement costs and the risk of increased product liability litigation. The occurrence of any market withdrawals or product recalls of our products would damage our brand name and would have a material adverse effect on our business, financial condition, results of operations and prospects.

We maintained product liability insurance for our products registered in China but not for those that are sold overseas during the Track Record Period. We currently do not have any product liability insurance for our products sold overseas. If, for any reason, our current insurance policy ceases to cover any of our products that have not obtained licenses, we may not be able to obtain a commercially comparable policy to replace it, or any policy at all. In addition, the annual aggregate of the insurance coverage may be insufficient to protect us from all the related claims against us. If a product liability claim or series of claims brought against us is for uninsured liabilities or in excess of our insurance coverage and we are ultimately held liable for such claim or series of claims, our business, results of operations or financial condition will be materially and adversely affected.

Fluctuations in exchange rates of the Renminbi could adversely affect our business, results of operations and financial condition.

As a global medical device provider, we sell our products to over 24 countries and regions. In 2016, 2017 and 2018 and the first four months of 2018 and 2019, we generated 36.2%, 39.4%, 34.0%, 34.7% and 37.6% of our revenue from sales outside the PRC, respectively. Our global presence subjects us to substantial exposure to foreign currency transaction risk. The exchange rate of RMB against other international major currencies may fluctuate, materially affecting our results of operations, financial performance and financial condition. For a detailed analysis of the impact of the fluctuations of the average exchange rate for the relevant periods, please refer to the paragraph headed "Financial Information – Qualitative and Quantitative Disclosure about Market Risk – Foreign currency risk" in this prospectus.

The exchange rate of the Renminbi against the U.S. dollar and other foreign currencies fluctuates and 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 the Renminbi and the Hong Kong dollar, the U.S. dollar or other currencies in the future. There remains uncertain international environment, which, together with domestic policy considerations, could result in a significant appreciation or depreciation of Renminbi against the U.S. dollar, the Euro, the Hong Kong dollar or other foreign currencies.

The proceeds from this Global Offering will be received in Hong Kong Dollars. As a result, any appreciation of the Renminbi against the U.S. dollar, the Euro, the Hong Kong dollar or any other foreign currencies may result in the decrease in the value of our proceeds from this Global Offering. Conversely, any depreciation of the Renminbi may adversely affect the value of, and any dividends payable on, our Shares in foreign currency. 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.

Our products may be subject to decreasing pricing trends and reduced margins. If we are unable to successfully replace the products subject to those trends with newer, more profitable products, our business, financial condition and results of operations could suffer.

We may experience reduced pricing power and gross profit margin erosion from our existing products generally as their sales in a given mature market, while manufacturing and material costs may remain constant or increase. The growing pricing pressure may arise in the future due to procurement policies from government authorities and/or increased competition. Our profitability depends on our ability to successfully launch new products, enter new markets, control costs during the manufacturing process by increasing the efficiency of our manufacturing processes and increasing production yields. If we are unable to successfully

design, develop, manufacture and market new products, which typically generate higher gross margins, or if we fail to effectively increase the efficiency of our manufacturing processes or control manufacturing costs, our business, financial condition and results of operations could be harmed.

The growth and success of our distribution business depends on our ability to successfully market our products to hospitals through our distributors and our success 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. 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 our marketing efforts are not effective, hospital administrators may not want to use our products in medical treatment processes or may remove them from such processes and we may not be successful in the tender processes. As a result, we may find it difficult to maintain the existing level of sales of our products, and our revenue and profitability may decline, materially adversely affecting our results of operations and financial condition.

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 or sub-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 subsidiary of KDL, we have benefited from the reputation, customer network and the established market leadership of KDL. We and other subsidiaries of KDL share the common brand name "KDL". We cannot assure you that there will not be any negative news or media coverage related to any of these subsidiaries which may harm or damage the "KDL" brand name. We may not be able to protect the "KDL" brand name as we are not in a position to control or influence the conduct of other entities that share such brand name with us. Any damage to the "KDL" brand name and any failure to protect the "KDL" brand name could harm our reputation and result in the loss of our competitive advantage and materially and adversely affect our reputation, business, financial condition, results of operations and prospects.

An increase in the market price of our raw materials and components and/or shortage of raw materials and components may materially affect our gross profit margin and profitability.

Our production processes require substantial amounts of raw materials and components. Some raw materials and components have been 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. We may need to raise our product prices to compensate for the increased raw material and component costs to maintain our gross profit margin, which may lead to lower demand for our products. Our failure to successfully pass on such price increases may materially adversely affect our gross profit margin and profitability.

If we fail to retain and attract key personnel, our operations could be adversely affected.

Our success depends to a significant extent on the continued services of our key personnel, including our Chairman of the Board, executive Director and general manager, as well as other key officers and senior technicians. The loss of these key personnel without adequate and timely replacement and our inability to recruit additional key personnel as our business expands could limit our competitiveness and/or our growth, interrupt our production processes, reduce our manufacturing quality and cause customer dissatisfaction, all of which could reduce our profitability.

We may not be able to recruit or retain a sufficient number of qualified employees.

Our ability to grow and meet future business demands depends on the continued service of our employees. We may face increasing competition in recruiting and retaining qualified personnel, as other competitors are competing for the same pool of qualified personnel and our remuneration packages may not be as competitive as those of our competitors.

Whilst some of our employees are subject to non-competition agreements, they may breach the agreements and join our competitors, or may join customers they have developed while working for us. We may not be able to recruit or retain qualified staff in sufficient numbers or with sufficient experience, and competition in recruitment may increase our employment costs. If we fail to recruit or retain a sufficient number of qualified staff, our business, financial condition and results of operations may be adversely affected.

Our advance payments to certain of our suppliers expose us to the credit risk of such suppliers, which may materially and adversely affect our financial condition, results of operations and liquidity.

We are required under certain of our raw material and component supply contracts to make prepayments ranging from 30% to 100% of the total purchase price before delivery. As of December 31, 2016, 2017 and 2018 and April 30, 2019, the prepayment made to our raw material and component suppliers amounted to RMB1.7 million, RMB1.7 million, RMB2.2 million and RMB4.3 million, respectively. Such prepayments are interest-free and we make such prepayments without receiving any collateral. As a result, our claims for such advance payments would rank only as unsecured claims, exposing us to the credit risks of the suppliers in the event they become insolvent or bankrupt. We may not be able to recover such advance payments and would suffer losses should the suppliers fail to fulfil their delivery obligations. Accordingly, defaults by our suppliers may materially and adversely affect our financial condition, results of operations and liquidity.

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

We have registered a number of patents and trademarks in various jurisdictions. We believe such patents and trademarks are widely recognized and have considerable value. As of the Latest Practicable Date, we had 62 registered patents, 75 patents under application and five registered software. Please refer to the paragraph headed "B. Further Information about the Business of Our Company – 2. Our Intellectual Property Rights" in Appendix VI to this prospectus for more details.

Pending patent and trademarks applications, or any additional applications that we may choose to make may not be approved, and other parties may claim the right to use our patent and trademarks outside of their respective current areas of use. We cannot assure you that we will be able to effectively protect our intellectual property rights, such as our patents, trade names, brands, trademarks, domain names, know-how and business secrets. Litigation may be necessary to enforce our intellectual property rights and the outcome of any such litigation may not be in our favor. There is no guarantee that we would be able to halt the unauthorized use of our intellectual property through litigation in a timely manner or at all. Any such litigation may be costly and may divert management attention away from our business and cause us to expend significant resources. An adverse determination in any such litigation could impair our intellectual property rights and harm our business, prospects and reputation.

Whilst we enter into non-disclose agreements with our key employees, we cannot guarantee whether they will breach these agreements and leak our know-how, business secrets or any other commercially sensitive information to our competitors, which will have a materially adverse effect on our business, financial condition and results of operations.

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, there can be no assurance that our employees have not used, or will not use in the future, third parties' proprietary know-how or trade secrets in their work for us, which could result in litigation against us. Prior to our development of major new products, 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 doctors terminating, deferring or limiting their purchase of the affected products until resolution of the litigation.

We might experience delays in collecting receivables, which could adversely affect our cash flow.

As of December 31, 2016, 2017 and 2018 and April 30, 2019, our trade receivables totaled RMB10.9 million, RMB11.4 million, RMB6.8 million and RMB12.8 million, respectively. In the same periods, the average turnover days for trade receivables from customers were 106 days, 92 days, 50 days and 36 days, respectively.

If our customers' cash flow, working capital, financial condition or results of operations deteriorate, they may be unable, or they may otherwise be unwilling, to pay receivables owed to us promptly, or at all. Any substantial defaults or delays could materially adversely affect our cash flow, and we may have to terminate our relationships with customers in a manner that decreases sales of our products.

Our business requires certain amount of capital to finance our ongoing operations and expansion. Failure to manage our liquidity and cash flows or inability to obtain additional financing may adversely affect our business, financial condition and results of operations.

Maintaining our competitiveness and implementing our growth strategies both require us to obtain sufficient capital funds. We may not be able to generate sufficient cash flows from our operations or obtain additional financing to fund our operations. Furthermore, we expect to raise additional funds to finance the overall expansion of our business. Such financing may not be available on commercially reasonable terms, or at all, especially if a recession occurs or other events causing volatility in the capital markets worldwide arise. If we raise additional funds by issuing equity securities, our shareholders may experience substantial dilution. If we engage in debt financing, we may become subject to restrictive covenants that could limit our flexibility in conducting future business activities.

Future acquisitions of businesses, products, technologies or know-how could materially and adversely affect our business, financial condition and results of operation if we fail to integrate the acquired businesses, products, technologies or know-how successfully into our existing operations or if we discover previously undisclosed liabilities.

To enhance our growth, we may acquire businesses, products, technologies or know-how that we believe would benefit us in terms of product development, technology advancement or distribution network. Our ability to grow through acquisitions depends upon our ability to identify, negotiate, complete and integrate suitable acquisitions and to obtain necessary financing. Given our limited experience with significant acquisitions, even if we carry on further acquisitions, we may experience:

- difficulties in integrating any acquired companies, technologies, personnel or products into our existing business, particularly integrating different quality management, customer service and other business functions;

- delays or failures in realizing the benefits of the acquired company, products or know-how, which could result from, for example, delays in receiving governmental approvals for products developed by the acquired businesses;

- diversion of our management's time and attention from other business concerns;

- higher costs of integration than we anticipated;

- difficulties in retaining key employees of the acquired business who are necessary to manage these acquisitions; or

- write-off of goodwill.

An acquisition could also materially impair our results of operations by causing us to incur debt or amortize acquired intangible assets. We may also discover deficiencies in internal controls, data adequacy and integrity, product quality and regulatory compliance, and product liabilities in the businesses we acquire which we did not uncover prior to such acquisition. Consequently, we may become subject to penalties, lawsuits or other liabilities. Any difficulties in the integration of acquired businesses, products or technologies or unexpected penalties, lawsuits or liabilities in connection with such businesses, products or technologies could have a material adverse effect on our business, financial condition and results of operations.

The discontinuation of any of the preferential tax treatments could reduce our profitability.

Our Company has obtained a "High-tech Enterprise Certificate" (高新技術企業證書) issued by relevant government authorities on November 24, 2016. As a result, we have been entitled to a decreased enterprise income tax rate of 15%, instead of the generally rate of 25%. We need to maintain or obtain the qualification as a High-tech Enterprise every three years. Currently, we are undergoing a re-review process for our qualification as a High-tech Enterprise. We cannot assure you that we will be qualified and be able to maintain and renew such qualification in the future. Failure to maintain or renew such qualification may prevent us from benefiting from the relevant enterprise preferential income tax policies, in which event we would be subject to the standard enterprise income tax rate of 25%, which may adversely affect our profitability.

If we fail to accurately project demand for our products, we may encounter problems of inadequate supply or oversupply, which would materially and adversely affect our financial condition and results of operations, as well as damage our reputation.

Our customers typically order our products on a purchase order basis. We project demand for our products based on rolling projections from our customers, our understanding of expected hospital procurement spending, and customers inventory levels. Lack of significant order backlog and the fluctuating sales and purchasing cycles of our customers, however, make it difficult for us to forecast future demand accurately at all times.

It is difficult for us to accurately project the demand of our product in domestic and international market because it is hard for us to have adequate information available, on which to base our projections. If we overestimate demand, we may purchase more raw materials or components than required. If we underestimate demand, our suppliers may have inadequate raw materials or product component inventories, which could interrupt our manufacturing and delay shipments, and could result in lost sales. Our inability to accurately predict our demand and to timely meet our demand could materially and adversely affect our financial conditions and results of operations as well as damage our reputation and corporate brand.

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

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.

Whilst our customer agreements do not allow our customers to exchange their unsold products, in practice, we may at our discretion entertain exchange requests on a voluntary basis to maintain a good relationship with our customers, so long as the products to be exchanged are in marketable condition and can be resold. If we entertain the requests of our customers to exchange similar products within a short period of time, we may have high inventory level of certain types or sizes of particular products, which could adversely affect the effectiveness of our inventory management and thus our results of operations.

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 paragraph headed "Business – Inventory Management" in this prospectus. 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.

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 do not maintain any business interruption insurance, personal injury insurance or product liability insurance for our products that are sold overseas. For more details of our insurance policies, please refer to the paragraph headed "Business – Insurance" in this prospectus.

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 paragraph headed "– We are exposed to potential product liability claims and product recalls which would damage our reputation and have a material adverse effect on our reputation, business, financial condition, results of operations and prospects. And our insurance coverage may be inadequate to protect us from all the liabilities we may incur."

Our sales depend to a certain extent on the level of insurance reimbursement patients receive for treatments using our products, especially, whether our products are covered in the medical insurance catalogue.

Our ability to sell our products depends to a certain extent on the availability of governmental and private health insurance in China and overseas covering treatments using our products. A total of 21 or 77.8% of our 27 registered products in China are subject to insurance reimbursement. Our Directors believe that four more of our registered products will be covered by insurance in the near future. 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 cardiovascular and peripheral vascular devices 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. See refer to the paragraph headed "Regulatory Overview – Medical Insurance" in this prospectus for more details.

We cannot assure you that the existing governmental and private health insurance in China and overseas covering treatments using our products will be maintained in the future. To the extent that such insurance schemes are changed or canceled, our sales may be adversely impacted which may lead to a material and adverse effect on our business, results of operations and financial condition.

If our employees, distributors or sub-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. Additionally, any challenges to or investigations into our practices under these laws could generate negative publicity and could be costly to respond to, and thus could harm our business.

We could be liable for actions taken by our employees, distributors or sub-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, distributors or sub-distributors. We may be subject to claims, fines or suspension of our operations. Our reputation, our sales activities or

the price of our H 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, distributors or sub-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 and their sub-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 and their sub-distributors for the sale of our products, any misconduct by our distributors or their sub-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.

The valuation of our financial assets are subject to the uncertainties of unobservable inputs and the fair value change for our financial assets would affect the Group's financial performance and position.

For financial reporting purposes, we categorize fair value measurements of financial assets and liabilities into level 1, level 2 and level 3, based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement. As of April 30, 2019, we had RMB59.0 million of level 2 financial assets and RMB111.0 million of level 3 financial assets.

We use unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date to measure level 1 financial assets. On the other hand, we use valuation techniques to estimate the fair value of level 2 financial assets. When estimating fair value using these valuation techniques, we consider observable inputs. Specifically, we estimate the fair value of net value-based wealth management products issued by banks using the market comparison approach by reference to the prices provided by the counterparty banks which represent the prices they would pay to redeem the products at the end of each reporting period.

For level 3 wealth management products issued by banks and institutions, fair values are determined using valuation techniques such as discounted cash flow models and other similar techniques. Determinations to classify fair value measures within level 3 of the valuation hierarchy are generally based on the observability and significance of the inputs to the overall fair value measurement. Such unobservable inputs are based on management estimates, which are subject to uncertainty and might materially differ from the actual results, and which in turn may impact the valuation of the relevant financial assets and impact our financial performance.

Please refer to Note 25(e)(i) to the Accountants' Report attached as Appendix I to this prospectus for more details.

Our operation and prospects may be adversely affected by natural disasters, epidemic, terrorist attacks and political unrest.

As we expand our operations and sales worldwide, our business is subject to general economic and social instabilities around the world. Natural disasters, epidemics, acts of God, terrorist attacks and political unrest beyond our control may adversely affect the economy, infrastructure and people's livelihoods. Certain locations are under the threat of floods, typhoons, earthquakes, sandstorms, snowstorms, fires, droughts, or epidemics such as Middle East Respiratory Syndrome (MERS), Ebola, Severe Acute Respiratory Syndrome (SARS), H5N1 avian flu and human swine flu (Influenza A or H1N1).

Past occurrences of epidemics and natural disasters, depending on their scale, have caused different degrees of damage to the international and local economies. A recurrence of SARS, an outbreak of any other epidemics, a natural disaster or a terrorist attack, especially in the cities where we have operations, may materially disrupt our supply chain, production facilities and the transportation infrastructure on which we rely or may require us to make additional capital expenditures.

In the event of political unrest, we may suffer direct consequences such as changes to laws and regulations, as well as indirect consequences such as decreased confidence of foreign firms and investors in investing in our Group. The occurrence of a natural disaster, act of God, epidemic, terrorist attack or political unrest may adversely affect our business, financial condition and results of operations.

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 who are our customers 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 customer's privacy, privacy leakage incidents might not be avoided due to human error, employee misconduct or system breakdown.

We outsource a significant portion of clinical trials to reputable third party medical institutions. 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.

We rely on third party logistics providers for delivering our products from our production facilities in China to customers throughout the world.

As we provide interventional medical devices to customers throughout the world, logistics play an important role in our sales and distribution process. We rely on third party logistics providers to deliver our products from China to various end-markets. Interruptions to or failures in these third parties' logistics and delivery services could prevent the timely or proper delivery of products to our customers, which would result in customer dissatisfaction and harm to our reputation.

These interruptions may result from events that are beyond our control or the control of these logistics providers, such as inclement weather, natural disasters, accidents, transportation disruptions or labor unrest. We may not be able to find alternative logistics providers to provide logistics and delivery services in a timely and reliable manner, or at all. If we do not deliver our products in proper condition or on a timely basis, our business, financial condition and results of operations could be materially affected.

RISKS RELATING TO DOING BUSINESS IN CHINA AND OVERSEAS MARKETS

The current trade war between the U.S. and China, and on a larger scale internationally, may dampen growth in China and other markets where the majority of our customers reside, and our activities and results may be negatively impacted.

The U.S. government has recently imposed, and has recently proposed imposing additional, new or higher tariffs on specified products imported from China to penalize China for what it characterizes as unfair trade practices and China has responded by imposing, and proposing to impose additional, new or higher tariffs on specified products imported from the U.S. The actions taken by the U.S. government to date include tariffs on steel and aluminum imports as well as tariffs on various Chinese imports. The Chinese government in retaliation has announced tariffs on U.S. airplanes, automobiles and soybeans. It remains unclear what additional actions, if any, the governments of the U.S. and Chinese governments will take in respect of their bilateral trade, and what the timing may be of any such actions. The actions taken to date, as well as any future tariffs, new regulations or other burdens on international trade, may cause escalating response through the use of local regulations, tariffs or other requirements on exports and imports.

Whilst our products are not currently subject to any of those tariff measures, the proposed tariffs may adversely affect the economic growth in China and other markets and the financial condition of our customers. With the potential decrease in the spending powers of our target customers, we cannot guarantee that there will be no negative impact on our operations. In addition, the current and future actions or escalations by either the U.S. or China that affect trade relations may cause global economic turmoil and potentially have a negative impact on our business, financial condition and results of operations.

We could be adversely affected as a result of any sales we make to certain countries that are, or become subject to, sanctions administered by the United States, the European Union, the United Nations, Australia and other relevant sanctions authorities.

The United States and other jurisdictions or organizations, including the European Union, the United Nations and Australia, have, through executive order, passing of legislation or other governmental means, implemented measures that impose economic sanctions against such countries or against targeted industry sectors, groups of companies or persons, and/or organizations within such countries.

During the Track Record Period, we delivered certain of our products to Egypt, Iran, Lebanon, Syria, Venezuela, and Yemen, each of which countries is subject to certain international sanctions programs. Among those countries, Iran and Syria are subject to comprehensive sanctions programs administered by OFAC. In 2016, 2017 and 2018 and the first four months of 2018 and 2019, our revenue generated from sales to Iran and Syria amounted to RMB5.2 million, RMB3.2 million, RMB5.6 million, RMB0.7 million and RMB0.9 million, respectively, representing 4.9%, 2.3%, 2.8%, 1.2% and 1.0% of our total revenue for the same periods, respectively. Our International Sanctions Legal Adviser has confirmed that we currently benefit from a general licence and a humanitarian exception under U.S. law that are specific to the sale of medical devices to Iran and Syria, that allow us to deal with our customers and shipping companies in Iran and Syria in ways that under normal circumstances would not constitute primary sanctions violations and/or would create secondary sanctions exposure.

Sanctions laws and regulations are constantly evolving, and new persons and entities are regularly added to the list of Sanctioned Persons. Further, new requirements or restrictions could come into effect which might increase the scrutiny on our business or result in one or more of our business activities being deemed to have violated sanctions. Such changes may include changes to the scope of the general licence and humanitarian exception, which currently cover our U.S.-dollar denominated sales of medical devices to and delivery arrangements with our customers in Iran and Syria. Our business and reputation could be adversely affected if the authorities of the United States, the European Union, the United Nations, Australia or any other jurisdictions were to determine that any of our future activities constitutes a violation of the sanctions they impose or provides a basis for a sanctions designation of our Group. If either the general license or the humanitarian exception to the general prohibitions against transactions with comprehensively sanctioned countries were modified or eliminated, it may adversely impact our sales and deliveries to those countries and the revenues we derive therefrom.

For details of our business operations in the Countries subject to International Sanctions and our undertakings to the Stock Exchange and its related group companies, please refer to the paragraph headed "Business – Business Activities in Countries Subject to International Sanctions" in this prospectus.

International expansion may be costly, time consuming and difficult. If we do not successfully expand internationally, our profitability and prospects would be materially and adversely affected.

We plan to significantly grow our international business by expanding our existing international markets and entering new key international markets. We intend to enter new international markets by cultivating new distributor relationships in selected regions. In expanding our business internationally, we have entered and intend to continue to enter markets in which we have limited or no experience and in which our company may not be recognized. Our targeted countries may withhold approval for the sale of our products due to differences in regulatory standards or protectionist trade policies. We may be unable to attract a sufficient number of distributors or at all in such markets, and our selected distributors may not be suitable for selling our products. Furthermore, we may fail to anticipate competitive conditions in new markets that are different from those in our existing markets. These competitive conditions may make it difficult or impossible for us to effectively operate in these new markets. If our expansion efforts in existing and new markets are unsuccessful, our profitability and prospects will be materially and adversely affected.

In addition, we are exposed to other risks associated with international operations, including:

- economic instability and recessions;
- strained relationships between China and other countries where we sell our products;
- changes in tariffs;
- difficulties in administering foreign operations generally;
- disputes regarding intellectual property rights;
- obligations to comply with a wide variety of foreign laws and other regulatory requirements;
- increased risk of exposure to terrorist activities;
- poor financial condition, expertise and performance of our international distributors;
- export license requirements;
- unauthorized re-export of our products;
- potentially adverse tax consequences;
- political instability;

- foreign exchange controls and losses;
- inability to effectively enforce contractual or legal rights; and
- inability to expand or operate in international market.

PRC economic, political, social conditions as well as government policies could adversely affect our business, financial condition, results of operations and prospects.

During the Track Record Period, the production plants we owned and operated were located in China. Most of our assets were located in China, and a majority of our revenue was derived from our business in China during the same period. The PRC economy differs from the economies of most developed countries in many respects, including but not limited to structure, government involvement, level of development, growth rate, control of foreign exchange, capital reinvestment, allocation of resources, rate of inflation and trade balance position. In recent years, the PRC Government has been reforming the PRC economic system and government structure. It has implemented measures such as emphasizing the utilization of market forces and the establishment of sound corporate governance practices in business enterprises.

The economic growth over the past few decades in China was rapid; however, its continued growth has faced downward pressure since 2008 and its annual GDP growth rate has declined from 9.5% in 2011 to 6.9% in 2017, and further to 6.6% in 2018, according to the National Bureau of Statistics of China (中華人民共和國國家統計局). There is no assurance that the future growth will be sustained at similar rates or at all. The PRC Government's economic, political and social policies, including those related to our industry may materially and adversely affect our business, financial position, results of operations and prospects.

Uncertainties in PRC legal system may materially adversely affect us and the legal protection to our investors.

Our business is mainly conducted in mainland China and is governed by PRC laws and regulations. China's legal system is based on written statutes. Previous court decisions may be cited for reference but have limited precedential value. Since the late 1970s, China has promulgated laws and regulations dealing with economic matters, such as the issuance and trading of securities, shareholder rights, foreign investment, corporate organization and governance, commerce, taxation and trade. Many of these laws and regulations are relatively new and evolving, and are subject to different interpretations. In addition, limited volumes of published court decisions may be cited for reference, but such cases have limited precedential value as they are not binding on subsequent cases. These uncertainties with respect to the interpretation, implementation and enforcement of these laws and regulations and a legal system that gives limited precedential value to previous court decisions can affect the legal remedies and protections available to you and adversely affect the value of your investment.

Our Articles of Association provide that, apart from disputes over the recognition of Shareholders or the register of Shareholders, disputes among holders of H Shares and ourselves, our Directors, Supervisors or senior management personnel or other Shareholders arising out of our Articles of Association or any rights or obligations conferred or imposed thereupon by the PRC Company Law and related laws and administrative regulations concerning our affairs are to be resolved through arbitration by the China International Economic and Trade Arbitration Commission ("CIETAC") or the Hong Kong International Arbitration Center.

On January 18, 2019, 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 ("HKSAR") was signed between the Supreme People's Court and the HKSAR Government, which will further facilitate the enforcement of civil and commercial judgments between Hong Kong and the Mainland. In addition, awards made by the PRC arbitral authorities (including CIETAC) recognized under the Arbitration Ordinance of Hong Kong can be enforced in Hong Kong subject to provisions of the Arbitration Ordinance of Hong Kong. Hong Kong arbitration awards are also enforceable in China, subject to the satisfaction of PRC legal requirements. We cannot assure you that any action brought in China by holders of H Shares to enforce a Hong Kong arbitration award made in favor of holders of H Shares would succeed.

More stringent restrictions on the remittance of Renminbi into and out of the PRC and governmental control over currency conversion may limit our ability to pay dividends and other obligations, and affect the value of your investment.

The Renminbi is not currently a freely convertible currency, as the PRC Government imposes controls on the convertibility of Renminbi into foreign currencies and in certain cases, the remittance of currency out of China. A substantial majority of our revenue is denominated in Renminbi and will need to convert Renminbi into foreign currencies for the payment of dividends, if any, to holders of H Shares, and to fund our business activities outside China. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency denominated obligations.

Under China's current foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from the State Administration of Foreign Exchange of the People's Republic of China, or the SAFE, but we are required to present relevant documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within China that have the licenses to carry out foreign exchange business. Approval from appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC Government may also at its discretion restrict access in the future to foreign currencies for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency

demands, we may not be able to pay dividends in foreign currencies to our shareholders. Further, there is no assurance that new regulations will not be promulgated in the future that would have the effect of further restricting the remittance of Renminbi into or out of China. Any existing and future restrictions on currency exchange may limit our ability to operate our overseas business or otherwise fund any future business activities that are conducted in foreign currencies.

Corrupt practices in the healthcare industry may materially adversely affect our business, financial condition, results of operations and prospects.

Corrupt practices may arise in the healthcare industry in China and other countries. For example, in order to secure more orders, our competitors or their respective agents or distributors may engage in corrupt practices in order to influence doctors, hospital personnel or other decision-makers in violation of anti-corruption laws of China, the FCPA or other applicable laws of other countries. As competition intensifies in our industry, we may lose potential customers or sales if our competitors engage in such practices or other illegal activities.

Additionally, we have limited ability to manage the activities of our distributors, who are independent from us. Our distributors could fail to maintain the requisite licenses or otherwise comply with regulatory requirements when selling our products or violate the anti-corruption laws and regulations of China, Hong Kong or other jurisdictions, which could have a material adverse effect on our business, prospects and reputation.

As we only have limited control over the actions of our distributors, we cannot be sure that they will not violate relevant applicable laws in connection with the marketing or sale of our products, including anti-corruption laws and regulations of China, Hong Kong or other jurisdictions. If our distributors violate PRC laws, Hong Kong laws or other applicable laws or otherwise engage in illegal practices with respect to their sales or marketing of our products, we could be liable for actions taken by our distributors and could be required to pay damages or fines, which could materially and adversely affect our business, financial condition and results of operations. In addition, our reputation, our sales activities or the price of our Shares could be adversely affected if our Company becomes the target of any negative publicity as a result of actions taken by our distributors.

It is also possible that the PRC government or other governmental authorities in places where we sell our products could adopt new or different regulations affecting the way in which medical devices are sold to address anti-corruption or other concerns. Any new or different regulations in this regard being adopted in China or our other principal markets could possibly increase the cost incurred by our distributors in selling our products or impose restrictions on their sales and marketing activities, which could reduce the number of distributors that are willing to sell and in turn increase the selling costs of our products. Because we currently

depend partially distributors for the sale of our products, any misconduct by our distributors or changes in the regulatory environment for the sale of medical devices could have a material adverse impact on our business, financial condition, results of operations, prospects and reputation.

Payment of dividends is subject to restrictions under PRC law. Dividends payable by us to our foreign investors and gains on the sale of our Shares may become subject to withholding taxes under PRC tax laws.

Under PRC law and our Articles of Association, dividends may only be paid out of distributable profits. Distributable profits are our profits determined in accordance with total profit after tax shown in our annual financial statements under PRC GAAP or HKFRS, whichever is lower, less any recovery of accumulated losses and appropriations to statutory and other required reserves. As a result, we may not have sufficient or distributable profits to distribute dividends to our Shareholders, including in periods during which we are profitable.

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 H Shares. Non-PRC resident individuals must pay PRC individual income tax under China's Individual Income Tax Law, unless the tax liabilities are waived or reduced by the tax authority of the State Council in accordance with a tax treaty.

We must withhold tax from dividend payments unless a tax treaty reduces the tax rate or provides an exemption from these tax obligations. According to Notice of the State Administration of Taxation on Issues Concerning the Administration of Individual Income Tax Collection after the Annulment of Document (Guo Shui Fa [1993] No. 045), an individual income tax rate of 10% applies to dividends payable by a domestic non-foreign-invested enterprise that issues shares in Hong Kong to overseas resident individuals. However, there remains uncertainty as to whether gains realized by non-PRC resident individuals on the disposition of our H Shares are subject to PRC individual income tax.

According to Notice on Issues Concerning Enterprise Income Taxation of PRC Resident Enterprise Distributing Dividend Withholding to Overseas H Shares Non-Resident Enterprise Shareholder (Guo Shui Han [2008] No. 897), if non-PRC resident enterprises do not have establishments or premises in China, or have establishments or premises in China with income that is not related to such establishments or premises, they are subject to 10% PRC enterprise income tax on dividends received from a PRC company unless a tax treaty reduces the tax rate or provides an exemption from these tax obligations.

There remains uncertainty as to the interpretation and implementation of the EIT Law and other applicable PRC tax laws and regulations by PRC tax authorities. China's tax laws and regulations may also change. In the event of any unfavorable changes in applicable tax laws and regulations or their interpretation or application, the value of your investment in our H Shares may be materially affected.

We are subject to anti-corruption laws in the jurisdictions in which we operate including anti-corruption laws in the relevant jurisdictions. Any failure to comply with these laws could result in penalties which could harm our reputation and materially adversely affect our business, results of operations and financial condition.

We are subject to anti-corruption laws in the jurisdictions in which we operate including anti-corruption laws of China and the United States Foreign Corrupt Practices Act of 1977, or the FCPA. We have implemented policies and procedures designed to ensure that we, our employees, distributors and other intermediaries comply with the FCPA and other anti-corruption laws to which we are subject. These policies or procedures may not work effectively or protect us against liability under the FCPA or other laws for actions of our employees, distributors and other intermediaries with respect to our business or any businesses that we may acquire.

We operate in the medical device industry in China and other jurisdictions, many of which pose elevated risks of anti-corruption violations, and generally sell our products domestically and internationally through distributors to our end customers, including government-owned hospitals. This puts us and our distributors in frequent contact with persons who may be considered "foreign officials" under the FCPA, resulting in an elevated risk of potential FCPA violations.

If we do not comply with the FCPA and other laws governing business conducts with government entities, we may be subject to criminal and civil penalties and other governmental actions, which could adversely impact our business, financial condition, results of operations and liquidity. Any investigation of any potential violations of the FCPA or other anti-corruption laws by U.S. or foreign authorities could materially adversely affect our business, financial condition and results of operations.

You may experience difficulties in effecting service of legal process and enforcing judgments or bringing original actions in China or Hong Kong based on foreign laws against us and our Directors and management.

Substantially all of our assets and a substantial portion of the assets of our Directors are located in China. It may not be possible for investors to effect service of process upon us or those persons in China. China has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by courts of most other jurisdictions. On July 14, 2006, Hong Kong and China 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 (《最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the "Arrangement") which came into effect on August 1, 2008, pursuant to which a party with an enforceable final court judgment rendered by any designated people's court of China or any designated Hong Kong court requiring payment of money in a civil and commercial case according to a written choice of court agreement, may apply for recognition and enforcement of the judgment in the relevant people's

court of China or Hong Kong court. A written choice of court agreement 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 Chinese court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it may not be possible to enforce a judgment rendered by a Hong Kong court in China if the parties in the dispute did not agree to enter into a choice of court agreement in writing. As a result, it may be difficult or impossible for investors to effect service of process against certain of our assets or Directors in China in order to seek recognition and enforcement of foreign judgments in China.

RISKS RELATING TO THIS GLOBAL OFFERING

There has been no prior public market for our Shares and there can be no assurance that an active market would develop.

Prior to this Global Offering, there has been no public market for our Shares. The initial Offer Price for our Offer Shares was the result of negotiations among us and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and the Offer Price may differ significantly from the market price for our Shares following this Global Offering. We have applied for listing of and permission to deal in our Offer Shares on the Stock Exchange. There is no assurance that this Global Offering will result in the development of an active, liquid public trading market for our Shares. In particular, we are issuing Offer Shares representing only 25% of our share capital in this Global Offering assuming the over-allotment option is not exercised. This factor, as well as factors such as variations in our revenue, earnings and cash flows or any other developments of us may affect the volume and price at which our Offer Shares will be traded.

Furthermore, the price and trading volume of our Offer Shares may be volatile. The following factors, among others, may cause the market price of our Offer Shares after this Global Offering to vary significantly from the Offer Price:

- 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.

In addition, shares of other companies listed on the Stock Exchange with operations and assets in China have experienced significant price volatility in the past. As a result, it is possible that our shares may be subject to changes in price not directly related to our performance and as a result, investors in our shares may suffer substantial losses.

Future sales or offerings of our H Shares, or the conversion of Domestic Shares into H Shares, may adversely affect the prevailing market price of our H Shares and result in dilution.

The market price of our H Shares may decline due to future offerings or sales of substantial amounts of our Shares or other securities relating to our Shares in the public market, or the issuance of new H Shares or other securities relating to our Shares, or the perception that such sales or issuances may occur. Future sales, or perceived sales, of substantial amounts of our securities, including any future offerings, could materially adversely affect the prevailing market price of our H Shares and our ability to raise capital at a time and at a price which we deem appropriate.

In addition, our Shareholders will experience dilution in their holdings upon the issuance of additional securities for any purpose. If we raise additional funds by issuing new equity or equity-linked securities other than on a pro rata basis to existing Shareholders, the ownership percentage of such Shareholders may be reduced, and the new securities may confer rights and privileges that take priority over those of our H Shares.

In addition, our Domestic Shares may be converted into H Shares subject to regulatory approvals and compliance with relevant regulatory requirements. Any conversion of Domestic Shares will increase the number of H Shares available on the market and may affect the trading price of our H Shares.

Our Controlling Shareholders have substantial influences over our Company and their interests may not be aligned with the interests of other Shareholders.

Immediately following completion of the Global Offering (assuming that the Over-allotment Option is not exercised), our Controlling Shareholders (including the Zhang Family, KDL Holding and KDL) will directly or indirectly hold 26.79% of the total issued shares of our Company and controls the composition of a majority of our Board.

Our Controlling Shareholders may have the ability to exercise significant influence over our business, including matters relating to:

- our management, especially the composition of our senior management;
- our business strategies and plans;
- distribution of dividends;
- plans relating to major corporate activities, such as strategic investments, mergers, acquisitions, joint ventures, investments or divestitures; and
- the election of our Directors and Supervisors.

Please refer to the paragraph headed "Relationship with Our Controlling Shareholder – Overview" in this prospectus for more details.

The interests of our Controlling Shareholders may differ from the interests of our other Shareholders and they may take actions that are not in our or our Shareholders' best interests. To the extent that the interests of our Controlling Shareholders conflict with the interests of other Shareholders, the interests of other Shareholders may be disadvantaged or harmed.

There may be dilution because of issuance of new shares or equity securities.

We may require additional funds due to changes in business conditions or other future developments relating to, *inter alia*, our existing operations or any future expansions. The amount and timing of such additional financing needs will vary depending on the timing of investments in and/or acquisitions of new businesses from third parties, and the amount of cash flow from our operations. If our resources are insufficient to satisfy our cash requirements, we may seek additional financing or debt securities or obtaining a credit facility through selling additional equity. The sale of additional equity securities could result in additional dilution to our Shareholders. If additional funds are raised by way of issuance of new shares or equity linked securities other than on a pro rata basis to existing shareholders, the percentage of ownership of our existing Shareholders in our Company, the earnings per share and the net asset value per share may be reduced.

Whether and when the dividends will be declared and paid cannot be assured.

As a holding company, our ability to declare future dividends will depend on the availability of dividends, if any, received from our operating subsidiaries. Dividends paid in the past may not be indicative of our dividend policy in the future. Under applicable laws and the constitutional documents of our operating subsidiaries, the payment of dividends may be subject to certain limitations. The calculation of certain of our operating subsidiaries' profit under applicable accounting standards differs in certain respects from the calculation under the Hong Kong Financial Reporting Standards, or the HKFRSs. As a result, our operating

subsidiaries may not be able to pay a dividend in a given year even if they have profit as determined under HKFRSs. In addition, any future dividend declaration and distribution by our Company will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our Directors deem relevant. Any declaration and payment as well as the amount of dividends will also be subject to our Articles of Association and PRC laws, including (where required) the approvals from our shareholders and our Directors. Our shareholders at a general meeting must approve any declaration of dividends, which must not exceed the amount recommended by our Board. Moreover, our Directors may from time to time pay such interim dividends as our Board considers to be justified by our profits and overall financial requirements, or special dividends of such amounts and on such dates as they think appropriate. As a result, we cannot assure you that we will make any dividend payments on our shares in the future. For more details of the dividends of our Company, please refer to the paragraph headed "Financial Information – Dividends and Dividend Policy" in this prospectus.

Certain statistics contained in this prospectus are derived from a third party report and publicly available official sources and they may not be reliable.

Certain statistics contained in this prospectus relating to China, the PRC economy and the industry in which we operate have been derived from various official government publications or other third party reports. We have taken reasonable care in the reproduction or extraction of the official government publications or other third party reports for the purpose of disclosure in this prospectus, however, we cannot guarantee the quality or reliability of such source materials. They have not been prepared or independently verified by us, the Underwriters or any of their respective affiliates or advisers and, therefore, we make no representation as to the accuracy of such statistics, which may not be consistent with other information compiled within or outside the PRC. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, such statistics in this prospectus may be inaccurate or may not be comparable to statistics produced with respect to other economies. Further, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as the case may be in other jurisdictions. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such facts.

As the Offer Price per Offer Share is higher than the net tangible book value per Share, purchasers of our shares in this Global Offering will experience immediate dilution.

The Offer Price of our Offer Shares is higher than the net tangible book value per share immediately prior to this Global Offering. Therefore, purchasers of our Offer Shares in this Global Offering will experience an immediate dilution. Existing Shareholders will receive an increase in the pro forma adjusted consolidated net tangible asset value per Share of their Shares. If we issue additional Shares in the future, purchasers of our offer shares may experience further dilution.

Investors should read the entire prospectus carefully and should not consider any particular statements in this prospectus or in published media reports without carefully considering the risks and other information contained in this prospectus.

Prior to the publication of this prospectus, there has been coverage in the media regarding us and this Global Offering, which contained among other things, certain financial information, projections, valuations and other forward-looking information about us and this Global Offering. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for the accuracy or completeness of such media coverage or forward-looking statements. We make no representation as to the appropriateness, accuracy, completeness or reliability of any information disseminated in the media. We disclaim any information in the media to the extent that such information is inconsistent or conflicts with the information contained in this prospectus. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this prospectus only.

In preparation for the Listing, we have applied to the Stock Exchange for the following waivers from strict compliance with the relevant provisions of the Listing Rules.

MANAGEMENT PRESENCE IN HONG KONG

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

We do not have sufficient management presence in Hong Kong for the purposes of satisfying the requirements under the Listing Rules. Our headquarters and business operations are primarily located, managed and conducted in the PRC. In addition, substantially all of our assets are based in the PRC. Our Company considers that our Group's management is best able to attend to its functions by being based in the PRC. Relocation of our executive Directors to Hong Kong will be burdensome and costly for our Company. Moreover, it may not be in the best interests of our Company and Shareholders as a whole to appoint additional executive Directors who are ordinarily resident in Hong Kong for the sole purpose of satisfying the management presence requirements. Therefore, our Company currently does not and in the foreseeable future will not, have executive Directors who are ordinarily resident in Hong Kong. Accordingly, we have applied to the Stock Exchange for and the Stock Exchange has granted us, a waiver from compliance with Rules 8.12 and 19A.15 of the Listing Rules. We have made arrangements to maintain effective communication between the Stock Exchange and us as follows:

(i) we have appointed two authorised representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the Stock Exchange. The two authorised representatives appointed are Dr. Liang Dongke, chairman of our Board, our executive Director and general manager, and Ms. Leung Shui Bing, our joint company secretary. Ms. Leung is situated and based in Hong Kong. Each of our authorised representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and email;

(ii) as and when the Stock Exchange wishes to contact our Directors on any matters, each of our authorised representatives has the means to contact all of our Directors (including the independent non-executive Directors) promptly at all times;

(iii) although our executive Directors and non-executive Director are not ordinary residents in Hong Kong, each of our Directors possesses or can apply for valid travel documents to visit Hong Kong and is able to meet with the Stock Exchange within a reasonable period of time, when required;

(iv) we have appointed BOCOM International (Asia) Limited as our compliance adviser (the "Compliance Adviser"), pursuant to Rule 3A.19 of the Listing Rules, who will have access at all times to our authorized representatives, Directors and senior management, and will act as an additional channel of communication between the Stock Exchange and us; and

(v) we have provided the Stock Exchange with the contact details of each Director (including their respective mobile phone number, office phone number and e-mail address).

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.

JOINT COMPANY SECRETARIES

Pursuant to Rule 8.17 of the Listing Rules, our Company must appoint a company secretary who satisfies the requirements under Rule 3.28 of the Listing Rules. According to Rule 3.28 of the Listing Rules, we must appoint an individual as our company secretary who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

Note 1 to Rule 3.28 of the Listing Rules sets forth the following academic and professional qualifications considered to be acceptable by the Stock Exchange:

(a) a member of the Hong Kong Institute of Company Secretaries;

(b) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); and

(c) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

Note 2 to Rule 3.28 of the Listing Rules sets forth the following factors that the Stock Exchange considers when assessing an individual's "relevant experience":

(a) length of employment with the issuer and other issuers and the roles he played;

(b) familiarity with the Listing Rules and other relevant laws and regulations including the SFO, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;

(c) relevant training taken and/or to be taken in addition to the 15 hours minimum requirement under Rule 3.29 of the Listing Rules; and

(d) professional qualifications in other jurisdictions.

We have appointed Dr. Song Yuan and Ms. Leung Shui Bing (an associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom) as our joint company secretaries. They will jointly discharge the duties and responsibilities as our company secretaries. For detailed information about Dr. Song Yuan and Ms. Leung Shui Bing, please refer to the section headed "Directors, Supervisors and Senior Management" in this prospectus.

Although Dr. Song Yuan does not possess the specified qualifications required by Rule 3.28 of the Listing Rules, our Company believes that considering Dr. Song Yuan's past experience in our corporate management affairs, she is able to perform the duties as a company secretary of our Company. In addition, Dr. Song Yuan has a thorough understanding of the operations of our internal business and administration. Therefore, we believe that the appointment of Dr. Song Yuan as a joint company secretary is in our and our Shareholders' best interests and beneficial to our corporate governance. Dr. Song Yuan will endeavor to attend relevant training courses, including briefing on the latest changes to the applicable Hong Kong laws and regulations as well as the Listing Rules organized by our Company's legal adviser as to the laws of Hong Kong on an invitation basis, and seminars organized by the Stock Exchange or other professional body for PRC issuers from time to time. Dr. Song Yuan will also be assisted by our compliance adviser and legal adviser as to the laws of Hong Kong on matters in relation to our Company's continuing compliance obligations under the Listing Rules and the applicable laws and regulations.

As Dr. Song Yuan does not possess the specified qualification required by Rule 3.28 of the Listing Rules, and may not process the relevant experience as required by the Stock Exchange, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with Rules 3.28 and 8.17 of the Listing Rules on the condition that we have appointed Ms. Leung Shui Bing, who meets the requirements under Rule 3.28 of the Listing Rules, as a joint company secretary to work closely with and to provide assistance to Dr. Song Yuan in the discharge of her duties as a company secretary for an initial period of three years commencing from the Listing Date so as to enable Dr. Song Yuan to acquire the relevant experience (as required under Rule 3.28 of the Listing Rules) to discharge the duties and responsibilities as a company secretary.

Upon expiry of the initial three-year period, the qualifications of Dr. Song Yuan will be re-evaluated to determine whether the requirements as stipulated in Rule 3.28 of the Listing Rules can be satisfied and to decide whether further assistance by Ms. Leung Shui Bing to Dr. Song Yuan would be necessary. Our Company would liaise with the Stock Exchange to demonstrate to their satisfaction that Dr. Song Yuan, having the benefit of Ms. Leung Shui Bing's assistance for three years, would have acquired the relevant experience within the meaning of Rule 3.28 of the Listing Rules so that a further waiver would not be necessary.

CONTINUING CONNECTED TRANSACTIONS

We have entered into certain transactions which will constitute continuing connected transactions for our Company under the Listing Rules after the Listing. We have applied to the Stock Exchange for, and the Stock Exchange has granted us, waivers from strict compliance with (i) the announcement requirements under Chapter 14A of the Listing Rules in respect of the continuing connected transactions as disclosed in the paragraph headed "Connected Transactions – (B) Continuing Connected Transaction Subject to the Reporting, Annual Review, Announcement Requirements but Exempt from the Independent Shareholders' Approval Requirement"; and (ii) the announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the continuing connected transactions as disclosed in the paragraph headed "Connected Transactions – (C) Continuing Connected Transaction Subject to the Reporting, Annual Review, Announcement and Independent Shareholders' Approval Requirements" in this prospectus. Please refer to the section headed "Connected Transactions" for further information in this prospectus.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to our Company. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other facts the omission of which would make any statement in this prospectus misleading.

CSRC APPROVALS

On April 19, 2019, the Listing was approved by KDL's shareholders at an annual shareholders' general meeting.

We have submitted an application to the CSRC to apply for listing of the H Shares on the Stock Exchange and for the Global Offering and we obtained the letter of acceptance from the CSRC on May 9, 2019.

On August 14, 2019, the CSRC issued an approval letter for the submission of the application to list our H Shares on the Stock Exchange and for the Global Offering. In granting such approval, the CSRC accepts no responsibility for our financial soundness, nor for the accuracy of any of the statements made or opinions expressed in this prospectus or on the Application Forms.

As advised by the PRC Legal Adviser, our Company has obtained all necessary approvals and authorization in the PRC in relation to the Listing.

THE HONG KONG PUBLIC OFFERING AND THIS PROSPECTUS

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. Neither the delivery of this prospectus nor any subscription or acquisition made under it shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this prospectus or that the information in it is correct as of any subsequent time.

UNDERWRITING

For applicants under the Hong Kong Public Offering, this prospectus and the related Application Forms contain the terms and conditions of the Hong Kong Public Offering. The listing of our H Shares on the Stock Exchange is sponsored by the Sole Sponsor. The Global Offering is managed by the Joint Global Coordinators. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters listed in the section headed "Underwriting" in this prospectus, subject to agreement on the offer price between us and the Joint Global Coordinators (for themselves and on behalf of the Underwriters). The International Offering is

expected to be fully underwritten by the International Underwriters. For further details about the Underwriters and the underwriting arrangements, please refer to the section headed "Underwriting" in this prospectus.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to confirm, or by his/her acquisition of Hong Kong Offer Shares be deemed to confirm, that he/she is aware of the restrictions on offers and sales of the Offer Shares described in this prospectus.

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than in Hong Kong, or the distribution of this prospectus and/or the related Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus and/or the related Application Forms may not be used for the purpose of, and does not constitute an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and/or the related Application Forms and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

The Offer Shares are offered for subscription or sale solely on the basis of the information contained and representations made in this prospectus and related Application Forms, and on the terms and subject to the conditions set out herein and therein. No person is authorized in connection with the Global Offering to give any information, or to make any representation, not contained in this prospectus, and any information or representation not contained in this prospectus must not be relied upon as having been authorized by our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, advisers, agents or representatives or any other persons or parties involved in the Global Offering. For further details of the structure of the Global Offering, including its conditions, and the procedures for applying for Hong Kong Offer Shares, please refer to the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus and the relevant Application Forms.

APPLICATION FOR LISTING OF THE H SHARES ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the granting of listing of, and permission to deal in, our H Shares to be issued pursuant to the Global Offering (including any H Shares which may be issued pursuant to the exercise of the Over-allotment Option). Save as disclosed in this prospectus, no part of our Shares is listed or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

PROFESSIONAL TAX ADVICE RECOMMENDED

If you are unsure about the taxation implications of subscribing for, purchasing, holding, disposing of, or dealing in our H Shares or exercising any rights attached to them, you should consult an expert. It is emphasized that none of us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, advisers, agents or representatives nor any other person involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from subscribing for, purchasing, holding, disposing of, or dealing in our H Shares or exercising any rights attached to them.

STABILIZATION

For details of stabilizing actions by the Stabilizing Manager, please refer to the paragraph headed "Structure of the Global Offering – Stabilization" in this prospectus.

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

For details of the procedures for applying for the Hong Kong Offer Shares, please refer to the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus and the Application Forms.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Particulars of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus.

REGISTER OF MEMBERS AND STAMP DUTY

All of the H Shares issued pursuant to applications made in the Global Offering will be registered on our H Share register to be maintained in Hong Kong by our H Share Registrar, Computershare Hong Kong Investor Services Limited. Our principal register of members will be maintained by us at our head office in the PRC.

Dealings in the H Shares registered in our H Share register will be subject to the Hong Kong stamp duty.

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF H SHARES

We have instructed Computershare Hong Kong Investor Services Limited, our H Share Registrar, and it has agreed, not to register the subscription, purchase or transfer of any H Shares in the name of any particular holder unless and until the holder delivers a signed form to our H Share Registrar in respect of those H Shares bearing statements to the effect that the holder:

(i) agrees with us and each of our Shareholders, and we agree with each Shareholder, to observe and comply with the PRC Company Law, the Special Regulations and our Articles of Association;

(ii) agrees with us, each of our Shareholders, Directors, Supervisors, managers and officers, and we acting for ourselves and for each of our Directors, Supervisors, managers and officers agree with each of our Shareholders to refer all differences and claims arising from our Articles of Association or any rights or obligations conferred or imposed by PRC Company Law or other relevant laws and administrative regulations concerning our affairs to arbitration in accordance with our Articles of Association, and any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award. Such arbitration shall be final and conclusive;

(iii) agrees with us and each of our Shareholders that the H Shares are freely transferable by the holders thereof; and

(iv) authorizes us to enter into a contract on his or her behalf with each of our Directors, Supervisors, managers and officers whereby such Directors, Supervisors, managers and officers undertake to observe and comply with their obligations to our Shareholders as stipulated in our Articles of Association.

H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the H Shares on the Stock Exchange and our compliance with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Stock Exchange or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisers for the details of the settlement arrangements as such arrangements may affect their rights and interests. All necessary arrangements have been made for the H Shares to be admitted into CCASS.

CURRENCY TRANSLATIONS

Solely for your convenience, this prospectus contains translations of certain RMB amounts into Hong Kong dollars at specified rates.

Unless otherwise specified, certain amounts denominated in Renminbi have been translated into Hong Kong dollars at an exchange rate of RMB0.8789 = HK$1.00, for illustration purpose only. Such conversions shall not be construed as representations that amounts in Renminbi were or could have been or could be converted into Hong Kong dollars at such rates or any other exchange rates on such date or any date.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail.

ROUNDING

Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Dr. Liang Dongke (梁棟科)	Room 901, No. 6, Alley 333 Haibo Road, Jiangqiao Town Jiading District, Shanghai PRC	Chinese
Mr. Wang Cailiang (王彩亮)	Room 1501, No. 12, Alley 689 Tongpu Road Putuo District, Shanghai PRC	Chinese
Non-executive Directors		
Mr. Zhang Weixin (張維鑫)	Room 102, No. 52, Alley 1388 Xianxia Road Changning District, Shanghai PRC	Chinese
Ms. Chen Hongqin (陳紅琴)	Room 501, No. 21, Alley 318 Hailan Road Jiading District, Shanghai PRC	Chinese
Mr. Fang Shengshi (方聖石)	Room 702, No. 132 Xingmei Yuan, Caoyang Wucun Putuo District, Shanghai PRC	Chinese

Independent Non-executive Directors

Mr. Dai Kerong (戴尅戎)	13th Floor, Block 7 639 Manufacturing Bureau Road Huangpu District Shanghai PRC	Chinese
Mr. Jian Xigao (蹇錫高)	Room 106, 2 Yi'erjiu Street Xigang District Dalian, Liaoning PRC	Chinese
Dr. Ge Junbo (葛均波)	Room 1547, Block 16 Xietu Road Xuhui District, Shanghai PRC	Chinese
Mr. Hui Hung Kwan (許鴻群)	Room B, 2/F., Block 7 Aldrich Garden 2 Oi Lai Street, Shau Kei Wan Hong Kong	Chinese

SUPERVISORS

Name	**Address**	**Nationality**
Ms. Wang Li (王莉)	Room 601, No. 7, Alley 201 Qujiang Road Jiading District, Shanghai PRC	Chinese
Ms. Chen Jie (陳潔)	Room 1508, 13/F., Kaide Duhui Xinfeng 11 Zhaofeng Road, Huaqiao Town Jiangsu PRC	Chinese
Mr. Xu Jianhai (徐建海)	Room 201, No. 6, Alley 368 Fengzhou Road, Malu Town Jiading District, Shanghai PRC	Chinese

Sole Sponsor	**BOCOM International (Asia) Limited** 9/F, Man Yee Building 68 Des Voeux Road Central Hong Kong
Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers	**BOCOM International Securities Limited** 9/F, Man Yee Building 68 Des Voeux Road Central Hong Kong **CMB International Capital Limited** 45/F, Champion Tower Three Garden Road Central Hong Kong
Hong Kong Underwriters	**BOCOM International Securities Limited** 9/F, Man Yee Building 68 Des Voeux Road Central Hong Kong **CMB International Capital Limited** 45/F, Champion Tower Three Garden Road Central Hong Kong

Legal Advisers to our Company

as to Hong Kong law:
O'Melveny & Myers
31st Floor, AIA Central
1 Connaught Road
Central
Hong Kong

as to European Union law:
O'Melveny & Myers LLP
Blue Tower
Avenue Louise 326
1050 Brussels
Belgium

as to PRC law:
Beijing DeHeng Law Offices
12th Floor, Tower B, Focus Place
19 Finance Street
Xicheng District, Beijing
PRC

as to International Sanctions:
Hogan Lovells
11th Floor, One Pacific Place
88 Queensway
Hong Kong

Legal Advisers to the Sole Sponsor and the Underwriters

as to Hong Kong law:
Addleshaw Goddard (Hong Kong) LLP
802-804 Champion Tower
3 Garden Road
Central
Hong Kong

as to PRC law:
Jia Yuan Law Offices
F408, Ocean Plaza
158 Fuxing Men Nei Street
Xicheng District
Beijing
PRC

Auditors and Reporting Accountants	**KPMG** 8th Floor Prince's Building 10 Chater Road Central Hong Kong
Receiving Banks	**Bank of Communications Co., Ltd. Hong Kong Branch** Unit B B/F & G/F, Unit C G/F, 1-3/F, 16/F Room 01 & 18/F, Wheelock House 20 Pedder Street Central Hong Kong **CMB Wing Lung Bank Limited** 45 Des Voeux Road Central Hong Kong
Industry Consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** 1018, Tower B 500 Yunjin Road Shanghai, 200232 PRC

Registered office	Block 2, No. 925 Jin Yuan Yi Road Jiading District, Shanghai, PRC (中國上海市嘉定區金園一路925號2幢)
Principal place of business in Hong Kong	31/F, Tower Two, Times Square 1 Matheson Street, Causeway Bay Hong Kong
Headquarters and principal place of business in the PRC	Block 2, No. 925 Jin Yuan Yi Road Jiading District, Shanghai, PRC (中國上海市嘉定區金園一路925號2幢)
Joint company secretaries	Dr. Song Yuan Room 901, No. 6, Alley 333 Haibo Road, Jiangqiao Town Jiading District, Shanghai PRC Ms. Leung Shui Bing *(ACIS; ACS)* TMF Hong Kong Limited 31/F, Tower Two, Times Square 1 Matheson Street, Causeway Bay Hong Kong
Authorized representatives	Dr. Liang Dongke Room 901, No. 6, Alley 333 Haibo Road, Jiangqiao Town Jiading District, Shanghai PRC Ms. Leung Shui Bing *(ACIS; ACS)* TMF Hong Kong Limited 31/F, Tower Two, Times Square 1 Matheson Street, Causeway Bay Hong Kong
Audit committee	Mr. Hui Hung Kwan *(Chairman)* Mr. Jian Xigao Mr. Fang Shengshi
Remuneration committee	Mr. Jian Xigao *(Chairman)* Mr. Hui Hung Kwan Dr. Liang Dongke

Nomination committee	Dr. Liang Dongke *(Chairman)* Mr. Dai Kerong Dr. Ge Junbo
Compliance adviser	**BOCOM International (Asia) Limited** 9th Floor, Man Yee Building 68 Des Voeux Road Central Hong Kong
H Share Registrar	**Computershare Hong Kong Investor Services Limited** Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Principal bankers	**China Construction Bank Corporation** Shanghai Jiangqiao Branch 1/F, No. 138 Jiayi Road Jiading District, Shanghai PRC **Agricultural Bank of China Limited** Shanghai Jiading Branch 2/F, No. 355 Tacheng Road Jiading District, Shanghai PRC
Company website	**www.kdl-int.com** *(information contained on this website does not form part of this prospectus)*

OVERVIEW OF PRC REGULATIONS

Our business has been and will continue to be governed by the laws and regulations of the PRC. Relevant laws and regulations are promulgated and implemented by the government departments of the PRC and include national and local laws and regulations in relation to research and development, production and sales of interventional medical devices. This section contains a summary of the current regulatory and legal provisions relating to our Company's business. Laws and regulations may be amended, revised or invalidated and it's difficult for us to predict relevant changes and their impacts on our business and additional compliance costs.

CLASSIFICATION OF MEDICAL DEVICES

According to the Regulations on Supervision of Medical Devices (《醫療器械監督管理條例》) (which was promulgated by the State Council of China on January 4, 2000 and became effective on April 1, 2000, and was amended on March 7, 2014 and May 4, 2017 with the last amendment coming into force on May 4, 2017), China adopts classified administration over medical devices.

Class I medical devices	Medical devices with low level of risk whose safety and effectiveness can be guaranteed through routine administration
Class II medical devices	Medical devices with medium level of risk which are subject to strict control and management in order to guarantee their safety and effectiveness
Class III medical devices	Medical devices with high level of risk which are subject to strict control through implementation of special measures in order to guarantee their safety and effectiveness

Our current products are classified as Class II and Class III medical devices.

MEDICAL DEVICE REGISTRATION CERTIFICATE

According to the Administrative Measures for Medical Devices Registration (《醫療器械註冊管理辦法》) (which was promulgated by NMPA on July 30, 2014 and became effective on October 1, 2014), Class I medical devices to be sold and used in the PRC are required to be registered by relevant food and drug administrative authorities at city level; Class II medical devices to be sold and used in the PRC are subject to the inspection and approval and the grant of product registration certificates by food and drug administrative authorities at the provincial, autonomous region, and municipal levels; Class III medical devices to be sold and used in the PRC are subject to the inspection and approval and the grant of product registration certificates by the NMPA. The medical device registration certificate is valid for five years and the holder

of which shall apply for renewal within six months prior to its expiration. Clinical trial is required for the registration application of Class II and Class III medical devices, but it is not required under any of the following circumstances:

(1) such medical devices have detailed operation mechanism, fixed design and mature production technology, and the same types of medical devices in the market have no record of severe adverse events after years of clinical application, and there are no changes on their ordinary usage;

(2) such medical devices are proven to be safe and effective through non-clinical evaluation; and

(3) such medical devices are proven to be safe and effective through clinical trials conducted on the same types of medical devices or through analytical evaluation on information obtained from clinical application.

The catalogue of medical devices exempted from clinical trials shall be formulated, updated and published by the NMPA. NMPA approval for clinical trial of a Class III medical device is necessary where the clinical trials could pose relatively high risks to human bodies. The catalogue of Class III medical devices whose clinical trials are subject to examination and approval shall be formulated, updated and published by the NMPA.

MEDICAL DEVICE PRODUCTION PERMIT

According to the Regulations on Supervision of Medical Devices (《醫療器械監督管理條例》), in addition to the required medical device registration certificates, a producer of medical devices shall file a record with or obtain a production license from food and drug administrative authorities at relevant level before commencing production. The medical device production license is valid for five years. Where the period of validity for the license needs to be extended upon expiry, the procedures for such extension shall be handled in accordance with the provisions of relevant laws on administrative licensing. For any changes to the contents or particulars stated in the production license, an application shall be submitted to relevant food and drug administrative authorities for registration of changes. For any changes to the contents or particulars stated in the certificates for production filing of Class I medical devices, the certificates shall be filed with relevant food and drug administrative authorities for registration of changes.

According to the Administrative Measures for the Supervision of the Production of Medical Devices (《醫療器械生產監督管理辦法》) (which was promulgated by the NMPA on July 30, 2014 and became effective on October 1, 2014, and was amended on November 7, 2017), an enterprise engaging in the production of Class I medical devices shall complete record-filing with the food and drug administrative authorities under the people's government of the city with districts where it is located and submit supporting materials evidencing its compliance with the criteria specified in the Regulations on Supervision of Medical Devices for engaging in the production of such medical devices; an enterprise engaging in the production of Class II and Class III medical devices shall apply for a production license from the food and drug administrative authorities under the people's government of the province, autonomous region or municipality directly under the central government where it is located and submit supporting materials evidencing its compliance with the criteria specified in the Regulations on Supervision of Medical Devices for engaging in the production of such medical devices and the product registration certificates of such medical devices.

PERMIT FOR MEDICAL DEVICE OPERATION ENTERPRISES

According to the Regulations on Supervision of Medical Devices (《醫療器械監督管理條例》) and the Administrative Measures for Supervision of the Operation of Medical Devices (《醫療器械經營監督管理辦法》) (which was promulgated by the NMPA on July 30, 2014 and became effective on October 1, 2014, and was amended and implemented on November 7, 2017), an enterprise engaging in the operations of Class I medical devices is not required to obtain approval or file a record. An enterprise engaging in the operations of Class II medical devices is required to file a record with the food and drug administrative authorities of the city with districts where it is located. An enterprise engaging in the operations of Class III medical devices shall obtain operation permit from the food and drug administrative authorities of the city with districts where it is located.

The term of validity of the operation permit for medical devices is five years. To renew an operation permit for medical devices upon expiry, the enterprise engaging in the operation of medical devices shall submit applications to the food and drug administrative authorities which issued the original operation permit for medical devices for a renewal at least six months prior to its expiry.

No operation permit or record filing is required for the registrant, record holder or manufacturer of medical devices to sell its medical devices at its domicile or production sites; while it is required for it to store and sell medical devices in other places.

The transportation and storage of medical devices shall comply with the requirements as specified in the specifications and labels of medical devices; for medical devices having special requirements on temperature, humidity or other environmental conditions, corresponding measures shall be adopted to guarantee their safety and effectiveness.

GOOD MANUFACTURING PRACTICE FOR MEDICAL DEVICES

According to the Administrative Measures for Inspection of Good Manufacturing Practice for Medical Devices (《醫療器械生產質量管理規範》) (which was promulgated by the NMPA on December 29, 2014 and became effective on March 1, 2015), the producer of medical devices should abide by the requirements of this measures in the process of design, development, production, sales and after-sales service of medical devices. The producer of medical devices shall, in accordance with the requirements of this measures and having taken into account product characteristics, establish and improve a quality management system that is compatible with the medical devices produced, and ensure their effective operation. The producer of medical devices should implement risk management throughout the entire process of design development, production, sales and after-sales service. The measures taken should be proportionate to the risks of the products.

MEDICAL INSURANCE

The Notice of Opinion on the Diagnosis and Treatment Management, Scope and Payment Standards of Medical Service Facilities Covered by the National Urban Employees Basic Medical Insurance Scheme (《關於印發城鎮職工基本醫療保險診療項目管理、醫療服務設施範圍和支付標準意見的通知》) (which was issued by the Ministry of Labour and Social Security of the People's Republic of China on June 30, 1999) prescribes the coverage of diagnosis and treatment where part of the fees is paid through the basic medical insurance scheme. The basic medical insurance scheme shall cover artificial organs and materials

implanted within human body, including pacemakers, joint prosthesis, intraocular lens and intravascular stents, as well as disposable medical materials that can be charged separately as specified by provincial price control authorities. Our products are categorized as disposable medical materials under the basic medical insurance scheme. According to the current medical insurance scheme in China, the medical fees incurred by patients who have medical insurance will be paid to medical institutions such as hospitals in two portions including medical insurance and patient himself.

According to the Social Insurance Law of the People's Republic of China (《中華人民共和國社會保險法》) (which was adopted by the standing committee of the National People's Congress on October 28, 2010 and became effective on July 1, 2011, and was amended and implemented on December 29, 2018), the portion of medical fees incurred by insured persons that shall be settled with basic medical insurance funds shall be directly settled by social insurance management institutions with medical institutions and drug dealers. The labour protection administration department of each district shall prescribe their own specific percentage of the fees to be paid by patients.

TENDER PROCESSES FOR MEDICAL DEVICES

According to the Notice on Further Strengthening the Administration of Centralized Procurement of Medical Devices (《衛生部關於進一步加強醫療器械集中採購管理的通知》) issued by the Ministry of Health of the People's Republic of China on June 21, 2007, all not-for-profit medical institutions under all levels of government and state-owned enterprises from different industries shall participate in the centralized procurement of medical devices.

According to the Notice of Opinions on Reform of Pricing System of Pharmaceuticals and Medical Services (《關於印發改革藥品和醫療服務價格形成機制的意見的通知》) issued by the National Development and Reform Commission, the Ministry of Health and the Ministry of Human Resources and Social Security of the People's Republic of China on November 9, 2009, the management on the pricing of medical devices will be strengthened. For High value medical devices, especially for implantable and interventional medical devices, reasonable price formation can be guided by measures such as limiting the price difference rate in circulation links and publishing market price information. High value medical devices usually refer to medical devices that directly use on the human body, have strict requirements on safety, have large consumption for clinical use and have relatively high prices.

According to the Notice of the General Office of the Ministry of Health on National Centralized Procurement of High Value Medical Consumables (《衛生部辦公廳關於全國高值醫用耗材集中採購有關事項的通知》) issued by the General Office of the Ministry of Health of the People's Republic of China on January 21, 2010, the centralized procurement of four categories of High Value medical consumables, including cardiovascular intervention, peripheral vascular intervention, cardiac pacemaker and electrophysiological products, will be organized by local authorities by the end of the centralized procurement cycle on September 30, 2010.

According to the Administrative Norms on Centralized Procurement of High Value Medical Consumables (《高值醫用耗材集中採購工作規範(試行)》) issued by the Ministry of Health of the People's Republic of China on December 17, 2012, the online centralized procurement ("Centralized Procurement") works of high value medical consumables will be led by government and conducted by each province (region and municipality). Medical institutions and medical consumables production and operation enterprises shall make

procurement through the Centralized Procurement platform established by each province (region and municipality). The administrative authorities in charge of the Centralized Procurement in each province (region and municipality) shall be responsible for formulating and preparing a Centralized Procurement list of high value medical devices within its administrative region. High value medical consumables listed on the Centralized Procurement list may be procured by way of public tenders and invitational tenders or by other means stipulated by laws and regulations of the State. After the procurement prices are determined, public medical institutions within relevant regions shall make procurement strictly at bidding prices.

THE TWO-INVOICE SYSTEM

According to the Notice of "Publishing Opinions on Implementing "Two-invoice System" in Drug Procurement Among Public Medical Institutions (For Trial Implementation)" (《印發<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)>的通知》) (which was issued on December 26, 2016 by the Medical Reform Office of the State Council, the National Health and Family Planning Commission, China Food and Drug Administration, the National Development and Reform Commission, the Ministry of Industry and Information Technology, the Ministry of Commerce, the State Taxation Administration and the State Administration of Traditional Chinese Medicine), the "two-invoice system" refers to the system that requires one invoice to be issued from pharmaceutical manufacturers to pharmaceutical distributors and the other invoice to be issued from pharmaceutical distributors to medical institutions. The wholly-owned or holding commercial company (only one commercial company is permitted in the whole country) or the domestic general agent for overseas drugs (only one domestic agent is permitted in the whole country) established by a pharmaceutical manufacturer or a group enterprise integrating science, industry and trade may be regarded as a manufacturer. The allocation of drugs between a pharmaceutical distribution group enterprise and its wholly-owned (holding) subsidiaries or among its wholly-owned (holding) subsidiaries may not be regarded as a process for which an invoice should be issued, but one invoice is allowed to be issued at most.

According to the Notice on Consolidating the Results in Eliminating the Mechanism of Replenishing Medical Costs with Drug Selling Profits and Further Deepening the Comprehensive Reform of 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 was issued on March 5, 2018 by the National Health and Family Planning Commission, the Ministry of Finance, the National Development and Reform Commission, the Ministry of Human Resources and Social Security, the State Administration of Traditional Chinese Medicine and the Medical Reform Office of the State Council), a classified and centralized mechanism shall be implemented for the procurement of high value medical consumables and the "two-invoice system" shall be carried out for the procurement and sale of high value medical consumables.

Currently, some provinces in China have formulated relevant systems on the "two-invoice system" for medical devices. Our products have been distributed in four provinces which have formulated relevant systems on the "two-invoice system", including Anhui, Fujian, Shanxi and Shaanxi. In 2016, 2017 and 2018 and the first four months of 2019, our aggregate sales to these four provinces amounted to RMB3.0 million, RMB6.1 million, RMB10.9 million, RMB3.0 million and RMB6.1 million, respectively, representing 2.8%, 4.5%, 5.4%, 5.0% and 7.0% of our total revenue for the corresponding periods. The reform is still in progress and the

influence of "two-invoice system" is uncertain yet. Nonetheless, we believe that the implementation of the "two-invoice system" will potentially have the following impacts on our business operations and financial performance:

(i) accelerating integration and concentration of our sales channels by strengthening cooperation with large distribution companies to achieve strong alliances;

(ii) increasing our profit margin as the distribution channels will be shortened; and

(iii) increasing sales and labor costs for market expansion and customer maintenance because some of the responsibilities that previously belong to distributors, such as distribution services, market expansion and maintenance, will potentially shift to medical device manufacturers.

EXPORT REGISTRATION

According to the Administrative Measures for the Supervision of the Production of Medical Devices (《醫療器械生產監督管理辦法》) (which was promulgated by the NMPA on July 30, 2014 and became effective on October 1, 2014, and was amended on November 7, 2017), a manufacturer of medical devices for exportation purpose shall ensure that the medical devices it produces meet the requirements of the importing country (region), and the relevant information of the products shall be submitted to the food and drug administrative authorities of the city with districts where it is located for record.

Free Sale Certificate for Exportation of Medical Devices Products

According to the Notice of China Food and Drug Administration on the Promulgation of the Administrative Regulations on the Free Sale Certificate for Exportation of Medical Devices Products (《國家食品藥品監督管理總局關於發佈醫療器械產品出口銷售證明管理規定的通告》) (which was issued by the NMPA on June 1, 2015), the food and drug administrative authorities shall issue a free sale certificate for exportation of medical devices products to a production enterprise (hereinafter referred to as the enterprise) which has obtained a registration certificate and a production license of interventional medical devices in China or has completed the registration and production record filing procedures of interventional medical devices. The enterprise shall ensure that the products for exportation meet the requirements of relevant regulations on the exportation of medical devices and relevant requirements of the importing country. All legal liabilities arising in the course of exportation shall be borne by the enterprise itself.

ENVIRONMENTAL PROTECTION

According to the Law of the People's Republic of China on Environment Impact Assessment (《中華人民共和國環境影響評價法》) (which was adopted by the standing committee of the National People's Congress on October 28, 2002 and became effective on September 1, 2003, and was amended on July 2, 2016 and December 29, 2018 with the last amendment coming into force on December 29, 2018), the State implements a classification-based management on the environmental impact assessment of construction projects according to the impact of the construction projects on the environment. For projects with potentially serious environmental impacts, an environmental impact report shall be prepared to provide a comprehensive assessment of their environmental impacts; for projects with potentially mild

environmental impacts, an environmental impact statement shall be prepared to provide an analysis or specialized assessment of their environmental impacts; and for projects with minor environmental impacts so that an environmental impact assessment is not required, an environmental impact registration form shall be filled out. The environmental impact report or environmental impact statement of a construction project shall be submitted by the construction unit in accordance with the regulations of the State Council to the administrative department for ecological environmental protection with powers to approve the project for review and approval. The State shall implement a record-filing-based management on environmental impact registration form.

PRODUCT QUALITY AND CONSUMER PROTECTION LAWS

According to the Product Quality Law of the PRC (《中華人民共和國產品質量法》) (the "Product Quality Law") which was passed by the Standing Committee of the National People's Congress on February 22, 1993 and implemented on September 1, 1993 and amended on July 8, 2000, August 27, 2009 and December 29, 2018, and the last amendment of which became effective as of December 29, 2018, the PRC encourages the use of scientific quality management and advanced scientific technology and promotes that the quality of products should reach and be above the industry standards, the state standards and the international standards. An industrial product which may endanger human health and personal and property safety must meet the national standards and industry standards on protecting human health and personal and property safety; where there are no national standards and industry standards in place, the product must meet the requirements on protecting human health and personal and property safety.

The producer and seller of a product shall be liable for the quality of such product according to this law. Anyone who suffers from personal or property damages as a result of a defective product may claim compensation from the producer or seller of such defective product. If the liability is with the producer, the seller shall, after paying the compensation, have the right to seek reimbursement from the producer. If the liability is with seller, the producer shall, after paying the compensation, have the right to seek reimbursement from the seller. Non-compliance with the Product Quality Law may result in fines, ordered suspension of production and distribution, forfeiture of products produced and sold illegally, revocation of business license and other penalties and if the case constitutes a crime, criminal liability shall be investigated in accordance with the law.

According to the Tort Law of the PRC (《中華人民共和國侵權責任法》which was passed by the Standing Committee of the National People's Congress on December 26, 2009 and became effective on July 1, 2010, a patient who suffers damages as a result of a defective medical device may claim compensation from the producer of such defective medical device or the medical institution. Where a compensation is claimed by the patient from the medical institution, the medical institution shall, after paying the compensation, have the right to seek reimbursement from the producer.

According to the Law of the PRC on the Protection of the Rights and Interests of Consumers (《中華人民共和國消費者權益保護法》) which was passed by the Standing Committee of the National People's Congress on October 31, 1993 and became effective on January 1, 1994, and was amended on August 27, 2009 and October 25, 2013, and the last amendment of which became effective as of March 15, 2014, a consumer, in purchasing or

using goods or receiving services, shall be entitled to the inviolability of his/her personal and property safety. A consumer shall have the right to require the goods and services provided by an operator to meet the requirements on safeguarding personal and property safety. Non-compliance with the Law of the PRC on the Protection of the Rights and Interests of Consumers (《中華人民共和國消費者權益保護法》) may result in fines, and if the case is serious, ordered suspension of business for rectification, revocation of business license and other administrative penalties and if the case constitutes a crime, criminal liability shall be investigated in accordance with the law.

HIERARCHICAL DIAGNOSIS AND TREATMENT SYSTEM

According to the Guiding Opinion of the General Office of the State Council on Promoting the Construction of the Hierarchical Diagnosis and Treatment System (《國務院辦公廳關於推進分級診療制度建設的指導意見》) which was issued by the General Office of the State Council on September 8, 2015, the hierarchical diagnosis and treatment service capacity will be fully improved and the security mechanism will be gradually improved, an efficient medical service system with reasonable layout, appropriate scale, optimized hierarchies, clear duties and responsibilities and perfect function will be substantially established, a hierarchical diagnosis and treatment model featuring initial diagnosis at primary hospitals (基層首診), two-way referral (雙向轉診), separate treatment of acute and chronic diseases (急慢分治) and collaboration between hospitals at different levels (上下聯動) will be gradually established and the hierarchical diagnosis and treatment system that is suitable to Chinese realities will be substantially established by 2020.

Reform on the System for Review and Approval of Medical Devices

According to the Opinions of the State Council on Reforming the System for Review and Approval of Drugs and Medical Devices (《國務院關於改革藥品醫療器械審評審批制度的意見》) which was promulgated by the State Council on August 9, 2015, the method for review and approval of medical devices shall be reformed. It encourages the research, development and innovation of medical devices and includes the registration applications of innovative medical devices with core technical invention patent and significant clinic value into the scope of special review and approval in priority. It also states that medical device standards are required to be revised timely to improve the adoption rate of international medical device standards, thereby enhancing the quality of domestic medical device products, and the duties for the review and approval of some mature, safe and controllable medical devices shall be delegated from NMPA to NMPA at provincial level by adjusting product categories.

The Opinions of the General Office of the CPC Central Committee and the General Office of the State Council on Deepening the Reform on the System for Review and Approval to Encourage Innovation of Drugs and Medical Devices (中共中央辦公廳、國務院辦公廳《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》) which was promulgated by the General Office of the CPC Central Committee and the General Office of the State Council October 8, 2017 requires to accelerate the review and approval of drugs and medical devices with urgent clinical needs, support the research and development of drugs and medical devices for treatment of rare diseases, improve the re-assessment system for medical devices and determine the legal liability of holders of medical device marketing licenses.

Pursuant to the State Council's Notice on Promoting the Reform of "Separating Permits from Business Licenses" Nationwide (國務院《關於在全國推開「證照分離」改革的通知》) issued by State Council on October 10, 2018, the Reform of "Separating Permits from Business Licenses" will be implemented on the product registration of Class II medical devices and Class III medical devices, which simplifies approval procedures for medical device business operation.

ENCOURAGEMENT OF INNOVATION IN MEDICAL DEVICES

There are certain laws, regulations and policies for encouraging innovation in medical devices in China.

Pursuant to the Opinions of the General Office of the CPC Central Committee and the General Office of the State Council on Deepening the Reform on the System for Review and Approval to Encourage Innovation of Drugs and Medical Devices (中共中央辦公廳、國務院辦公廳《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》), in order to encourage the research and development of innovative medical devices, priority processing shall be given to the review and approval of those new drugs and innovative medical devices that are supported by the National Science and Technology Major Projects (國家科技重大專項) and the National Key Research and Development (國家重點研發計劃), pass the clinical trials carried out by the National Clinical Medical Research Center (國家臨床醫學研究中心) and obtain approvals from the administration department of the center.

Pursuant to the Regulations on Supervision of Medical Devices (《醫療器械監督管理條例》), the state encourages the research and innovation of medical devices, through the market mechanisms, to promote the promotion and application of new medical device technologies and promote the development of the medical device industry.

Pursuant to the Opinions of the State Council on Reform of the System of Evaluation, Review and Approval of Drugs and Medical Devices (《國務院關於改革藥品醫療器械審評審批制度的意見》) (which was issued by State Council on August 9, 2015), in order to encourage the research, development and innovation of medical devices, priority processing shall be given to registration application for innovative medical devices that consist of the core technology invention patent and are of major clinical value; they shall be listed into the scope of special review and approval by the relevant regulatory departments.

Pursuant to the State Council's Notice on the Issuance of Made in China 2025 (《國務院關於印發<中國製造2025>的通知》) (which was issued by the State Council on May 8, 2015), in order to improve the innovation capability and industrialization level of medical devices, the state shall focus on the development of high-performance medical equipment such as imaging equipment and medical robots, high-value medical consumables such as fully degradable vascular stents, and mobile medical products such as wearable and remote medical treatment.

Pursuant to the Notice on the Issuance of the 13th Five-year Plan on Strengthening the Reform of Healthcare System (《國務院關於印發「十三五」深化醫藥衛生體制改革規劃的通知》) issued by the State Council on December 27, 2016, through the market push and industrial policy guidance, enterprises are encouraged to improve innovation and research and development capabilities, promote excellence and strength and improve industrial concentration, promote the modernization and standardization of Chinese medicine production,

achieve the quality of pharmaceutical medical equipment at or near the international advanced level, and build Chinese standards and Chinese brands, and the state will strengthen medical device innovation and strict medical device approval.

According to the Circular of the General Office of the Ministry of Science and Technology on Printing the Special Plan for Technological Innovation for Medical Devices during the 13th Five-Year Period (《科技部辦公廳關於印發<「十三五」醫療器械科技創新專項規劃>的通知》) which was issued by the General Office of the Ministry of Science and Technology on May 26, 2017, enhancing the PRC ability to conduct independent innovation on medical devices and strengthening the application demonstration and promotion of domestic innovative medical equipment will provide an important support for establishing an efficient, hierarchical, coordinated, homogeneous and accessible medical and healthcare service system, improving the level of medical and health services and changing the model of health services.

The guiding principle of such plan is to strengthen the combination of medical and research enterprises, focus on improving the core competitiveness of domestic medical devices and promote the leapfrog development of the medical device technology industry with localization, advanced development, brand building and internationalization as direction, clinical and health demand as guidance, breakthroughs in core technologies as driving force, research and development of key products as emphasis and demonstration and promotion as driver and the integrated development of the innovation chain, industry chain and service chain.

The overall goals of such plan include accelerating the overall transformation of the medical device industry to innovation-driving development and improving the research, development and innovation chains of medical devices; making breakthroughs in a series of cutting-edge and generic key technologies and core components and developing a series of premium and mainstream medical devices and intelligent, mobile and networked products suitable to primary hospitals which are highly dependent on import and urgent clinical needs and introducing a series of application solutions based domestic innovative interventional medical devices; cultivating several leading enterprises with annual output of over RMB10 billion and a batch of innovative enterprises with strong innovative vitality to significantly increase industry competitiveness, increase the market share of domestic innovative interventional medical devices, lead the reform of medical model and promote the leapfrog development of the domestic medical device industry.

ENCOURAGEMENT POLICIES IN RELATION TO PROCUREMENT OF DOMESTIC MEDICAL DEVICES AND IMPORT OF ALTERNATIVE PRODUCTS

Some provinces have issued encouragement policies in respect of procurement and use of domestic medical devices.

For example, in Heilongjiang province, according to the Centralized Online Sunshine Procurement Implementation Plan of Medical Consumables of Medical Institutions in Heilongjiang Province (《黑龍江省醫療機構醫用耗材集中掛網陽光採購實施方案》) (which was issued by Health and Family Planning Commission of Heilongjiang Province on May 9, 2016), medical and health institutions purchasing medical consumables should consider the brand, variety, quantity, price of medical consumables and the real and effective reference price provided by the supply enterprises, and medical and health institutions was encouraged to purchase domestic medical consumables.

In Hunan province, the People's Government of Hunan Province's Notice on the Issuance of Pilot Program for Strengthening the Comprehensive Reform of the Medical and Healthcare System in Hunan Province (《湖南省人民政府關於印發<湖南省深化醫藥衛生體制綜合改革試點方案>的通知》) (which was issued by People's Government of Hunan Province on June 15, 2016) requires to comprehensively carry out centralized procurement of high-value medical consumables, and public medical institutions are not allowed to purchase high-value medical consumables by themselves and encourages the procurement of domestically-produced high-value medical consumables on the premise of ensuring quality.

In Anhui province, according to General office of People's Government of Anhui Province's Notice on the Issuance of Implementation Plans for Promoting the Healthy Development of the Pharmaceutical Industry (《安徽省人民政府辦公廳關於印發促進醫藥產業健康發展實施方案的通知》) (which was issued by General office of People's Government of Anhui Province on July 7, 2016), if domestically-produced drugs and medical devices can meet the requirements, government procurement projects must purchase domestically-produced products in principle, and may not appoint imported products, and may not set specific parameters.

In Liaoning province, the Rules on Management and Assessment of Procurement of Drugs, Medical Consumables and Medical equipment for Public Medical Institutions in Liaoning Province (Trial) (《遼寧省公立醫療機構藥品、醫用耗材和醫療設備採購管理與考核細則(試行)》) (which was issued by Health and Family Planning Commission Office of Liaoning Province on November 1, 2017) requires to encourage the use of domestically-produced products in the procurement of medical consumables and medical equipment.

INTELLECTUAL PROPERTY

Trademark Law

According to the Trademark Law of the PRC (《中華人民共和國商標法》) which was passed by the Standing Committee of the National People's Congress on August 23, 1982, became effective as of March 1, 1983 and was amended on February 22, 1993, October 27, 2001, August 30, 2013 and April 23, 2019 and the last amendment of which will become effective on November 1, 2019, any natural person, legal person or other organization that needs to obtain the exclusive right to use a trademark for its goods or services during production and business operations shall apply for trademark registration with the Trademark Office ("TMO"). The principle of good faith shall be upheld in the application for trademark registration and in the use of trademarks. The users of a trademark shall be responsible for the quality of their goods bearing that trademark. A trademark registrant that changes, without authorization of the TMO, the registered trademark, the name or address of the registrant or other registration items during the use of the registered trademark shall be ordered to make correction within the prescribed time period by the relevant local administration for industry and commerce, and the TMO shall cancel its registered trademark if it fails to make correction by the prescribed deadline.

Patent Law

According to the Patent Law of the PRC (《中華人民共和國專利法》) which was passed by the Standing Committee of the National People's Congress on March 12, 1984, became effective on April 1, 1985 and was amended on September 4, 1992, August 25, 2000, December 27, 2008, and the last amendment of which became effective as of October 1, 2009, the patent administrative department under the State Council is responsible for the administration of patent-related work nationwide. It accepts and examines patent applications in a uniform way and grants patent rights in accordance with the law. The patent administrative departments of people's governments of provinces, autonomous regions and municipalities are responsible for the administration of patent-related work in their respective administrative areas. Any invention or utility model for which a patent right is to be granted shall possess novelty, creativity and practical applicability. Any design for which a patent right is granted shall not be attributable to any existing design; and no entity or individual shall have filed an application with the patent administrative department under the State Council, with respect to such design before the filing date nor recorded such design on patent documents officially announced after the filing date. The duration of a patent right for inventions shall be 20 years and the duration of a patent right for utility models and designs shall be ten years, both commencing from the date of application. Any entity or individual who uses the patent of a third party shall conclude a licensing agreement with the patentee and pay a patent royalty to the patentee. Use of the patent of a patentee without such patentee's permission constitutes infringement of such patentee's patent right.

LABOR AND SOCIAL PROTECTION

Labor Law

According to the Labor Law of the PRC (《中華人民共和國勞動法》) which was passed by the Standing Committee of the National People's Congress on July 5, 1994, became effective as of January 1, 1995 and was amended on August 27, 2009 and December 29, 2018, and the amendment of which became effective as of December 29, 2018, and the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) which was passed by the Standing Committee of the National People's Congress on June 29, 2007 and became effective as of January 1, 2008 and was amended on December 28, 2012, and the amendment of which became effective as of July 1, 2013, labor contracts in written form shall be executed to establish labor relationship between employers and employees. Employers shall establish and develop labor rules and systems in accordance with the law to protect the rights and ensure the performance of duties of employees. Employers shall also set up and develop the labor safety and health system in strict compliance with the regulations and standards of labor safety and sanitation of the PRC and provide education on labor safety and sanitation for the employees to prevent work-related accidents and occupational harm.

According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) which was passed by the Standing Committee of the National People's Congress on October 28, 2010, became effective as of July 1, 2011, was amended on December 29, 2018 and became effective as of the same date, the Interim Regulation on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) which was promulgated by the State Council on January 22, 1999 and amended on March 24, 2019 and the amendment became effective on the same day, the Decision of the State Council on the Establishment of Basic Insurance System for Urban Workers (《國務院關於建立城鎮職工基本醫療保險制度的決定》) which was promulgated by the State Council and became effective on December 14,

1998, the Decision of the State Council on the Establishment of Unified System of Basic Retirement Insurance Fund for the Employees of Enterprises (《國務院關於建立統一的企業職工基本養老保險制度的決定》) which was promulgated by the State Council and became effective on July 16, 1997, the Regulation on Work-Related Injury Insurance (《工傷保險條例》) which was promulgated by the State Council on April 27, 2003, became effective on January 1, 2004 and was amended on December 20, 2010 and the amendment became effective on January 1, 2011, the Regulation on Unemployment Insurance (《失業保險條例》) which was promulgated by the State Council and became effective on January 22, 1999 and the Interim Measures Concerning the Maternity Insurance of Enterprise Employees (《企業職工生育保險試行辦法》) which was promulgated by the Ministry of Labor on December 14, 1994 and became effective as of January 1, 1995, the state establishes social insurance systems such as basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance so as to protect the rights of citizens in receiving material assistance from the State and the society in accordance with the law when getting old, sick, injured at work, unemployed and giving birth. The employers and employees shall pay their social insurance premiums in accordance with the law.

According to the Regulation on the Administration of Housing Provident Fund (《住房公積金管理條例》) which was promulgated by the State Council and became effective on April 3, 1999 and amended on March 24, 2002 and March 24, 2019 and the amendment became effective on the same day, an employer shall go to a management center of housing provident fund to make deposit registration and go to an entrusted bank to go through the procedures for opening its employee's housing provident fund account when approved by the management center of housing provident fund. Each employee can only have one housing provident fund account.

LABOR DISPATCH

According to the Interim Provisions on Labor Dispatch (《劳務派遣暫行規定》), which was promulgated by the Ministry of Human Resources and Social Security on January 24, 2014 and became effective as of March 1, 2014, labor dispatch employment is a supplemental form which can only be adopted for temporary, auxiliary or alternative job positions. Temporary positions are positions subsisting for no more than six months; auxiliary positions are positions of non-major business that serve positions of major businesses; and alternative positions are positions that can be held by substitute laborers for a certain period of time during which the laborers of the employers who originally hold such positions are unable to work as a result of full-time study, being on leave or other reasons. An employer is required to strictly control the number of dispatched laborers which may not exceed 10% of the total number of its workers.

CUSTOMS

According to the Customs Law of the PRC (《中華人民共和國海關法》) which was passed by the Standing Committee of the National People's Congress on January 22, 1987 and amended on July 8, 2000, June 29, 2013, December 28, 2013, November 7, 2016 and November 4, 2017, and the last amendment of which became effective on November 5, 2017, the Customs of the PRC is the state's entry and exit customs supervision and administration authority. Under the Customs Law of the PRC (《中華人民共和國海關法》) and other relevant laws and administrative regulations, the Customs is responsible for the supervision of the transport vehicles, goods, freight items, postal items and other items entering into and departing from the PRC and collecting tariff and other duties and charges. Import goods, throughout the period from the time of arrival in the territory to the time of customs clearance,

export goods, throughout the period from the time of declaration to the customs to the time of departure from the territory, and transit, transhipment and through goods, throughout the period from the time of arrival in the territory to the time of departure from the territory shall be subject to the supervision of the Customs.

According to the Provisions of the Customs of the PRC on the Administration of Registration of Customs Declaration Entities (《中華人民共和國海關報關單位註冊登記管理規定》), which was promulgated by the General Administration of Customs on March 13, 2014, became effective as of March 13, 2014 and was amended on December 20, 2017 and May 29, 2018 and became effective as of July 1, 2018, registration of declaring entities shall be divided into the registration of declaring enterprises and the registration of consignees or consignors of imported or exported goods. A declaring enterprise shall not go through the declaration procedures at the customs unless it has been approved by the relevant competent authority directly under the General Administration of Customs or the authorized customs affiliate. A consignee or consignor of imported or exported goods may directly go through the registration procedures at the customs at the domicile of the consignee or consignor.

ANTI-CORRUPTION LAWS IN CHINA

Since early 1990s, the legislative authorities at different levels in China have promulgated certain laws and regulations in respect of commercial bribery. According to the Anti-Unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》), which was passed by the Standing Committee of the National People's Congress on September 2, 1993, became effective as of December 1, 1993 and was amended on November 4, 2017 and April 23, 2019 and the amendment became effective on the same day, operators practicing bribery by offering money or property or other means for the purposes of selling or buying goods commit criminal offence. According to the Interim Provisions on the Prohibition of Commercial Bribery (《國家工商行政管理局關於禁止商業賄賂行為的暫行規定》), which was promulgated the State Administration for Industry and Commerce on November 15, 1996, commercial bribery refers to an act of offering money or property or other means by an operator to another entity or individual for the purposes of selling or buying goods, among which "other means" refer to the means used to provide any types of benefits other than money or property, such as offering domestic or international tours. According to the Anti-Unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》) and the Interim Provisions on the Prohibition of Commercial Bribery (《國家工商行政管理局關於禁止商業賄賂行為的暫行規定》), regulatory authorities may impose fines of more than RMB100,000 and less than RMB3,000,000 depending on the seriousness of the cases and if there is any illegal income, such income shall be confiscated. According to the PRC Criminal Law (《中華人民共和國刑法》), anyone who offers money or property to national servants for the purposes of seeking illegitimate benefits may commit criminal offence and may be imposed on criminal penalty.

OVERVIEW OF EU REGULATIONS

European Regulatory Overview

This section sets out a summary of certain aspects of the legal texts of the European Union ("EU") which are relevant to our business activities in the EU. This summary relates to import requirements, product safety and product liability. Information contained in this section

should not be construed as a comprehensive summary of EU legal texts applicable to our business activities in the EU for import requirements, product safety and product liability. This summary is set out based on the facts and confirmations we have shared with our EU legal adviser.

The general framework for most consumer protection legislation within the EU is based on EU legislation but implemented and mostly enforced at the national level. Although the principal framework of laws on product safety and liability has been largely harmonized under EU law, each member state of the EU has its own consumer laws that may introduce further obligations. In addition, each national jurisdiction will have its own national laws covering issues such as negligence (or other forms of tortious liability). Legal texts may be amended, revised or invalidated and it is difficult for us to predict relevant changes and their impacts on our business and additional compliance costs.

It is important to distinguish between the so-called EU regulations, which are directly applicable to the member states, and EU directives, which are not directly applicable or enforceable in the member states, but have to be implemented by each member state. Accordingly, there may be varying legal requirements in each member state. The requirements in member states will not be discussed in this section.

Law relating to import requirements

Two main EU legal texts apply to the sales of our medical devices in the EU, the Directive 93/42/EEC on Medical Devices ("MDD") and the Regulation 2017/745/EU on Medical Devices ("MDR"). Other EU rules would also apply to our activities if we started selling in vitro diagnostic medical devices in the EU, which is currently not the case. The MDR entered into force recently, on May 25, 2017, and will progressively replace the MDD. From May 26, 2020, the MDR will fully replace the MDD, except in a few cases. In particular, during the transition phase, products certified under the MDD and products certified under the MDR coexist on the market. During that phase, both have equal status under the law, and no discrimination in public tenders may take place. As the MDR will soon be the core regime of reference between both legal texts, this section will focus on the MDR requirements.

We sell our products in the EU to distributors, end-users (e.g. hospitals) and OEM manufacturers who incorporate our products into their final products. Under the MDR, among the obligations applicable to manufacturers to be able to sell their devices in the EU, we must ensure that our devices have been designed and manufactured in accordance with EU requirements. We must also have a named person responsible for regulatory compliance, who possesses the requisite expertise in the field of medical devices. We must assign a Basic UDI-DI code to the device and provide the code to the UDI database. In addition, as manufacturers established outside the EU, we also have a contract with an authorized representative established inside the EU.

It should be noted that under the MDR, an importer, distributor or any natural or legal person is the one who must assume the obligations incumbent on manufacturers if it does any of the following: (a) it makes available on the EU market a device under its own name, registered trade name or registered trademark, except if the manufacturer agreed to be identified as such on the label and to be responsible for the MDR manufacturers obligations; (b) it changes the intended purpose of a device already placed on the market or put into service; and (c) it modifies a device already placed on the market or put into service in such a way that compliance with the applicable requirements may be affected (Article 16 of the MDR).

As mentioned, our customers in the EU who are OEM manufacturers incorporate our products into their own final products. They then sell these final products under their own company name and our company name does not appear on these products' label. Thus, in relation to these final products, the manufacturers obligations set out in the MDR, including but not limited to the ones mentioned in this section, are incumbent on these OEM manufacturers (see below for the specificities regarding product safety and product liability). Instead, our customers in the EU who are distributors sell our products under our company name, they do not change the intended purpose of our devices and they do not modify them in a way that affects their compliance with applicable requirements. In addition, to the best of our knowledge the activities of our customers who are end-users (e.g. hospitals) do not fall within any of the three above-mentioned categories. Therefore, our obligations as manufacturers under the MDR are not transferred to our distributors or end-users customers.

At a certain point in time, other requirements may also apply to our sales in the EU, such as import quantitative restrictions, restrictions and prohibitions of imported products, intellectual property rights, import duties and tariff, and other trade-related measures.

Law relating to product safety

Among EU laws applicable to product safety, the recently adopted MDR mandates a substantial increase in safety obligations of manufacturers (e.g. Article 10 and Annex I of the MDR). For instance, as a manufacturer we are required to have systems for risk management, quality management and post-market surveillance. Specifically, implementing and maintaining a risk management system requires identifying and analyzing any known risks and implementing solutions to eliminate or control these risks. In order to sell our products in the EU, we had to conduct clinical evaluations, compile technical documentation, and undertake a conformity assessment procedure. In addition, we must ensure that our authorized representative has the necessary documentation permanently available, and that our devices are accompanied by the required information. We must also have a system for recording and reporting of incidents. If there were to be a serious incident involving our products, the reporting timeline to a health authority would typically be no later than 15 days after we, as a manufacturer, became aware of the incident, and 2 days in case of serious public health threat.

The EU rules on product safety also require that the products we sell in the EU hold certifications of conformity with the relevant harmonized standards (Article 56 of the MDR). Once we completed all applicable obligations, as a manufacturer we must draw up a declaration of conformity (Articles 10 §6 and 19 of the MDR) and apply CE marking of conformity to our devices (Articles 10 §6 and 20 of the MDR, and Article 30 of Regulation (EC) No 765/2008). The products we sell in the EU have EC certificates and CE marking. These EC certificates cover products categorized as devices in Class I and Class IIa. Any other products we would sell in the EU and that would not be covered by these EC certificates and/or would not have CE marking would require additional EC certification and/or CE marking. Once devices are compliant with the MDR requirements, member states cannot refuse, prohibit or restrict the making available on the market or putting into service within their territory of these devices (Article 24 of the MDR).

As noted above, pursuant to Article 16 of the MDR, for the final products sold by our OEM manufacturers in the EU and which incorporate our devices, these manufacturers are the ones on which the MDR manufacturers obligations apply. These obligations cover, among others, product safety requirements. This is why, in particular, our OEM manufacturers have their own separate EC certificates for the final products they sell and they are the ones who applied for these EC certificates. Instead, for the devices we sell in the EU and our devices sold by distributors in the EU, the MDR product safety obligations are incumbent on us, which is why we are the ones who received EC certificates for these products.

Law relating to product liability

The set of product liability rules applicable to medical devices in the EU is contained among others in the MDR, and in general product liability laws based on national laws implementing the Directive 85/374/EEC on Product Liability ("PLD") and on national laws of torts of practically all EU member states. These product liability regimes apply in parallel.

As previously mentioned, for the final products sold by our OEM manufacturers in the EU and which incorporate our devices, the MDR manufacturers obligations apply to these OEM manufacturers instead of us. This means that for their final products incorporating our devices, it is these OEM manufacturers that are liable under the MDR if these final products are defective. However, other liability regimes may apply, under which we would still be held liable in case these final products were defective because of our components, e.g. under the PLD and national laws.

For the devices we sell in the EU and our devices sold by distributors in the EU, the MDR product liability regime directly applies to us and is explained hereafter. Under the MDR, by drawing up the EU declaration of conformity, as a manufacturer we must assume responsibility for compliance with all EU legal texts applicable to these devices. The MDR adds that manufacturers are responsible for their devices once they are on the market. In case of defective device, natural or legal persons may claim compensation for damage caused by the device in accordance with applicable EU and national laws. If we were found not to have complied with our obligations under the MDR, as we are not located in the EU our authorized representative would be liable for defective devices together with us. In addition, as a manufacturer the MDR requires that we have systems in place to cover our financial responsibility in relation to our potential liability under the PLD (the PLD requirements will be presented below), without prejudice to more protective measures under national law.

The national laws implementing the PLD create a strict liability regime (without fault). Under the PLD, liability principally rests upon the "producer" of the defective product, component part or raw material. The notion of "producer" covers (i) any person who, by putting his name, trade mark or other distinguishing feature on the product, presents himself as the producer; (ii) any importer which has imported the defective product, component or raw material into the EU market; and (iii) any supplier (e.g. the retailer, distributor or a wholesaler) if the producer cannot be identified. For the OEM manufacturers' final products which material into the EU market; and (iii) any supplier (e.g. the retailer, distributor or a wholesaler) if the producer cannot be identified. For the OEM manufacturers' final products which incorporate our devices and are sold in the EU, we would qualify as producer as we would be considered

to have imported the incorporated component into the EU. For the products we sell in the EU and the ones sold by our distributors in the EU, we would qualify as producer for the same reason, and also because these products are sold under our company name.

Under the PLD, the producer of the finished product and the producer of the defective component part can be held jointly and severally liable. In addition, the injured person must prove the damage, the defect and the causal relationship between defect and damage. A product is deemed to be defective if it does not provide the safety that consumers generally are entitled to expect taking all circumstances into account (including the presentation of the product, its use that could be reasonably expected and the time when the product was put into circulation). The PLD applies to damages caused by death or by personal injuries, and in certain cases to damages to property.

In particular, under the PLD the producer will not be liable if he can prove that e.g. he did not put the product into circulation, or that the defect did not exist at the time when the product was put into circulation. Another instance where the producer will not be liable is, in case of a manufacturer of component (like us), if he proves that the defect is attributable to the design of the product in which the component has been fitted or to the instructions given by the manufacturer of the product, e.g. OEM manufacturers in our case.

Furthermore, our liability as producer under the PLD could be limited if we can prove that the consumer's negligence caused or contributed to the damage. Liability under the PLD will expire after three years starting from the date on which the claimant became aware or reasonably could have become aware of the damage and its cause, the defect and the identity of the producer. Irrespective of knowledge, a producer's liability expires ten years from the date on which the producer put the product into circulation.

National laws of torts of EU member states also provide other liability regimes which are fault-based (negligence). A claimant may seek to recover damages beyond the limitations mentioned above under these other regimes.

SANCTIONS LAWS AND REGULATIONS

This section sets out a summary of the sanctions regimes imposed by the respective jurisdictions.

U.S.

OFAC is the primary agency responsible for administering U.S. sanctions programmes against targeted countries, entities, and individuals. "Primary" U.S. sanctions apply to "U.S. persons" or activities involving a U.S. nexus (e.g., funds transfers in U.S. currency or activities involving U.S.-origin goods, software, technology or services even if performed by non-U.S. persons), and "secondary" U.S. sanctions apply extraterritorially to the activities of non-U.S. persons even when the transaction has no U.S. nexus. Generally, U.S. persons are defined as entities organized under U.S. law (such as companies and their U.S. subsidiaries); any U.S. entity's domestic and foreign branches (sanctions against Iran and Cuba also apply to U.S. persons); U.S. citizens or permanent resident aliens ("green card" holders), regardless of their location in the world; individuals physically present in the United States; and U.S. branches or U.S. subsidiaries of non-U.S. companies.

Depending on the sanctions program and/or parties involved, U.S. law also may require a U.S. company or a U.S. person to "block" (freeze) any assets/property interests owned, controlled or held for the benefit of a sanctioned country, entity, or individual when such assets/property interests are in the United States or within the possession or control of a U.S. person. Upon such blocking, no transaction may be undertaken or effected with respect to the asset/property interest – no payments, benefits, provision of services or other dealings or other type of performance (in case of contracts/agreements) – except pursuant to an authorization or license from OFAC.

OFAC's comprehensive sanctions programmes currently apply to Cuba, Iran, North Korea, Syria, and the Crimea region of Russia/Ukraine (the comprehensive OFAC sanctions programme against Sudan was terminated on October 12, 2017). OFAC also prohibits virtually all business dealings with persons and entities identified in the SDN List. Entities that a party on the SDN List owns (defined as a direct or indirect ownership interest of 50% or more, individually or in the aggregate) are also blocked, regardless of whether that entity is expressly named on the SDN List. Additionally, U.S. persons, wherever located, are prohibited from approving, financing, facilitating, or guaranteeing any transaction by a non-U.S. person where the transaction by that non-U.S. person would be prohibited if performed by a U.S. person or within the United States.

In respect of dealings with Syria, under section 542.525 of the Syrian Sanctions Regulations, there is a general licence that authorizes U.S. financial institutions to process U.S.-dollar payments for shipment of non-U.S. origin medical devices to Syria, if such products would be classified as "EAR99" under the United States Export Administration Regulations if they were of U.S. origin. As advised by our International Sanctions Legal Adviser and as confirmed by our Directors, all of our products shipped to Syria during the five-year period before the Latest Practicable Date would be classified as EAR99 if they were of U.S. origin, and accordingly we were permitted to receive U.S.-dollar payments in respect of such shipments.

In respect of dealings with Iranian SDNs listed on the IRAN program, under section 1244(e) of the United States Iran Freedom and Counter-Proliferation Act, secondary sanctions do not currently apply to or target foreign persons who conduct or facilitate transactions for the sale of food, medicine or medical devices to Iran. Our products are considered medical devices within the meaning of section 1244(e).

Upon a finding by the U.S. Secretary of the Treasury that a foreign financial institution has knowingly engaged in one or more of the activities described in sections 561.201 or 561.203 of the Iranian Financial Sanctions Regulations, 31 C.F.R. Part 561 (the "IFSR"), the Secretary, pursuant to the IFSR and consistent with the Secretary's authorities under U.S. law has the authority to place such financial institution on the Part 561 List program, and impose certain prohibitions on the opening or maintaining in the U.S. of a correspondent account or a payable-through account for such foreign financial institution. After a financial institution is placed on the Part 561 list program, U.S. financial institutions are prohibited from opening or maintaining a correspondent account or a payable-through account for the foreign financial institution(s).

United Nations

The United Nations Security Council (the "UNSC") can take action to maintain or restore international peace and security under Chapter VII of the United Nations Charter. Sanctions measures encompass a broad range of enforcement options that do not involve the use of armed force. Since 1966, the UNSC has established 30 sanctions regimes.

The UNSC sanctions have taken a number of different forms, in pursuit of a variety of goals. The measures have ranged from comprehensive economic and trade sanctions to more targeted measures such as arms embargoes, travel bans, and financial or commodity restrictions. The UNSC has applied sanctions to support peaceful transitions, deter non-constitutional changes, constrain terrorism, protect human rights and promote non-proliferation.

There are 14 ongoing sanctions regimes which focus on supporting political settlement of conflicts, nuclear non-proliferation, and counter-terrorism. Each regime is administered by a sanctions committee chaired by a non-permanent member of the UNSC. There are ten monitoring groups, teams and panels that support the work of the sanctions committees.

United Nations sanctions are imposed by the UNSC, usually acting under Chapter VII of the United Nations Charter. Decisions of the UNSC bind members of the United Nations and override other obligations of United Nations member states.

EU

Under EU sanction measures, there is no "blanket" ban on doing business in or with a jurisdiction targeted by sanctions measures. It is not generally prohibited or otherwise restricted for a person or entity to do business (involving non-controlled or unrestricted items) with a counterparty in a country subject to EU sanctions where that counterparty is not a Sanctioned Person or not engaged in prohibited activities, such as exporting, selling, transferring or making certain controlled or restricted products available (either directly or indirectly) to, or for use in a jurisdiction subject to sanctions measures.

Australia

The Australian restrictions and prohibitions arising from the sanctions laws apply broadly to any person in Australia, any Australian anywhere in the world, companies incorporated overseas that are owned or controlled by Australians or persons in Australia, and/or any person using an Australian flag vessel or aircraft to transport goods or transact services subject to United Nations sanctions.

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 prepared by Frost & Sullivan in March 2019 and cited in this prospectus 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. The information has not been independently verified by our Company, the Underwriters, any of their respective directors, employees, agents or advisers or any other person or party involved in the Global Offering (except for Frost & Sullivan) and no representation is given as to its accuracy. The information and statistics may not be consistent with other information and statistics compiled within or outside China.

ABOUT FROST & SULLIVAN

We commissioned Frost & Sullivan, an independent third party, to prepare a report on China's cardiovascular interventional medical device market in March 2019 which is cited in this prospectus. The total fee we paid for the report prepared by Frost & Sullivan was RMB680,000. 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 China 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.

THE GLOBAL AND PRC MEDICAL DEVICE MARKET

Overview

The medical device market generally refers to the business activities of connecting upstream medical device manufacturers with downstream distributors as well as end users. These business activities mainly include the procurement of goods from upstream medical device manufacturers, and then wholesale to downstream distributors, or directly sell to retail customers such as hospitals. The general channels of product circulation can be divided into two parts, one is wholesale business and the other is retail business. The wholesale business is the main distribution channel of the medical device market, and it is also the main distribution channel for manufacturers to sell to hospitals and medical institutions through distributors. The wholesale business may also entail primary distributors selling to sub-distributors. In contrast, the retail business entails retail customers purchasing medical devices from distributors or directly from manufacturers and then selling them to individual consumers.

In China, in furtherance of the healthcare reform, the Chinese government announced a pilot program to implement a "two-invoice" system which generally limits the distribution to a single level of distributors for the sale of pharmaceutical and medical products from manufacturers to public hospitals.

Both the global and PRC medical device markets have increased significantly and will continue to grow in the future. According to Frost & Sullivan, the global medical device market has increased from US$375.2 billion in 2014 to US$425.3 billion in 2018 in terms of sales revenue, representing a CAGR of 3.2% from 2014 to 2018, due to longer life expectancy around the world and emerging economies' increasing healthcare expenditure. The market is expected to reach US$552.1 billion in 2023, representing a CAGR of 5.4%. In vitro diagnostic, cardiovascular and medical imaging devices are the top three segments of the global medical device market in terms of sales revenue, accounting for 13.3%, 11.8% and 9.5% of the total market share, respectively. In particular, the market share for cardiovascular medical devices is expected to continue to increase due to growing numbers of patients with cardiovascular diseases and technology improvement in cardiovascular medical devices. The following chart sets forth the historical and forecasted market size of the global medical device market.

Historical and Forecasted Market Size of Global Medical Device Market, 2014-2023E

Period	CAGR
2014-2018	3.2%
2018-2023E	5.4%

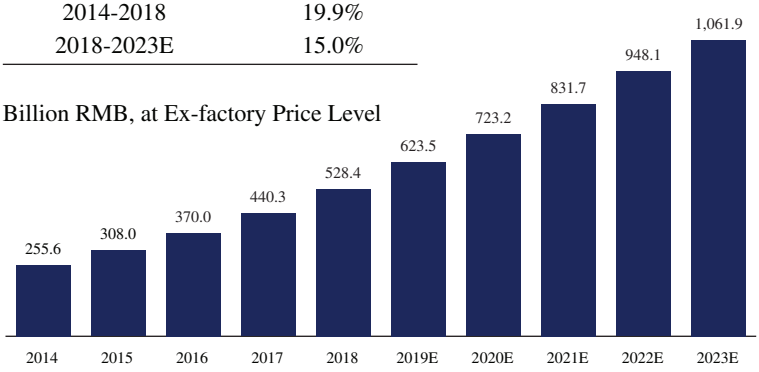
Source: Frost & Sullivan Analysis

Along with the development of economy and healthcare services, the Chinese medical device industry has entered into a rapid growth period. The PRC medical device market increased from RMB255.6 billion in 2014 to RMB528.4 billion in 2018 in terms of sales revenue, representing a CAGR of 19.9% from 2014 to 2018. Medical imaging devices, in vitro diagnostic devices and low-value medical consumables are the top three segments of the PRC medical device market in terms of sales revenue, accounting for 14.2%, 13.5% and 10.0% of the total market share, respectively. In particular, the market share for cardiovascular medical devices is expected to continue growing due to an aging population and technology improvement in cardiovascular medical devices.

The PRC government announced a series of policies, such as "Healthy China 2030" and "13th Five-Year Plan for Medical and Healthcare System Reform". The policies would build a comprehensive healthcare system with a focus on healthcare technology innovation. These favorable government policies are expected to drive the growth of the PRC medical device industry. According to Frost & Sullivan, the PRC medical device market is expected to grow to RMB1,061.9 billion in 2023 in terms of sales revenue, representing a CAGR of 15.0% from 2018. The following chart sets forth the historical and forecasted market size of the medical device market in China.

Historical and Forecasted Market Size of Medical Device Market in China, 2014-2023E

Period	CAGR
2014-2018	19.9%
2018-2023E	15.0%



Source: Frost & Sullivan Analysis

THE GLOBAL AND PRC PERCUTANEOUS CORONARY INTERVENTION ("PCI") DEVICE MARKET

Overview

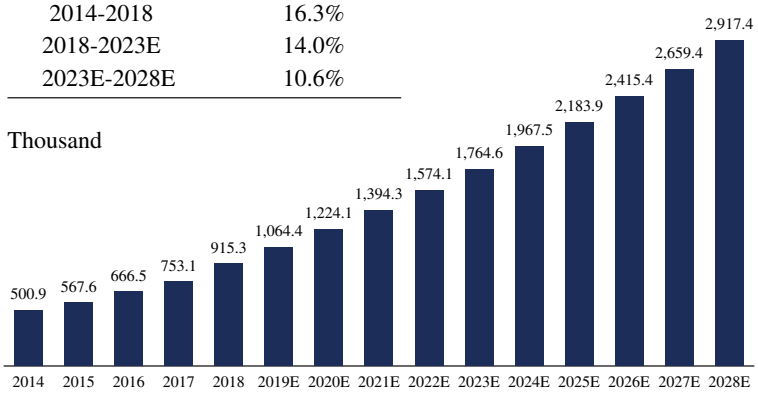
Myocardial infarction is a kind of heart attack caused by the acute persistent ischemia of coronary artery. Current treatments for myocardial infarction include drug therapies, surgery treatments and interventional procedures that help restore adequate blood flow to blocked areas of the heart.

PCI is percutaneous coronary intervention which is primarily used for the treatment of obstructive coronary artery disease. Among different types of coronary disease treatments, PCI has a fast development due to its minimally invasive, time-saving, safe and effective advantages. Based on the type of treatments, two common interventional procedures are percutaneous transluminal coronary angioplasty ("PTCA") and coronary stent implantation ("CSI"). In a PTCA procedure, the doctor inserts a balloon catheter into the patient's blockage site through a guiding catheter by a guidewire and inflated to compress the blockage against the artery wall. In a CSI, a tube-shaped device called coronary stent is placed inside coronary artery to keep the vessel open.

According to Frost & Sullivan, due to factors such as aging population, increasing number of patients with cardiovascular disease and improving accessibility to qualified healthcare institutions, the volume of PCI procedures in China rose rapidly at a CAGR of 16.3% from 0.5 million in 2014 to 0.9 million in 2018. The volume is expected to further grow exponentially and reach 1.8 million in 2023 at a CAGR of 14.0%. The following chart sets forth the historical and forecasted volume of PCI procedures in China for the periods indicated.

Historical and Forecasted Volume of PCI Procedures in China, 2014-2028E

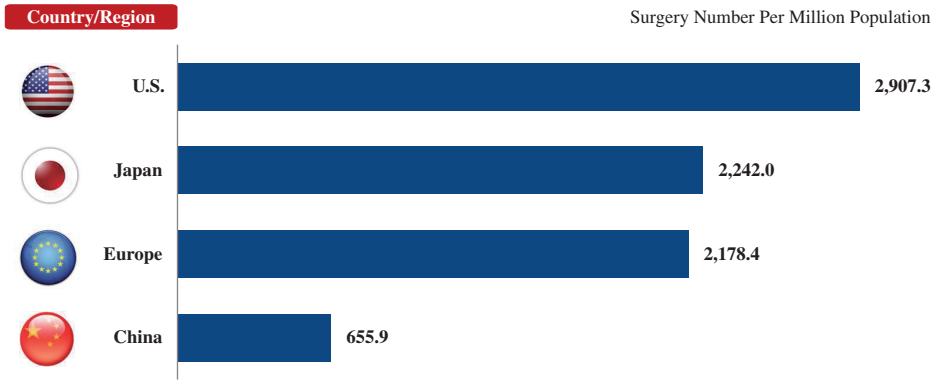
Period	CAGR
2014-2018	16.3%
2018-2023E	14.0%
2023E-2028E	10.6%



Source: Frost & Sullivan Analysis

In comparison to developed countries and regions (e.g., U.S., Japan, Europe), China still lags behind in terms of the number of PCI procedures per population in 2018, indicating a significant potential for the PCI device market in China in the future.

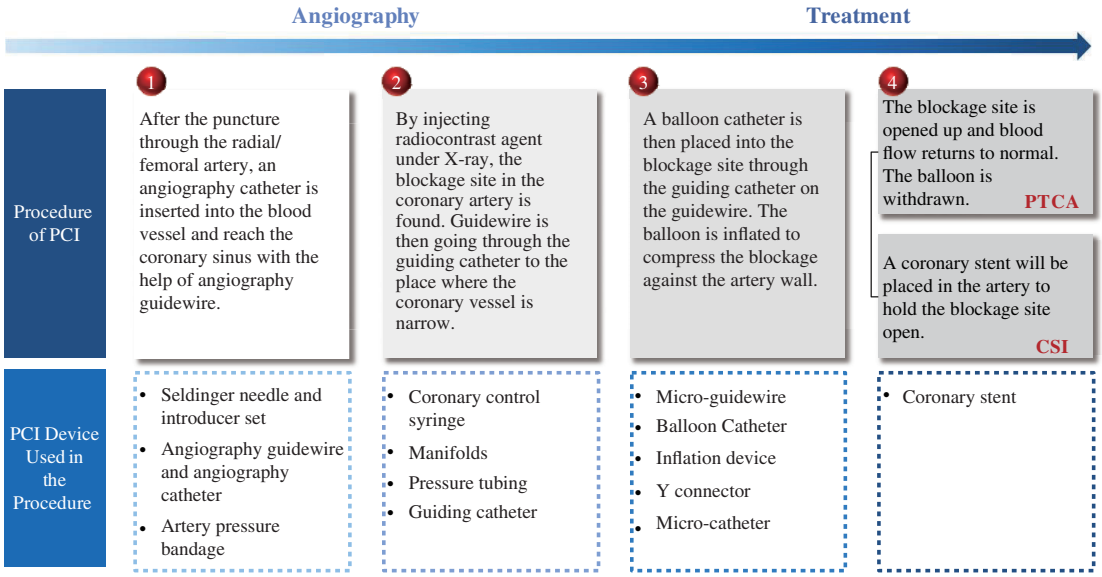
Volume of PCI Procedures between Global Major Countries and Districts, 2018



Note: 15 countries are included in Europe for this study, including Belgium, Denmark, France, Israel, Italy, Poland, Spain, Sweden, Switzerland, U.K., Egypt, Kazakhstan, Macedonia, Portugal and Serbia.

Source: Frost & Sullivan Analysis

According to Frost & Sullivan, the following chart sets forth examples of PCI devices used during different stages of a PCI procedure.



Source: Frost & Sullivan Analysis

Market Drivers

According to Frost & Sullivan, the following are key drivers for market growth of the PCI device market in China:

- Increasing number of patients: Driven by the changing lifestyles such as unhealthier diet and inactivity as well as the accelerated aging trend in China, the incidence of obstructive coronary artery disease has continuously increased, which also results in a large clinical demand for PCI procedures and will drive the fast development of the PCI device market.

- Favorable government policy: In the new round of medical reform in China, the PRC government strongly supports the innovation of medical device, especially encouraging domestically produced innovative medical devices through the acceleration of approval and registration process. Favored by a series of policies such as "Healthy China 2030" and "13th Five-Year National Science and Technology Innovation Planning" and "13th Five-Year Special Plan for Medical Device Technology Innovations", the PRC PCI device manufacturers will innovate more PCI devices as economical options to benefit Chinese patients.

- Improving accessibility of PCI procedures: PCI procedures demand both qualified medical faculties and medical equipment which serve to conduct imaging diagnosis. The scarcity and uneven distribution of medical resources has limited the

accessibility of PCI procedures nationwide. With continuous investment and attention to medical training, PCI procedures can become available to more patients across China. The PRC market for PCI device will witness a growth as a result.

- Improvement in personal affordability: With economic development in China, public medical insurance is expanding coverage as well as increasing reimbursement ratio for PCI procedures in China. In addition, the living standards of Chinese residents have continuously improved, with per capita disposable income rising from RMB20,167 in 2014 to RMB28,228 in 2018. Thus, the PCI procedure will be more affordable for patients.

Future Trends

According to Frost & Sullivan, the following are the key trends in the PRC PCI device market in the future:

- Fast growing market size of PCI device: Improving accessibility and affordability of PCI procedure will allow more obstructive coronary artery disease patients to be timely and properly treated. Together with increasing patient pool due to unhealthy life styles and a fast growing aging population, the PRC PCI device market is expected to expand sharply in the near future. Such growth momentum can bridge the gap of PCI procedure volume between China and other developed countries.

- Growing market share of domestic branded PCI devices: With favorable policies to support the development of PCI devices by domestic companies, more economical PCI devices with equivalent qualities will compete with international competitors in the PRC market. Moreover, public medical insurance will incline to reimburse more for domestic devices, which will likely further improve the PCI device popularity among patients. Both factors will help domestic brands to achieve more market share in the future. Among the three categories of PCI devices, stents produced by domestic manufacturers have reached over a 80% market share in 2018, demonstrating that the potential market share for balloon catheter and supporting device produced by domestic manufacturers will also likely increase as the current market share is less than 15%.

- Domestic manufacturers produce PCI devices that have high technological barriers: Guidewires and catheters are thin, flexible medical wires and tubes inserted into the vessel. Their manufacturing has demanding requirements on solutions, such as manufacturing, processing and post-processing, for ensuring the quality of wires and catheters. Due to a boom of returning talents who acquired cutting-edge technique abroad, domestic manufacturers with technical capabilities can produce PCI devices that require more advanced technology.

THE GLOBAL AND PRC CORONARY INTERVENTION DEVICE MARKET

Overview

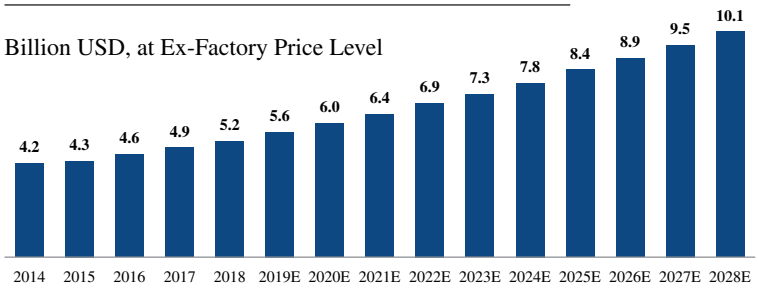
PCI devices can be further divided into two categories: coronary implantation devices and coronary intervention devices. Coronary implantation devices consist of coronary stents which are implanted and remain in the coronary artery to maintain its therapeutic effect. Coronary intervention devices are withdrawn from the blood vessel after angiography and treatment. For further classification, coronary intervention devices consist of balloon catheters and PCI supporting devices, which are both used in the entire PCI procedure but withdrawn from blood vessels after angiography and treatment are completed.

During a PCI procedure, balloon catheter and coronary stent can be used in the treatment stage. Furthermore, there are PCI supporting devices that can be used in the angiography stage, including angiography guidewire, angiography catheter, seldinger needle, introducer set, coronary control syringe, artery pressure bandage, pressure tubing, and manifolds. PCI supporting devices that can be used in the treatment stage include inflation device, guiding catheter, micro-guidewire, Y connector and micro-catheter.

The global coronary intervention device market has witnessed stable growth in the past five years, increasing from USD4.2 billion in 2014 to USD5.2 billion in 2018 at CAGR of 5.4%. According to Frost & Sullivan, the following chart sets forth the historical and forecasted size of global coronary intervention device market for the periods indicated.

Historical and Forecasted Market Size of Global Coronary Intervention Device Market, 2014-2028E

Period	CAGR
2014-2018	5.4%
2018-2023E	7.0%
2023E-2028E	6.6%



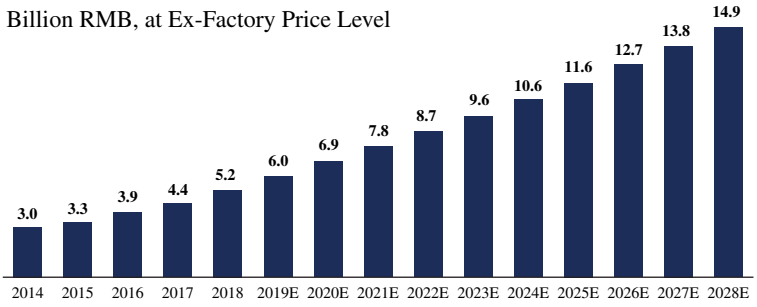
Source: Frost & Sullivan Analysis

In comparison, the PRC coronary intervention device market is increasing at a much faster pace than global peers due to a combination of factors, including historically low accessibility to and affordability of PCI procedures. With the improvement of healthcare facilities and medical staff skills in China, the market is expected to reach RMB9.6 billion in

2023, and further increase to RMB14.9 billion in 2028, representing a CAGR of 9.2% between 2023 and 2028. According to Frost & Sullivan, the following chart sets forth the historical and forecasted size of coronary intervention device market in China for the periods indicated.

Historical and Forecasted Market Size of Coronary Intervention Device Market in China, 2014-2028E

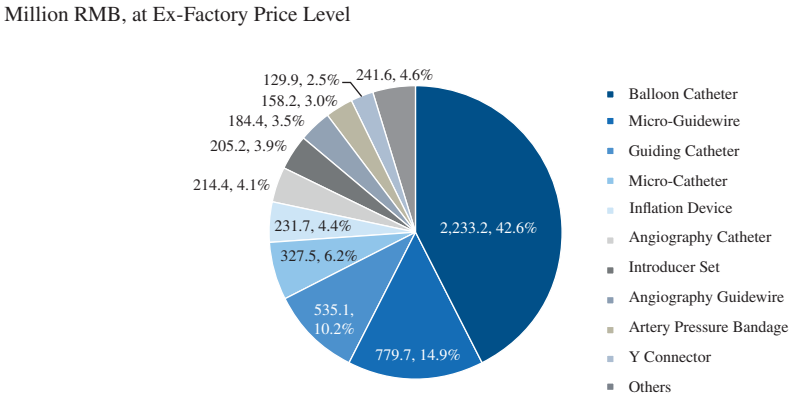
Period	CAGR
2014-2018	15.1%
2018-2023E	12.9%
2023E-2028E	9.2%



Source: Frost & Sullivan Analysis

The coronary intervention device market is dominated by balloon catheter in terms of sales revenue in 2018. Additionally, a PCI procedure involves several other supporting devices to efficiently deliver balloon catheters and stents to a blockage site. Among them, micro-guidewire and guiding catheter have the highest sales revenue, followed by micro-catheter. The following pie chart sets forth the breakdown of coronary intervention device market in China for 2018 by category.

Breakdown of PRC Coronary Intervention Device Market by Category, 2018



Source: Frost & Sullivan Analysis

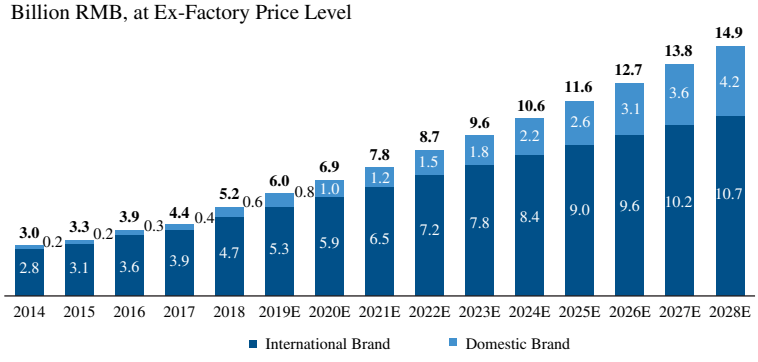
Competitive Landscape

According to Frost & Sullivan, the PRC coronary intervention device market has long been dominated by international brands. With technology development, increasing R&D investment and favorable policies to support domestic brands, the market size of domestic manufacturers grew by gaining increasing share from international competitors. The domestic brand market has reached RMB0.6 billion in 2018, and is expected to increase to RMB1.8 billion in 2023, significantly outpacing the growth of international counterparts during the same period. Such trend is projected to continue to 2028 with a market size contributed by domestic brands achieving RMB4.2 billion in 2028.

The key factors that customers take into account in procuring coronary intervention devices are (i) for domestic customers, brand recognition, feedback from clinical experts, bid awarded in the region or hospital, product quality, product price and technical support; and (ii) for foreign customers, primarily quality, price and ability to provide sustainable supply. The competitive advantages of products manufactured by domestic manufacturers as compared to those by international competitors are (i) lower price with equivalent quality; (ii) ability to manufacture on a large scale to ensure a sustainable supply of products; and (iii) leading technology in certain fields due to higher research and development investment.

Breakdown of the PRC Coronary Intervention Device Market by International and Domestic Brand, 2014-2028E

CAGR	International Brand	Domestic Brand	Total
2014-2018	13.4%	36.4%	15.1%
2018-2023E	10.8%	25.8%	12.9%
2023E-2028E	6.6%	17.9%	9.2%



Source: Frost & Sullivan Analysis

The PRC coronary intervention device market is relatively concentrated in top manufacturers. International brands have a dominant position in this market. According to Frost & Sullivan, we recorded a market share of approximately 1.8% in 2018 in terms of the sales revenue of NMPA registered coronary intervention device. We ranked tenth and second among all brands and domestic brands, respectively. The significant growth of our revenue is driven by international manufacturers being substituted by domestic manufacturers that sell products of equivalent quality but at a lower price. Our Company's market share for the PRC coronary intervention device market in 2016, 2017 and 2018 was 0.8%, 1.1% and 1.8%, respectively. The following table sets forth the market shares of our Company and other domestic manufacturers in the PRC coronary intervention device market in 2016, 2017 and 2018:

	For the year ended December 31,		
	2016	**2017**	**2018**
Our Company	0.8%	1.1%	1.8%
Other domestic manufacturers	7.3%	8.4%	9.3%
Overall domestic manufacturers	8.1%	9.5%	11.1%

The following table sets forth the market shares of our Company and our leading competitors in the coronary intervention device market in China in 2018.

Market Shares of our Company and our Leading Competitors in the Coronary Intervention Device Market in China in 2018

	Company Name	**Sales Revenue** *(Ex-factory price) (RMB in million)*	**Market Share** *(Approximate %)*
1	Company A, International Brand[(1)]	1,138.7	21.7
2	Company B, International Brand[(2)]	959.2	18.3
3	Company C, International Brand[(3)]	563.1	10.7
4	Company D, International Brand[(4)]	499.0	9.5
5	Company E, International Brand[(5)]	461.3	8.8
6	Company F, International Brand[(6)]	290.6	5.5
7	Company G, International Brand[(7)]	153.8	2.9
8	Company H, International Brand[(8)]	134.0	2.6
9	Company I, Domestic Brand[(9)]	116.9	2.2
10	**Our Company, Domestic Brand**	**93.0**	**1.8**
11	Company J, International Brand[(10)]	75.7	1.4
12	Company K, Domestic Brand[(11)]	72.3	1.4
13	Others	683.4	13.0

(1) Company A is a TYO-listed company based in Japan involved in the research and development, manufacturing, marketing, distribution and sale of medical devices.

(2) Company B is a NYSE-listed company based in the U.S. involved in medical technology, services and solutions.

(3) Company C is a NYSE-listed company based in the U.S. involved in the innovative research and manufacturing of products for human health.

(4) Company D is a NASDAQ-listed company based in the U.S. involved in medical devices used in interventional and diagnostic procedures.

(5) Company E is a NYSE-listed company based in the U.S. involved in medical device manufacturing.

(6) Company F is a TYO-listed company based in Japan involved in the development, manufacturing and sale of various medical devices required for catheter treatment.

(7) Company G is a non-listed company based in Germany involved in infusion therapy and pain management, development, manufacturing and marketing of innovative medical products and services to the healthcare industry.

(8) Company H is a NYSE-listed company based in the U.S. involved in cardiology and endovascular devices.

(9) Company I is a non-listed company based in Beijing, China involved in the production and marketing of disposable sterile medical equipment.

(10) Company J is a non-listed company based in the U.S. involved in the manufacturing of medical devices and accessories.

(11) Company K is a A-listed company based in Beijing, China involved in minimally invasive cardiovascular interventional medical devices.

THE PRC AND GLOBAL PCI SUPPORTING DEVICE MARKET

Overview

A PCI procedure involves several other supporting devices to efficiently deliver balloon catheters and stents to a blockage site. Such supporting devices are called PCI supporting devices.

According to Frost & Sullivan, the global PCI supporting device market shows the steady growth rate at a CAGR of 5.8% from 2014 to 2018, and it is expected to further reach USD4.4 billion and USD6.1 billion in 2023 and 2028, respectively, with CAGRs of 7.4% and 7.1%, respectively. The following chart sets forth the historical and forecasted size of global PCI supporting device market for the periods indicated.

Historical and Forecasted Market Size of Global PCI Supporting Device Market, 2014-2028E

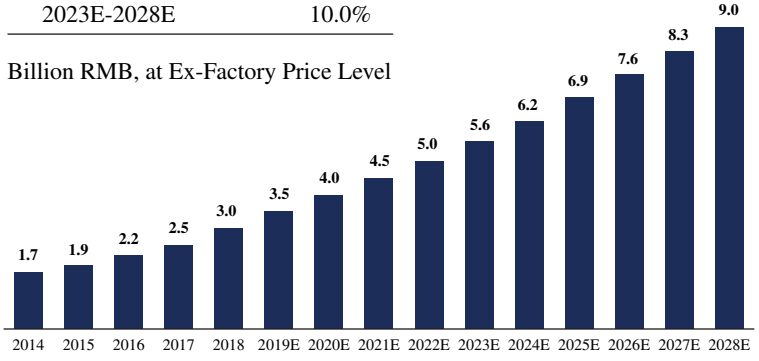
Period	CAGR
2014-2018	5.8%
2018-2023E	7.4%
2023E-2028E	7.1%

Source: Frost & Sullivan Analysis

In comparison, the PRC PCI supporting device market shows higher growth rate at a CAGR of 15.6% from 2014 to 2018, and it is expected to reach RMB5.6 billion and RMB9.0 billion in 2023 and 2028, respectively, with CAGR of 13.3% and 10.0%, respectively. According to Frost & Sullivan, the following chart sets forth the historical and forecasted size of PCI supporting device market in China for the periods indicated.

Historical and Forecasted Market Size of PCI Supporting Device Market in China, 2014-2028E

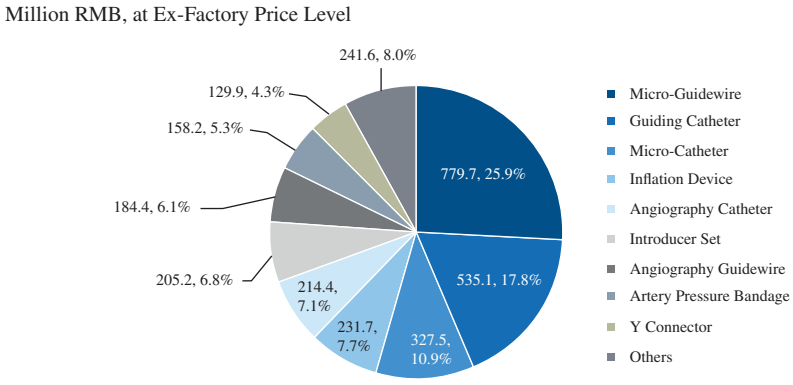
Period	CAGR
2014-2018	15.6%
2018-2023E	13.3%
2023E-2028E	10.0%



Source: Frost & Sullivan Analysis

The following pie chart sets forth the breakdown of PCI supporting device market in China for 2018 by category.

Breakdown of PRC PCI Supporting Device Market by Category, 2018



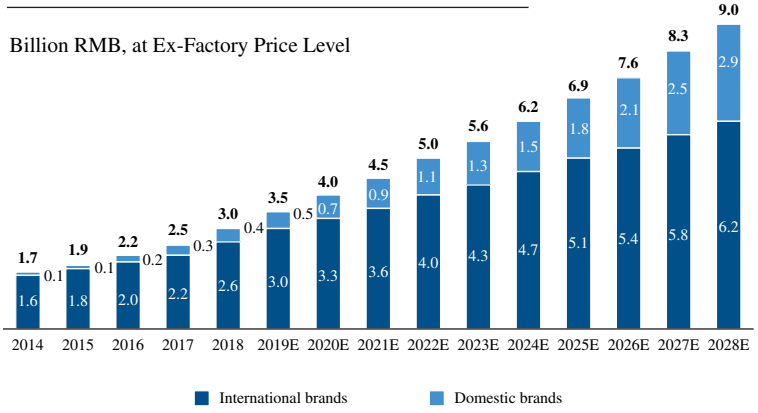
Competitive Landscape

According to Frost & Sullivan, the PRC PCI supporting device market has long been dominated by international brands. With technology development, increasing research and development investment and favorable policies to support domestic brands, the market size of domestic manufacturers grew by gaining increasing share from international competitors. The domestic brand market has reached RMB0.4 billion in 2018, and is expected to increase to RMB1.3 billion in 2023, significantly outpacing the growth of international counterparts during the same period. Such trend is projected to continue to 2028 with a market size contributed by domestic brand achieving RMB2.9 billion in 2028.

According to Frost & Sullivan, the following chart sets forth the historical and forecasted breakdown of China's PCI supporting device market by international and domestic brands for the periods indicated.

Breakdown of the PRC PCI Supporting Device Market by International and Domestic Brand, 2014-2028E

CAGR	International Brand	Domestic Brand	Total
2014-2018	13.4%	38.7%	15.6%
2018-2023E	10.7%	26.5%	13.3%
2023E-2028E	7.3%	17.4%	10.0%



Source: Frost & Sullivan Analysis

We recorded a market share of approximately 3.1% in 2018 in terms of the sales revenue of NMPA registered PCI supporting device. International brands have a dominant position in this market. The significant growth of our revenue is driven by international manufacturers being substituted by domestic manufacturers that sell products of equivalent quality but at a lower price. Our Company's market shares for the PRC PCI supporting device market in 2016, 2017 and 2018 was 1.0%, 1.6% and 3.1%, respectively. The following table sets forth the market shares of our Company and other domestic manufacturers in the PRC PCI supporting device market in 2016, 2017 and 2018:

	For the year ended December 31,		
	2016	**2017**	**2018**
Our Company	1.0%	1.6%	3.1%
Other domestic manufacturers	8.3%	9.4%	10.1%
Overall domestic manufacturers	9.3%	11.0%	13.2%

We ranked seventh and first among all brands and domestic brands. The following table sets forth the market shares of our Company and our leading competitors in the PCI supporting device market in China in 2018.

Market Shares of our Company and our Leading Competitors in the PCI Supporting Device Market in China in 2018

	Company Name	**Sales Revenues** *(Ex-factory price) (RMB million)*	**Market Share** *(Approximate %)*
1	Company A, International Brand[(1)]	882.4	29.3
2	Company B, International Brand[(2)]	499.0	16.6
3	Company C, International Brand[(3)]	395.4	13.1
4	Company D, International Brand[(4)]	290.6	9.7
5	Company E, International Brand[(5)]	204.3	6.8
6	Company F, International Brand[(6)]	108.4	3.6
7	**Our Company, Domestic Brand**	**93.0**	**3.1**
8	Company G, Domestic Brand[(7)]	80.3	2.7
9	Company H, International Brand[(8)]	75.7	2.5
10	Company I, Domestic Brand[(9)]	54.3	1.8
11	Others	324.4	10.8

(1) Company A is a TYO-listed company based in Japan involved in the research and development, manufacturing, marketing, distribution and sale of medical devices.

(2) Company B is a NASDAQ-listed company based in the U.S. involved in medical devices used in interventional and diagnostic procedures.

(3) Company C is a NYSE-listed company based in the U.S. involved in medical technology, services and solutions.

(4) Company D is a TYO-listed company based in Japan involved in the development, manufacturing and sale of various medical devices required for catheter treatment.

(5) Company E is a NYSE-listed company based in the U.S. involved in the innovative research and manufacturing of products for human health.

(6) Company F is a NYSE-listed company based in the U.S. involved in cardiology and endovascular devices.

(7) Company G is a non-listed company based in Beijing, China involved in the production and marketing of disposable sterile medical equipment.

(8) Company H is a non-listed company based in the U.S. involved in the manufacturing of medical devices and accessories.

(9) Company I is a A-listed company based in Beijing, China involved in minimally invasive cardiovascular interventional medical devices.

MAJOR RAW MATERIALS AND PRICE TREND

The key raw materials used in producing PCI supporting devices are polycarbonate ("PC") and acrylonitrile butadiene styrene ("ABS").

The average price of PC in China changed from approximately RMB16,020 per ton in 2016 to approximately RMB20,470 per ton in 2017 and then to approximately RMB22,930 per ton in 2018.

The average price of ABS in China changed from approximately RMB10,630 per ton in 2016 to approximately RMB13,650 per ton in 2017 and then to approximately RMB13,820 per ton in 2018.

The prices of PC and ABS increased from 2016 to 2018 due to under-capacity and demand exceeding supply in the global market.

Foreign Exchange Rate Fluctuations

Our functional currency is the Renminbi. We are exposed to foreign currency risk primarily through receivables, payables and cash balances arising from our sale and procurement activities that are denominated in U.S. dollars and Euro. Fluctuation in foreign exchange rates can affect our export revenue and gross profit margin. We entered into a Renminbi against foreign currency transaction contract with a third-party commercial bank in the course of normal business to hedge against transactions denominated in foreign currencies and to reduce the risk of fluctuation in the exchange rate of foreign currencies. For further details regarding how the fluctuation of foreign currencies against Renminbi affect our results of operations and financial position, please refer to the paragraphs headed "Risk Factors – Risks Relating to our Business and Industry – Fluctuations in exchange rates of the Renminbi

could adversely affect our business, results of operations and financial condition" and "Financial Information – Qualitative and Quantitative Disclosure about Market Risk – Foreign currency risk" in this prospectus.

During the period from January 1, 2016 up to and including April 30, 2019, the exchange rate of RMB against U.S. dollars fluctuated between 6.2690 and 6.7286, and the exchange rate of RMB against Euro fluctuated between 7.0245 and 7.5256.

COMPANY PIPELINE ANALYSIS

The following medical devices are our major pipeline products in various development stages.

The PRC Micro-Catheter for PCI Market

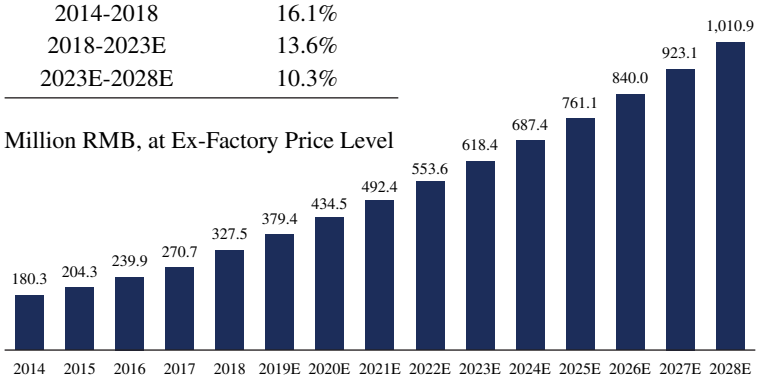
Coronary chronic total occlusion ("CTO") is characterized by a heavy atherosclerotic plaque burden within the coronary artery, resulting in complete or near complete occlusion of the vessel. Patients with CTO typically have collateralization of the distal vessel on coronary angiography, but these collaterals may not provide sufficient blood flow to the myocardial bed, resulting in ischemia and anginal symptoms. A CTO-PCI is similar to PCI whereby angiography first detects an occlusion section and then push together guidewire and micro-catheter to a lesion location.

Micro-catheters are used in a CTO-PCI. Micro-catheters are thin wall, small diameter catheters used in minimally invasive applications for intravascular treatment. It is used to help the doctor to cross lesion prior to any balloon dilatation or stenting, giving mechanical support to the guidewire and enhancing its ability to transmit push force to the occlusion.

According to Frost & Sullivan, the micro-catheter market in China is dominated mainly by companies from Japan and the U.S., with a total share of 94.7% in 2018. However, in 2017, the first domestic micro-catheter is approved by NMPA so there is increasing potential for domestic manufacturers. The PRC market of micro-catheter for PCI grew from RMB180.3 million in 2014 to RMB327.5 million in 2018, with a CAGR of 16.1% due to an increase in CTO-PCI procedures. This market is forecasted to keep growing to RMB618.4 million and RMB1,010.9 million in 2023 and 2028, respectively, with CAGRs of 13.6% and 10.3% during such periods. The following chart sets forth the historical and forecasted size of micro-catheter market in China for the periods indicated.

Historical and Forecasted Market Size of Micro-Catheters for PCI in China 2014-2028E

Period	CAGR
2014-2018	16.1%
2018-2023E	13.6%
2023E-2028E	10.3%



Source: Frost & Sullivan Analysis

The PRC Biological Tissue Valve Market

Aortic stenosis ("AS") is a narrowing of the aortic valve, obstructing blood flow from the left ventricle to the aorta during systole. Causes include a congenital bicuspid valve, rheumatic fever and idiopathic degeneration sclerosis and calcification, which is the main cause and strongly related to aging. The prevalence of aortic stenosis in China had reached 4.2 million in 2018, with a CAGR of 1.9% from 2014 to 2018. It is estimated to reach 4.6 million patients in 2023, mainly caused by fast increasing rheumatic valvular heart disease.

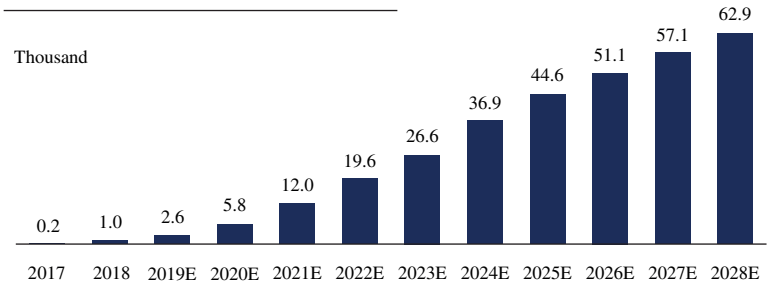
There are three common AS procedures: balloon valvotomy, surgical aortic valve replacement ("SAVR") and transcatheter aortic valve replacement ("TAVR"). Balloon valvotomy is used primarily in children and very young adults with congenital AS. SAVR is a common choice for patients less than 65 years old and low-risk surgical patients. TAVR benefits patients with inoperable AS and patients older than 65 years old with high surgical risks. The data now are extending the benefit to patients with intermediate risk. TAVR procedures require a biological tissue valve, which is an artificial heart valve. An artificial heart valve can be either a mechanical or a biological tissue valve. Mechanical valves are made of materials such as titanium or carbon. Biological tissue valves are obtained from animal tissue.

According to Frost & Sullivan, the market size of TAVR will grow sharply due to high unmet clinical needs and rapid economic development.

The number of TAVR procedures is expected to grow from approximately 1,000 cases in 2018 to approximately 26,600 cases in 2023, at a CAGR of 94.6% and further to approximately 62,900 cases in 2028, at a CAGR of 18.8%. The following chart sets forth the historical and forecasted number of the TAVR procedures in China for the periods indicated.

Number of TAVR Procedures in China, 2017-2028E

Period	CAGR
2018-2023E	94.6%
2023E-2028E	18.8%

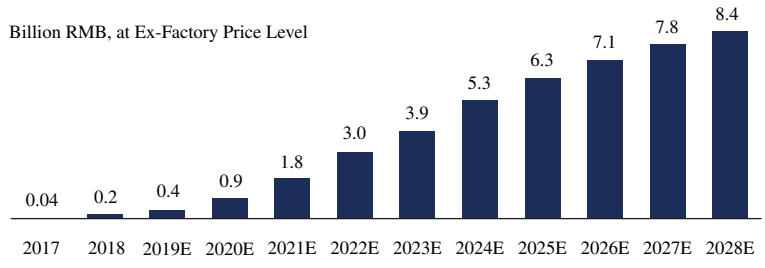


Source: Frost & Sullivan Analysis

The market size of TAVR in China was RMB41.4 million in 2017, while the total estimated market will reach RMB3,932.4 million in 2023 with the rapid development of qualified hospitals for TAVR procedures. Currently, three domestic companies launched TAVR related products in China market, two of them are porcine based and the other one is bovine based. The following chart sets forth the historical and forecasted size of the TAVR market in China for the periods indicated.

Market Size of TAVR in China, 2017-2028E

Period	CAGR
2018-2023E	82.1%
2023E-2028E	16.4%



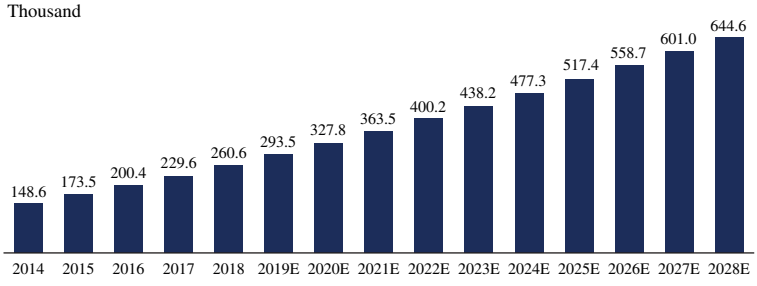
Source: Frost & Sullivan Analysis

The PRC Biodegradable Biliary Stent Market

Endoscopic biliary stenting is the most common treatment for alleviating blockages in the bile duct. Plastic tube stent ("PS") and self-expandable metallic stent ("SEMS") are the most commonly used for such stent procedures. The number of therapeutic endoscopic retrograde cholangio-pancreatography ("ERCP") procedures in China grew from 0.1 million in 2014 to 0.3 million in 2018, representing a CAGR of 15.1% from 2014 to 2018. The number of therapeutic ERCP procedures is expected to further grow from 0.3 million cases in 2018 to 0.4 million cases in 2023, at a CAGR of 11.0%, and will increase further to 0.6 million in 2028, at a CAGR of 8.0%, mainly driven by a growing but unmet demand of the biliary patient population, increasing affordability and healthcare awareness. The following chart sets forth the historical and forecasted number of therapeutic ERCP procedures in China.

Number of Therapeutic ERCP Procedures in China, 2014-2028E

Period	CAGR
2014-2018	15.1%
2018-2023E	11.0%
2023E-2028E	8.0%

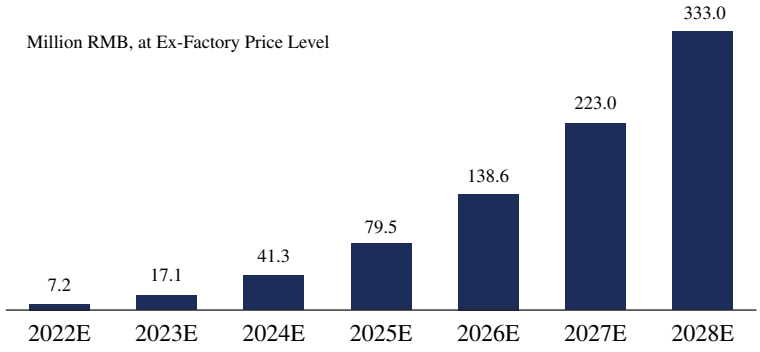


Source: Frost & Sullivan Analysis

Based on the clinical trial progress, it is estimated that the first degradable biliary stent will be marketed in China in 2022. With proved clinical efficacy and benefit of biodegradable biliary stent in Europe and the U.S., the market size in China will witness a significant growth along with increased sales volume. The market size of biodegradable biliary stent in China is estimated to reach RMB7.2 million in 2022, and further to RMB333.0 million in 2028, representing a CAGR of 89.3% from 2022 to 2028. The following chart sets forth the historical and forecasted size of biodegradable biliary stent market in China for the periods indicated.

Market Size of Biodegradable Biliary Stent in China, 2022E-2028E

Period	CAGR
2022E-2028E	89.3%



Source: Frost & Sullivan Analysis

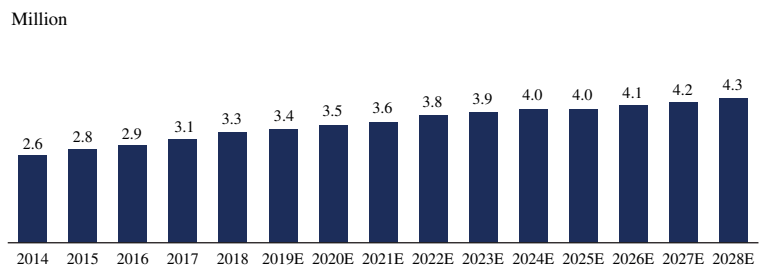
The PRC Mechanical Thrombectomy Device Market

Stroke is defined as a sudden onset of a neurological deficit caused by an acute focal injury to the central nervous system due to a vascular cause. Also, stroke is the major disease killer with the highest disability rate in China, of which acute ischemic stroke ("AIS") accounts for around 80%.

Due to development in diagnostic technology and growing population, the number of new case of AIS is increasing steadily in China with a relatively declining growth rate. The number of AIS incidences in China grew to 3.3 million in 2018 from 2.6 million in 2014 at a CAGR of 5.6%, and is estimated to reach 3.9 million in 2023. This number is forecasted to reach 4.3 million by 2028 at a CAGR of 1.8% from 2024. The following chart sets forth the historical and forecasted number of incidences of AIS in China.

Incidences of Acute Ischemic Stroke in China, 2014-2028E

Period	CAGR
2014-2018	5.6%
2019E-2023E	3.6%
2024E-2028E	1.8%

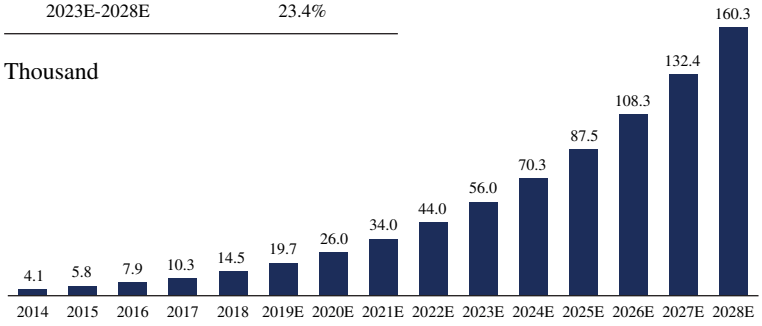


Source: Frost & Sullivan Analysis

Mechanical thrombectomy device comprises of a wide array of endovascular tools for removing thrombi from the neurovasculature in AIS patients. There are mainly two kinds of mechanical thrombectomy devices: thrombus aspiration device and stent retriever. Neural micro-guidewire and micro-catheter are two important devices for delivering mechanical thrombectomy device and thrombus aspiration device to the blockage site. The following chart sets forth the historical and forecasted number of mechanical thrombectomy device procedures in China.

Number of Mechanical Thrombectomy Device Procedures in China, 2014-2028E

Period	CAGR
2014-2018	36.9%
2018-2023E	31.0%
2023E-2028E	23.4%



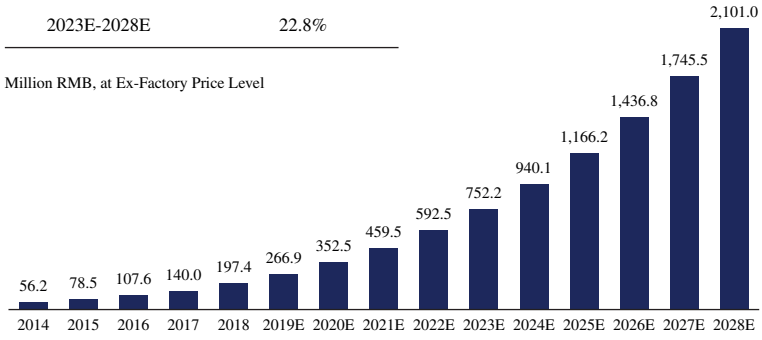
Source: Frost & Sullivan Analysis

Due to the increasing number of mechanical thrombectomy procedures in China, the market size of mechanical thrombectomy device, neural micro-guidewire and neural micro-catheter will increase at a significant rate in the future.

The market size of mechanical thrombectomy device increased from RMB56.2 million in 2014 to RMB197.4 million in 2018 at a CAGR of 36.9%, and is expected to increase to RMB752.2 million in 2023 and RMB2,101.0 million in 2028 with the CAGR of 30.7% and 22.8% during those respective periods.

Historical and Forecasted Market Size of Mechanical Thrombectomy Device Market in China, 2014-2028E

Period	CAGR
2014-2018	36.9%
2018-2023E	30.7%
2023E-2028E	22.8%

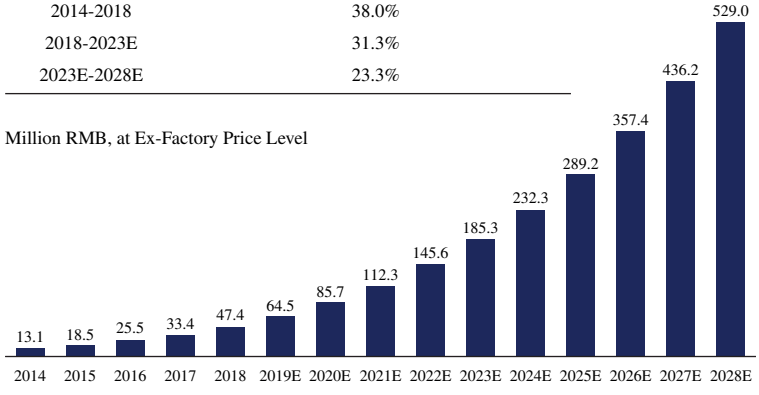


Source: Frost & Sullivan Analysis

The market size of neural micro-guidewire increased from RMB13.1 million in 2014 to RMB47.4 million in 2018 at a CAGR of 38.0%, and is expected to increase to RMB185.3 million in 2023 and RMB529.0 million in 2028 with a CAGR of 31.3% and 23.3% during those respective periods. The following chart sets forth the historical and forecasted size of neural micro-guidewire market in China for the periods indicated.

Historical and Forecasted Market Size of Neural Micro-Guidewire Market in China, 2014-2028E

Period	CAGR (Neural Micro-Guidewire)
2014-2018	38.0%
2018-2023E	31.3%
2023E-2028E	23.3%

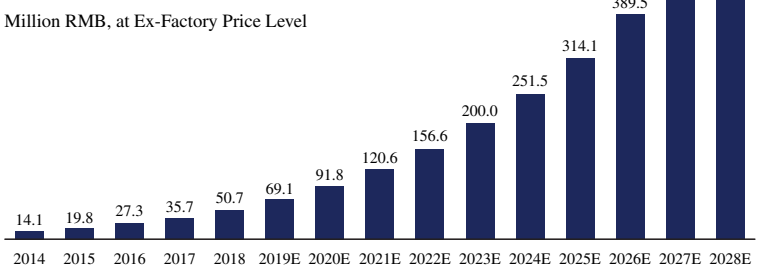


Source: Frost & Sullivan Analysis

The market size of neural micro-catheter increased from RMB14.1 million in 2014 to RMB50.7 million in 2018 at a CAGR of 37.8%, and is expected to increase to RMB200.0 million in 2023 and RMB579.7 million in 2028 with a CAGR of 31.6% and 23.7% during those respective periods. The following chart sets forth the historical and forecasted size of neural micro-catheter market in China for the periods indicated.

Historical and Forecasted Market Size of Neural Micro-Catheter Market in China, 2014-2028E

Period	CAGR
2014-2018	37.8%
2018-2023E	31.6%
2023E-2028E	23.7%



Source: Frost & Sullivan Analysis

INTRODUCTION

Overview

We are a leading Chinese cardiovascular interventional device manufacturer. Our major products are primarily used for cardiovascular surgeries, in particular PCI procedures, including inflation device, introducer set, guidewire, pressure bandage, Y connector pack, pressure extension tube, manifold and angiography catheter. According to Frost & Sullivan, we ranked first in the PRC PCI supporting device market among domestic brands (seventh among all brands with a 3.1% market share), and second in the PRC coronary interventional device market among domestic brands (tenth among all brands with a 1.8% market share), both in terms of sales revenue in 2018.

The history of our Group traces back to 2006 when our Company was established as a joint venture between KDL, one of our Controlling Shareholders, and Dalian Health Island Technology Co., Ltd. (大連健康島科技有限公司), an Independent Third Party, for the purpose of development of certain medical devices. For the background of KDL, please refer to the section headed "Relationship with Our Controlling Shareholders" in this prospectus for details.

Business Milestones

The following table illustrates the key milestones of our business and corporate developments:

Year	Milestones
2006	Our Company was established on June 7, 2006 in the PRC with limited liability as a joint venture between KDL and Dalian Health Island Technology Co., Ltd. (大連健康島科技有限公司)
2007	We obtained product registration certificates for our inflation device and Y connector pack in June and December, respectively
2009	We obtained product registration certificate for our intervention accessories kit in September
2010	Our sales revenue exceeded RMB10 million
	We acquired Shanghai KDL Research Center, our wholly-owned subsidiary
	We received our certification as a New High-tech Enterprise in December

Year	Milestones
2012	We obtained our first CE certification
2015	Our Company was converted to a joint stock limited liability company
2016	Our sales revenue exceeded RMB100 million
	We established Zhuhai Derui, our wholly-owned subsidiary
2017	We were recognized as a Shanghai "Growing Giant of Technology" in January
2018	Our sales revenue exceeded RMB200 million and our sales revenue generated from overseas sales exceeded USD10 million
	We established Shanghai Pukon, Shanghai Qimu and Shanghai Puhui, our non-wholly owned subsidiaries
2019	We established Shanghai Healing, our non-wholly owned subsidiary, and Hongkong Int, our wholly-owned subsidiary

CORPORATE DEVELOPMENT

Incorporation of Our Company

Our Company was established in the PRC on June 7, 2006 as a joint venture with limited liability with an initial registered capital of RMB10,000,000. Upon establishment, the equity interest in our Company was held as to 70% by KDL, one of our Controlling Shareholders, and 30% by Dalian Health Island Technology Co., Ltd. (大連健康島科技有限公司), an Independent Third Party.

Subsequent Share Capital Increases and Share Transfer

Changes in Equity and the First Capital Increase in 2010

On April 6, 2010, Dalian Health Island Technology Co., Ltd. (大連健康島科技有限公司) and KDL entered into an equity transfer agreement, pursuant to which KDL purchased the entire 30% equity interest in our Company held by Dalian Health Island Technology Co., Ltd. (大連健康島科技有限公司) at a consideration of RMB3,000,000 with reference to the then registered capital of our Company. Such transaction was duly completed on April 21, 2010. Upon completion of the transaction, our Company became a wholly-owned subsidiary of KDL.

On June 10, 2010, KDL, Dr. Liang Dongke, Mr. Yang Dazhi, Mr. Lin Sen and Mr. Wang Ruiqin entered into an equity transfer agreement, pursuant to which each of Dr. Liang Dongke, Mr. Yang Dazhi, Mr. Lin Sen and Mr. Wang Ruiqin purchased from KDL 2.5% equity interest in our Company at a consideration of RMB237,573.33 each. The consideration for this equity transfer was determined based on the audited net asset value of our Company as at May 31, 2010, and the transfer was duly completed on August 10, 2010.

On June 25, 2010, the then Shareholders of our Company resolved to increase the registered capital of our Company from RMB10,000,000 to RMB15,000,000 (the "First Capital Increase"). Out of the amount of RMB5,000,000, each of Dr. Liang Dongke, Mr. Yang Dazhi, Mr. Lin Sen and Mr. Wang Ruiqin contributed an amount of RMB1,250,000. The First Capital Increase was duly completed on August 10, 2010.

Upon completion of the abovementioned equity transfers and the First Capital Increase, the shareholding structure of our Company was as follows:

Shareholders	**Registered Capital**	**Contribution**
	(RMB'000)	*(%)*
KDL	9,000.00	60.00
Dr. Liang Dongke	1,500.00	10.00
Mr. Yang Dazhi	1,500.00	10.00
Mr. Lin Sen	1,500.00	10.00
Mr. Wang Ruiqin	1,500.00	10.00
Total	15,000.00	100.00

Changes in Equity and the Second Capital Increase in 2014

On January 16, 2014, KDL, Dr. Liang Dongke, Mr. Yang Dazhi, Mr. Lin Sen and Mr. Wang Ruiqin entered into an equity transfer agreement, pursuant to which Mr. Yang Dazhi agreed to sell his entire equity interest in our Company and each of KDL, Dr. Liang Dongke, Mr. Lin Sen and Mr. Wang Ruiqin agreed to purchase from Mr. Yang Dazhi 6.67%, 1.11%, 1.11% and 1.11% equity interest, respectively, in our Company at a consideration of RMB3,085,878.65, RMB513,542.02, RMB513,542.02 and RMB513,542.02, respectively. The consideration was determined on arm's length basis with reference to the audited net asset value of our Company as at December 31, 2013 and the transfers were duly completed on May 7, 2014.

On September 12, 2014, the then Shareholders of our Company, our Company, Mr. Chen Xing and Mr. Huang Chubin entered into a subscription agreement and on September 24, 2014, the then Shareholders of our Company resolved to increase the registered capital of our Company from RMB15,000,000 to RMB18,300,000 (the "Second Capital Increase"). Out of the amount of RMB3,300,000, each of Mr. Chen Xing and Mr. Huang Chubin contributed an

amount of RMB1,650,000 of the registered capital by way of capital injection of RMB16,035,000, which was determined with reference to the then estimated net profit of our Company for the year 2014 and the accumulated retained earnings as at June 2014. The aggregate premium of RMB28,770,000 was converted to capital reserve. The Second Capital Increase was duly completed on October 22, 2014.

Upon completion of the abovementioned equity transfers and the Second Capital Increase, the shareholding structure of our Company was as follows:

Shareholders	**Registered Capital**	**Contribution**
	(RMB'000)	*(%)*
KDL	10,000.00	54.64
Dr. Liang Dongke	1,666.67	9.11
Mr. Lin Sen	1,666.67	9.11
Mr. Wang Ruiqin	1,666.67	9.11
Mr. Chen Xing	1,650.00	9.02
Mr. Huang Chubin	1,650.00	9.02
Total	18,300.00	100.00

Conversion into a Joint Stock Company with Limited Liability and Changes in Equity in 2015

Pursuant to the shareholders' resolutions dated September 5, 2015 and the Promoters' agreement dated September 21, 2015, the then existing Shareholders of our Company agreed to convert our Company into a joint stock limited liability company with a registered capital of RMB18,300,000. According to the audit report prepared by an Independent Third Party accounting firm, as at June 30, 2015, the net asset value of our Company amounted to RMB107,489,658.13, of which RMB18,300,000 had been converted into 18,300,000 Shares of RMB1.0 par value each, and issued to the then Shareholders of our Company in proportion to their capital contribution to our Company. The remaining amount of RMB89,189,658.13 was converted to capital reserve. Upon the completion of registration with the Shanghai Administration for Industry and Commerce (上海市工商行政管理局) on October 26, 2015, our Company was converted into a joint stock company with limited liability, and renamed as Shanghai Kindly Medical Instruments Co., Ltd. (上海康德萊醫療器械股份有限公司).

On December 4, 2015, the then Shareholders of our Company, our Company and Mr. Wang Kai entered into a subscription agreement, pursuant to which Mr. Wang Kai subscribed for 1,300,000 new Shares of our Company at a consideration of RMB15,600,000, which was determined with reference to the then estimated profit of our Company for the year 2015 and the accumulated retained earnings as at June 2015. The transaction was duly settled on December 30, 2015.

Upon completion of such allotment and issuance of shares, the total issued share capital of our Company increased from RMB18,300,000 to RMB19,600,000 and the shareholding structure of our Company was as follows:

Shareholders	Number of Shares	Shareholding
		(%)
KDL	10,000,000	51.02
Dr. Liang Dongke	1,666,666	8.50
Mr. Lin Sen	1,666,667	8.50
Mr. Wang Ruiqin	1,666,667	8.50
Mr. Chen Xing	1,650,000	8.42
Mr. Huang Chubin	1,650,000	8.42
Mr. Wang Kai	1,300,000	6.63
Total	19,600,000	100.00

Increase of Share Capital and Changes in Equity in 2018

On April 25, 2018, an annual general meeting of our Company was held and pursuant to which the then Shareholders agreed to convert RMB22,400,000 in the capital reserve of our Company into Shares and allot and issue such Shares to the then Shareholders on a pro rata basis. As such, the total issued share capital of our Company increased from RMB19,600,000 to RMB42,000,000.

On June 20, 2018, the then Shareholders of our Company resolved to increase the issued share capital of our Company from RMB42,000,000 to RMB60,000,000.

On August 8, 2018 and October 12, 2018, our Company and the then Shareholders of our Company entered into a capital increase agreement with Ningbo Huaige Taiyi, Ningbo Tongchuang Suwei and Ningbo Int ("Capital Increase Agreement") and the supplementary capital increase agreement (together with the Capital Increase Agreement, the "Pre-IPO Investment Agreements"), respectively. Pursuant to the Pre-IPO Investment Agreements, our Company allotted and issued a total of 18,000,000 new Shares, including (i) 12,600,000 new Shares to Ningbo Huaige Taiyi; (ii) 3,000,000 new Shares to Ningbo Tongchuang Suwei; (iii) 1,200,000 new Shares to Dr. Liang Dongke; and (iv) 1,200,000 new Shares to Ningbo Int, all at a purchase price of RMB10 per Share for a total consideration of RMB180,000,000 on December 6, 2018. The consideration was determined after arm's length negotiation and with reference to the then valuation of our Company pursuant to an asset valuation report prepared by an Independent Third Party valuation firm dated April 22, 2018. The allotment and issuance of 18,000,000 new Shares was completed on December 11, 2018 and the total issued share capital of our Company increased from RMB42,000,000 to RMB60,000,000.

For details of investment by the Pre-IPO Investors in accordance with the Pre-IPO Investment Agreements, please refer to the paragraph headed "Pre-IPO Investments" in this section.

Upon completion of the abovementioned increase of share capital and equity changes, the shareholding structure of our Company was as follows:

Shareholders	**Number of Shares**	**Shareholding**
		(%)
KDL	21,428,571	35.71
Ningbo Huaige Taiyi	12,600,000	21.00
Dr. Liang Dongke	4,771,427	7.95
Mr. Lin Sen	3,571,429	5.95
Mr. Wang Ruiqin	3,571,429	5.95
Mr. Chen Xing	3,535,715	5.89
Mr. Huang Chubin	3,535,715	5.89
Ningbo Tongchuang Suwei	3,000,000	5.00
Mr. Wang Kai	2,785,714	4.64
Ningbo Int	1,200,000	2.00
Total	60,000,000	100.00

Note: Ningbo Int is a limited partnership established and owned by 45 employees as limited partners as an employee incentive platform of which Dr. Liang Dongke is the general partner.

Increase of Share Capital in 2019

On April 20, 2019, an annual general meeting of our Company was held and pursuant to which the then Shareholders agreed to convert RMB60,000,000 in the capital reserve of our Company into Shares and allot and issue such Shares to the then Shareholders on a pro rata basis. As such, the total issued share capital of our Company increased from RMB60,000,000 to RMB120,000,000 upon completion of the registration with the Shanghai Municipal Market Supervision Administration (上海市市場監督管理局) on April 25, 2019.

Upon completion of the abovementioned increase of share capital and as of the Latest Practicable Date, the shareholding structure of our Company was as follows:

Shareholders	Number of Shares	Shareholding
		(%)
KDL	42,857,142	35.71
Ningbo Huaige Taiyi[(1)]	25,200,000	21.00
Dr. Liang Dongke[(2)]	9,542,854	7.95
Mr. Lin Sen[(3)]	7,142,858	5.95
Mr. Wang Ruiqin[(3)]	7,142,858	5.95
Mr. Chen Xing[(4)]	7,071,430	5.89
Mr. Huang Chubin[(4)]	7,071,430	5.89
Ningbo Tongchuang Suwei[(4)]	6,000,000	5.00
Mr. Wang Kai[(1)]	5,571,428	4.64
Ningbo Int	2,400,000	2.00
Total	120,000,000	100.00

Notes:

1. Mr. Wang Kai has 1% interest in and is the general partner of Ningbo Huaige Health Investment Management Partnership (Limited Partnership) 寧波懷格健康投資管理合夥企業(有限合夥) ("Ningbo Huaige Health"), which in turn has 1.56% interest in and is the general partner of Ningbo Huaige Taiyi. Mr. Wang Kai also has 9.9% interest in and is a limited partner of Ningbo Huaige Gongxin Equity Investment Partnership (Limited Partnership) 寧波懷格共信股權投資合夥企業(有限合夥) ("Ningbo Huaige Gongxin") which in turn has 53.13% interest in and is a limited partner of Ningbo Huaige Taiyi.

2. Dr. Liang Dongke is one of our executive Directors.

3. Mr. Lin Sen and Mr. Wang Ruiqin are our employees.

4. Mr. Chen Xing, Mr. Huang Chubin and Ningbo Tongchuang Suwei are all Independent Third Parties and as far as our Directors are aware and save as disclosed in this prospectus, they do not have any past or present relationship (other than being Shareholders) among themselves.

Our PRC Legal Adviser has confirmed that the increases of registered capital, equity transfers and share transfers in respect of our Company as described above have been properly and legally completed and all regulatory approvals have been obtained in accordance with PRC laws and regulations.

OUR SUBSIDIARIES

During the Track Record Period, most of our revenue was generated from our Company and none of our subsidiaries has made material contribution to our Group's track record results.

PRE-IPO INVESTMENTS

Investment by Ningbo Huaige Taiyi and Ningbo Tongchuang Suwei

On August 8, 2018 and October 12, 2018, Ningbo Huaige Taiyi and Ningbo Tongchuang Suwei entered into the Pre-IPO Investment Agreements. Pursuant to the Capital Increase Agreement dated August 8, 2018, Ningbo Huaige Taiyi and Ningbo Tongchuang Suwei agreed to subscribe for 12,600,000 new Shares and 3,000,000 new Shares, representing 21.0% and 5.0% of our Shares at the time, respectively. The details of the Pre-IPO Investments are summarized as below:

Date of subscription:	August 8, 2018
Consideration paid:	Ningbo Huaige Taiyi: RMB126,000,000 Ningbo Tongchuang Suwei: RMB30,000,000
Cost per Share[(1)] paid:	RMB5
Consideration settlement date:	Ningbo Huaige Taiyi: December 6, 2018 Ningbo Tongchuang Suwei: December 5, 2018
Shareholdings in our Company:	Ningbo Huaige Taiyi: 21.0% of our issued share capital as of the Latest Practicable Date and 15.75% of our issued share capital upon Listing (assuming the Over-allotment Option is not exercised) Ningbo Tongchuang Suwei: 5.0% of our issued share capital as of the Latest Practicable Date and 3.75% of our issued share capital upon Listing (assuming the Over-allotment Option is not exercised)
Basis of determination of consideration:	The consideration was determined after arm's length negotiations and with reference to the then valuation of our Company at RMB484.6 million as at December 31, 2017 pursuant to an asset valuation report prepared by an Independent Third Party valuation firm dated April 22, 2018
Discount to the mid-point of the indicative Offer Price range:	73.54%
Use of Proceeds:	As of the Latest Practicable Date, we have partially utilized the proceeds for the purchase of land and construction of our new research and development centre and for general working capital purposes

Strategic benefits of the Pre-IPO Investments:	Our Directors are of the view that the Pre-IPO Investors possess capital market and industry expertise on which we can leverage
Lock-up:	Pursuant to the applicable PRC laws, within the 12 months following the Listing Date, the Pre-IPO Investors could not dispose of any of the Shares held by them
Public float:	The Shares held by the Pre-IPO Investors will not be considered as part of the public float as the Shares held by them are Domestic Shares and will not be converted into H Shares and listed following the completion of the Global Offering

Note:

(1) Our Pre-IPO Investors subscribed for our Shares at a subscription price of RMB10 per Share. Upon completion of the said subscription, there was a total of 60,000,000 Shares. Our Company further allotted and issued 60,000,000 Shares to our then Shareholders on a pro rata basis in April 2019. As of the Latest Practicable Date, 120,000,000 Shares were in issue.

Pursuant to the Pre-IPO Investment Agreements, the Pre-IPO Investors and other signing parties were also granted the following special rights, each of which will be terminated prior to the Listing:

Board nomination rights:	Our Board will consist of nine Directors, four of whom shall be independent Directors. KDL will be entitled to nominate five Directors, two of whom shall be independent Directors, Ningbo Huaige Taiyi will be entitled to nominate one Director and one Director will be jointly nominated by Dr. Liang Dongke, Mr. Lin Sen, Mr. Wang Ruiqin and Ningbo Int. Ningbo Tongchuang Suwei will be entitled to nominate one independent Director while one independent Director will be jointly nominated by Mr. Chen Xing, Mr. Huang Chubin and Mr. Wang Kai.
Supervisor nomination rights:	Our board of Supervisors shall consist of three Supervisors, one of whom shall be nominated by KDL, another Supervisor shall be jointly nominated by Dr. Liang Dongke, Mr. Lin Sen, Mr. Wang Ruiqin and Ningbo Int, and one Supervisor shall be the employees' representative as elected by the employees.
Reserved matters:	The following matters are reserved for our Shareholders to decide and our Company shall not take any of the following actions without consent from two-thirds of our Shareholders: a. amend the Articles;

b. increase or decrease our Company's issued share capital;

c. enter into any transaction that will result in a change of control in our Company, including merger, spin-off, acquisitions, reorganization, whether as one transaction or through a series of transactions;

d. wind-up, dissolve or terminate our Company, approve any winding-up reports or enter into any decisions which may result in the dissolution, cessation of business, bankruptcy or liquidation of our Company; and

e. change our Company's form.

Information rights: Our Company shall, subject to any confidentiality obligations that it may be subject to, provide each party to the Pre-IPO Investment Agreements with, *inter alia*, the following information:

a. no later than 45 days after the expiration of each quarter, the unaudited quarterly financial report of our Company; and

b. within four months of the commencement of the next financial year:

i. the audited financial statement and report for the preceding financial year; and

ii. the annual budget as approved by our Board for the current financial year.

Dividend rights: The parties to the Pre-IPO Investment Agreements agreed that from 2020 onwards, our Company will, in principle, pay cash dividends of at least 30% of the distributable profits of our Company to our Shareholders on a pro rata basis.

Information about the Pre-IPO Investors

Ningbo Huaige Taiyi is a limited partnership established in Ningbo, PRC on August 8, 2018 and its principal businesses include equity investment and relevant consulting services. As of the Latest Practicable Date, it was owned as to 1.56% by Ningbo Huaige Health as the general partner, and 53.13%, 31.25%, 6.25%, 6.25% and 1.56% by Ningbo Huaige Gongxin, Mr. Shi Haibo, Mr. Li Jianyong, Mr. Xing Tao and Mr. Chen Zhigang as the limited partners, respectively.

Ningbo Huaige Health is a limited partnership established in Ningbo, PRC on April 12, 2017, and its principal businesses include investment management and asset management. As of the Latest Practicable Date, it was owned as to 1% by Mr. Wang Kai as the general partner, and 85%, 5%, 5% and 4% by Ms. Zhao Wei (the spouse of Mr. Wang Kai), Mr. Ding Lizhong, Mr. Fang Shengshi (our non-executive Director) and Mr. Du Haibo as the limited partners, respectively.

Ningbo Huaige Gongxin is a limited partnership established in Ningbo, PRC on July 20, 2017, and its principal businesses include equity investment and relevant consulting services. As of the Latest Practicable Date, it was owned as to 1.07% by Ningbo Huaige Health as the general partner, and 24%, 10.67%, 9.87% and the remaining shareholdings by Zhuhai KDL Investment, Hangzhou Industrial and Commerce Trust Co., Ltd. (杭州工商信託股份有限公司), Mr. Wang Kai and other 21 partners as the limited partners, respectively. Zhuhai KDL Investment is a subsidiary of KDL Holding.

Our Company first became acquainted with Ningbo Huaige Taiyi through Mr. Wang Kai, one of our individual Domestic Shareholders who is also the general partner of Ningbo Huaige Health, which is in turn the general partner of Ningbo Huaige Taiyi. Ningbo Huaige Health has been investing in the medical device and biomedical industries and invested in our Company as part of their investment portfolio and based on our growth projection.

To the best of our Directors' knowledge and saved as disclosed herein and save for being a Substantial Shareholder and its associates upon the Listing, Ningbo Huaige Taiyi, its general partner and limited partners are not connected with our Company and our Directors.

Ningbo Tongchuang Suwei is a limited partnership established in Ningbo, PRC on July 6, 2018 and its principal businesses include business investment, investment management and investment consulting services. As of the Latest Practicable Date, it is owned as to 30% by Mr. Chai Yanpeng as the general partner, and 25%, 25% and 20% by Mr. Huang Bo, Mr. Tan Furong and Mr. Wang Xiting as limited partners, respectively. Our Company first became acquainted with Ningbo Tongchuang Suwei since its establishment in 2018 as its general partner and limited partners involved in the interventional medical device industry in China. Ningbo Tongchuang Suwei invested in our Company as part of their investment portfolio and based on our growth projection. To the best of our Directors' knowledge, save for being our Shareholder, Ningbo Tongchuang Suwei, its general partner and limited partners are not connected with our Company and our Directors.

COMPLIANCE WITH INTERIM GUIDANCE AND GUIDANCE LETTERS

The Sole Sponsor confirms that the investment by the Pre-IPO Investors is in compliance with the Guidance Letter HKEx-GL29-12 issued in January 2012 and updated in March 2017, the Guidance Letter HKEx-GL43-12 issued by the Stock Exchange in October 2012 and updated in March 2017 and the Guidance Letter HKEx-GL44-12 issued by the Stock Exchange in October 2012 and updated in March 2017.

PROPOSED QUOTATION ON THE NEEQ

Pursuant to the announcement made by KDL on April 21, 2017, the board of directors of KDL approved our proposed quotation on the NEEQ (the "Proposed NEEQ Quotation") on April 20, 2017. In May 2017, we appointed a securities firm which is an Independent Third Party as sponsor to our Proposed NEEQ Quotation.

Subsequently, having taken into account the NEEQ market sentiment and liquidity, as well as our Company's long term strategic goals and as disclosed in the announcement made by KDL on April 20, 2018, our Company decided that it would not proceed with the Proposed NEEQ Quotation and we had not filed any application for the NEEQ market.

To the best of our Directors' knowledge, our Directors are not aware of (i) any other matters relating to the Proposed NEEQ Quotation that are relevant to the Listing and should be reasonably highlighted in this prospectus for investors to form an informed assessment of our Company; (ii) any enquiries from the CSRC relating to the Proposed NEEQ Quotation that would affect our Company's suitability for listing on the Stock Exchange; (iii) any other matters relating to the Proposed NEEQ Quotation that may have implications on our Company's suitability for listing on the Stock Exchange or on the truthfulness, accuracy and completeness of information disclosed in this prospectus; and (iv) any other matters that need to be brought to the attention of the Stock Exchange and investors in Hong Kong in relation to the Proposed NEEQ Quotation.

Based on review of our Company's draft offering document relating to the Proposed NEEQ Quotation and discussion with the sponsor engaged by us to the Proposed NEEQ Quotation, the Sole Sponsor believed that our Directors' representations as detailed above with regard to the Proposed NEEQ Quotation are reasonable.

REASONS FOR THE SPIN-OFF FROM KDL AND LISTING

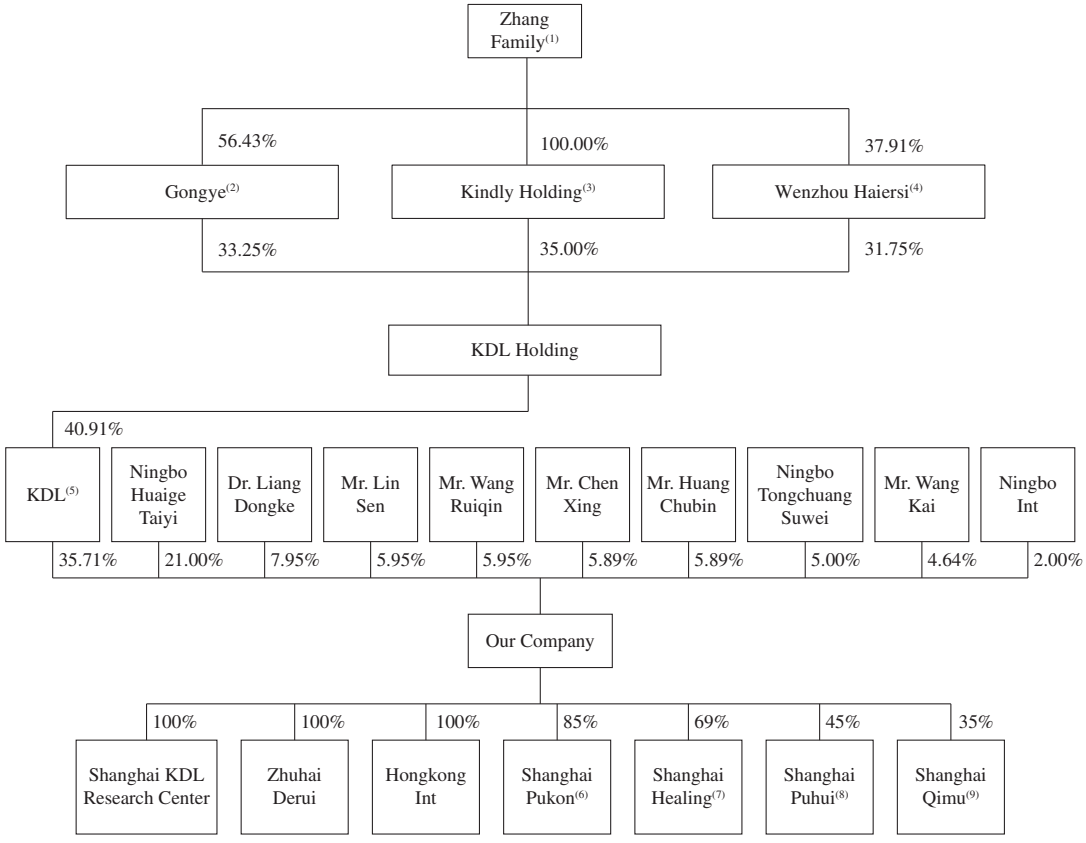
The Listing of our Company constitutes a Spin-off from KDL. Our Directors and KDL believe that by way of separating the business of research and development, manufacturing and sales of interventional medical devices of our Company from that of medical puncture devices of KDL, the Spin-off will facilitate our strategic growth by: (i) increasing the financial flexibility of KDL and our Company, therefore enhancing their respective ability to maintain stable cash flow for sustainable growth; (ii) providing investors with a clear indicator of the standalone valuation of our Company, which may enhance the overall value of KDL and unleash the economic value of both KDL and our Company; and (iii) advancing our brand value among doctors, hospitals, distributors and research institutions and will better position our Company for future cooperation and strategic acquisitions and partnerships.

As a result of the Spin-off, KDL and our Company will have separate financing platforms and the Listing of our H Shares on the Stock Exchange will allow us to utilize the overseas financing platform to enhance our competitive strengths and raise capital for our business development, advance our international strategies and expand our capital structure.

Please also refer to the paragraph headed "Relationship with Our Controlling Shareholders – Delineation from the KDL Group" in this prospectus for more details relating to the major differences between the business of our Group and that of the KDL Group, which illustrates a proper delineation between their businesses.

OUR CORPORATE STRUCTURE

The following chart sets forth our Group's simplified corporate structure immediately prior to the completion of the Global Offering.



(1) The Zhang Family have entered into a concert party agreement on September 15, 2012 in relation to their joint control in KDL and acting in concert in relevant matters. They control KDL through Shanghai Gongye Investment Co., Ltd. (上海共業投資有限公司) ("Gongye"), Kindly Holding Co., Ltd. (康德萊控股有限公司) ("Kindly Holding"), Wenzhou Haiersi Investment Co., Ltd. (溫州海爾斯投資有限公司) ("Wenzhou Haiersi") and KDL Holding.

(2) As of the Latest Practicable Date, Gongye was held as to 33.42% and 23.01% by Ms. Zheng Aiping and Mr. Zhang Wei, respectively.

(3) As of the Latest Practicable Date, Kindly Holding was held as to 60%, 20% and 20% by Mr. Zhang Xianmiao, Ms. Zheng Aiping and Mr. Zhang Wei, respectively.

(4) As of the Latest Practicable Date, the shareholders of Wenzhou Haiersi are Ms. Zheng Aiping (23.20%); Mr. Zhang Wei (14.71%); Mr. Sun Miao (3.00%), the brother-in-law of Ms. Zheng Aiping; Ms. Xue Lijuan (1.20%), the cousin of Mr. Zhang Xianmiao; Mr. Zhang Weixin (0.80%), our non-executive

Director and the director and general manager of KDL; Ms. Zhang Xiaowei (4.50%), the sister of Mr. Zhang Weixin; Mr. Xiang Jianyong (1.30%), a director of KDL; Mr. Zhang Yong (2.10%), a director of KDL; Mr. Zhang Zenghua (0.80%), a director of KDL; and various Independent Third Parties (48.39%).

(5) As at May 31, 2019, KDL was owned as to 40.91% by KDL Holding and was a subsidiary of KDL Holding.

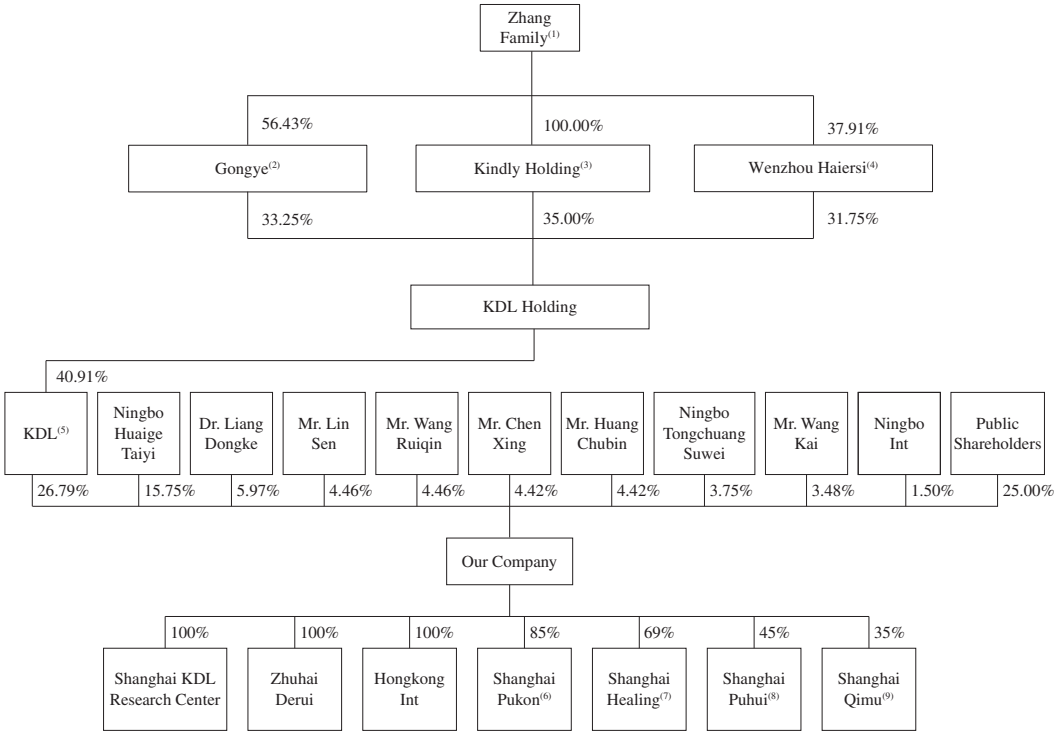
(6) The minority shareholder of Shanghai Pukon is Mr. Jiang Xiannan. Mr. Jiang Xiannan is a Substantial Shareholder, director and the general manager of Shanghai Pukon.

(7) The minority shareholders of Shanghai Healing are Ms. Chen Linling (30%) and Mr. Dai Gaoxu (1%). Ms. Chen Linling is a Substantial Shareholder and Mr. Dai Gaoxu is the general manager of Shanghai Healing.

(8) The minority shareholders of Shanghai Puhui are Mr. Chen Gang (15%), Mr. Chen Caizheng (14%), Mr. Cheng Songming (10%), Mr. Wang Xiting (9%) and Ms. Zhu Qiuli (7%). Each of Mr. Chen Gang, Mr. Chen Caizheng and Mr. Cheng Songming is a Substantial Shareholder of Shanghai Puhui. Mr. Wang Xiting and Ms. Zhu Qiuli are Independent Third Parties.

(9) The minority shareholders of Shanghai Qimu are Ms. Chen Yanli (16.5%), Ms. Pang Qi (14%), Mr. Sun Peng (10%), Ms. Li Ning (9.5%), Mr. Zhang Yanhong (8%) and Ms. Li Jianping (7%). Each of Ms. Chen Yanli and Ms. Pang Qi is a Substantial Shareholder, and Mr. Sun Peng is a Substantial Shareholder and the general manager of Shanghai Qimu. Ms. Li Ning, Mr. Zhang Yanhong and Ms. Li Jianping are Independent Third Parties.

The following chart sets forth our Group's simplified corporate structure immediately after the Global Offering (assuming no exercise of the Over-allotment Option).



(1) The Zhang Family have entered into a concert party agreement on September 15, 2012 in relation to their joint control in KDL and acting in concert in relevant matters. They control KDL through Gongye, Kindly Holding, Wenzhou Haiersi and KDL Holding.

(2) As of the Latest Practicable Date, Gongye was held as to 33.42% and 23.01% by Ms. Zheng Aiping and Mr. Zhang Wei, respectively.

(3) As of the Latest Practicable Date, Kindly Holding was held as to 60%, 20% and 20% by Mr. Zhang Xianmiao, Ms. Zheng Aiping and Mr. Zhang Wei, respectively.

(4) As of the Latest Practicable Date, the shareholders of Wenzhou Haiersi are Ms. Zheng Aiping (23.20%); Mr. Zhang Wei (14.71%); Mr. Sun Miao (3.00%), the brother-in-law of Ms. Zheng Aiping; Ms. Xue Lijuan (1.20%), the cousin of Mr. Zhang Xianmiao; Mr. Zhang Weixin (0.80%), our non-executive Director and the director and general manager of KDL; Ms. Zhang Xiaowei (4.50%), the sister of Mr. Zhang Weixin; Mr. Xiang Jianyong (1.30%), a director of KDL; Mr. Zhang Yong (2.10%), a director of KDL; Mr. Zhang Zenghua (0.80%), a director of KDL; and various Independent Third Parties (48.39%).

(5) As at May 31, 2019, KDL was owned as to 40.91% by KDL Holding and was a subsidiary of KDL Holding.

(6) The minority shareholder of Shanghai Pukon is Mr. Jiang Xiannan. Mr. Jiang Xiannan is a Substantial Shareholder, director and the general manager of Shanghai Pukon.

(7) The minority shareholders of Shanghai Healing are Ms. Chen Linling (30%) and Mr. Dai Gaoxu (1%). Ms. Chen Linling is a Substantial Shareholder and Mr. Dai Gaoxu is the general manager of Shanghai Healing.

(8) The minority shareholders of Shanghai Puhui are Mr. Chen Gang (15%), Mr. Chen Caizheng (14%), Mr. Cheng Songming (10%), Mr. Wang Xiting (9%) and Ms. Zhu Qiuli (7%). Each of Mr. Chen Gang, Mr. Chen Caizheng and Mr. Cheng Songming is a Substantial Shareholder of Shanghai Puhui. Mr. Wang Xiting and Ms. Zhu Qiuli are Independent Third Parties.

(9) The minority shareholders of Shanghai Qimu are Ms. Chen Yanli (16.5%), Ms. Pang Qi (14%), Mr. Sun Peng (10%), Ms. Li Ning (9.5%), Mr. Zhang Yanhong (8%) and Ms. Li Jianping (7%). Each of Ms. Chen Yanli and Ms. Pang Qi is a Substantial Shareholder, and Mr. Sun Peng is a Substantial Shareholder and the general manager of Shanghai Qimu. Ms. Li Ning, Mr. Zhang Yanhong and Ms. Li Jianping are Independent Third Parties.

OVERVIEW

We are a leading Chinese cardiovascular interventional device manufacturer. Our major products are primarily used for cardiovascular surgeries, in particular PCI procedures, including inflation device, introducer set, guidewire, pressure bandage, Y connector pack, pressure extension tube, manifold and angiography catheter. According to Frost & Sullivan, we ranked first in the PRC PCI supporting device market among domestic brands (seventh among all brands with a 3.1% market share), and second in the PRC coronary interventional device market among domestic brands (tenth among all brands with a 1.8% market share), both in terms of sales revenue in 2018.

We believe that our strong research and development capabilities are critical to our leading position in the cardiovascular interventional device market in China. We have begun designing, developing and producing medical devices since our inception, and have developed a comprehensive range of products to meet clinical needs. Our raw materials are mainly plastic resins and are primarily procured from suppliers in China. As of the Latest Practicable Date, we had 62 registered patents, 75 patents under application and five registered softwares. In addition, we had obtained 15 NMPA registration certificates for Class III medical devices and 12 Shanghai MPA registration certificates for Class II medical devices. As of the Latest Practicable Date, we had 28 CE approved products and 10 FDA approved products.

A substantial majority of our total revenue was generated from the sales of our cardiovascular interventional medical devices, while the remaining portion was generated from the sales of our medical accessories or other products. Leveraging on our extensive network of distributors, we benefit from our distributors' established channels and resources to save costs and expedite the time required for launching and selling our products in target markets. During the Track Record Period, approximately 50% of our total revenue was generated from the sales to our distributors, while the remainder was generated from the sales to medical device manufacturers and other customers.

We have experienced a strong growth in our business and financial results. We believe it was attributable to our comprehensive product lines, innovative technology, stringent quality control and extensive distribution network. In 2016, 2017 and 2018, our total revenue was RMB106.4 million, RMB137.6 million and RMB203.1 million, respectively, representing a CAGR of 38.1% from 2016 to 2018, while our net profit was RMB34.0 million, RMB40.8 million and RMB58.2 million, respectively, representing a CAGR of 30.9% for the same periods. In the first four months of 2018 and 2019, our total revenue was RMB60.1 million and RMB86.9 million, respectively, while our net profit was RMB20.6 million and RMB31.3 million for the same periods, respectively. Our total revenue and net profit experienced a continued increase during the Track Record Period, which we believe were primarily driven by, among other things, increases in our market share and market demand.

Leveraging on our leading market position, we expect to enjoy a sustained growth, as well as to expand into the fast growing but underserved markets of complementary medical devices. According to the Frost & Sullivan Report, the size of coronary interventional device market in the PRC is expected to increase from RMB5.2 billion in 2018 to RMB9.6 billion in 2023, at a CAGR of 12.9%. The size of the PCI supporting device market in the PRC is expected to increase from RMB3.0 billion in 2018 to RMB5.6 billion in 2023, at a CAGR of 13.3%. Additionally, the market share of domestic manufacturers is expected to increase from 13.2% in 2018 to 22.9% in 2023, significantly outpacing the growth of international manufacturers' market share during the same period due to technology development, increasing research and development investment and favorable policies supporting domestic brands. We anticipate to continue to benefit from favorable policies focusing on innovation in China as we continue to develop research and development capacities for a comprehensive product pipeline.

OUR STRENGTHS

We believe that our principal competitive strengths include the following:

Leading market position for cardiovascular interventional devices in China with strong reputation and market recognition

We are a leading Chinese cardiovascular interventional device manufacturer. Our major products are primarily used for cardiovascular surgeries, in particular PCI procedures, including inflation device, introducer set, guidewire, pressure bandage, Y connector pack, pressure extension tube, manifold and angiography catheter. According to Frost & Sullivan, we ranked first in the PRC PCI supporting device market among domestic brands (seventh among all brands with a 3.1% market share), and second in the PRC coronary interventional device market among domestic brands (tenth among all brands with a 1.8% market share), both in terms of sales revenue in 2018.

We believe that the quality and reliability of our cardiovascular interventional devices enabled us to attract and retain our products' users, mainly cardiologists. Between 2010 and 2018, 10 of our interventional medical devices were recognized by the Shanghai Municipal Service Center for Transforming High-tech Achievements as "Shanghai High-tech Achievement Transformation Project". Since our inception and up to the Latest Practicable Date, we had not experienced any product recall. We also believe that the strong market recognition of our Company and our products not only enabled us to market our products in a cost-efficient manner, but also allowed our products to frequently win the competitive biddings and tender processes organized by hospital and government agencies in their procurement process, thereby further strengthening our leading market position and setting entry barriers for our competitors in the PRC cardiovascular interventional device market. Our average bidding success rate in the past three years was approximately 95%, which we believe demonstrated hospitals' confidence in our products.

We have observed a strong growth in our business and financial results. We believe that it was attributable to our comprehensive product lines, innovative technology, stringent quality control and extensive distribution network. Our total revenue increased from RMB106.4 million in 2016 to RMB203.1 million in 2018, representing a CAGR of 38.1%, while our net profit increased from RMB34.0 million in 2016 to RMB58.2 million in 2018, representing a CAGR of 30.9%. Our total revenue increased from RMB60.1 million in the first four months of 2018 to RMB86.9 million in the first four months of 2019, representing a growth rate of 44.6%, while our net profit increased from RMB20.6 million to RMB31.3 million for the same periods, representing a growth rate of 51.9%. Leveraging on our leading market position, we expect to enjoy a sustained growth, as well as to expand into the fast growing but underserved markets of complementary medical devices.

Established leader in fast-growing medical device market in China that benefits from favorable policies

The size of the medical device market in China is expected to grow from RMB528.4 billion in 2018 to RMB1,061.9 billion in 2023, at a CAGR of 15.0%, according to the Frost & Sullivan Report. In 2018, 915,300 cases of PCI were performed in China and the number of PCI to be performed in 2023 is expected to be around 1.8 million cases. In addition, the size of the coronary interventional device market in China is expected to increase from RMB5.2 billion in 2018 to RMB9.6 billion in 2023, at a CAGR of 12.9%. The size of the PCI supporting device market in China is expected to increase from RMB3.0 billion in 2018 to RMB5.6 billion in 2023, at a CAGR of 13.3%. Such growth is attributable to, among others, certain favorable policies promulgated by the PRC government, such as:

- the *13th Five-Year Plan for Medical Device Innovation (《"十三五"醫療器械科技創新專項規劃》)*, which encourages domestic manufacturers to innovate and produce medical devices, thereby gradually replacing and reducing reliance on imported medical devices;

- the NMPA policies regarding the acceleration of the review and approval process for innovative medical devices manufactured by domestic enterprises and the launch of such innovative medical devices into the market, and encouraging domestic enterprises to invest in the research and development of innovative medical devices; and

- the *Guiding Opinions on Promoting the Establishment of Hierarchical Diagnosis and Treatment System (《關於推進分級診療制度建設的指導意見》)*, which aimed to establish a hierarchical diagnosis and treatment system, thereby increasing the number of PCI to be conducted at Tier 2 hospitals in China and driving demand for relevant medical devices.

We further benefit from increasing importance of the domestic manufacturers in the PRC cardiovascular intervention device market. According to Frost & Sullivan, the PRC coronary intervention device market has long been dominated by international brands. With technological development, increasing research and development investment and favorable policies to support domestic brands, the domestic manufacturers continued to grow by seizing the market share of the international competitors. Please refer to the paragraphs headed "Regulatory Overview – Encouragement of Innovation in Medical Devices" and "Regulatory Overview – Encouragement Policies in relation to Procurement of Domestic Medical Devices and Import of Alternative Products" in this prospectus for further details.

Leveraging on our leading market position in the cardiovascular device market in China, we have benefitted, and anticipate to continue to benefit, from such favorable policies focusing on innovation as we continue to develop a comprehensive product pipeline. With the increasing aging population and the rising demand among elderly for cardiovascular surgeries and relevant interventional devices, we believe we will continue to take advantage of the rapid growth in the medical device market in China.

Strong in-house research and development capabilities to expand our product lines and enter into new intervention areas

Since our inception, we have designed, developed and produced cardiovascular intervention and other interventional medical devices in-house. We believe our independent mold and product design, production and registration capabilities constitute our core competency and a key entry barrier for new market entrants. To maintain our leading position in the cardiovascular interventional device market in China, we invested RMB10.9 million, RMB12.9 million, RMB22.1 million, RMB4.9 million and RMB7.7 million in research and development in 2016, 2017, 2018 and the first four months of 2018 and 2019, respectively, representing 10.2%, 9.4%, 10.9%, 8.1% and 8.9% of our total revenue for the same periods, respectively. With our commitment to research and development, we had 62 registered patents, 75 patents under application and five registered softwares as of the Latest Practicable Date. As of the Latest Practicable Date, we had 16 products in various development stages, among which one pipeline product was under the NMPA approval process, two were under the Shanghai MPA approval process, five were in type test and eight were in research and development. Some of these new products are expected to be launched in the near term.

Our internal research and development capabilities are further reinforced by our cooperation with academic and research institutions, renowned hospitals and practicing doctors, which provides us with better understanding of clinical needs for innovative products. We have developed a unique technology transformation program that aims to cultivate innovative medical devices. We collaborate with industry experts, being co-founders of project companies, to transform their technology or know-how to serve unmet medical needs and further expand our product offerings. We hold majority equity interest in these project companies, and allow them to share our research and development capabilities, management experience and production facilities. We actively participate in the research and development processes to track real-time progress of relevant pipeline products and to minimize our development risks. We believe our unique technology transformation program with proven track record will further expand our product lines and enable us to enter into new intervention areas.

Broad portfolio covering major medical devices necessary for cardiovascular interventional surgeries

We have a broad product portfolio of 27 Class III and Class II proprietary, high quality medical devices, which allows our customers to procure a wide range of products and related services from one source. In particular, our product portfolio covers major medical devices necessary for conducting PCI, including inflation device, introducer set, guidewire, pressure bandage, Y connector pack, pressure extension tube, manifold and angiography catheter.

In addition, we offer products in different categories in order to meet different clinical needs. Our research and development capabilities allow us to expand our product lines and respond quickly to market demands in fast growing fields, such as medical devices targeting neural intervention. We have developed core technologies of intracardiac and neural micro-catheters and micro-guidewires, which can be used for the treatment of chronic total occlusive coronary disease and ischemic stoke. Along with our enhanced research and development capabilities, we believe that we are well-positioned to offer a full range of cardiovascular interventional medical devices to the patients at competitive prices.

Established marketing and distribution network covering major regions across China and around the world

We had an established marketing and distribution network in which we had 267 distributors in the first four months of 2019, including 235 in China and 32 overseas. In China, we had authorized distributors to sell our products to over 1,000 hospitals (including over 550 Tier III hospitals) in 21 provinces, two autonomous regions and four directly-administered municipalities in China as of the Latest Practicable Date.

We have developed stable relationships with our distributors. Our sales and marketing team consisted of approximately 62 employees covering 22 provinces, four autonomous regions and four directly-administered municipalities in China as of the Latest Practicable Date and it is responsible for training and active management of our network of distributors to enhance efficiency. Our sales and marketing team communicates regularly with the distributors to ensure that they receive adequate training on the use of our products. We regularly organize doctor training seminars, conduct joint research and development projects with hospitals, as well as collect feedbacks on products.

Furthermore, in April 2019, we have entered into a strategic cooperation framework agreement with China National Medical Device Co., Ltd. ("China National Medical Device"), the largest medical device distributor in China in terms of sales revenue in 2018 to establish and strengthen cooperation in increasing both parties' competitiveness in the medical device industry. This strategic cooperation framework agreement entails cooperating with China National Medical Device as our delivery partner and we will use China National Medical Device as one of our delivery channels going forward.

With the advantageous channel resources and marketing resource provided by China National Medical Device, we believe that this strategic cooperation framework agreement can have a positive impact on our current distribution model as it will enable us to consolidate our existing distribution and delivery channels to best utilize competitive sales and marketing resources, as well as allow us to provide comprehensive services to distributors, hospitals and patients in face of changing policies promulgated by the PRC government, especially the "two-invoice system".

The term of the strategic cooperation framework agreement is April 23, 2019 to May 1, 2022. We will cooperate with China National Medical Device's channels by allowing China National Medical Device to: (i) distribute our products through its distribution platform; and (ii) help market our products through its sales channels in markets where we are currently inactive. China National Medical Device will provide advantageous channel resources and marketing resources to us and help us to expand the market. The scope of cooperation is in the PRC. We will view China National Medical Device as one of our important business partners and prioritize their service when choosing delivery channels. Our Directors believe that China National Medical Device will also view us as one of its important business partners and prioritize our products when choosing suppliers for cardiovascular interventional devices. The strategic cooperation framework agreement is silent on termination, renewal and pricing provisions. As the agreement contains no pricing term, we believe it will not materially affect our current pricing policy of our products.

Aside from our continuous expansion in the PRC market, we also focus on gaining international recognition for our business. As of the Latest Practicable Date, we had over 42 distributors covering 27 countries and regions. In the first four months of 2019, our overseas sales totaled RMB32.7 million, accounting for 37.6% of our total sales. In particular, we also supply medical devices such as inflation devices to well-known international medical device manufacturers, which we believe demonstrate our reputation for high quality production. Overall, we believe our long-term relationships with overseas distributors enable us to take advantage of their knowledge of their local business and regulatory environments and their capabilities to serve end-customers.

Visionary and dedicated management team supported by energetic and cohesive talent pool

Our senior management comprises of a group of highly qualified professionals who are experienced in developing and producing medical devices. Dr. Liang Dongke, our chairman, executive Director and general manager, has over 13 years of experience in the medical device industry. Other members of our senior management team, including Mr. Wang Cailiang, Dr. Song Yuan and Ms. Zhao Yan, all have significant experience in the medical device industry with a proven track record. Furthermore, our independent non-executive directors include Mr. Dai Kerong, an academician at the Chinese Academy of Engineering, Mr. Jian Xigao, an academician at the Chinese Academy of Engineering, and Dr. Ge Junbo, an academician of the Chinese Academy of Sciences. Mr. Dai, Mr. Jian and Dr. Ge are prominent scientists and provide valuable support and advices for the development of our pipeline products.

Our senior management team is supported by our energetic talent pool. We have developed a cohesive and vibrant corporate culture that inspires and encourages innovation, which we believe helps us attract, retain and motivate a dynamic team capable of driving our rapid growth. By offering more opportunities to work with prominent scientists and innovative technologies and systematic training and development programs, we enjoyed a high retention rate of our technicians, which facilitates the continued growth of our business. Some of our core employees hold Shares in our Company to align their long-term interest with us. We believe our visionary and dedicated management team and energetic and cohesive talent pool set the foundation for our long term success.

OUR STRATEGIES

Our goal is to be a world-renowned interventional and implantable medical device group led by scientific and technological innovation. We plan to implement the following strategies to achieve this goal and vision.

Expand production capacity to meet growing market demand

As the PRC and global medical device markets continue to grow, we need higher production capacity to meet the growing market demand. We intend to continue expanding and upgrading our production equipment such as injection, assembly and testing machine, which will increase our production capacity and efficiency and further improve our quality control. We also intend to further automate our production line to increase our production efficiency and quality.

We plan to establish a research and development center and an additional production facility in Jiading, Shanghai. The new facility will commit to the research and development of innovative projects and to further expand our production capacity. We plan to use part of the proceeds from the Global Offering for setting up a research and development center and an additional production facility. Please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus for description of our future plans and use of proceeds in detail. After increasing our production capacity, we expect to expand our distribution network and coverage and secure more orders from our customers. As we ranked second in the PRC coronary interventional device market among domestic brands (tenth among all brands with a 1.8% market share in terms of sales revenue), we expect to leverage our leading market position and continue increasing our market share and meeting growing market demand in the future. We expect to increase our market share and capture growing market demand by devoting resources to: (i) solidifying our well-recognized brand; (ii) expanding our distribution network through setting up additional domestic sales offices and collaborating with more distributors; and (iii) intensifying our marketing efforts. In 2016, 2017 and 2018, our total revenue was RMB106.4 million, RMB137.6 million and RMB203.1 million, respectively, representing a CAGR of 38.1% from 2016 to 2018. Our revenue increased by 44.6% from RMB60.1 million in the first four months of 2018 to RMB86.9 million in the first four months of 2019. Please refer to the paragraph headed "Industry Overview – The Global and PRC Percutaneous Coronary Intervention ("PCI") Device Market – Future Trends" in this prospectus for details.

Continue to develop and commercialize existing pipeline products, as well as to further expand our product offerings

Our sustainable innovation capability depends on our ability to continuously develop new products. As part of our business strategy, our research and development staff will develop and expand our current pipeline products, including micro-guidewires and micro-catheters. For example, with the development of interventional therapy technology, the use of micro-guidewires and micro-catheters will become more and more common. We are currently conducting registrations for guiding catheters and plan to launch the products for commercial sales in China soon following receipt of NMPA certification. Development of our neural micro-catheters, neural micro-guidewires, and supporting catheters and biodegradable sinus stents are in type test stage. We expect to launch commercial sales of the foregoing products soon after the completion of the clinical tests (except neural micro-catheters and neural micro-guidewires which are subject to clinical exemption) and have obtained the relevant certificates. We believe that our future products will complement our existing cardiovascular intervention product offerings and will make us one of the top companies worldwide to offer a series of medical devices including cardiovascular and neurological, and non-vascular intervention treatment procedures.

We also intend to continue devoting significant resources to the new products of project companies under our technology transformation program. In particular, Shanghai Qimu focuses on the development of biodegradable sinus stents and biliary stents, which is a leading product positioning in the area of non-vascular interventional medical products, and has obtained the relevant core technologies. Shanghai Puhui is currently conducting type test for neural thrombectomy system for the treatment of ischemic stroke. The neural thrombectomy system uses self-developed blood clot extraction technology and minimally invasive interventional therapy to complete intracranial thrombectomy. Shanghai Healing is currently conducting sample trials for intervention valves for aortic valve diseases. The interventional valve is a balloon-expandable valve implantation product used to treat both aortic stenosis and aortic regurgitation. Shanghai Pukon is currently focusing on the development of technologies related to production of precise catheters. We intend to further expand our products lines to peripheral interventional medical devices.

Pursue strategic acquisitions and partnerships in start-up projects and distributors

We plan to identify and participate in medical device research and development projects in China and overseas to pursue strategic acquisitions and partnership with an aim to further expand our product offerings. Leveraging our deep understanding of the interventional and implantable medical device industry, we are able to identify innovative, start-up medical device projects with potential to market globally. We believe our proprietary technologies, research and development capabilities, product registration resources and network of distributors allow us to integrate these projects effectively and expedite their product development, registration and commercialization processes. We believe the returns generated from the aforesaid integration strategy can further enhance our Shareholders' interest and strengthen our leading position in the interventional medical device industry.

In addition, in order to increase the coverage of hospitals, better manage our distributor network and provide better customer services and doctor education, we intend to pursue strategic partnership with more local distributors. By more in-depth cooperation with such distributors, we are able to internalize their professional marketing capabilities and provide better services to our customers, thereby increasing our penetration rate in China and overseas markets.

Consolidate cooperation with doctors, hospitals and research institutions to enhance our research and development capabilities

We plan to continue focusing on research and development by conducting additional clinical studies, strengthening our relationships with research institutions and hospitals, and increasing collaboration efforts with universities and other academic institutions.

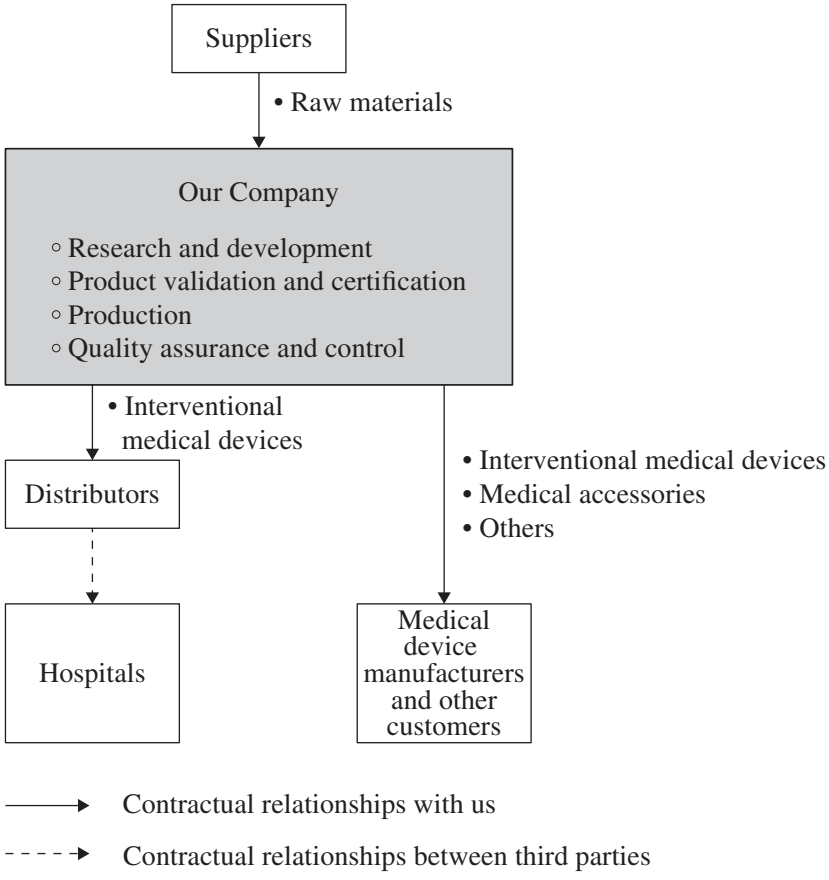
We plan to continue cooperating with hospitals and research institutions which can provide clinical trial support and academic studies in relation to our new products, which further help us to cooperate with doctors and achieve innovation. We intend to capitalize on opportunities brought by China's ongoing healthcare reforms, which will expand China's healthcare infrastructure and public insurance coverage. This expansion of healthcare infrastructure across China is designed to expand and ensure adequate healthcare in towns and rural areas by boosting patients' accessibility and affordability of medical care. We expect that this increased government spending will lead to more proactive treatment of cardiovascular and neurology diseases. Our research and development team currently collaborates with doctors on research projects and communicating on clinical demands. We plan to increase the level of interaction of our research and development team with doctors in more hospitals through training, seminars and other activities.

We will continue to market our products through promotional activities, such as participating in major international trade fairs and academic conferences, to meet existing and potential customers, promote our products and enhance our recognition. We also plan to organize conferences, trainings and seminars relating to our products for our distributors, as well as public marketing and education materials describing the benefits and functions of our products.

We expect the PRC government to continue its support for medical devices developed domestically and for ongoing upgrading of hospitals where advanced cardiovascular neurological intervention surgeries can be conducted. Accordingly, our marketing and distribution efforts will remain focused on collaborating with hospitals and introducing doctors to our new products. Finally, the PRC government's planned expansion of medical insurance scheme will increase the affordability of medical devices for patients in China. We plan to continue promoting awareness of our products among the various local government departments administering insurance so our products will be included or remain included on the list of reimbursable medical devices.

OUR BUSINESS MODEL

We currently focus on the research and development, manufacturing and sales of cardiovascular interventional medical devices. We also manufacture medical accessories and provide other products and services, such as certain non-interventional products, mold design, mold manufacturing and production services, to selected customers. Our product sales during the Track Record Period was generally not subject to seasonality (other than national holidays). The diagram below sets forth our business model:



OUR PRODUCT AND SERVICE OFFERINGS

Overview

Below is a description of our major products and services:

- *Interventional medical devices*: We manufacture and sell certain medical devices that are used in interventional procedures, such as inflation device, introducer set, guidewire, pressure bandage, Y connector pack, pressure extension tube, manifold and angiography catheter. As of the Latest Practicable Date, we had 27 NMPA/Shanghai MPA registration certificates for medical devices, 28 CE approved

products and 10 FDA approved products. The sales revenue of our interventional medical devices represented 76.5%, 79.7%, 87.1%, 84.4% and 91.1% of our total revenue in 2016, 2017, 2018 and the first four months of 2018 and 2019, respectively.

- *Medical accessories*: We manufacture certain types of medical accessories, such as luer connectors and others, mainly for other medical device manufacturers. Our sales revenue generated from medical accessories represented 17.6%, 16.9%, 10.1%, 11.9% and 5.9% of our total revenue in 2016, 2017, 2018 and the first four months of 2018 and 2019, respectively.

- *Others*: Our other products and services primarily include (i) customized mold design, mold manufacturing and production services; and (ii) certain non-interventional products, such as vaginal dilators. Our sales revenue generated from other products and services represented 5.9%, 3.4%, 2.8%, 3.7% and 3.0% of our total revenue in 2016, 2017, 2018 and the first four months of 2018 and 2019, respectively.

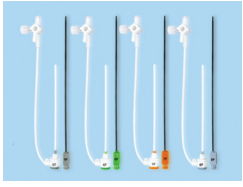
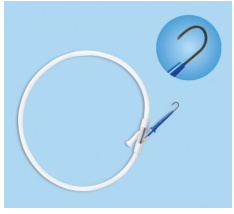
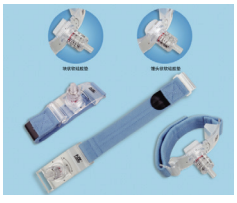
The table below sets forth a breakdown of our revenue by major product line for the periods indicated:

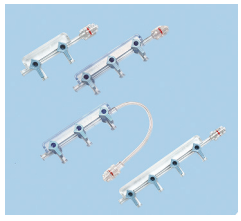
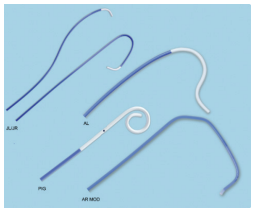
	For the year ended December 31,						For the four months period ended April 30,			
	2016		2017		2018		2018		2019	
							(unaudited)			
	(RMB in thousands, except percentages)									
Interventional medical devices										
Cardiovascular	80,910	76.0%	108,809	79.1%	175,676	86.6%	50,370	83.8%	78,979	90.9%
Orthopedics and others	490	0.5%	877	0.6%	1,098	0.5%	352	0.6%	181	0.2%
Subtotal	81,400	76.5%	109,686	79.7%	176,774	87.1%	50,722	84.4%	79,160	91.1%
Medical accessories	18,735	17.6%	23,240	16.9%	20,589	10.1%	7,147	11.9%	5,112	5.9%
Others	6,310	5.9%	4,625	3.4%	5,696	2.8%	2,224	3.7%	2,638	3.0%
Total	106,445	100.0%	137,551	100.0%	203,059	100.0%	60,093	100.0%	86,910	100.0%

Interventional Medical Devices

An interventional medical device is a medical apparatus used in clinical procedures that can be penetrated into the human body. We design, develop and produce a range of cardiovascular interventional medical devices, with a focus on inflation devices, introducer sets, pressure extension tubes, manifolds and guidewires, etc.

The table below sets forth certain information of our major cardiovascular interventional medical devices:

No.	Product category	Features and applications	Examples of products
	Cardiovascular		
1	Inflation device (球囊擴張壓力泵)	Used in PTCA surgery to inflate the balloon to achieve the purpose of dilating the vessel or placing the stent in the vessel.	
2	Introducer set for single use (一次性使用導管鞘套裝)	Used to intrude into the artery percutaneously in intervention surgery and establish a passageway for introducing catheters into the blood vessel.	
3	Angiography guidewire for single use (一次性使用造影導絲)	Used in angiography. The purpose is to establish a passageway from the puncture position to the lesion or to the distal end through the lesion to assist other instruments in positioning.	
4	Pressure bandage for single use (一次性使用動脈壓迫止血帶)	Used to assist in compression hemostasis after the introducer is removed from the artery.	

No.	Product category	Features and applications	Examples of products
5	Y connector pack (Y型連接器套裝)	Used in PTCA surgery to assist in establishing in vitro a working passageway for PTCA balloon and stent into the human body.	
6	Pressure extension tube for single use (一次性使用壓力延長管)	Used for connection and infusion in pressure monitoring tubing during intervention surgery.	
7	Manifold for single use (一次性使用三通旋塞)	Used for connection, infusion and pathway switching in pressure monitoring tubing during intervention surgery.	
8	Angiography catheter for single use (一次性使用造影導管)	Used to inject and infuse contrast media and/or fluid, and used in coronary angiography.	

Medical Accessories

We also manufacture certain types of medical accessories, such as luer connectors and caps. Such medical accessories do not require any medical device registration certificate from NMPA. We may from time to time sell such medical accessories to medical device manufacturers and other customers generally in China to generate additional revenue.

Others Products and Services

Our other products and services include certain non-interventional products and custom-made molds sold to medical device manufacturers and other customers. Custom-made mold is a device made for injecting melting plastic resins into the cavity of the mold and then cooling to produce the plastic components.

Sales Volumes and Price Ranges

The following table sets forth the sales volumes, price ranges, weighted average selling price and sales revenue of our top five selling cardiovascular interventional medical devices for the periods indicated:

	For the year ended December 31,												For the four months period ended April 30,							
	2016				2017				2018				2018				2019			
Name of product	Quantity *('000 units)*	Price range *(RMB/ unit)*	Average selling price *(RMB/ unit)*	Revenue *(RMB in millions)*	Quantity *('000 units)*	Price range *(RMB/ unit)*	Average selling price *(RMB/ unit)*	Revenue *(RMB in millions)*	Quantity *('000 units)*	Price range *(RMB/ unit)*	Average selling price *(RMB/ unit)*	Revenue *(RMB in millions)*	Quantity *('000 units)*	Price range *(RMB/ unit)*	Average selling price *(RMB/ unit)*	Revenue *(RMB in millions)*	Quantity *('000 units)*	Price range *(RMB/ unit)*	Average selling price *(RMB/ unit)*	Revenue *(RMB in millions)*
Inflation device	276	57 – 325	105	29.0	360	58 – 513	102	36.7	558	51 – 503	104	57.9	163	53 – 490	100	16.3	254	57 – 506	102	25.9
Introducer set	193	19 – 128	30	5.9	294	20 – 111	30	8.9	517	18 – 110	35	18.1	134	18 – 109	32	4.3	286	19 – 112	33	9.5
Guidewire	190	15 – 188	22	4.2	179	12 – 149	31	5.5	325	14 – 168	34	11.1	109	14 – 149	32	3.5	114	14 – 155	39	4.5
Pressure bandage	129	14 – 160	37	4.8	162	18 – 162	36	5.8	260	16 – 200	36	9.4	81	16 – 162	34	2.7	117	17 – 205	38	4.5
Y connector pack	118	13 – 94	32	3.8	198	12 – 148	30	5.9	254	13 – 149	36	9.2	82	13 – 148	35	2.9	113	13 – 153	38	4.3

Each of our top five selling cardiovascular interventional medical devices had a wide price range during the Track Record Period because we have different specifications and configurations which are determined by a combination of elements including: (i) packaged or unpackaged; (ii) sterilized or unsterilized; and/or (iii) a single unit or a set. As an example, the price per unit for Y connector pack when sold in a set is around 204% higher than its price per unit when sold as a single unit.

Product Pipeline

As of the Latest Practicable Date, we had 16 products in various development stages. We believe that our products in various development stages can upgrade our existing product portfolio because there will be more types of medical devices, supporting various kinds of interventional procedures. The following table sets forth certain information about these products:

Product category	Classification	Features and applications	Clinical Trial Requirement	Stage of Development	Expected Date of Obtaining NMPA Approval	Expected Launch Date
Guiding catheter (指引導管)	Class III	The product is used to provide a channel for introducing balloon catheter, guidewire or other treatment device in an interventional surgery.	No clinical trial required	Submitted to NMPA for approval	Fourth Quarter of 2019	First Quarter of 2020
Orthopedic intervention device (關節介入手術器械)	Class II	The product is used in carpal tunnel release surgical procedure under arthroscopy and other soft tissue release treatment procedure.	No clinical trial required	Submitted to Shanghai MPA for approval	First Quarter of 2020	Second Quarter of 2020
Fallopian tube catheter (輸卵管導管)	Class II	The product is inserted into the fallopian tube by hysteroscopy or other uterine interventional instrument in medical institutions for fallopian tube imaging or recanalizing treatment.	No clinical trial required	Submitted to Shanghai MPA for approval	First Quarter of 2020	Second Quarter of 2020
Non-vascular guidewire (非血管腔道導絲)	Clas II	The product is used in non-vascular interventional surgery as a guide or support for positioning a device in a surgical procedure. The guidewire has different shapes of hydrophilic coated ends and various thickness specifications.	No clinical trial required	In type test	Third Quarter of 2020	Fourth Quarter of 2020

Product category	Classification	Features and applications	Clinical Trial Requirement	Stage of Development	Expected Date of Obtaining NMPA Approval	Expected Launch Date
Neural micro-catheter (神經微導管)	Class III	The product is applicable to neural and peripheral blood vessels for injecting or introducing contrast medium and/or liquid and/or embolic materials.	No clinical trial required	In type test	Third Quarter of 2020	Fourth Quarter of 2020
Neural micro-guidewires (神經微導絲)	Class III	The product is applicable to neural and peripheral blood vessels to assist the smooth delivery of diagnostic or treatment device to the site of lesion.	No clinical trial required	In type test	Third Quarter of 2020	Fourth Quarter of 2020
Supporting catheter (支撐導管)	Class III	The product is applicable to neural and peripheral blood vessels for establishing blood vessel passage in surgical procedure to assist the introduction of diagnostic or treatment device into the blood vessel.	No clinical trial required	In type test	Third Quarter of 2020	Fourth Quarter of 2020
Stone extractor (取石網籃)	Class II	The product is used to capture and remove stones under endoscope, It has helix lines and is diamond shaped, and is equipped with the dual functions of breaking and removing stones.	No clinical trial required	In research and development	Fourth Quarter of 2020	First Quarter of 2021
Biliary stone extraction balloon catheter (膽道取石球囊導管)	Class II	The product is used in gallstone surgery for extraction of sand-like stones or residual stones after breaking up by other device. It has various balloon specifications, with better human compatibility of silicone balloons.	No clinical trial required	In research and development	Fourth Quarter of 2020	First Quarter of 2021
Super-stiff guidewire (加硬導絲)	Class III	This product is used in the diagnosis and treatment of vascular intervention, and with the assistance for auxiliary devices to reach the lesion smoothly.	No clinical trial required	In research and development	Fourth Quarter of 2021	First Quarter of 2022

Product category	Classification	Features and applications	Clinical Trial Requirement	Stage of Development	Expected Date of Obtaining NMPA Approval	Expected Launch Date
Expandable vascular sheath (可擴張血管鞘)	Class III	This product is used for interventional surgeries into the blood vessels to provide an introduction pathway for the intervention devices.	No clinical trial required	In research and development	Fourth Quarter of 2021	First Quarter of 2022
Valvuloplasty Balloon Catheter (瓣膜預擴張球囊導管)	Class III	This product is used for the dilatation of heart valves or vena cava stenosis.	No clinical trial required	In research and development	Fourth Quarter of 2021	First Quarter of 2022
Biodegradable sinus stent (可降解鼻竇支架)	Class III	The product is used to prevent adhesion after surgical treatment for chronic sinusitis and to facilitate tissue healing. It takes longer time for degradation, has higher pharmaceutical loading and provides long-term treatment effect.	Clinical trial required	In type test	First Quarter of 2022	Second Quarter of 2022
Embolectomy catheter (取栓導管)	Class III	The product is used to remove fresh thrombus in intracranial vessels.	Clinical trial required	In research and development	Second Quarter of 2022	Third Quarter of 2022
Biodegradable biliary stent (可降解膽道支架)	Class III	The product is used for treatment of biliary stenosis, provides support for narrow biliary duct after surgical procedure. It will be automatically degraded after tissue healing and recovery, so removal is not required.	Clinical trial required	In research and development	Fourth Quarter of 2022	First Quarter of 2023
Aortic intervention valves (經導管主動脈瓣膜)	Class III	The product is used for treatment of aortic valve stenosis or aortic regurgitation through peripheral blood vessel intervention or cardiac apex operation method.	Clinical trial required	In research and development	Third Quarter of 2024	Fourth Quarter of 2024

RESEARCH AND DEVELOPMENT

Our research and development team works closely with hospitals and doctors to develop clinically effective and commercially attractive products. In designing and developing our products, we consult with hospitals and doctors to assist us in identifying the clinical needs. As of the Latest Practicable Date, our research and development team consisted of 101 members. Our research and development head, Mr. Li Tao, has over 12 years of relevant research and development experience. As of the Latest Practicable Date, we had a total of 62 registered patents, 75 patents under application and five registered softwares. As of the same date, we had obtained 27 registration certificates for PRC products, including 15 NMPA registration certificates for Class III medical devices and 12 Shanghai MPA registration certificate for Class II medical devices. In 2016, 2017, 2018 and the first four months of 2018 and 2019, we incurred research and development expenses of RMB10.9 million, RMB12.9 million, RMB22.1 million, RMB4.9 million and RMB7.7 million, respectively, representing 10.2%, 9.4%, 10.9%, 8.1% and 8.9% of our total revenue for the same periods, respectively.

We intend to expand and improve our product portfolio by strengthening our research and development of new products, product line extensions and improvements to our existing products. We believe that we are able to comply with the regulatory review process efficiently and introduce new products in a timely manner. In the long term, we intend to focus our product development on more innovative interventional medical devices, as well as expand the scope of our product offerings domestically and internationally. Our research and development process generally consists of the following steps:

- ***Project proposal:*** We focus on more innovative interventional medical devices, as well as neural interventional procedures. The purpose of research and development of new products is to extend our product line, enrich our product offerings, expand into higher-end products based on the existing product lines, and develop new medical technologies and instruments in combination with clinical practice. We communicate regularly with doctors and academics to understand new market trends and demand. This step generally takes four weeks.

- ***Product and market analysis:*** After a project is proposed, we conduct a thorough analysis of its costs and benefits. For example, the development of cardiovascular products generally involve several links, including establishing production lines, pre-productions, trial production and product registration. We also consider whether there is a stable market for a new product and consider both of its short-term and long-term economies. We also consider whether the new project is feasible technically by considering what kind of new equipment and raw materials it requires. This step generally takes three months.

- ***Project approval:*** After a project has passed all internal assessment steps, representatives from our procurement, quality assurance, production and management teams review and determine whether this project should proceed, as well as set detailed project timetable. This step generally takes two weeks.

- ***Design and development:*** Once we approve a new project, our research and development team carries out research and development for the new project and design molds for trial production. We ensure that our design and development for the new project satisfy all manufacturing and quality standards. Our research and development team also verifies that the new products meet the requirements for meeting their intended uses. This step generally takes one year to three years.

- ***Type test and clinical studies:*** Following a type test evaluation of our new products, our research and development team conducts animal testing by engaging third party and clinical trials of our new products (if required). We conduct animal testing and clinical trials in order to obtain the requisite regulatory approvals and collect post-procedure data to improve our products. After we have selected hospitals that are qualified to carry out clinical trials and, if required, completed animal tests, we will prepare a clinical trial protocol plan that describes in detail the goal of the clinical trial, the risks involved, the overall design of the trial and the methods and procedures of the trial. We will also organize a meeting with the participating hospitals to discuss the purposes and requirements of the clinical trial. Following such meeting, we submit a proposal to the ethics committee of each of the participating hospitals, including our clinical trial protocol plan, our drafts of the informed consent documents to be filled out by patients, the report forms to be completed by investigators supervising the clinical trial and our agreements with the hospitals to perform the clinical trial. During the clinical trial, our clinical specialists will monitor the use of our products pursuant to the approved clinical trial protocol and the patients' reactions to the products following the trial procedures and check relevant clinical data for us. This step generally takes six to 24 months.

- ***Trial production:*** We conduct trial production of new products to identify potential quality issues or production technique issues that may arise from mass production, as well as develop quality control measures. This step generally takes three months.

- ***Regulatory approval:*** Before we commercialize new products, we prepare formal reports to be submitted to the NMPA and other regulatory bodies overseas for them to approve our products for commercialization. This step generally takes nine to 12 months for Class II medical devices and 12 to 24 months for Class III medical devices.

PRODUCT WARRANTY, RETURN AND EXCHANGES

We normally offer a standard limited warranty to our distributors as well as medical device manufacturers and other customers depending on product, generally three years for interventional medical devices. Under such warranties, we warrant that, during the term of the warranty, the purchased product will be free from material defects. Our internal policy is to assume our responsibility as required by law if any competent regulatory authorities consider our products defective, which has not occurred during the Track Record Period and up to the Latest Practicable Date. Our return and exchange policy is to accept all defective products for return or exchange. We take liability in case of any product defect. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material customer claims nor material product returns or exchanges from customers. In 2016, 2017 and 2018, the total returned and exchanged products amounted to RMB1.7 million, RMB2.5 million and RMB4.0 million, respectively, accounting for 1.6%, 1.8% and 2.0% of our total sales for the same periods, respectively. In the first four months of 2019, the total returned and exchanged products amounted to RMB0.3 million, accounting for 0.3% of our total sales for the same period. We had not experienced any product recall during the Track Record Period and up to the Latest Practicable Date.

SALES, DISTRIBUTION AND MARKETING

Sales Model

Consistent with the industry practice, we sell our interventional medical devices to third party distributors in China and overseas, which then sell these devices to hospitals and/or other end-customers directly or through sub-distributors. We also sell our interventional medical devices and medical accessories to medical device manufacturers and other customers in China and overseas directly.

We require most of our distributors to make full prepayment for our products before we ship products to them. We also require most of our medical device manufacturers and other customers to pay off all outstanding invoices before the end of their credit periods. Our payment scheme helps ensure we maintain strong liquidity and healthy cash flows.

In 2018, we had 296 PRC distributors to sell our products to over 1,000 hospitals in China and 43 overseas distributors to sell our products to 40 countries and regions. In 2018, we had 170 and 73 medical device manufacturers and other customers in China and overseas, respectively. In the first four months of 2019, we had 235 PRC distributors covering 21 provinces, four directly-administered municipalities and two autonomous regions, and 32 overseas distributors to sell our products to over 24 countries and regions. In the same period, we had 119 and 50 medical device manufacturers and other customers in China and overseas, respectively. In comparison, in the first four months of 2018, we had 206 PRC distributors covering 19 provinces, four directly-administered municipalities and two autonomous regions in China, and 26 overseas distributors covering 18 countries and regions. In the same period, we had 101 and 52 medical device manufacturers and other customers in China and overseas,

respectively. In 2016, 2017, 2018 and the first four months of 2018 and 2019, we generated 49.9%, 47.0%, 52.8%, 51.6% and 52.8% of our total revenue from sales to distributors, respectively, and 50.1%, 53.0%, 47.2%, 48.4% and 47.2% of our total revenue from sales to medical device manufacturers and other customers, respectively.

The following table sets forth a breakdown of our revenue by sales channel for the periods indicated:

	For the year ended December 31,						For the four months period ended April 30,			
	2016		2017		2018		2018		2019	
							(unaudited)			
	(RMB in thousands, except percentages)									
Sales to distributors	53,092	49.9%	64,694	47.0%	107,278	52.8%	30,984	51.6%	45,847	52.8%
Sales to medical device manufacturers and other customers	53,353	50.1%	72,857	53.0%	95,781	47.2%	29,109	48.4%	41,063	47.2%
Total	106,445	100%	137,551	100%	203,059	100%	60,093	100%	86,910	100%

The following table sets forth a breakdown of our revenue by geographic market for the periods indicated:

	For the Year ended December 31,						For the four months period ended April 30,			
Sales revenue	2016		2017		2018		2018		2019	
							(unaudited)			
	(RMB in thousands, except percentages)									
Mainland China	67,884	63.8%	83,325	60.6%	133,978	66.0%	39,245	65.3%	54,231	62.4%
Europe	9,076	8.5%	17,042	12.4%	22,229	10.9%	7,714	12.8%	13,615	15.7%
U.S.	3,452	3.2%	4,488	3.3%	6,106	3.0%	2,286	3.8%	2,752	3.2%
Others[(1)]	26,033	24.5%	32,696	23.7%	40,746	20.1%	10,848	18.1%	16,312	18.7%
Total	106,445	100.0%	137,551	100.0%	203,059	100.0%	60,093	100.0%	86,910	100.0%

(1) Others include various countries and regions in Oceania, Africa, North America (other than the U.S.), South America and Asia (other than Mainland China).

During the Track Record Period, we sold our products to certain Countries subject to International Sanctions through third-party distributors. For more information, please refer to the paragraph headed "– Business Activities in Countries Subject to International Sanctions" in this section.

Sales to Distributors

Overview

We sell most of our cardiovascular interventional medical device products to third party distributors, which then sell our products to hospitals directly or through sub-distributors. In 2016, 2017, 2018 and the first four months of 2018 and 2019, we generated 31.0%, 32.8%, 41.4%, 41.3% and 42.9% of our total revenue from sales to domestic distributors, respectively, and 18.9%, 14.2%, 11.4%, 10.3% and 9.9% of our total revenue from sales to overseas, respectively.

Our credit management policy for most distributors is that they generally have to make full payment in advance for our products prior to shipment.

Leveraging our extensive network of distributors, we benefit from our distributors' established channels and resources to save costs and expedite the time required for launching and selling our products in target markets. We typically grant our distributors the right to distribute our products within designated areas.

Our Directors believe that the distributorship model of each cardiovascular interventional device manufacturer covers certain sales channels through which its products are sold and distributed, with a particular focus on certain sales channels where it intends to build up its own competitive advantage in the market.

We generally require our distributors to make prepayment in full, accounting for 82.6%, 89.1%, 84.4%, 87.1% and 87.3% of total distributor sale for 2016, 2017, 2018 and the first four months of 2018 and 2019, respectively. Our trade receivables due from distributors were relatively low, at RMB2.1 million, RMB0.3 million, RMB0.7 million, RMB3.4 million and RMB4.0 million as of December 31, 2016, 2017, 2018 and April 30, 2018 and 2019, respectively. Interventional medical devices sold normally have an expiration term up to three years and are medical consumables in nature. The ownership of products transfer to our distributors when they receive the products. Our distributors generally cannot return unsold products. We ensure our distributors comply with distribution agreements and applicable laws and regulations through their contractual obligations. If any of our distributors breaches distribution agreements or is in non-compliance with the applicable laws and regulations, we can terminate our business relationship with such distributor.

Our Directors believe that (i) our sales to distributors during the Track Record Period reflected market demand rather than an accumulation of inventory in our distribution channels; (ii) there was effective management and control over the inventory levels of our distributors for the following reasons. We generally require our distributors to make prepayments in full for our products and also do not accept product returns except for products with quality defects. Hence, our Directors believe that our distributors tend to only purchase products that they can reasonably sell and keep their inventory levels relatively low because they are not able to return to us the products they cannot sell. Our Directors 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.

In practice, for domestic distributors, our Directors confirmed that we monitor the usage of our products sold by our domestic distributors to hospitals and other end-customers by:

- only allowing distributors to distribute to designated hospitals and end-customers;
- communicating with distributors from time to time to gather relevant data in connection with sales and marketing activities, sales potential and other statistics, including: (i) the number of PCI procedures in target hospitals and the distributors' estimated sales volumes; and (ii) brands, price and sales of competing products in target hospitals;
- discussing with distributors about product promotion strategies, bidding strategies, exhibition promotions, product trainings, academic conferences and events, and potential product authorizations in new target hospitals; and
- visiting hospitals and end-customers to investigate their usage of our products at least two times a year and such visits cover approximately on average 85% of the hospitals and other end-customers that the distributors sell to during the Track Record Period.

Through the above, we believe we are able to: (i) receive feedback on products from doctors; (ii) understand the brands, features and sales of competing products; (iii) discuss new product training activities with doctors; and (iv) introduce to doctors our research and development ability as well as the strong technical support our Group is capable of providing. As advised by the PRC Legal Adviser, most hospitals in China are public hospitals and they are under periodic review and audit by the relevant authority with respect to their medical device purchases, and hence our Directors believe that such hospitals are unlikely to engage in channel stuffing.

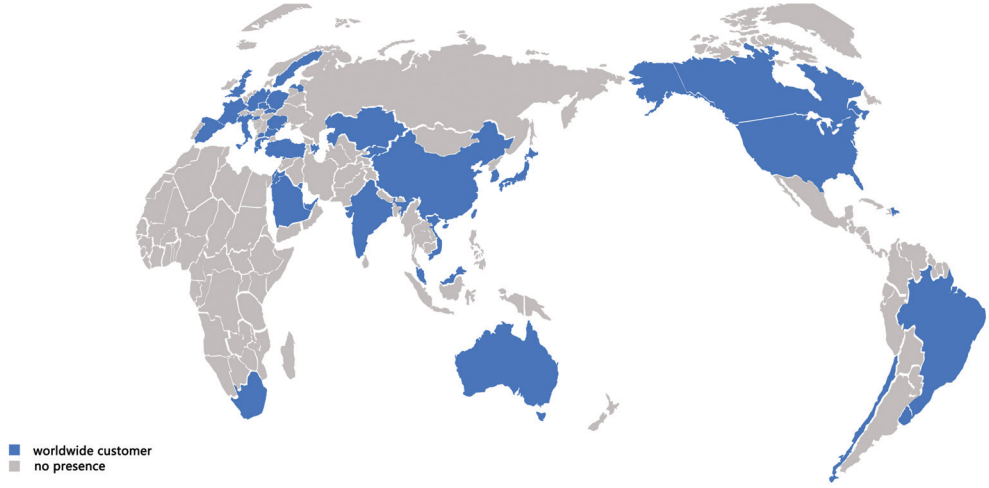
For overseas distributors, our Directors confirmed that we:

- communicate with distributors from time to time to gather relevant data in connection with sales and marketing activities, sales potential, and other statistics, including: (i) the number of hospitals that they cover and the number of PCI procedures in such hospitals; (ii) the brands, price and sales of competing products in target hospitals; and (iii) their sales volume in the current year and the estimated sales volume in the next year;
- discuss with them about product promotion strategies, exhibition promotions, product trainings, academic conferences and events; and

- monitor their purchase records from time to time by checking their purchase order sizes against historical purchase records to ensure that the overseas distributors are able to sell the products they have purchased and will raise questions if any abnormalities are identified.

Our Directors believe the above communication with our domestic and overseas distributors as well as the relevant data and information we gather from them largely help us to optimize sales to distributors by enabling us to set reasonable purchase targets for distributors and adopt appropriate sales and pricing strategies. For domestic distributors, we believe that we can better: (i) estimate the sales volume and sales potential of our products in target hospitals after gathering information on the number of PCI procedures in target hospitals; (ii) estimate our products' market share and design appropriate marketing strategies after gathering information on the brands, price and sales of competing products in target hospitals; and (iii) understand the characteristics of competing products through communication with distributors and doctors. For overseas distributors, we believe that we can better: (i) design appropriate sales instructions for our distributors after gathering information on the number of hospitals that they cover and the number of PCI procedures in such hospitals; (ii) set appropriate pricing strategies after gathering information on the brands, price and sales of competing products in target hospitals; and (iii) better determine our distributors' marketing abilities by communicating with distributors about promotion strategies and exhibitions attendances.

The map below sets forth our distributors by location as of the Latest Practicable Date:



Asia

Azerbaijan, China, India, Israel, Japan, Jordan, Korea, Kuwait, Kazakhstan, Kyrgyzstan, Malaysia, Singapore, Saudi Arabia, Turkey, Vietnam, UAE

Europe

Belgium, Bulgaria, Czech, France, Greece, Germany, Italy, Latvia, Liechtenstein, Macedonia, Poland, Romania, Spain, Sweden, Slovakia, Slovenia, UK

South America

Brazil, Chile, Uruguay

Africa

South Africa

Oceania

Australia

North America

Canada, Dominica, USA

Distribution Network

We have an extensive and growing distribution network. In 2018, we had 296 PRC distributors covering 22 provinces, four directly-administered municipalities and three autonomous regions in China, and 43 overseas distributors covering over 40 countries and regions. In the first four months of 2019, we had 235 PRC distributors covering 21 provinces, four directly-administered municipalities and two autonomous regions in China, and 32 overseas distributors covering 24 countries and regions. In comparison, in the first four months of 2018, we had 206 PRC distributors covering 19 provinces, four directly-administered municipalities and two autonomous regions in China, and 26 overseas distributors covering 18 countries and regions.

The table below sets forth the number of our distributors in China and overseas for the periods indicated:

	Year ended December 31,			Four months period ended April 30,	
Number of distributors	**2016**	**2017**	**2018**	**2018**	**2019**
Mainland China	206	238	296	206	235
Overseas					
Europe	11	14	15	10	14
Others[(1)]	20	23	28	16	18
Subtotal	31	37	43	26	32
Total	237	275	339	232	267[(2)]

(1) Others include various countries and regions in Oceania, Africa, North America, South America and Asia (other than Mainland China).

(2) The difference between the number of overseas distributors for the first four months of 2019 and that of 2018 is primarily due to: (i) 26 of our distributors from 2018, covering 18 countries and regions, made purchase orders in the first four months of 2019 and shipment was completed; (ii) a portion of overseas distributors made purchase orders in the first four months of 2019 but shipment would be completed in the second or third quarter of 2019 due to manufacturing lead time; (iii) we stopped business relationship with Countries subject to International Sanctions; and (iv) expansion in new markets.

In 2016, 2017, 2018 and the first four months of 2018 and 2019, we had 237, 275, 339, 232 and 267 distributors, respectively, to distribute our products in China and overseas. The table below sets out the movement in the number of our distributors during the Track Record Period:

	Year ended December 31,			Four months period ended April 30,	
Number of distributors	**2016**	**2017**	**2018**	**2018**	**2019**
Distributors for previous year[(1)]	223	237	275	275	339
Increase of distributors[(2)]	101	114	137	51	56
Decrease of distributors[(3)]	(87)	(76)	(73)	(94)	(128)
Distributors for the period	237	275	339	232	267

(1) The number of distributors at the beginning of the year represents those distributors who had transaction(s) with us in the previous year/period.

(2) The increase in the number of distributors represents those distributors who had no transaction with us in the previous year/period but transacted with us in the present year/period.

(3) The decrease in the number of distributors represents those distributors who had transaction(s) with us in the previous year/period but did not transact with us in the present year/period.

The increases in the number of distributors during the Track Record Period were mainly driven by (i) our enhanced business recognition, (ii) our enhanced promotional efforts and (iii) the growth of China's medical device industry. During the Track Record Period, we entered into business relationships with new distributors to expand our distribution network. The decreases in the number of distributors during the Track Record Period primarily reflected the consolidation among our distributors, our strategic adjustments to optimize our distribution network, and our distributors' failure to meet qualifications set by hospitals and governmental authorities or us. In the first four months of 2019, the number of distributors decreased most significantly in the provinces of Guangdong and Fujian because 19 distributors became sub-distributors and purchased products from one of our distributors rather than directly from us after we entered into a cooperation agreement with this distributor for the purpose of consolidating regional cooperation.

As of the Latest Practicable Date, our distribution network covered over 1,000 hospitals within China. While some of our distributors in China and overseas sell our products directly to hospitals, some of them sell our products through sub-distributors. For any engagement of sub-distributors, our distributors need to pre-agree with us. Based on the information reported by our distributors, as of April 30, 2019, we had 121 domestic sub-distributors authorized by four domestic distributors. During the Track Record Period, there were no more than six domestic distributors which had engaged sub-distributors. As confirmed by the relevant domestic distributors, all of the domestic sub-distributors engaged by our domestic distributors possess the relevant distributor licenses for their operations. To the best knowledge of our Directors, we did not have overseas sub-distributors during the Track Record Period.

In 2016, 2017, 2018 and the first four months of 2019, our total sales to domestic distributors that engaged sub-distributors were RMB5.0 million, RMB7.1 million, RMB16.7 million and RMB8.8 million, respectively, representing 4.7%, 5.2%, 8.2% and 10.1% of our total revenue for the same periods, respectively. In 2016, 2017, 2018 and the first four months of 2019, based on information reported by the relevant distributors, their sales to their engaged sub-distributors in aggregate amounted to around 5% or less of our total revenue for the same periods, respectively.

We generally do not enter into direct contractual relationships with sub-distributors. We ensure that the sub-distributors engaged by our distributors also comply with the terms set out in the distribution agreements entered into between us and the distributors through the following measures:

- we require all of our distributors to directly supervise behaviors of sub-distributors engaged by them. In practice, we communicate with distributors from time to time to determine if there are non-compliance issues with their sub-distributors. Additionally, distributors are generally jointly and severally liable for any damages caused by their sub-distributors that we may suffer;

- the medical device industry is highly regulated in China so hospitals can only purchase from licensed distributors and manufacturers. Additionally, our current products on sale generally are and can only be distributed by distributors which possess distributor licenses. The licensed distributors have the responsibility in directly managing sub-distributors and will be responsible for any violation of laws and regulations by the sub-distributors;

- we can generally terminate distributorship agreement with distributors should any distributors or their sub-distributors violate any laws and regulations; and

- sub-distributors can only distribute in the regions or hospitals authorized by their distributors and hence cannibalization is minimized. As of the Latest Practicable Date, our Directors confirm that we have not received any complaints from our distributors on cannibalization.

To the best knowledge of our Directors, except for the below shareholding by certain minority shareholders of our Company in certain distributors with immaterial sales during the Track Record Period, (i) there is no other relationship or arrangement (family, business, financing, guarantee or otherwise in the past or present) between (a) the distributors and sub-distributors; and (b) our Group, our Directors, shareholders and senior management and their respective associates; and (ii) our Directors, our Group, shareholders and senior management and their respective associates have never financed, directly or indirectly, our Group's distributors and sub-distributors for the purchase of our Group's products during the Track Record Period and up to the Latest Practicable Date.

(i) Mr. Huang Chubin (黄楚彬) is a minority shareholder of our Company holding 5.89% of the issued share capital of our Company as at the Latest Practicable Date and is expected to hold 4.42% of the issued share capital of our Company immediately after the Global Offering (assuming no exercise of the Over-allotment Option). As at the Latest Practicable Date, he indirectly held 28% interest in one of our distributors in 2017, 2018 and the four months ended 30 April 2019, and also served as its general manager and director. In 2017 and 2018 and the first four months of 2019, our Group's sales to this distributor amounted to nil, RMB1.44 million and RMB1.84 million, respectively, representing nil, 0.71% and 2.05% of our Group's total revenue for the corresponding periods, respectively.

(ii) Mr. Chen Xing (陳星) is a minority shareholder of our Company holding 5.89% of the issued share capital of our Company as at the Latest Practicable Date and is expected to hold 4.42% of the issued share capital of our Company immediately after the Global Offering (assuming no exercise of the Over-allotment Option). As at the Latest Practicable Date, he owned approximately 95% interest in one of our distributors in 2016, 2017 and 2018, and also served as its general manager and executive director. In 2016, 2017 and 2018, our Group's sales to this distributor amounted to RMB1.28 million, RMB192,248 and RMB35,282, respectively, representing 1.20%, 0.14% and 0.02% of the Group's total revenue for the corresponding periods, respectively.

(iii) Mr. Chai Yanpeng (柴燕鹏) is the general partner of Ningbo Tongchuang Suwei. In December 2018, Ningbo Tongchuang Suwei became one of our Company's Pre-IPO Investors, which held 5.00% of the issued share capital of our Company as at the Latest Practicable Date and is expected to hold 3.75% of the issued share capital of our Company immediately after the Global Offering (assuming no exercise of the Over-allotment Option). As at the Latest Practicable Date, Mr. Chai Yanpeng as the general partner owned 30% of Ningbo Tongchuang Suwei. Mr. Chai Yanpeng owned approximately 40% direct and indirect interest in one of our distributors in 2016 and 2017. In 2016 and 2017, our Group's sales to this distributor amounted to RMB2.16 million and nil, respectively, representing 2.03% and nil of our Group's total revenue for the corresponding periods, respectively.

Distribution Agreements

In 2018, PRC distributors and overseas distributors contributed to 41.4% and 11.4% of our total revenue, respectively. In 2018, we had 339 distributors, including 296 PRC distributors and 43 overseas distributors.

In the first four months of 2019, PRC distributors and overseas distributors contributed to 42.9% and 9.9% of our total revenue, respectively. In the first four months of 2019, we had 267 distributors, including 235 PRC distributors and 32 overseas distributors. In comparison, in the first four months of 2018, we had 206 PRC distributors covering 19 provinces, four directly-administered municipalities and two autonomous regions in China, and 26 overseas distributors covering 18 countries and regions.

The following table sets forth the salient terms of typical agreements with our domestic distributors and overseas distributors which are legally binding:

	Domestic distributors	**Overseas distributors**
Term	One year.	One year to five years.
Designated distribution territories or hospitals	Distributors may not sell our products outside of designated territories or to hospitals not authorized by us. In the event of breach by a distributor, we may stop delivering products or terminate the distribution agreements.	Distributors are entitled to an exclusive right to sell our products in the designated territories.
Relationship with distributor	Buyer and seller.	Buyer and seller.
Minimum annual purchases	Distributors are subject to minimum annual purchase targets. We may terminate the agreements if the minimum annual purchase targets are not met.	Distributors are subject to minimum annual purchase targets. We may terminate the agreements if the minimum annual purchase targets are not met.

	Domestic distributors	Overseas distributors
Sales and pricing policy	We will decide whether we or our distributors shall participate in bids. In either situation, we are in the position to determine or review bidding prices. In the event that we participate in bids, we will determine bidding prices after considering distributors' opinions. In the event that distributors participate in bids, they should determine bidding prices after our review.	Pricing subject to negotiation if purchased in bulk.
Payment and credit terms	Distributors are generally required to make prepayment in full.	Distributors are generally required to make prepayment in full.
Product return/exchange	Product returns or exchanges shall be reported to us in advance and may proceed with our prior consent. We generally do not accept product returns or exchanges except for products with quality defects.	Product are not returnable except for products with quality defects or performance deficiency.
Transportation and delivery	We are generally responsible for delivering products to locations specified by distributors.	We or our distributors will specify delivery agents and prepare relevant customs documents.
Termination	We may terminate the agreement if a distributor breaches any of its undertakings in the agreement or by mutual agreement.	We may terminate the agreement if a distributor fails to remedy any material breach of the agreement within three months to six months (as the case may be) of our written notice of the breach.
Renewal	Some of the distribution agreements will be automatically renewed for no more than one year upon expiration if we continue selling products to the distributor without entering into a new distribution agreement.	Some of the distribution agreements will be automatically renewed for no more than one year upon expiration unless notice given otherwise.

In general, we recognize revenue from distributor sales when our distributors receive shipment of products from us, or when we make delivery to our distributors, as the case may be, at which point they take ownership of the products and assume risk of loss.

During the Track Record Period, the total number of products returned by customers on average accounted for less than 0.001% of the total number of products sold by us. In 2016, 2017 and 2018, the total returned and exchanged products amounted to RMB1.7 million, RMB2.5 million and RMB4.0 million, respectively, accounting for 1.6%, 1.8% and 2.0% of our total sales for the same periods, respectively. In the first four months of 2019, the total exchanged products amounted to RMB0.3 million, accounting for 0.3% of our total sales for the same period, and we did not record any product return.

Selection and Management of Distributors

We generally evaluate and select distributors based on their reputation, relationships with hospitals, as well as their certifications and qualifications, market coverage, prior sales performance, sales experience and after-sales services. Manufacturers and distributors are separate entities in the PRC medical device market. Distributors of medical devices are also required to obtain relevant licences for their distribution business. For more details of the distinguishment between manufacturers and distributors, please refer to the paragraph headed "Industry Overview – The Global and PRC Medical Device Market – Overview" in this prospectus.

Domestic Distributors

We identify both new and existing distributors that have proven relationships and sales personnel for marketing to hospitals. We intend to enhance our network of domestic distributors to intensify our hospital coverage in regions where we currently market our products, while broadening our overall hospital coverage nationwide.

We proactively manage our network of domestic distributors by regularly reviewing their performances. Our domestic distribution agreements typically have a one-year term and consists an early termination right if the distributors do not meet sales targets or breached any of its undertakings in the agreement, thus ensuring that we can terminate 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 in distributing our products. We have also adopted certain steps to minimize the risk of cannibalization among domestic distributors, such as authorizing a limited number of distributors in one region, granting authorization according to hospitals and investigating hospitals to see if they purchase from authorized distributors or sub-distributors. We 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.

Overseas Distributors

We apply the same distributor selection, evaluation and management criteria to our overseas distributors as we do to our domestic distributors, and our overseas distribution agreements are similar to a certain extent to our domestic ones. Pursuant to our standard distribution agreement with our overseas distributors, we are generally entitled to early termination of the distribution agreement when the distributor fails to reach the agreed sales target in a given year. We and our international 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.

Sales to Medical Device Manufacturers and Other Customers

We sell a portion of our interventional medical devices and our medical accessories to medical device manufacturers and other customers in China and overseas directly. In 2016, 2017, 2018 and the first four months of 2018 and 2019, we had 186, 166, 170, 101 and 119 medical device manufacturers and other customers in China, respectively. In 2016, 2017, 2018 and the first four months of 2018 and 2019, our sales to PRC medical device manufacturers and other customers were RMB34.9 million, RMB38.2 million, RMB49.8 million, RMB14.5 million and RMB17.0 million, respectively, representing 32.8%, 27.8%, 24.5%, 24.1% and 19.6% of our total revenue for the same periods, respectively. Such increase in revenue from our medical device manufacturer and other customers in China were mainly attributable to: (i) continued expansion of business relationship with current customers; and (ii) increased demand for products with relatively high profit margin in existing product lines, such as inflation device and manifold. To the best of our Directors' knowledge, our PRC manufacturer customers include one of our Controlling Shareholders and some of its subsidiaries. For 2016, 2017 and 2018, sales to such Controlling Shareholder and its subsidiaries were RMB15.3 million, RMB19.0 million, and RMB14.1 million, respectively.

Our overseas medical device manufacturers and other customers include some of the world's leading medical device manufacturers. In 2016, 2017, 2018 and the first four months of 2018 and 2019, we had 73, 65, 73, 52 and 50 overseas medical device manufacturers and other customers, respectively. In 2016, 2017, 2018 and the first four months of 2018 and 2019, our sales to overseas medical device manufacturers and other customers were RMB18.4 million, RMB34.6 million, RMB46.0 million, RMB14.6 million and RMB24.0 million, respectively, representing 17.3%, 25.2%, 22.6%, 24.4% and 27.7% of our total revenue for the same periods, respectively. To the best of our knowledge, all our overseas medical device manufacturers and other customers are Independent Third Parties. We do not intend to actively seek new overseas medical device manufacturers and other customers, as our growth strategy is focused on our proprietary products, but we may consider future cooperation relationships for strategic reasons from time to time.

The table below sets forth a breakdown of our sales to medical device manufacturers and other customers categorized by the type of customers:

	For the year ended December 31,						For the four months period ended April 30,			
	2016		2017		2018		2018		2019	
							(unaudited)			
	(RMB in thousands, except percentages)									
Mainland China										
Medical accessory manufacturers	20,106	37.7%	22,951	31.5%	21,689	22.6%	7,729	26.6%	6,134	14.9%
Interventional medical device manufacturers	12,430	23.3%	12,481	17.1%	24,421	25.5%	5,417	18.6%	9,777	23.8%
Others	2,401	4.5%	2,816	3.9%	3,718	3.9%	1,320	4.5%	1,112	2.7%
Sub-total	34,937	65.5%	38,248	52.5%	49,828	52.0%	14,466	49.7%	17,023	41.4%
Overseas										
Medical accessory manufacturers	404	0.8%	634	0.9%	228	0.3%	22	0.1%	199	0.5%
Interventional medical device manufacturers	17,523	32.8%	33,975	46.6%	45,725	47.7%	14,621	50.2%	23,841	58.1%
Others	489	0.9%	–	–	–	–	–	–	–	–
Sub-total	18,416	34.5%	34,609	47.5%	45,953	48.0%	14,643	50.3%	24,040	58.6%
Total	53,353	100.0%	72,857	100.0%	95,781	100.0%	29,109	100.0%	41,063	100.0%

Fluctuations in sales to each category of medical device manufacturers and other customers were mainly attributable to fluctuations in their business needs due to their respective states of operation and ordering cycle, close-down of certain old customers and development of business relationships with certain new customers.

The following table sets forth the salient terms of typical contracts with our medical device manufacturers and other customers in China and overseas which are legally binding:

	Domestic Medical Device Manufacturers and Other Customers	**Overseas Medical Device Manufacturers and Other Customers**
Term	One to two years.	Three to five years.
Non-competition	Not specified.	Not specified.
Relationship with medical device manufacturers and other customers	Buyer and seller.	Buyer and seller.
Minimum annual purchase	Not specified.	Not specified.
Sales and pricing policy	Unit price specified in contract. We shall notify medical device manufacturers and other customers of any change in price due to specific reasons by issuing a written document, and the parties may communicate with each other and negotiate the price on a friendly basis.	Unit price specified in contract. We shall notify medical device manufacturers and other customers of any change in price due to specific reasons by issuing a written document, and the parties may communicate with each other and negotiate the price on a friendly basis.
Manufacturing Records	Not specified.	We usually document manufacturing process.
Sales and inventory reports and estimates	None. We manufacture our products upon orders from our medical device manufacturers and other customers.	None. We manufacture our products upon orders from our medical device manufacturers and other customers.
Payment and credit terms	Credit term from 30 to 90 days. Medical device manufacturers and other customers shall make full payment for products in accordance with their credit terms.	Credit term no longer than 60 days. Medical device manufacturers and other customers shall make full payment for products in accordance with their credit terms.
Product quality	Our products should meet the quality standards acceptable to both parties.	Our products should meet the quality standards acceptable to both parties.
Product return/exchange	Medical device manufacturers and other customers are required to give reasons to us before requesting any return or replacement of products, which shall be made with our consent.	Not specified.

	Domestic Medical Device Manufacturers and Other Customers	Overseas Medical Device Manufacturers and Other Customers
Transportation and delivery	We are generally responsible for delivering products to locations specified by our medical device manufacturers and other customers.	We are generally responsible for delivering products to locations specified by our medical device manufacturers and other customers.
Termination and renewal	The contract shall be automatically renewed for another one year under the same conditions if neither party has raised written objections three months before its expiration. The contract shall be automatically renewed for a further one year if neither party has raised written objections three months before the expiration of each renewed period.	If the parties cannot agree to re-enter into the contract three months before its expiration, it will be terminated upon expiration.

Our Directors confirm that there is no material breach of sales or distribution agreements that caused a termination of agreement during the Track Record Period.

Pricing

We, with the assistance from our distributors in China, are generally required to participate in a public tender process to sell our products to public hospitals and health care agencies in China. We generally price our products sold to distributors both in China and overseas by taking into account our costs, prices for competing products, suggested price or price range set by the tender process, our market position and distributor feedback. Nonetheless, our product prices in China are subject to price control as they are affected by the bidding and tender processes organized by government agencies and hospitals. For further details, please refer to the paragraph headed "Risk Factors – Aspects of the impending healthcare reform in China may adversely affect our business. If the Chinese government decides to impose stronger price controls over our products, our results of operations would be materially and adversely affected" in this prospectus.

We generally price our products sold to medical device manufacturers and other customers by taking into account our costs, prices for competing products, our market position and negotiation.

Marketing and Customer Services

We utilize our own sales and marketing team and distributors to market and promote our products. As of the Latest Practicable Date, our sales and marketing team consisted of approximately 62 employees, all of whom were based in China. We focus our marketing efforts on product training and growing our recognition among doctors and hospitals. Our sales and marketing team also works closely with our research and development and production teams during our product development process to ensure that we address the needs and demands of our end-customers with our new products. In addition to ensuring that our reputation is associated with high quality products and responsive services, our sales and marketing team works with our distributors to help them become more effective. In particular, we assist our distributors in establishing best practices in their approach to sales and marketing management, helping them identify market opportunities, and providing feedback on their sales performance and end-customer relations.

We recorded significantly lower distribution costs than our peers despite a similar revenue growth because we had lower marketing related expenses during the Track Record Period as confirmed by our Directors. Our Directors believe that our business model differs from that of our peers because we generated around half of our sales from medical device manufacturers and other customers during the Track Record Period, whereas our peers generally generated the majority of their sales from distributors. For more information, please refer to the paragraph headed "– Sales, Distribution and Marketing – Sales Model" in this section.

Our Directors believe that our sales to medical device manufacturers and other customers generally required lower marketing related expenses because our medical device manufacturers and other customers generally approached us directly for purchases due to our well-recognized brand name and high-quality products. As confirmed by our Directors, our distribution costs relating to medical device manufacturers and other customers were mainly attributable to logistics and customs charges, instead of marketing related expenses.

On the other hand, as confirmed by our Directors, our distribution costs relating to distributors customers were mainly attributable to exhibition costs and marketing expenses, which are typically higher than distribution costs relating to medical device manufacturers and other customers. Nonetheless, since our business model differs from our peers and generated half of our sales from medical device manufacturers and other customers during the Track Record Period, we employed fewer sales staff and did not engage in marketing activities as extensively as our peers. We do not plan to change our business model and marketing strategies in the near future, and therefore we do not foresee any material impact on our cost structure in connection with our business model.

Our Directors have confirmed that as our sales and marketing team and distribution channels are independent of the KDL Group, we have not shared any of our operating activities (including, without limitation, logistics and transportation, promotion and marketing activities and other administrative work) with the KDL Group without recharging the relevant expenses to us on an arm's length basis during the Track Record Period.

We focus on educating and training doctors to become proficient and knowledgeable of our products by organizing trainings, as well as attending product and academic conventions. In addition, we host meetings for key participants in our industry with respect to our research and development efforts and product pipeline. We have employees in sales and marketing team dedicated to separately managing domestic and international distributors and sales. We expect to strengthen our existing overseas distribution and sales capabilities, as well as hire local sales and marketing managers in our major international markets. When our international operations mature, we may consider adding overseas offices to assist with our overseas sales and customer support.

We also provide our distributors with technical support, including training in the basic technologies of our products, participating in presentations to potential end-customers, and assisting in preparing documents for contracts awarded through competitive biddings and tenders. By working closely with our distributors, we gain valuable insights into the operations of each local distributor, which helps ensure that each is able to operate effectively.

We have established internal procedures for handling customer complaints by assigning specific staff to address concerns on a timely basis. During the Track Record Period and up to the Latest Practicable Date, we had not received any material customer complaints that had a material adverse effect on our business and results of operations.

In addition, we regularly attend trade shows. Attendance at such trade shows affords us with opportunities to showcase our latest technologies, as well as listen to market needs.

OUR CUSTOMERS

Our customers comprise of: (i) distributors which sell our products to hospitals and/or other end-customers directly or through sub-distributors; and (ii) medical device manufacturers and other customers. The table below sets forth the number of our customers (which include both distributors and medical device manufacturers and other customers) by geographic region for the periods indicated:

	Year ended December 31,			Four months period ended April 30,	
Customer number	**2016**	**2017**	**2018**	**2018**	**2019**
Mainland China	392	404	466	307	354
Overseas					
Europe	31	33	35	26	28
U.S.	3	2	3	1	4
Others[(1)]	70	67	78	51	50
Subtotal	104	102	116	78	82
Total	496	506	582	385	436

(1) Others include various countries and regions in Oceania, Africa, North America (other than the U.S.), South America and Asia (other than Mainland China).

The increases in the number of our customers during the Track Record Period were primarily attributable to our enhanced market recognition and promotional efforts, and we have not received major complaints nor major product returns. We have established procedures for handling customer complaints. During the Track Record Period and up to the Latest Practicable Date, our customers have not made any material complaints about qualities that had a material adverse effect on our business operations and results of operations.

In 2016, 2017 and 2018, sales to our largest customer (the KDL Group) amounted to RMB15.3 million, RMB19.0 million and RMB14.1 million, respectively, representing 14.3%, 13.8% and 6.9% of our total revenue for the same periods, respectively. In the first four months of 2019, sales to our largest customer (Customer E) amounted to RMB5.2 million, representing 6.0% of our total revenue for the same periods. In 2016, 2017, 2018 and the first four months of 2019, sales to our five largest customers amounted to RMB30.5 million, RMB38.9 million, RMB50.2 million and RMB19.2 million, respectively, representing 28.6%, 28.3%, 24.7% and 22.1% of our total revenue for the same periods, respectively.

The table below sets forth certain information of our top five customers as of the periods indicated. To the best knowledge of our Directors, save for the KDL Group, each of our five largest customers during the Track Record Period is an Independent Third Party. None of our Directors, the Supervisors or any of their respective close associates and, to the best knowledge of our Directors and the Supervisors, except for the KDL Group, none of our Shareholders who owns more than 5.0% of the Shares in issue, had any interest in any of our five largest customers during the Track Record Period.

	For the year ended December 31,									For the four months period ended April 30,		
	2016			2017			2018			2019		
Rank	Customer	Transaction Amount	Approximate % of total revenue	Customer	Transaction Amount	Approximate % of total revenue	Customer	Transaction Amount	Approximate % of total revenue	Customer	Transaction Amount	Approximate % of total revenue
	(in thousands of RMB, except percentages)											
1	The KDL Group [1]	15,286	14.3%	The KDL Group [1]	19,049	13.8%	The KDL Group [1]	14,056	6.9%	Customer E[6]	5,211	6.0%
2	Customer A[2]	4,618	4.3%	Customer E[6]	6,560	4.8%	Customer F[7]	11,921	5.9%	Customer F[7]	5,040	5.8%
3	Customer B[3]	4,132	3.9%	Customer B[3]	4,488	3.3%	Customer B[3]	8,775	4.3%	Customer D[5]	3,312	3.8%
4	Customer C[4]	3,270	3.1%	Customer C[4]	4,412	3.2%	Customer E[6]	8,429	4.1%	The KDL Group[1]	3,007	3.5%
5	Customer D[5]	3,163	3.0%	Customer F[7]	4,397	3.2%	Customer D[5]	7,027	3.5%	Customer G[8]	2,630	3.0%
Total		30,469	28.6%		38,906	28.3%		50,208	24.7%		19,200	22.1%

(1) The KDL Group consists of KDL, one of our Controlling Shareholders, and its subsidiaries from time to time (other than members of our Group). We grant the KDL Group a credit period of 90 days from the date of receipt of invoice. Payments are usually made by bank remittance. As of the Latest Practicable Date, we had an 11-year business relationship with the KDL Group. Their contributions to our Group's revenue have been aggregated.

(2) Customer A is a non-listed medical device distributor based in Iran. We usually require Customer A to make full prepayment for our products if delivered by air or immediately settle its purchases before release of original bill of lading. Payments are usually made by bank remittance. As of the Latest Practicable Date, we had an eight-year business relationship with Customer A. We terminated all business relationships with Customer A in January 2019.

(3) Customer B is a A-share listed medical device manufacturer based in Shanghai, China. We require Customer B to settle its purchases from us on a monthly basis. Payments are usually made by bank transfer. As of the Latest Practicable Date, we had a 10-year business relationship with Customer B.

(4) Customer C is a non-listed medical device distributor based in Chile. We require Customer C to make 50% prepayment for our products and pay the remaining 50% before arrival. Payments are usually made by bank remittance. As of the Latest Practicable Date, we had an eight-year business relationship with Customer C.

(5) Customer D is a non-listed medical device distributor based in Jinan, China. We require Customer D to make full prepayment for our products. Payments are usually made by bank remittance. As of the Latest Practicable Date, we had a seven-year business relationship with Customer D.

(6) Customer E is a non-listed medical device manufacturer based in Germany. In the four months ended April 30, 2019, a Poland-based non-listed subsidiary of the Germany-based medical device manufacturer also purchased from our Group. We require Customer E to make 50% prepayment for our products and pay the remaining 50% before issuance of bill of lading. Payments are usually made by bank remittance. As of the Latest Practicable Date, we had a six-year business relationship with Customer E (as a group).

(7) Customer F is a non-listed medical device distributor based in Jiangxi, China. We require full prepayment for our products from Customer F. Payments are usually made by bank remittance. As of the Latest Practicable Date, we had a two-year business relationship with Customer F.

(8) Customer G is a non-listed medical device manufacturer based in Beijing, China. We require Customer G to make 60% prepayment for our products two months in advance and pay the remaining 40% before delivery. Payments are usually made by bank remittance. As of the Latest Practicable Date, we had a one-year business relationship with Customer G.

The table below sets forth a breakdown of revenue contribution from our recurring customers and new customers during the Track Record Period:

	For the year ended December 31,						For the four months period ended April 30,			
	2016		2017		2018		2018		2019	
							(unaudited)			
	(RMB in thousands, except percentages)									
New Customers	18,962	17.8%	20,480	14.9%	40,285	19.8%	7,791	13.0%	10,433	12.0%
Recurring Customers	87,483	82.2%	117,071	85.1%	162,774	80.2%	52,302	87.0%	76,477	88.0%
Total	106,445	100.0%	137,551	100.0%	203,059	100.0%	60,093	100.0%	86,910	100.0%

For details of our distribution agreements with our distributors, and sales contracts with our medical device manufacturers and other customers, please refer to the paragraph headed "– Sales, Distribution and Marketing" in this section.

Relationship with the KDL Group

The KDL Group was one of our top five suppliers during the Track Record Period, and also one of our top five customers. For more details of our sales arrangement with the KDL Group, please refer to the paragraph headed "Connected Transactions – Our Continuing Connected Transactions – (C) Continuing Connected Transaction Subject to the Reporting, Annual Review, Announcement and Independent Shareholders' Approval Requirements – 1. Medical Accessories and Molds Sales Framework Agreement" in this prospectus.

We purchase some of our raw materials and semi-finished products from the KDL Group. The KDL Group is a provider of such raw materials and semi-finished products in China and given our history of business relationship, they can provide the required items that suit our needs most appropriately. During the Track Record Period, we also produced medical accessories for the KDL Group using the semi-finished products they sold to us. For more details of our purchase arrangement with the KDL Group, please refer to the paragraph headed "Connected Transactions – Our Continuing Connected Transactions – (A) Continuing Connected Transactions Fully Exempt from the Reporting, Annual Review, Announcement and Independent Shareholders' Approval Requirements – 2. Materials Purchase Framework Agreement" in this prospectus.

In 2016, 2017, 2018 and the first four months of 2019, our sales to the KDL Group amounted to RMB15.3 million, RMB19.0 million, RMB14.1 million and RMB3.0 million, respectively, representing 14.3%, 13.8%, 6.9% and 3.5% of our total revenue for the same periods, respectively. In 2016, 2017, 2018 and the first four months of 2019, our purchases from the KDL Group amounted to RMB1.2 million, RMB3.0 million, RMB2.2 million and RMB0.4 million, respectively, representing 5.7%, 8.6%, 4.5% and 2.0% of our total purchases for the same periods, respectively.

	For the year ended December 31,			For the four months period ended April 30,
	2016	2017	2018	2019
	(RMB in millions)			
Sales to the KDL Group	15.3	19.0	14.1	3.0
Purchases from the KDL Group	1.2	3.0	2.2	0.4

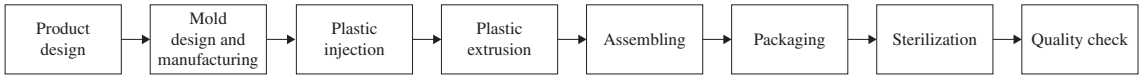
For more details of our purchase arrangement with the KDL Group, please refer to the paragraph headed "Raw Materials and Our Suppliers" in this section.

As confirmed by our Directors, (i) negotiations of the terms of our sales to, and purchases from, the KDL Group was conducted on an individual basis and the sales and purchases were neither interconnected nor inter-conditional with each other; (ii) during the Track Record Period, the raw materials and semi-finished products we purchased from the KDL Group were not resold back to it (except if such raw materials and semi-finished products were used in the production of the medical accessories which we sold to the KDL Group); and (iii) the terms of transactions with the KDL Group are similar to those of transactions with our other customers and suppliers.

OUR PRODUCTION PROCESSES AND FACILITIES

Production Processes

Our production process typically involves the following steps:



- **Product design**: We design and develop products to be manufactured.
- **Mold design and manufacturing**: We design and manufacture the molds to be used for producing relevant medical devices.
- **Plastic injection**: We heat plastic resins and shape them through molds to produce components and parts for medical devices.
- **Plastic extrusion**: We heat plastic resins and shape them through molds to produce medical devices.
- **Assembling**: We assemble components and parts of medical devices.
- **Packaging**: We package medical devices.
- **Sterilization**: We sterilize medical devices with ethylene oxide sterilization technology.
- **Quality check**: We conduct comprehensive quality checks on finished medical devices.

Assuming we are required to manufacture 1,000 inflation devices, we need 196 hours to complete all of the above production processes. We typically conduct each of the above steps in-house. Our integrated production process increases our production efficiency and reduces our dependence on third parties, as well as enables us to adjust our production quickly to respond to changes in market demand for our products.

Production Facilities and Production Capacity

We manufacture, assemble and test our products at our two facilities, one in Shanghai and one in Zhuhai, Guangdong province. Our largest production facility is located at our headquarters in Shanghai covering an area of 14,976.38 square meters and has 29 production lines, which are primarily used for production of interventional medical devices and medical accessories. Our manufacturing facility in Zhuhai covers an area of 1,620 square meters and has three production lines, which are primarily used for assembly of breast pumps, umbilical scissors and medical accessories. As of the Latest Practicable Date, we had a team of 458 employees dedicated to the production of our interventional medical devices.

As of the Latest Practicable Date, we had:

- 26 production lines dedicated to interventional medical devices,
- six production lines dedicated to medical accessories and other medical devices,
- one production line dedicated to mold design and manufacturing,
- one production line dedicated to the design and manufacture of automated equipment, and
- one production line dedicated to the assembly of pressure gauges.

Production Capacity and Utilization Rates

The following table sets forth the production capacity, actual production volume, and utilization rate of our production facilities by each of our top five selling products for the periods indicated:

	Year ended December 31,									Four months period ended April 30,		
	2016			2017			2018			2019		
	Production capacity[(1)]	Production volume	Utilization rate[(2)]	Production capacity[(1)]	Production volume	Utilization rate[(2)]	Production capacity[(1)]	Production volume	Utilization rate[(2)]	Production capacity[(1)]	Production volume	Utilization rate[(2)]
	(thousand units)	*(thousand units)*		*(thousand units)*	*(thousand units)*		*(thousand units)*	*(thousand units)*		*(thousand units)*	*(thousand units)*	
Inflation device	311	294	94.3%	416	401	96.4%	616	601	97.6%	259	246	95.2%
Introducer set	225	211	93.9%	339	330	97.3%	636	620	97.5%	227	221	97.5%
Guidewire	214	193	90.2%	245	225	91.8%	382	355	92.9%	133	124	93.8%
Pressure bandage	132	124	93.7%	195	190	96.9%	307	300	97.5%	123	119	97.1%
Y connector pack	105	99	94.5%	246	240	97.6%	348	339	94.7%	114	110	96.8%

(1) Production capacity refers to the theoretical maximum units of products our production facilities can produce during any period. Since our major production equipment, injection machine, is used in the production of inflation device, introducer set, guidewire, pressure bandage and Y connector pack, we estimated the theoretical maximum units of these products that could be produced based on their proportionate use of the maximum hours that our injection machines could have run during a period. We assume all of our injection

machines could have operated 264 working days and 22 working hours each working day for the years ended December 31, 2016, 2017 and 2018, and 88 working days and 22 working hours each working day for the four months ended April 30, 2019. The maximum hours our injection machines could have operated in 2016, 2017, 2018 and the first four months of 2019 were 211,992 hours, 225,544 hours, 232,320 hours and 77,440 hours, respectively. In 2016, 2017, 2018 and the first four months of 2019, the estimated proportion of the foregoing hours used for producing inflation device is 5.1%, 6.2%, 9.0% and 11.7%, for producing introducer set is 2.8%, 4.0%, 7.2% and 8.1%, for producing guidewire is 1.2%, 1.3%, 1.9% and 2.1%, for producing pressure bandage is 2.1%, 2.9%, 4.3% and 5.5%, and for producing Y connector pack is 0.8%, 1.6%, 2.2% and 2.3%, respectively.

(2) Utilization rate equals to production volume for the period divided by production capacity for the same period.

Production Facilities

Our production facilities primarily consist of clean rooms, laboratories and sterilization plants. We currently have approximately 3,900 square meters of 100,000-class cleanroom, approximately 4,600 square meters of 10,000-class cleanroom, approximately 760 square meters of laboratory and approximately 800 square meters of sterilization plant.

We procure machines and equipment from time to time based on our production needs. As of the Latest Practicable Date, we owned all the equipment used in our production processes, including injection machine, ultrasonic welding machine, knitting machine, laser welding machine, high frequency welding machine, UV light curing machine, plastic packaging machine, heat sealing machine, melting machine, assembly machine of various specifications and other relevant equipment. To our Directors' best knowledge, the life span of our production machines and equipment is approximately 10 years, and as of the Latest Practicable Date, our major machines and equipment had been in operation for approximately seven years. We perform routine and preventative maintenance on our production equipment to ensure their proper functioning.

Depreciation is calculated using the straight line method over their estimated useful lives as follows: buildings held for own use in 20 years; machine in five to 10 years; motor vehicles in five to 10 years; furniture, fixture and equipment in five to 10 years; and leasehold improvements in 10 years. Such property, plant and equipment are generally disposed and replaced once they reach their useful lives.

During the Track Record Period and up to the Latest Practicable Date, we have not experienced any material interruption to our production process due to machine or equipment failure.

RAW MATERIALS AND OUR SUPPLIERS

Our principal raw materials include plastic resins, accessories and packaging materials. We procure our raw materials primarily from suppliers in China. We purchase these raw materials from multiple suppliers at prevailing market prices. During the Track Record Period and up to the Latest Practicable Date, we purchased raw materials for our products from approximately 81 suppliers, most of whom have long-term business relationships with us. We generally enter into annual contracts with our suppliers. We select our raw material suppliers

based on a number of factors, including their reputation, production capacity, quality control systems and their ability to deliver raw materials that meet our quality standards in a timely manner. In 2016, 2017 and 2018 and the first four months of 2018 and 2019, costs of raw materials accounted for 49.3%, 52.2%, 54.4%, 54.3% and 54.2% of our total cost of sales, respectively.

Plastic resins are the largest component of our raw materials, accounting for over 18.6% of our total raw material costs as of the Latest Practicable Date. As we are generally unable to pass the entire increase in raw material costs to our customers, any material fluctuations in raw material procurement prices could materially impact our cost of sales, and in turn adversely affect our gross profit margin and profitability. Please refer to the paragraph headed "Risk Factors – An increase in the market price of our raw materials and components and/or shortage of raw materials and components may materially affect our gross profit margin and profitability" in this prospectus. Our production and sales teams monitor a rolling forecast of demand for specific products, based on which our procurement team assesses our requirements for raw materials and classifies necessary purchases according to inventory risks and costs associated with the raw materials and components needed.

In 2016, 2017, 2018 and the first four months of 2019, purchases from our largest supplier amounted to RMB3.0 million, RMB4.3 million, RMB5.9 million and RMB2.0 million, respectively, representing 14.6%, 12.2%, 12.0% and 10.0% of our total raw materials purchased for the same periods, respectively. In 2016, 2017, 2018 and the first four months of 2019, purchases from our five largest suppliers amounted to RMB9.6 million, RMB14.0 million, RMB18.2 million and RMB6.2 million, respectively, representing 47.1%, 39.5%, 37.2% and 31.9% of our total raw materials purchased for the same periods, respectively.

The table below sets forth certain information with respect to our five largest suppliers during the Track Record Period:

	Year ended December 31,									Four months period ended April 30,		
	2016			2017			2018			2019		
Rank	Supplier	Transaction Amount	Approximate % of total raw material purchased	Supplier	Transaction Amount	Approximate % of total raw material purchased	Supplier	Transaction Amount	Approximate % of total raw material purchased	Supplier	Transaction Amount	Approximate % of total raw material purchased
					(in thousands of RMB, except percentages)							
1	Supplier A[(1)]	2,974	14.6%	Supplier A[(1)]	4,312	12.2%	Supplier A[(1)]	5,887	12.0%	Supplier B[(2)]	1,962	10.0%
2	Supplier B[(2)]	2,297	11.3%	The KDL Group[(6)]	3,040	8.6%	Supplier B[(2)]	4,679	9.6%	Supplier A[(1)]	1,443	7.4%
3	Supplier C[(3)]	1,819	8.9%	Supplier B[(2)]	2,953	8.4%	Supplier G[(8)]	2,987	6.1%	Supplier I[(10)]	1,109	5.7%
4	Supplier D[(4)]	1,318	6.5%	Supplier D[(4)]	1,932	5.5%	Supplier H[(9)]	2,462	5.0%	Supplier H[(9)]	861	4.4%
5	Supplier E[(5)]	1,181	5.8%	Supplier F[(7)]	1,691	4.8%	The KDL Group[(6)]	2,207	4.5%	Supplier J[(11)]	853	4.4%
	Total	9,589	47.1%		13,928	39.5%		18,222	37.2%	Total	6,228	31.9%

(1) Supplier A is a non-listed plastic materials supplier based in Shanghai, China. Supplier A grants us a credit period of 30 days from the date of receipt of invoice. Payments are usually made by bank remittance. As of the Latest Practicable Date, we had a seven-year business relationship with Supplier A.

(2) Supplier B is a non-listed machinery products supplier (in particular, pressure gauges) based in Yuyao, China. Supplier B grants us a credit period of 90 days from the date of receipt of invoice. Payments are usually made by bank remittance. As of the Latest Practicable Date, we had an eight-year business relationship with Supplier B.

(3) Supplier C is a medical plastic components supplier based in Karise, Denmark which is a subsidiary of a manufacturer listed on the NASDAQ OMX Nordic. Supplier C grants us a credit period of 30 days from the date when its raw materials are dispatched. Payments are usually made by bank remittance. As of the Latest Practicable Date, we had an eight-year business relationship with Supplier C.

(4) Supplier D is a non-listed plastic materials supplier based in Shanghai, China. Supplier D grants us a credit period of 10 days from the date of receipt of invoice. Payments are usually made by bank transfer. As of the Latest Practicable Date, we had an eight-year business relationship with Supplier D.

(5) Supplier E is a non-listed plastic materials supplier based in Shanghai, China. Supplier E grants us a credit period of 10 days from the date of receipt of invoice. Payments are usually made by bank transfer. As of the Latest Practicable Date, we had an eight-year business relationship with Supplier E.

(6) The KDL Group grants us a credit period of 30 to 60 days from the date of receipt of invoice. Payments are usually made by bank remittance. As of the Latest Practicable Date, we had an 11-year business relationship with the KDL Group. Our purchases from companies within the KDL Group have been aggregated.

(7) Supplier F is coated wire materials supplier based in the Netherlands which is a subsidiary of a manufacturer and marketer of disposable medical devices listed on NASDAQ. We make advance payment for raw materials procured from Supplier F. Payments are usually made by bank remittance. As of the Latest Practicable Date, we had a four-year business relationship with Supplier F.

(8) Supplier G is a non-listed catheter material manufacturer and supplier based in Suzhou, China. We make advanced payment for raw materials procured from Supplier G. Payments are usually made by bank remittance. As of the Latest Practicable Date, we had a four-year business relationship with Supplier G.

(9) Supplier H is a non-listed paper product supplier based in Taicang, China. Supplier H grants us a credit period of 60 days from the date of receipt of invoice. Payments are usually made by bank remittance. As of the Latest Practicable Date, we had a one-year business relationship with Supplier H.

(10) Supplier I is a non-listed supplier of dialyzing paper and packaging bags based in Huizhou, China which is a subsidiary of a ASX-listed global packaging company based in Australia. Supplier I grants us a credit period of 30 days from the date of receipt of invoice. Payments are usually made by bank remittance. As of the Latest Practicable Date, we had a ten-year business relationship with Supplier I.

(11) Supplier J is a non-listed supplier of silicon rubber products based in Shanghai, China. Supplier J grants us a credit period of 60 days from the date of receipt of invoice. Payments are usually made by bank remittance. As of the Latest Practicable Date, we had an eight-year business relationship with Supplier J.

The KDL Group was one of our top five suppliers and also one of our top five customers during the Track Record Period. For more details of our sales and purchase arrangement with the KDL Group, please refer to the paragraph headed "– Our Customers – Relationship with the KDL Group" in this section.

Relationship with Supplier B

Supplier B was one of our top five suppliers and also a customer during the Track Record Period. The reason for this arrangement is that Supplier B sells pressure gauges in its ordinary course of business and we purchased such pressure gauges from them. On the other hand, we sell cases for making pressure gauges to Supplier B.

In 2016, 2017, 2018 and the first four months of 2019, our purchases from Supplier B amounted to RMB2.3 million, RMB3.0 million, RMB4.7 million and RMB2.0 million, respectively, representing 11.3%, 8.4%, 9.6% and 10.0% of our total purchases for the same periods, respectively. In 2016, 2017, 2018 and the first four months of 2019, our sales to Supplier B amounted to nil, RMB6,837, RMB218,666 and RMB75,980, respectively, representing nil, 0.005%, 0.11% and 0.1% of our total sales for the same periods, respectively.

	For the year ended December 31,			For the four months period ended April 30,
	2016	2017	2018	2019
		(RMB in thousands)		
Purchases from Supplier B	2,297	2,953	4,679	1,962
Sales to Supplier B	–	7	219	76

As confirmed by our Directors, (i) negotiations of the terms of our purchases from, and sales to, Supplier B were conducted on an individual basis and the purchases and sales were neither interconnected nor inter-conditional with each other, and (ii) the terms of transactions with Supplier B are similar to those of transactions with our other suppliers and customers.

Procurement Agreements with Suppliers

The table below sets forth the salient terms of typical procurement agreements with our domestic and overseas suppliers:

	Domestic Supplier	Overseas Supplier
Term	One year.	One year.
Non-competition	Not specified.	Not specified.
Relationship with supplier	Buyer and seller.	Buyer and seller.
Minimum annual purchase	Not specified.	Not specified.
Sales and pricing policy	Price specified in agreement or purchase order, and confirmed by both parties.	Unit price and total price specified in the agreement.
Delivery reports	We usually require suppliers to provide delivery reports.	We usually require suppliers to provide delivery reports.

	Domestic Supplier	Overseas Supplier
Inventory reports	We usually keep inventory reports.	We usually keep inventory reports.
Payment and credit terms	Bank remittance or other methods confirmed by the parties. Credit terms range from 30 days to 90 days.	Bank remittance. We generally make prepayment in full.
Raw materials quality	The raw material shall comply with a separate technology quality agreement (if any) confirmed by the parties, and suppliers shall provide an ex-works test report or other certificate of conformity.	The products should conform with the relevant quality standards or the national standards, industry standards and other relevant requirements. We conduct acceptance test on the raw materials.
Raw materials return/exchange	The parties shall determine remedial measures through negotiation if the raw materials have quality problems. Suppliers shall promptly notify us of any defects or other potential hazards in raw materials, and we may then decide whether to conduct product return/exchange.	Non-conforming raw materials should be returned or replaced. We agree to choose other remedial measures if there is any special case.
Transportation and delivery	Suppliers are generally responsible for delivering raw materials to locations specified by us.	Suppliers are generally responsible for delivering raw materials to locations specified by us.
Termination and renewal	The parties shall not terminate the agreement without cause during the term of the agreement. Either party may terminate the agreement if the other is in breach of its contractual obligation.	If suppliers fail to deliver raw materials within the commitment period, we may cancel our order without any liability.

Our Directors confirm that there has been no material breach of procurement agreements with our suppliers during the Track Record Period.

In 2016, 2017, 2018 and the first four months of 2018 and 2019, the cost of raw materials accounted for 49.3%, 52.2%, 54.4%, 54.3% and 54.2% of our total cost of sales for the same periods, respectively. Please refer to the paragraph headed "Industry Overview – Major Raw Materials and Price Trend" in this prospectus for more information regarding the price trends of our major raw materials during the Track Record Period. As we are generally unable to pass on the entire increase in raw material costs to our customers, any material fluctuations in raw

material procurement prices could materially impact our cost of sales, which in turn adversely affect our gross profit margin and profitability. Please refer to the paragraph headed "Risk Factors – Risks relating to Our Business and Industry – An increase in the market price of our raw materials and components and/or shortage of raw materials and components may materially affect our gross profit margin and profitability" in this prospectus.

The following table sets forth the sensitivity analysis of our profit in 2016, 2017, 2018 and the first four months of 2018 and 2019 in relation to changes in raw material costs (commensurate with the historical fluctuation) for the periods indicated.

Increase (+)/ decrease (-) of costs of raw materials	Year ended December 31,			Four months period ended April 30,	
	2016	2017	2018	2018	2019
	Change in Profit	Change in Profit	Change in Profit	Change in Profit	Change in Profit
			(RMB in thousands)		
+/-10%	-/+1,988	-/+2,651	-/+3,913	-/+1,117	-/+1,517
+/-20%	-/+3,976	-/+5,303	-/+7,825	-/+2,234	-/+3,034

INVENTORY MANAGEMENT

Our inventory consists of raw materials, work in progress and finished goods. We have implemented an inventory management system to monitor each stage of our production process. As of December 31, 2016, 2017, 2018 and April 30, 2019, our inventory turnover days were 112 days, 139 days, 148 days and 146 days, respectively. As of December 31, 2016, 2017, 2018 and April 30, 2019, we had inventories of RMB16.1 million, RMB29.5 million, RMB39.0 million and RMB41.1 million, respectively.

We have adopted inventory management policies to minimize the risk of building up excessive inventory. Pursuant to these policies, we review our inventory levels on a regular basis, monitor our inventory movements, and adjust our procurement or production plans as necessary to maintain a reasonable level of inventory and ensure timely delivery of finished goods to customers.

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.

Inventory Provision

Inventories are measured at the lower of cost and net realizable value. Provision for decline in value of inventories is made based on the excess of cost of inventory over its net realizable value on an item-by-item basis. For inventories to be sold directly, net realizable value is measured based on the estimated selling price in the ordinary course of business less

the estimated costs necessary to make the sale and relevant taxes. For inventories that need processing, net realizable value is measured based on the estimated selling price of finished goods in the ordinary course of business less the estimated costs of processing and the estimated costs necessary to make the sale and relevant taxes. At the balance sheet date, for an item of inventories where a portion of inventories is subject to contractual price specified in sales contracts while the remainder is not, their net realizable values are determined separately and compared with their corresponding costs respectively to recognize the amount of provision for decline in value of inventories, or reversal of the provision.

Since our products are mainly made of PC and ABS plastic which do not deteriorate, our inventories can be reserved for subsequent use.

We have not made any inventory provision, including goods subject to exchange, during the Track Record Period and up to the Latest Practicable Date. In general, we do not accept product return or exchange except for defective products as a result of damaged packaging or quality issues.

QUALITY CONTROL

We regard our stringent product quality control as a significant factor in our customers' purchasing decisions. We have obtained ISO 13485:2016 certifications in 2019, as well as CE and FDA certifications, which are all international recognitions for our quality. We have a quality team and devote significant resources to quality control of our products. As of the Latest Practicable Date, our quality assurance team had 75 employees.

Our quality assurance team monitors every stage of our operations in accordance with NMPA's regulations. We implement quality control measures throughout our production process, including supplier background due diligence, raw material inspection, process control and product inspection. Our quality control procedures primarily consist of the following: (i) for raw material inspection, we source our raw materials only from suppliers consistent with our internal supply management policies and inspect samples from each batch of raw materials to help ensure there are no quality or other issues; (ii) for production control, we plan the production process based on the technologies adopted by each product type and monitor the whole production process, particularly certain key steps of the production process; we require our production quality control personnel to comply with our standard operating procedures and quality standards and conduct routine and ad hoc inspections at selected production stages to identify potential quality issues; and (iii) for product inspection, we compile our product control standards based on our product specifications, and inspect our products with our equipment in accordance with our product inspection manual, including testing the capability and measurement of our products, verifying the product labels and manuals and confirming the products are properly packed.

In addition, our production facilities, manufacturing processes and products must pass rigorous and routine quality inspection audits by our medical device manufacturers and other customers, some of which are well-known overseas medical device manufacturers. We believe that our long-standing relationship with these customers constitutes an important validation of our manufacturing processes and quality.

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 same periods, we did not experience any material product return or exchange, and had not experienced any product recall nor any fatal accident related to our products.

COMPETITION

According to Frost & Sullivan, we ranked first in the PRC PCI supporting device market among domestic brands (seventh among all brands with a 3.1% market share), and second in the PRC coronary interventional device market among domestic brands (tenth among all brands with a 1.8% market share), both in terms of sales revenue in 2018. The PRC medical device market has long been dominated by international brands. International brands also have a dominant position in the PRC coronary interventional device market and PCI supporting device market. With technology development, increasing research and development investment and favorable policies to support domestic brands, the market size of domestic manufacturers grew and will continue to grow by gaining increasing market share from international competitors.

We principally compete with global and PRC medical device manufacturers in China. The medical device industry is characterized by 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, pricing, recognition, reputation, product functionality and design, product reliability and quality, fast response to market needs, and sales and distribution network coverage.

For more details of competition in the markets we conduct business, please refer to the paragraphs headed "Industry Overview – The Global and PRC Coronary Intervention Device Market – Competitive Landscape" and "Industry Overview – The PRC and Global PCI Supporting Device Market – Competitive Landscape" in this prospectus.

AWARDS AND RECOGNITION

We have received various awards, honors and recognitions including:

No.	Award/recognition	Year	Awarding/Recognition Organization
1	Shanghai High-tech Achievement Transformation Project (上海市高新技術成果轉化項目)	2018	Shanghai Municipal Service Center for Transforming High-tech Achievements (上海市高新技術成果轉化服務中心)
2	Little Giant of Science and Technology of Shanghai (上海市科技小巨人)	2017	Shanghai Science and Technology Committee (上海市科學技術委員會)
3	Shanghai "Specialized, Refined, Characterized and Innovative" Enterprise (上海市"專、精、特、新"企業)	2016	Shanghai Municipal Commission of Economy and Informatization (上海市經信委)

INTELLECTUAL PROPERTY RIGHTS

Our intellectual property rights are fundamental to our business because our success depends on our customers' recognition of our products and protection for our intellectual property rights. We have developed a substantial portfolio of intellectual property rights in China to protect our technologies, inventions and improvements. As of the Latest Practicable Date, we had 62 registered patents, five registered softwares and four registered trademarks. As of the same date, we had 75 patents under applications in China and we believe there is no material legal impediment to obtaining these pending patents. For further details of our intellectual property rights, please refer to the paragraph headed "B. Further Information about the Business of Our Company – 2. Our Intellectual Property Rights" in Appendix VI to this prospectus.

We have entered into agreements with our employees involved in research and development, under which intellectual property conceived and developed during their employment belongs to us and they waive all relevant rights or claims to such intellectual property. Our employees involved in research and development are also bound by confidentiality and non-compete obligations. We also have an internal policy governing the confidentiality of all company information. Despite the measures we have taken to protect our intellectual property, unauthorized parties may attempt to copy aspects of our products or our proprietary technology or obtain and use information that we regard as proprietary. Please refer

to the paragraph headed "Risk Factors – Risks relating to Our Business and Industry – Failure to adequately protect our intellectual property rights may adversely affect our reputation and disrupt our business" in this prospectus.

During the Track Record Period and up to the Latest Practicable Date, we were not aware of any material infringement of our intellectual property rights.

HEALTH, WORK SAFETY, SOCIAL AND ENVIRONMENTAL MATTERS

Our business is subject to certain health, work safety, social and environmental laws and regulations of the PRC and regular inspections by local government authorities. The administrative team monitors compliance with legal requirements and our internal standards in respect of such matters, as well as handles the recording and handling of accidents, implementation and compliance record. Our Directors consider that the annual cost of compliance with the applicable health, work 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.

Our Directors confirm that we had not been subject to any material claim or penalty in relation to health, work safety, social and environmental protection, had not been involved in any accident, fatality claims for personal or property damages, and had been in compliance with the relevant PRC and Hong Kong laws and regulations in all material aspects during the Track Record Period and up to the Latest Practicable Date. We have adequate policies ensuring compliance with all health, work safety, social and environmental protection regulations.

Our environmental policies include collecting the recyclable part of solid waste from our production by qualified local third parties. As advised by our PRC Legal Adviser, we have satisfied all the material requirement for the treatment and disposal of waste and discharge from our production. We are in material compliance with environmental laws and regulations during the Track Record Period and up to the Latest Practicable Date. We believe we have maintained good relationship with the communities surrounding our production facilities. In 2016, 2017, 2018 and the first four months of 2019, we spent RMB47,800, RMB330,550, RMB639,000 and RMB28,800, respectively, with respect to environmental protection. We expect costs for environmental protection will remain stable for the year ending December 31, 2019.

EMPLOYEES

As of the Latest Practicable Date, we employed 761 full-time employees, all of which were 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
Senior management	10
Research and development	101
Production	458
Sales and marketing	62
Quality assurance	75
Finance	16
Administrative	39
Total	761

We also engaged a small number of dispatched workers, which is in compliance with all laws and regulations as advised by our PRC Legal Adviser. Pursuant to our service agreements with third party agencies, the relevant third party agencies were responsible for the dispatched workers' social or employee benefits during the Track Record Period and up to the Latest Practicable Date.

We recruit our employees based on a number of factors, including work experience, educational background and relevant vacancy. We currently have official policies on employee compensation, dismissal, equal opportunities, diversity, anti-discrimination, employee benefits, etc, and we provide fair work opportunities and benefits. Work opportunities and benefits are dependent on employee performance. We also encourage our employees to report any unfair or discriminatory work incidents to our suggestion box, so we can timely address any such incidents. 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 and project development and team building.

We have established a labor union which is responsible for representing our employees to handle employment related matters with us and protecting the legal rights of the employees.

In compliance with the relevant PRC labor laws, we enter into individual employment contracts with our employees covering matters, such as, 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. We made contributions according to our employees' average salary in the previous year or the minimum payment base prescribed by the relevant authority during the Track Record Period. As advised by our PRC Legal Adviser, there were no violation of the relevant labor and social security benefit laws and regulations in China that resulted in administrative penalties during the Track Record Period.

We are subject to safety laws and regulations of the PRC. For a description of these laws and regulations, please refer to the paragraph headed "Regulatory Overview – Labor and Social Protection" in this prospectus.

We have implemented various 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.

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 work safety laws or regulations. During the Track Record Period and up to the Latest Practicable Date, we have not experienced any strikes, labor disputes or industrial actions which have had a material effect on our business, and we believe that we have maintained good working relationships with our employees.

PROPERTIES

Overview

On July 31, 2019, we entered into an asset transfer framework agreement (the "Asset Transfer Agreement") with KDL after negotiations and internal approval by both parties to acquire from KDL (i) the land use right of a plot of land in Jiading, Shanghai with a total area of 13,425 square meters; and (ii) ownership in the buildings thereon, which are currently leased from KDL and used as our headquarters (the "Property"). We have paid RMB64.3 million as the purchase price (including applicable taxes) for the Property with our internal funds. The acquisition was completed on October 12, 2019. Furthermore, we entered into a property lease termination agreement dated August 12, 2019 with KDL pursuant to which the lease agreement for the Property was terminated and KDL agreed that we may continue to use the Property at nil consideration from July 31, 2019 to the date of completion of transfer of land use rights and property ownership rights of the Property to us.

We lease a total area from the KDL Group and Zhuhai KDL Investment, covering 2,443.0 square meters in aggregate in Zhuhai for production and office use. Besides, we lease dormitories in Zhuhai from Zhuhai KDL Investment.

For more information of leases with the KDL Group, please refer to the paragraph headed "Connected Transactions – (B) Continuing Connected Transaction Subject to the Reporting, Annual Review, Announcement Requirements but Exempt from the Independent Shareholders' Approval Requirement – 1. Property Lease Framework Agreement" in this prospectus.

As of the Latest Practicable Date, the following table sets forth a summary of our leased properties.

No.	Address	Usage	Area *(approximate sq.m.)*	Lease Term
1.	No. 158, Jinyuan San Road, Jiading District, Shanghai	Operation and warehouse	4,469.3	January 1, 2019 to December 31, 2023
2.	No. 7, Boyuan Road, Jiading District, Shanghai	Amenities (agricultural planting)	13,333.3	March 1, 2018 to February 29, 2028
3.	East Side, 4th Floor, Building A, No. 288, East Airport Road, Sanzao Town, Jinwan District, Zhuhai City, Guangdong Province(1)	Production space	1,619.5	February 1, 2019 to January 31, 2020
4.	C1 and C2, 2nd Floor, Building B, No. 288, East Airport Road, Sanzao Town, Jinwan District, Zhuhai City, Guangdong Province(1)	Production and office space	520.0	April 1, 2018 to December 31, 2019
5.	Zone A, 5th Floor, Building C, No. 288, East Airport Road, Sanzao Town, Jinwan District, Zhuhai City, Guangdong Province(1)	Production and office space	165.6	April 10, 2018 to December 31, 2019
6.	Zone D, 1st Floor, Building C and C3, 2nd Floor, Building B, No. 288, East Airport Road, Sanzao Town, Jinwan District, Zhuhai City, Guangdong Province(1)	Production and warehouse	138.0	July 1, 2018 to December 31, 2019
7.	Rooms 501, 502, 505, 507, 511, 521, 601, 604, 609, 613, 616, 621, 627, 630, Building N, No. 288, East Airport Road, Sanzao Town, Jinwan District, Zhuhai City, Guangdong Province(1)	Dormitory	504.0	January 1, 2019 to December 31, 2019

(1) We lease these properties from Zhuhai KDL Investment, a subsidiary of KDL Holding. KDL Holding is one of our Controlling Shareholders. Therefore, Zhuhai KDL Investment is an associate of KDL Holding and hence our connected person and the leases constitute continuing connected transactions. Please refer to the paragraph headed "Connected Transactions – (B) Continuing Connected Transaction Subject to the Reporting, Annual Review, Announcement Requirements but Exempt from the Independent Shareholders' Approval Requirement – 1. Property Lease Framework Agreement" in this prospectus for more details.

Our leased properties are currently undergoing relevant property leasing filings. According to our PRC Legal Adviser, all of our leases properties are legally valid. The failure to complete the filing process for some our leased properties does not affect the validity of property lease agreements and will not have any material adverse impact on our continuous production and operations.

Based on the property lease agreements entered into between our Group and the KDL Holding Group which are subject to the Property Lease Framework Agreement, our Group leased several properties from the KDL Group and Zhuhai KDL Investment with a total GFA of 2,947.1 sq.m. as of the Latest Practicable Date. Such properties are located in Shanghai and Zhuhai and are mainly used as production plants, warehouses, staff quarters and office premises. For more details our property lease agreements with them, please refer to the paragraph headed "Connected Transactions – Our Continuing Connected Transactions – (B) Continuing Connected Transaction Subject to the Reporting, Annual Review, Announcement Requirements but Exempt from the Independent Shareholders' Approval Requirement – 1. Property Lease Framework Agreement" in this prospectus.

As of the Latest Practicable Date, we had obtained the title certificates for all of our owned properties in China, which had a total of 13,877 square meters. Our PRC Legal Adviser is of the view that we have 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 buildings.

All the above properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules. Pursuant to Rule 5.01A of the Listing Rules, this prospectus is exempt from the requirement to include valuation on property interests of non-property activities if the carrying amount of a property interest is less than 15% of our total assets. A similar exemption applies under section 6 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), with respect to the requirement under section 342(1)(b) of, and paragraph 34(2) of the Third Schedule to, the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). As of the Latest Practicable Date, we had no single property interest of non-property activities with a carrying amount of 15% or more of our total assets, and on such basis, we are not required to include in this prospectus any property valuation report.

INSURANCE

We maintain limited property insurance as of the Latest Practicable Date. We have purchased product liability insurance since March 2018 which insures us against product liability claims arising from any of our products sold in China. In addition, for our products sold outside China, (i) our OEM customers will be responsible for purchasing product liability insurance for relevant products, or (ii) our overseas distributors will purchase product liability insurance on an ad hoc basis depending on the local regulations and bidding requirements in relevant jurisdictions that are applicable to our products. Our Directors are of the view that such insurance policy is in line with the practice followed by other manufacturers in our industry that are based in China with similar international sales coverage. For risks related to our limited insurance coverage, please refer to the paragraph headed "Risk Factors – We have limited insurance coverage to adequately cover all the risks and hazards associated with our operations" in this prospectus. As our business expands, we will regularly review and assess our risk portfolio and adjust our insurance practice based on our needs and industry practice.

We also maintain insurance policies that cover losses arising from accidents and natural calamities in respect of our machine, equipment, inventory and other fixed assets in our research and production facilities. During the Track Record Period and up to the Latest Practicable Date, we have not made or been the subject of any material insurance claims.

As advised by our PRC Legal Adviser, there is no mandatory requirement under the laws of the PRC for maintaining insurance policies for business liability, litigation and business disruption. We, therefore, do not have any business liability, disruption or litigation insurance coverage for our operations in China. Please refer to the paragraph headed "Risk Factors – Risks Relating to Our Business and Industry – We have limited insurance coverage to adequately cover all the risks and hazards associated with our operations" in this prospectus for further details.

LICENSES, PERMITS AND APPROVALS

The medical device industry is highly regulated. Accordingly, we are required to obtain permits, licenses, approvals and certifications from government authorities. As of the Latest Practicable Date, we had obtained 27 medical device registration certificates, including 15 NMPA registration certificates for Class III medical devices and 12 Shanghai MPA registration certificates for Class II medical devices. We had 28 CE approved products approved by TUV SUD Product Service GmbH. We also had 10 FDA approved products. For more information regarding the PRC and foreign laws and regulations to which we are subject, please refer to the section headed "Regulatory Overview" in this prospectus.

As of the Latest Practicable Date, we had obtained all requisite licenses, permits and approvals that are material for our operations. These licenses and permits remained in full effect as of the Latest Practicable Date.

The following table sets forth our key licenses, permits and certificates related to our major products as of the Latest Practicable Date.

License/permit/certificate	License/permit/ certificate No.	Validity period	Issuing authority
Domestic			
Medical Device Production License (《醫療器械生產許可證》) for Class II and III Medical Devices	Hu Shi Yao Jian Xie Sheng Chan Xu No. 20061430 (滬食藥監械生產許20061430號)	March 22, 2018 to April 20, 2020	Shanghai MPA
Registration Certificate for Medical Device (《醫療器械註冊證》) (Angiography catheter for single use (一次性使用造影導管))	Guo Xie Zhu Zhun 20163772106 (國械注准20163772106)	September 6, 2016 to September 5, 2021	NMPA
Registration Certificate for Medical Device (《醫療器械註冊證》) (Intervention accessories kit for single use (一次性使用介入手術器械包))	Guo Xie Zhu Zhun 20193031843 (國械注准20193031843)	May 8, 2019 to May 7, 2024	NMPA
Registration Certificate for Medical Device (《醫療器械註冊證》) (Guidewire for single use (一次性使用造影導絲))	Guo Xie Zhu Zhun 20163772107 (國械注准20163772107)	September 6, 2016 to September 5, 2021	NMPA
Registration Certificate for Medical Device (《醫療器械註冊證》) (Pressure bandage for single use (一次性使用動脈壓迫止血帶))	Hu Xie Zhu Zhun 20162540482 (滬械注准20162540482)	June 29, 2016 to June 28, 2021	Shanghai MPA
Registration Certificate for Medical Device (《醫療器械註冊證》) (Inflation device (球囊擴張壓力泵))	Hu Xie Zhu Zhun 20162770569 (滬械注准20162770569)	August 18, 2016 to August 17, 2021	Shanghai MPA
Registration Certificate for Medical Device (《醫療器械註冊證》) (Y connector pack (Y型連接器套裝))	Guo Xie Zhu Zhun 20153660651 (國械注准20153660651)	April 27, 2015 to April 26, 2020	NMPA

License/permit/certificate	License/permit/ certificate No.	Validity period	Issuing authority
Registration Certificate for Medical Device (《醫療器械註冊證》) (Infusion device and accessory (輸液接頭及附件))	Guo Xie Zhu Zhun 20183661510 (國械注准 20183661510)	January 4, 2018 to January 3, 2023	NMPA
Registration Certificate for Medical Device (《醫療器械註冊證》) (Angiography syringe for single use (一次性使用造影劑推入器))	Guo Xie Zhu Zhun 20153770120 (國械注准 20153770120)	January 23, 2015 to January 22, 2020	NMPA
Registration Certificate for Medical Device (《醫療器械註冊證》) (Manifold for single use (一次性使用三通旋塞))	Guo Xie Zhu Zhun 20153770121 (國械注准 20153770121)	January 23, 2015 to January 22, 2020	NMPA
Registration Certificate for Medical Device (《醫療器械註冊證》) (Pressure extension tube for single use (一次性使用壓力延長管))	Guo Xie Zhu Zhun 20153770122 (國械注准 20153770122)	January 23, 2015 to January 22, 2020	NMPA
Registration Certificate for Medical Device (《醫療器械註冊證》) (Introducer set for single use (一次性使用導管鞘套裝))	Guo Xie Zhu Zhun 20153770280 (國械注准 20153770280)	February 12, 2015 to February 11, 2020	NMPA
Registration Certificate for Medical Device (《醫療器械註冊證》) (PTCA balloon dilation catheter (PTCA球囊擴張導管))	Guo Xie Zhu Zhun 20193030239 (國械注准 20193030239)	April 16, 2019 to April 15, 2024	NMPA
Registration Certificate for Medical Device (《醫療器械註冊證》) (Micro-catheter for single use (一次性使用微導管))	Guo Xie Zhu Zhun 20193030352 (國械注准 20193030352	May 31, 2019 to May 30, 2024	NMPA
Registration Certificate for Medical Device (《醫療器械註冊證》) (Micro-guidewire for single use (一次性使用指引導絲))	Guo Xie Zhu Zhun 20193030562 (國械注准 20193030562)	July 30, 2019 to July 29, 2024	NMPA

License/permit/certificate	License/permit/ certificate No.	Validity period	Issuing authority
International			
CE Certificate for product categories: sterile seldinger needle, intervention accessories kit, guidewire, introducer tool kit, introducer set, bone cement syringe, manifold kit, stopcocks, manifold, infusion pumps, pressure transducer for single use, extension tube, foley catheter, safety syringe, angiography catheter, Y connector pack, sterile infusion device and accessory for single use	G1 081681 0019 Rev. 02	March 18, 2019 to December 6, 2022	TUV SUD Product Service GmbH
CE Certificate for product categories: sterile inflation device, pressure bandage, angiography syringe for single use, infusion sets without needles, syringes without needle, burette infusion sets without needle, vaginal dilator	G2S 081681 0017 Rev. 01	November 22, 2018 to December 6, 2022	TUV SUD Product Service GmbH
CE Certificate for product categories: sterile inflation device, pressure bandage, angiography syringe for singe use, infusion sets without needle, syringes without needle, burette infusion sets without needle, vaginal dilator	G1002324 0002 Rev. 01	April 9, 2019 to February 5, 2023	TUV SUD Product Service Gmbh

License/permit/certificate	License/permit/ certificate No.	Validity period	Issuing authority
ISO13485:2016 Certificate for design, development, production and distribution of: sterile inflation device, pressure bandage, angiography syringe, infusion connector and accessory for single use, sterile seldinger needle, intervention accessories kit, guidewire, introducer tool kit, introducer set, bone cement syringe, manifold kit, stopcocks, manifold for single use, pressure transducer for single use, infusion pumps for single use, medical wasting containers, infusion sets without needle, syringes without needle, burette infusion sets without needle, extension tube, Y connector pack, foley catheter, vaginal dilator, safety syringe, angiography catheter	Q5 081681 0020 Rev.01	March 18, 2019 to December 6, 2021	TUV SUD Product Service GmbH
Adaptor, stopcock, manifold, fitting	N/A	N/A	FDA
Pressure tourniquet	N/A	N/A	FDA
Inflation device	K170027	N/A	FDA
Y connector pack	K170024	N/A	FDA
Extension tube	K170014	N/A	FDA
Angiography syringes	K170025	N/A	FDA
Introducer needle	N/A	N/A	FDA
Guidewire	K180177	N/A	FDA
Introducer set	K180178	N/A	FDA
Inflation device	N/A	N/A	FDA

We intend to apply for renewal of the above key licenses, permits and certificates prior to their respective expiry dates. The successful renewal of our Medical Device Production License for Class II and Class III medical devices and Registration Certificates for Medical Devices will be subject to our fulfilment of relevant requirements.

The renewal application procedures for each of the above key licenses, permits and certificates are to be carried out about six months prior to the 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 Adviser 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.

BUSINESS ACTIVITIES IN COUNTRIES SUBJECT TO INTERNATIONAL SANCTIONS

During the Track Record Period, we delivered certain of our products (including but not limited to introducer set, inflation device, Y connector pack, and angiography catheter) to Iran and Syria, both of which are subject to comprehensive sanctions programs administered by OFAC. For the years ended December 31, 2016, 2017, 2018 and the first four months of 2018 and 2019, our revenue generated from sales to Iran and Syria amounted to RMB5.2 million, RMB3.2 million, RMB5.6 million, RMB0.7 million and RMB0.9 million, respectively, representing 4.9%, 2.3%, 2.8%, 1.2% and 1.0% of our total revenue for the same periods, respectively.

Hogan Lovells, our International Sanctions Legal Adviser, performed the following procedures to evaluate our risk of exposure to penalties imposed under International Sanctions:

- reviewed documents provided by us about our Group, our business operations, revenues, sales contracts and counterparty list in Egypt, Iran, Lebanon, Syria, Venezuela and Yemen, ownership structure and management;

- reviewed our list of counterparties in Egypt, Iran, Lebanon, Syria, Venezuela and Yemen during the Track Record Period (and in the case of Iran and Syria, in the past five years) against the lists of persons and organizations subject to International Sanctions, and confirmed that apart from an Iranian shipping company listed as an SDN on the IRAN program, an Iranian air carrier listed as an SDN on the SGDT program and IFSR program (collectively, the "Iranian SDNs"), and a bank listed as a non-SDN on the Part 561 List program (the "Part 561 List Entity"), they are not on such lists; and

- received written confirmation from us that except as otherwise disclosed in this prospectus, neither our Group nor any of our affiliates (including any representative office, branch, subsidiary or other entity which forms part of our Group) conducted during the Track Record Period any business dealings in or with any other countries or persons that are subject to International Sanctions.

As advised by our International Sanctions Legal Adviser after performing the procedures set out above and carrying out due diligence in relation to our involvement with the Iranian SDNs and the Part 561 List Entity, our activities during the Track Record Period (including our transactions denominated in U.S. dollars with two distributors in Syria, our involvement with the Iranian SDNs and the Part 561 List Entity) are unlikely to violate any International Sanctions law or regulation and do not give rise to any material sanctions risk. In particular:

- ***Transactions with two distributors in Syria***: between 2015 and 2018, we made sales of our products (including introducer sets, guidewires, manifolds, stopcocks, Y connector pack, angiography syringes, angiography catheters, inflation devices, and transradial introducer sets) to two distributors in Syria denominated and settled in U.S. dollars. As advised by our International Sanctions Legal Adviser and as confirmed by our Directors, generally U.S. dollar transactions with Syrian entities would constitute primary sanctions violations. However, the products sold to the two Syrian distributors were non-U.S. origin medical devices which, had they been of U.S. origin, would be classified as EAR99 under the United States Export Administration Regulations ("Non-U.S. EAR99 Medical Devices"). Accordingly, the transactions fell within the terms of a general licence under section 542.525 of the Syrian Sanctions Regulations, which authorizes U.S. persons (including U.S. banks) to export services (including processing of U.S. dollar payments) to Syria in connection with export of Non-U.S. EAR99 Medical Devices. Accordingly, our transactions in Syria do not violate any International Sanctions law or regulation.

- ***Our involvement with the Iranian SDNs***: between October 2014 and December 2018, we made sales of our interventional medical devices to one Iranian customer, and all sales receipts from that Iranian customer were denominated and settled in non-U.S. dollar currencies. We were responsible for arranging shipments to the Iranian customer under the terms of the relevant sales contract. In arranging for such shipments, we engaged the services of various shipping agents in the PRC (the "PRC Shipping Agents"). We paid for the services of the PRC Shipping Agents in RMB. The PRC Shipping Agents engaged the services of the Iranian SDNs in arranging for shipments. The Iranian shipping company and vessels associated with it were listed as SDNs on the IRAN program. The Iranian air carrier was listed as an SDN on the SGDT and IFSR programs. We did not make any payments to any of the Iranian SDNs, nor did we make any specific instructions to the PRC Shipping Agents to engage the services of the Iranian SDNs. As advised by our International Sanctions Legal Adviser, our involvement with the Iranian SDNs is unlikely to give rise to any material sanctions risk because (i) we did not directly transact with the Iranian SDNs, nor did we give any specific instructions to the PRC Shipping Agents to engage the services of the Iranian SDNs, and (ii) in respect of our dealings with the Iranian shipping company and vessels, as the products shipped were medical devices, they fell within the humanitarian exception under section 1244(e) of the United States Iran Freedom and Counter-Proliferation Act.

- ***Our involvement with the Part 561 List Entity***: we opened certain non-U.S. dollar bank accounts with the Part 561 List Entity, and through those accounts, received Euro payments from an Iranian customer between October 2014 and December 2018. The placement of the Part 561 List Entity on the Part 561 List program will not create exposure for counterparties conducting transactions with financial institutions on the Part 561 List program, provided that such transactions have no connection to the U.S. or the U.S. financial system. As advised by our International Sanctions Legal Adviser, as we do not constitute a financial institution, and all our past dealings with the Part 561 List Entity were not in U.S. dollars, such past dealings do not violate any International Sanctions law or regulation and do not give rise to any material sanctions risk.

Further, given the scope of the Global Offering and the expected use of proceeds as set out in this prospectus, our International Sanctions Legal Adviser is of the view that the involvement by parties in the Global Offering will not implicate any applicable International Sanctions on such parties, including our Company, our Company's investors, Shareholders, the Stock Exchange and its listing committee and group companies, or any person involved in the Global Offering. Accordingly, the sanction risk exposure to our Company, its investors and Shareholders, and persons who might, directly or indirectly, be involved in permitting the listing, trading and clearing of our Shares (including the Stock Exchange, its listing committee and related group companies) is very low.

Our Directors confirm that we have not been notified that any International Sanctions will be imposed on us for our sales and/or deliveries to the Countries subject to International Sanctions during the Track Record Period. Apart from the Iranian SDNs and the Part 561 List Entity, the customers located in Countries subject to International Sanctions are not specifically identified on the SDN List maintained by OFAC or other restricted parties lists maintained by the European Union, Australia and the United Nations and therefore would not be deemed as sanctioned targets. Such sales and/or deliveries do not involve industries or sectors that are currently subject to International Sanctions and therefore are not deemed to be prohibited activities under the relevant International Sanctions.

Our undertakings and internal control procedures

We will not use the proceeds from the Global Offering, as well as any other funds raised through the Stock Exchange, to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, any Countries subject to International Sanctions or any other government, individual or entity sanctioned by the U.S., the European Union, the United Nations or Australia, including without limitation, any government, individual or entity that is the subject of any OFAC-administered sanctions.

We will not use the proceeds from the Global Offering, as well as any other funds raised through the Stock Exchange, to pay any damages for terminating or transferring any contracts that constitute activity violating International Sanctions.

In addition, we will not enter into any future business that would cause us, the Stock Exchange, HKSCC, HKSCC Nominees or our Shareholders and investors to violate or become a target of sanctions laws by the U.S., the European Union, the United Nations or Australia. We will also disclose on the respective websites of the Stock Exchange and our Group if we believe that the transactions our Group entered into with Countries subject to International Sanctions or with Sanctioned Persons would put our Group or our Shareholders and investors to risks of being sanctioned, and in our annual reports or interim reports the details of new and/or existing sanctioned activities, our efforts on monitoring our business exposure to sanctions risk, the status of future business, if any, in Countries subject to International Sanctions and with Sanctioned Persons and our business intention relating to Countries subject to International Sanctions and with Sanctioned Persons.

If we are in breach of such undertakings to the Stock Exchange in future, we would be subject to the risk of possible delisting of our Shares on the Stock Exchange.

We have adopted know your client and other internal control and risk management measures to help us continuously monitor and evaluate our business and take measures to protect the interest of our Group and our Shareholders from economic sanctions risks.

In early 2019, all of our sales transactions with customers in any Countries subject to International Sanctions had been completed. We have no present intention to undertake any future business with persons on the SDN Lists, any business connected to any comprehensively sanctioned countries, or any other business that may expose us to sanctions risks. Furthermore, in our future dealing with customers in Countries subject to International Sanctions of any kind, we will implement internal control measures to minimize our risk exposure to international sanctions. The following measures have been implemented as of the Latest Practicable Date:

- we have set up and maintained a separate bank account, which is designated for the sole purpose of the deposit and deployment of the proceeds from the Global Offering or any other funds raised through the Stock Exchange;

- to further enhance our existing internal risk management functions, our Company has established a risk management group. The members of such group comprise Dr. Liang Dongke, Mr. Wang Cailiang, Dr. Song Yuan and Ms. Zhao Yan, and their responsibilities include, among other things, monitoring our exposure to International Sanctions risks and our implementation of the related internal control procedures. Our risk management group will hold at least two meetings each year to monitor our exposure to sanctions risks;

- we will evaluate the sanctions risks prior to determining whether we should embark on any business opportunities in Countries subject to International Sanctions and with Sanctioned Persons. According to our internal control procedures, the risk management group needs to review and approve all relevant business transaction documentation from customers or potential customers from Countries subject to International Sanctions and with Sanctioned Persons. In particular, the risk

management group will review the information (such as identity and nature of business as well as its ownership) relating to the counterparty to the contract along with the draft business transaction documentation. The risk management group will check the counterparty against the various lists of restricted parties and countries maintained by the U.S., the European Union, the United Nations or Australia, including, without limitation, any government, individual or entity that is the subject of any OFAC-administered sanctions which lists are publicly available, and determine whether the counterparty is, or is owned or controlled by, a person located in Countries subject to International Sanctions or a Sanctioned Person. If any potential sanctions risk is identified, we will seek advice from reputable external international legal counsel with necessary expertise and experience in International Sanctions matters;

- our Directors will continuously monitor the use of proceeds from the Global Offering, as well as any other funds raised through the Stock Exchange, to ensure that such funds will not be used to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, Countries subject to International Sanctions or Sanctioned Persons where this would be in breach of International Sanctions;

- the risk management group will periodically review our internal control policies and procedures with respect to sanctions matters. As and when the risk management group considers necessary, we will retain external international legal counsel with necessary expertise and experience in sanctions matters for recommendations and advice; and

- if necessary, an external international legal counsel will provide training programs relating to International Sanctions to our Directors, our senior management and other relevant personnel to assist them in evaluating the potential sanctions risks in our daily operations. Our external international legal counsel will provide a current list of Countries subject to International Sanctions and Sanctioned Persons to our Directors, senior management and other relevant personnel, who will in turn disseminate such information throughout our domestic operations and offices.

Our International Sanctions Legal Adviser has reviewed and evaluated these internal control measures and is of the view that these measures are adequate and effective for our Company to comply with our undertaking to the Stock Exchange.

Having taken the above advice of our International Sanctions Legal Adviser into account, our Directors are of the view that our measures provide a reasonably adequate and effective internal control framework to assist us in identifying and monitoring any material risk relating to sanctions laws so as to protect the interests of our Shareholders and us. After undertaking the relevant due diligence, and subject to the full implementation and enforcement of such measures, the Sole Sponsor is of the view that these measures will provide a reasonably adequate and effective internal control framework to assist our Company in identifying and monitoring any material risk relating to International Sanctions.

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, we are not a party to any lawsuit. As of the Latest Practicable Date, none of our Directors, Supervisors or senior management personnel was personally involved in any lawsuits or arbitrations.

As of the Latest Practicable Date, our Directors confirmed and our PRC Legal Adviser opined that we had complied with applicable PRC laws and regulations in all material respects, and were not involved in any material or systemic non-compliance incident during the Track Record Period and up to the Latest Practicable Date.

RISK MANAGEMENT

We are exposed to various risks during our operations. For more details, please refer to the section headed "Risk Factors" in this prospectus. In addition, we are also exposed to foreign exchange risks that arise in the normal course of our business. Please refer to the paragraph headed "Financial Information – Qualitative and Quantitative Disclosure About Market Risk" in this prospectus for a discussion of these market risks. 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.

Our general manager is ultimately responsible for our risk management. Our senior management implements the risk management policies, strategies and plans set by our general manager. Each business department monitors and evaluates the implementation of risk management and internal control policies and procedures. Our general manager conducts a bi-weekly meeting with senior management and each business department head to discuss among other things, risk management and internal control policies and procedures. At general manager's meetings, depending on the agenda, different department heads will report to our general manager on the relevant agenda items, as necessary. Our Directors believe that our corporate structure provides an appropriate system of checks and balances to improve our risk management procedures in a number of important respects.

Currency risk

We are exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily U.S. dollars. In the Track Record Period, we entered into a framework Renminbi against foreign exchange transaction contract with a third party commercial bank in 2013 and 2018, respectively, to reduce exposure to fluctuations in foreign currency exchange rates for transactions denominated in foreign currencies. The Renminbi against foreign exchange transaction contract is a framework contract which allows

us to enter into Renminbi and foreign exchange conversion transactions at an agreed price and agreed amount in a certain period in future. Foreign exchange transactions can include forward, swap, option, etc. In exchange, we deposit a required amount with the commercial bank determined at 0% to 5% of the foreign exchange transaction amount. We can terminate the contract with written consent from the commercial bank, and vice versa. There is no term in the contract for a set amount, period, termination date, percentage of exposure to be hedged, net hedging position, or exchange gain or loss. Our Company had not engaged in speculative activities during the Track Record Period. As of the Latest Practicable Date, we had no intention to engage in speculative or hedging activities in the future.

We recorded the following sales and purchase amounts denominated in the U.S. dollars and conducted the following forward settlement and sales during the Track Record Period:

	Year ended December 31,			Four months period ended April 30,
	2016	**2017**	**2018**	**2019**
	(USD in thousands)			
Sales	5,481	7,638	9,702	4,619
Purchases	386	408	896	155
Forward settlement and sales	300	–	4,900	–

During the Track Record Period, we signed a total of ten forward foreign exchange settlement and sales contracts under the aforementioned framework Renminbi against foreign exchange transaction contract for minimizing exchange rate risks. The last forward foreign exchange settlement and sales contract was exercised in December 2018. Our finance department is responsible for regularly observing changes in international exchange rates, formulating long-term foreign exchange settlement and sales transaction plans and determining the annual total foreign exchange settlement and sales amount that is appropriate for our business. The annual total foreign exchange settlement and sales amount must be less than 30% of our latest audited assets and be approved by our Board. Any amount which equals to or is greater than the annual total foreign exchange settlement and sales amount must be approved by a general meeting of our Shareholders. Our general manager shall implement forward settlement and sale of foreign exchange transactions within the scope authorized by our Board or Shareholders.

As of April 30, 2019, we had (i) RMB52.8 million of cash and cash equivalents and RMB2.5 million of trade and other receivables denominated in U.S. dollars, as well as (ii) RMB0.8 million of cash and cash equivalents denominated in Euro, and our Directors have confirmed that we did not enter into forward foreign exchange settlement and sales contracts for the above foreign-denominated amounts to manage the exposure to foreign exchange rate risk. Our Directors believe that the forward foreign exchange settlement and sales contracts that we entered into during the Track Record Period should not be used as a reference or basis to determine the level of hedging activities we may carry out in the future.

Foreign exchange gain/loss

During the Track Record Period, we recorded foreign exchange gains of RMB1.4 million, losses of RMB2.6 million, gains of RMB1.4 million and losses of RMB0.9 million for 2016, 2017, 2018 and the first four months of 2019, respectively.

INTERNAL CONTROL OVER BUSINESS OPERATIONS

Internal Control Measures

Our Board is responsible for establishing our internal control system and reviewing its effectiveness. In preparation for the Global Offering, we have engaged an independent internal control consultant to perform an assessment on the effectiveness of our internal controls to identify deficiencies in our internal control system and to make recommendations on enhanced internal control measures to prevent future violations and ensure ongoing compliance with applicable laws and regulations.

In order to manage our external and internal risks and to ensure the smooth running of our business, we have engaged an independent internal control consultant (the "Internal Control Consultant") in January 2019 to perform an evaluation and provide corresponding recommendation of our internal control. The Internal Control Consultant has conducted certain agreed-upon review procedures on our internal control system in certain aspects, including revenue, purchases, fixed assets management, human resources, financial reporting process and information technology. In particular, we have adopted the following measures to enhance our internal control:

- modifying and enhancing our Articles and corporate governance policies and procedures based on the Listing Rules;
- adopting internal policies for managing conflict of interest and connected transactions based on the Listing Rules;
- providing training to our accounting and audit personnel on HKFRS and financial management;

- modifying and enhancing our internal financial and accounting policies based on the Listing Rules and HKFRS requirements;
- enhancing our internal audit policies and procedures;
- modifying and enhancing our internal risk management policies and procedures; and
- adopting anti-corruption and anti-bribery measures.

Based on its review, the Internal Control Consultant has not identified any material deficiencies regarding our Company's internal control system. Our Directors have confirmed that our Company has taken reasonable steps to establish an internal control system and procedures to enhance the control environment according to the Internal Control Consultant's recommendations. The Directors are of the view that the enhanced internal control measures adopted by our Company are adequate and effective for our Company's business operations.

Anti-Corruption and Anti-Bribery Measures

We have adopted a comprehensive anti-corruption and anti-bribery system in April 2019, which require all employees not to conduct activities in ways that could be subject to applicable anti-corruption and anti-bribery laws and regulations. Before the implementation of the anti-corruption and anti-bribery system, all of our employees were subject to the KDL Group's anti-fraud policy issued in August 2017 and the KDL Group's behavior standards issued in December 2005, both requiring our employees not to conduct activities in ways that could be subject to the applicable anti-corruption and anti-bribery laws and regulations. Our employees' handbook also includes anti-corruption and anti-bribery provisions. Employees who violate such internal policies may be subject to termination of employment. We have established an internal channel for reporting of corruption and bribery activities by our employees.

In addition, our employee handbook sets out reimbursement and disbursement policies which, among other things, clarifies signing authorities for all levels within our Company, standardizes approval procedures and reimbursement caps for entertainment, travel and other expenses, and provides additional standards and guidance for permissible expenses.

We have also established a comprehensive document management system that contains all contracts and important business documents to enable our management to effectively review and monitor important documents involving our Company, as well as standardize our contracts with distributors and suppliers to include representations and warranties regarding their compliance with applicable laws. We require our distributors to comply with all relevant anti-corruption and anti-bribery laws and regulations. For our distributors and sub-distributors, we historically monitored their compliance with all relevant anti-corruption and anti-bribery laws and regulations through their representations, warranties covenants with respect to

compliance with laws under the distribution agreements. In April 2019, we further strengthened requirements on anti-corruption and anti-bribery compliance by requiring our distributors to enter into side agreements which: (i) obligate them to comply with all relevant anti-corruption and anti-bribery laws and regulations, and (ii) allow us to unilaterally terminate their distribution agreements if they breach any of such laws and regulations. Additionally, as advised by the PRC Legal Adviser, the National Health and Family Planning Commission of China has published Provisions on the Establishment of Commercial Bribery Blacklist in the Pharmaceutical Purchase and Sales Industries (《關於建立醫藥購銷領域商業賄賂不良記錄的規定》) in 2013 with respect to anti-corruption and anti-bribery compliance by distributors, sub-distributors and suppliers, which stipulates that public medical and health institutions, in their medical procurement processes, will not purchase from or will give lower bid ranking to parties who are included in this blacklist depending on the occurrences of commercial bribery.

To the best knowledge of our Directors, none of our employees, distributors, sub-distributors and suppliers has been the subject of, or otherwise involved in, complaints, investigations, or regulatory enquiries in relation to, any bribery or kickback arrangements during the Track Record Period and up to the Latest Practicable Date. We believe that we have established adequate internal procedures, systems and controls in relation to anti-corruption and anti-bribery law compliance.

OVERVIEW

As at May 31, 2019, (i) the Zhang Family indirectly controlled KDL Holding; and (ii) KDL Holding was directly interested in 40.91% of the issued ordinary share capital of KDL, which in turn directly held 35.71% of the Shares in issue prior to the Global Offering.

KDL Holding is the holding company of KDL as (i) it controls the board of directors of KDL as it has nominated six out of nine directors of KDL; and (ii) it is the single largest shareholder of KDL.

Immediately following completion of the Global Offering, KDL will have a direct interest in 26.79% of our Shares in issue (assuming that the Over-Allotment Option is not exercised). Each of the Domestic Shareholders (except KDL) has executed an undertaking in favour of KDL (i) for KDL to, subject to compliance with the Listing Rules, Articles and terms of reference of our nomination committee, nominate three non-independent Directors and two independent non-executive Directors; and to (ii) vote in favour of the Director candidates nominated by KDL. As such, KDL controls the composition of a majority of our Board and will continue to be a Controlling Shareholder by virtue of Rule 1.01 of the Listing Rules after the completion of the Global Offering. Pursuant to the statements regarding acting in concert and related party relationships executed by the Domestic Shareholders, the Domestic Shareholders confirmed that they do not act in concert in exercising rights as Domestic Shareholders.

Based on the above, KDL, KDL Holding and Zhang Family are considered as our Controlling Shareholders (together, the "Controlling Shareholders Group") by virtue of the Listing Rules.

BACKGROUND OF OUR CONTROLLING SHAREHOLDERS

KDL

KDL is principally engaged in the research and development, manufacturing and sales of medical puncture devices. The issued A Shares of KDL are currently listed on the Shanghai Stock Exchange (stock code: SH603987). Although both the KDL Group and our Group are in the medical devices industry, our Directors are of the view that there is a clear delineation of the businesses of our Group and that of the KDL Group, for details, please refer to the paragraph headed "Delineation from the KDL Group" in this section.

KDL Holding

KDL Holding was established in the PRC in August 2006 and is an investment holding company. In addition to its equity interests in KDL, KDL Holding has control of or interests in other companies. The principal businesses of such companies differ from that of our Group and include property investment, health consulting and trading of home use medical devices.

Zhang Family

Zhang Family are our ultimate Controlling Shareholders.

COMPETITION

Our Controlling Shareholders confirmed that, as of the Latest Practicable Date, saved as disclosed in this prospectus, they do not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, and requires disclosure under Rule 8.10 of the Listing Rules.

In addition, our Controlling Shareholders have entered into the Non-competition Undertakings with our Company to ensure no potential competition going forward. For details of the Non-competition Undertakings, please refer to the paragraph headed "Non-competition Undertakings" in this section.

SPIN-OFF

Pursuant to the Spin-off Circular, the offshore listing of the subsidiaries controlled by the domestic listed companies shall comply with the conditions set out in the Spin-off Circular and obtain approvals from the CSRC. The Listing of our Company constitutes a Spin-off of KDL and is subject to the approval of the CSRC. The Listing of our Company was approved by (i) KDL's shareholders at an annual general meeting on April 20, 2019; and (ii) the CSRC on August 14, 2019. As advised by our PRC Legal Adviser, our Company has obtained all necessary approvals and authorization in the PRC in relation to Listing.

DELINEATION FROM THE KDL GROUP

We focus on the research and development, manufacturing and sales of interventional medical devices. Regarding our sales channels, our interventional medical devices are sold by distributors which hold proper licenses (our "Core Business"). For details of our products, please refer to the paragraph headed "Business – Our Product and Service Offerings" in this prospectus.

The KDL Group is primarily engaged in the research and development, manufacturing and sales of medical puncture devices (the "Retained Business"). The medical puncture devices offered by KDL mainly include syringes, infusion sets, medical needles (including injection needle, infusion needle, blood collection needle, indwelling needle and insulin pen needle), needle tube, polymer tube and bag package and blood collection tube, which are different from that of our Core Business, and that they cannot be used interchangeably with our products due to their respective applications and settings.

The following table sets forth a brief summary of the major differences between the business of our Group and that of the KDL Group which illustrates a proper delineation between their businesses.

		Our Group	The KDL Group
1	**Products characteristics**	• The interventional medical devices manufactured and sold by our Group mainly belong to Category 3 (Neural and Cardiovascular Operation Devices (神經和心血管手術器械)) of the currently effective Medical Devices Categorization Catalog (《醫療器械分類目錄》("Catalog") issued by the NMPA • Our products mainly belong to the high-value consumables catalog (高值耗材招標目錄) issued by the relevant regulatory authorities in various provinces and cities	• The medical puncture devices manufactured and sold by the KDL Group mainly belong to Category 14 (injection, nursing and protective wear supplies (注輸、護理和防護器械)) of the Catalog • The products of the KDL Group mainly belong to the common consumables catalog (普通耗材招標目錄) issued by the relevant regulatory authorities in various provinces and cities
2	**Uses**	• Our medical devices are mainly used in catheterization laboratories • Used in cardiovascular interventional procedures, such as, coronary angiography, PCI and stenting	• The medical devices of the KDL Group are mainly used in general wards • Used in simple clinical procedures, such as, blood-taking, intravenous transfusion and injection of medicine

		Our Group	The KDL Group
3	**Techniques**	We rely on the following techniques for the manufacturing of our major medical devices: • Fine extrusion (精密擠出) technique: our fine extrusion technique enables us to produce tubing or catheters with diameter >=0.3 millimeter and wall thickness >=0.05 millimeter • Fine welding (精密焊接) technique: through fine design of the tooling system for laser welding machine, our welding technique enables us to weld parts >=0.05 millimeter, and tolerance of <=0.02 millimeter • Fine braiding (精密編織) technique: mainly used in manufacturing medical catheters using a variety of materials ranging from stainless steel, nitinol, nylon and Kevlar fibre. With different design of braiding, we can produce catheters with different stiffness and flexibility • Hydrophilic coating (親水塗層) technique: our hydrophilic coating technique together with our independent design of coating machine allows us to produce medical devices with a hydrophilic coating which can reduce about 98% surface friction of the medical devices and therefore lowering the risk of causing injury to the artery	The techniques involved in the manufacturing of the KDL Group's medical devices mainly include techniques for manufacturing seldinger needles: • Welding and thermal treatment (焊接及熱處理) technique: the KDL Group adopts welding and thermal treatment to ensure a stable quality of their mass production of needles • Metal coating (金屬表面) technique: the KDL Group adopts metal coating technique to produce needles with smooth surface and therefore lowering the risk of causing injury to the artery • Electrochemical treatment (電化處理) technique: the KDL Group adopts electrochemical technique to ensure the sharpness of their needles
4	**Target users**	• Our medical devices are mainly used by doctors	• The medical devices of the KDL Group are used by medical care personnel, who are mainly nurses

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors believe that our Group will continue to conduct our business independently from the Controlling Shareholders Group after completion of the Global Offering.

Management Independence

We carry on our business independently from the Controlling Shareholders Group from a management perspective. The following table sets forth the details of the directorships and/or roles in our Company and within the legal entities in the Controlling Shareholders Group (the "Corporate Controlling Shareholders").

Name	Position in our Company	Position in the Corporate Controlling Shareholders
Dr. Liang Dongke (梁棟科)	Executive Director and general manager	None
Mr. Wang Cailiang (王彩亮)	Executive Director and deputy general manager	Director of KDL (not involved in day-to-day operations of KDL)
Mr. Zhang Weixin (張維鑫)	Non-executive Director (not involved in our day-to-day operations)	Director and general manager of KDL
Ms. Chen Hongqin (陳紅琴)	Non-executive Director (not involved in our day-to-day operations)	Director of KDL
Mr. Fang Shengshi (方聖石)	Non-executive Director	None
Mr. Dai Kerong (戴尅戎)	Independent non-executive Director	None
Mr. Jian Xigao (蹇錫高)	Independent non-executive Director	None
Dr. Ge Junbo (葛均波)	Independent non-executive Director	None
Mr. Hui Hung Kwan (許鴻群)	Independent non-executive Director	None

Our Board consists of nine Directors, including two executive Directors, three non-executive Directors and four independent non-executive Directors. For more details, please refer to the section headed "Directors, Supervisors and Senior Management" in this prospectus. None of our Directors is a Controlling Shareholder. Other than Mr. Wang Cailiang, Mr. Zhang Weixin and Ms. Chen Hongqin, none of our other Directors holds directorships or senior management roles in the Corporate Controlling Shareholders. Mr. Zhang Weixin and Ms. Chen Hongqin are our non-executive Directors and they will not be involved in the day-to-day

management or affairs or operations of our businesses. Although Mr. Wang Cailiang is our executive Director and a director of KDL, his directorship at KDL is of a non-executive nature and he is not engaged in the day-to-day management or affairs or operations of the businesses of KDL. In addition, when performing his duty as an executive Director, he has been and will continue to be supported by the separate and independent senior management team of our Group.

The independent senior management team of our Group is led by a core management team comprising Dr. Liang Dongke (梁棟科), Mr. Wang Cailiang (王彩亮), Dr. Song Yuan (宋媛) and Ms. Zhao Yan (趙燕), some of whom have served our Group for a number of years with substantive working experience in the medical devices industry. They made material decisions in our business operation and development during the Track Record Period. There is no overlapping personnel between the senior management team of our Group and the Corporate Controlling Shareholders.

In the event that the three overlapping Directors are required to abstain from any Board meeting of our Company on any matter which may give rise to a potential conflict of interest with the Controlling Shareholders Group, the remaining Directors will have sufficient expertise and experience to fully consider such matter. Notwithstanding the three overlapping Directors, our Directors, including the independent non-executive Directors, are of the view that our Board is able to manage our business independently from the Controlling Shareholders Group for the following reasons:

(i) Prior to the Listing, our Group's overlapping Directors have had dual roles in the Corporate Controlling Shareholders and our Group because our Company is a subsidiary of KDL. However, our Group operates as an independent subsidiary of KDL. Given that the Retained Business does not compete, or is not likely to complete, with our Core Business and with the corporate governance measures in place to manage existing and potential conflicts of interests, the dual roles assumed by the overlapping Directors in most cases will not affect the requisite degree of impartiality required of our Directors in discharging their fiduciary duties owed to our Company.

(ii) The daily operation of our Group is managed by an experienced senior management team and is overseen by Dr. Liang Dongke and Mr. Wang Cailiang. Both of Dr. Liang Dongke and Mr. Wang Cailiang have a track record of devoting sufficient time and energy to discharging their duties as our Directors. Both of them will focus exclusively on our Group's business.

(iii) Mr. Zhang Weixin and Ms. Chen Hongqin are our non-executive Directors and are responsible for supervising the management of our Board, but are not involved in the day-to-day management of our Group. Thus, their roles in the Corporate Controlling Shareholders will not affect their abilities to discharge their duties as our non-executive Directors.

(iv) Except for Mr. Zhang Weixin and Ms. Chen Hongqin, all of our Directors do not and will not have any role in the daily management of operation in the Corporate Controlling Shareholders, and these Directors will be able to exercise independent judgment free of any conflict of interest. With these Directors comprising more than 75% of our Board, there will be sufficiently robust and independent voices on our Board to address any actual or potential conflict of interest and to protect the interests of the minority Shareholders of our Company. Our Directors will assess the particular circumstances of any future matter involving the Controlling Shareholders Group and determine whether they give rise to any material conflict of interest regarding any of our Directors requiring them to abstain from voting. In an event of conflict of interest, the relevant Director(s) will abstain from voting and will be excluded from deliberation by our Board. We believe our Directors with no overlapping directorships in the Corporate Controlling Shareholders have the requisite qualifications, integrity and experience to maintain an effective Board and observe their fiduciary duties in an event of conflict of interest. Please refer to the section headed "Directors, Supervisors and Senior Management" in this prospectus for the relevant experience and qualification of our Directors.

Operational Independence

We have full rights, hold and enjoy the benefits of all relevant licenses, have sufficient capital and employees necessary to make all decisions on, and to carry out, our own business operation independently from our Controlling Shareholders and their associates and will continue to do so after Listing.

Independent business operations

Our Group is mainly committed to the research and development, manufacturing and sales of interventional medical devices. Our major products include inflation device, introducer set, pressure extension tube, manifold, guidewire, Y connector pack, pressure bandage and angiography catheter. We have a complete business procedure, independent production and operation premises and independent procurement and sales system, without any reliance on our Controlling Shareholders and their associates. During the Track Record Period, our Company conducted certain transactions with our Controlling Shareholders and their respective close associates which are expected to continue after the Listing and will constitute continuing connected transactions of our Company under the Listing Rules. Details of each of the continuing connected transactions are set out in the section headed "Connected Transactions" in this prospectus. Such transactions are entered into in the ordinary and usual course of business of our Company and our Directors confirm that the terms of such transactions are determined at arm's length negotiations and are no less favourable to our Company than terms offered by Independent Third Parties. Our Directors believe that the continuing connected transactions between our Company and our Controlling Shareholders and their close associates do not indicate any undue reliance by our Company on our Controlling Shareholders and are beneficial to our Company and our Shareholders as a whole.

Administrative capabilities

Our Company has established independent and complete administrative functions according to our Articles, the relevant laws and regulations as well as our business needs. All of our departments operate independently and in accordance with the relevant internal policies without any overlapping function or personnel with our Controlling Shareholders.

Licenses

We hold and enjoy the benefit of all relevant licenses and permits material to the operation of our business.

Operation facilities

As of the Latest Practicable Date and saved as disclosed in the paragraph headed "Connected Transactions – (B) Continuing Connected Transaction Subject to the Reporting, Annual Review, Announcement Requirements but Exempt from the independent Shareholders' Approval Requirement" in this prospectus, we own all the properties, facilities and equipment necessary to our business operations independent from our Controlling Shareholders and their associates.

Employees

As of the Latest Practicable Date, all of our full-time employees were recruited independently and primarily through recruitment websites, on-campus recruitment programs and recruiting firms.

Financial Independence

We have established our own financial department with independent financial staff, who are responsible for financial management, accounting treatment and financial reporting of our Group. Our finance and auditing functions are carried out and we can make financial decisions independently without interference from our Controlling Shareholders and their associates. We have also established an independent audit system, a standardized financial and accounting system and a complete financial management system. We maintain bank accounts with banks independently and do not share any bank accounts with our Controlling Shareholders and their associates. We believe that we are capable of obtaining financing from third parties without relying on any guarantee or security provided by our Controlling Shareholders or their associates.

As of the Latest Practicable Date, we do not have any loans due from or due to our Controlling Shareholders and we do not have any share pledges or guarantees provided by our Controlling Shareholders and their associates on our borrowings.

Accordingly, we believe we are able to maintain financial independence from our Controlling Shareholders and their associates.

NON-COMPETITION UNDERTAKINGS

Non-Competition Undertakings by our Controlling Shareholders

KDL, as the covenantor, has entered into a non-competition undertaking with our Company for our benefits on April 25, 2019. Our other Controlling Shareholders, as the covenantors (together with KDL, the "Covenantors") have also entered into a non-competition undertaking with our Company for our benefits on October 14, 2019. Pursuant to the abovementioned non-competition undertakings (together, the "Non-Competition Undertakings"), the Covenantors and their close associates (other than members of our Group) have confirmed that as of the date of the respective Non-competition Undertakings, neither of the Covenantors or any of their close associates (other than members of our Group) has, in any form, engaged in, assisted or supported any third party in the operation of, participate, or have any interest in, any business that, directly or indirectly, competes or will compete or may compete with the Core Business of our Group (the "Restricted Business").

In order to ensure no potential competition, pursuant to the Non-competition Undertakings, the Covenantors have, unconditionally and irrevocably, undertaken to our Company, among other things, that they would not and would use their best endeavors to procure their close associates (except any members of our Group) not to, directly or indirectly, at any time during the Relevant Period (as defined below), carry on, engage in, invest in, participate in, attempt to participate in, render any services to, provide any financial support to or otherwise be involved in or interested in, whether alone or jointly with another person and whether directly or indirectly or on behalf of or to assist or act in concert with any other person, any business which is the same as, similar to or in competition or will compete or may compete with the Restricted Business.

The above restrictions do not prohibit the Covenantors and their close associates (other than members of our Group) from holding securities of any company which conducts or is engaged in any Restricted Business, provided that conditions set out in paragraphs (a), (b) and (c) below are satisfied:

(a) the aggregate number of shares or equity interest held by each of the Covenantors and their close associates (other than members of our Group) is less than 10% of any class of the issued shares or the entire equity interest of such company;

(b) each of the Covenantors or their close associates (other than members of our Group) do not own, by any means, any right to control the composition of the board of directors or managers of such Restricted Business nor any right to participate, directly or indirectly, in such Restricted Business; and

(c) none of the Covenantors and their close associates (other than members of our Group) is the controlling shareholder of such company.

In addition, in the event that the Board or the general meeting of our Shareholders resolves that it is appropriate for the Covenantors and/or their close associates (other than members of our Group) and our Group to jointly invest in, conduct, operate or participate in any business opportunity relating to the Restricted Business (the "Competing New Business Opportunity"), and if our Group gives written invitation, the Covenantors and/or their close associates (other than members of our Group) may together with our Group, jointly invest in, conduct, operate or participate in such Competing New Business Opportunity subject to the provisions of the Listing Rules and any requirement from the Stock Exchange (including but not limited to the obtaining of approval from the independent non-executive Directors and independent Shareholders of our Company and/or other approvals).

Under the Non-competition Undertakings, the Covenantors have further undertaken to us the following:

(a) shall provide, and shall procure their close associates (other than members of our Group) to provide, during the Relevant Period (as defined below), where necessary and at least on an annual basis, all information necessary for the review by our independent non-executive Directors, subject to any relevant laws, rules and regulations or any contractual obligations, to enable them to review the Covenantors' and their close associates' (other than members of our Group) compliance with the Non-competition Undertakings, and to enable our independent non-executive Directors to enforce the Non-competition Undertakings, including but not limited to any decision described in paragraph (e) below or in relation to the pre-emptive right to restrict the transfer;

(b) without prejudicing the generality of paragraph (a) above, the Covenantors (and on behalf of their close associates (other than members of our Group) from time to time) shall provide to us annually with an annual declaration for inclusion in our annual report, in respect of compliance with the terms of the Non-competition Undertakings;

(c) the Covenantors have agreed and authorized our Company to disclose decisions on matters reviewed by our independent non-executive Directors relating to the compliance and enforcement of the Non-competition Undertakings, either through our annual report or by way of announcement;

(d) during the Relevant Period (as defined below), in the event that the Covenantors or their close associates (other than members of our Group) are given any business opportunity relating to the Competing New Business Opportunity, the Covenantors shall, and shall procure that their close associates (other than members of our Group), inform us of such Competing New Business Opportunity in writing with all available information as soon as practicable and shall use its best endeavors to assist us in obtaining such Competing New Business Opportunity on the same or more favorable terms;

(e) when there is any Competing New Business Opportunity, all independent non-executive Directors but excluding any independent non-executive Directors with conflicted interests will form a committee (the "Independent Committee Board") and in the event that the Independent Committee Board decides that our Group should not take up such Competing New Business Opportunity as referred to in (d) above within a commercially reasonable period and undertake by written notice, the Covenantors and their close associates (other than members of our Group) may take up such business opportunity and the involvement in the business derived from such Competing New Business Opportunity shall not be regarded as a breach of the Non-competition Undertakings; and

(f) since the effective date of the Non-competition Undertakings, the Covenantors agree to indemnify us from and against any and all losses, damages, claims, liabilities, costs and expenses (including legal costs and expenses) where we may suffer or incur as a result of any failure to comply with the terms of the Non-competition Undertakings by the relevant Covenantors or their close associates (other than members of our Group).

Where the Covenantors and/or their close associates (other than members of our Group) acquire the Restricted Business pursuant to paragraph (e) above, each of the Covenantors and/or their close associates (other than members of our Group) shall provide our Group with pre-emptive right (the "Pre-emptive Right") to acquire any such Restricted Business under the same circumstances. Where the Independent Committee Board decides to waive our Pre-emptive Right by way of written notice, each of the Covenantors and/or their close associates (other than members of our Group) may offer to sell such Restricted Business (as defined below) to other third parties on such terms which are no more favorable than those made available to our Group.

Where the Covenantors and/or their close associates (other than members of our Group) acquire the Restricted Business pursuant to paragraph (e) above, each of the Covenantors and/or their close associates (other than members of our Group) has undertaken to grant us the option (the "Options for Acquisition") which is exercisable at any time during the term of the Relevant Period (as defined below), to purchase at one or more times any equity interest, assets or other interests which form part/or all of such Restricted Business as described above, or to operate the Restricted Business by way of, including but not limited to, management outsourcing, lease or subcontracting. However, if a third party has the pre-emptive rights in accordance with applicable laws and regulations and/or any legally binding document, the Options of Acquisition shall be subject to such third-party rights. In these circumstances, the Covenantors will use its best endeavors to procure the third party to waive such pre-emptive rights.

The Covenantors have further unconditionally and irrevocably undertaken that they and/or their close associates (other than members of our Group) will not take advantage of their connections with our Group and/or our Shareholders, or their position as a Shareholder of our Company, to participate or be engaged in any activities which may be detrimental to the interests of our Group and our other Shareholders.

The Covenantors has further unconditionally and irrevocably undertaken that except with the prior written consent of our Group, the Covenantors shall not, and shall procure that their close associates (other than members of our Group) will not, directly or indirectly:

(a) at any time induce or attempt to induce any director, manager or consultant of any member of our Group to terminate his or her employment or consultancy (as applicable) with our Group, whether or not such act of that person would constitute a breach of that person's contract of employment or consultancy (as applicable); or

(b) alone or jointly with any other person through or as director, manager, adviser, consultant, employee of or agent for or shareholder in any person, firm or company, in competition with any member of our Group, canvass, or solicit or accept orders from or do business with any person with whom any member of our Group has done business or solicit or persuade any person who has dealt with our Group or is in the process of negotiating with our Group in relation to the Restricted Business to cease to deal with our Group or reduce the amount of business which the person would normally do with our Group or seek to improve their terms of trade with any member of our Group.

Our Company will disclose the decisions with basis on matters reviewed by our independent non-executive Directors relating to the compliance with and enforcement of the Non-competition Undertakings either in the annual report of our Company or by way of public announcement.

For the purposes of the above, the "Relevant Period" means the period commencing from the date on which the Non-competition Undertakings become effective and shall expire on the earlier of (a) the date when the Covenantors and, as the case may be, any of their close associates collectively, cease to hold, or otherwise hold, beneficially in aggregate whether directly or indirectly, 30% or more (or such other percentage of shareholding as stipulated in the Listing Rules to constitute a controlling shareholder) of the issued ordinary share capital of our Company or is not in a position to control the composition of a majority of the Board of our Company; or (b) the date on which the H Shares cease to be listed on the Stock Exchange (except for temporary suspension of trading of the H Shares).

In the shareholders' meeting on April 19, 2019, the shareholders of KDL have authorized the board of directors of KDL or their authorized representatives to handle matters in relation to our Listing, including, among others, to execute legal documents in connection with the Listing. Accordingly, KDL has entered into a non-competition undertaking with our Company on April 25, 2019. Our PRC Legal Adviser is of the view that KDL is not required under its articles and the relevant PRC laws and regulations to obtain any shareholders' approval for the execution of the Non-Competition Undertakings.

CORPORATE GOVERNANCE MEASURES

In addition to the measures to address potential competition and conflicts of interest as stated above, our Directors believe that there are also adequate corporate governance measures in place to manage potential conflict of interest between our Controlling Shareholders and our Group, and to safeguard our Shareholder's interests collectively for the following reasons:

(1) As part of our preparation for the Global Offering. we have amended our Articles to comply with the Listing Rules. In particular, our Articles provided that, unless otherwise provided, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his/her associates have a material interest nor shall such Director be counted in the quorum present at the meeting.

(2) A Director with material interests shall make full disclosure in respect of matters that may have conflict or potentially conflict with any of our interest and abstain from the board meetings on matters in which such Director or his/her associates have a material interest, unless attendance or participation of such Director at such meeting of our Board is specifically requested by a majority of our independent non-executive Directors.

(3) We are committed that our Board should include in balanced composition of executive Directors and independent non-executive Directors. We have appointed independent non-executive Directors and we believe our independent non-executive Directors possess sufficient experience and they are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgement and will be able to provide an impartial, external opinion to protect the interests of our public Shareholders. Details of our independent non-executive Directors are set out in the section headed "Directors, Supervisors and Senior Management" in this prospectus.

(4) We have appointed BOCOM International (Asia) Limited as our compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to Directors' duties and corporate governance.

(5) As required by the Listing Rules, our independent non-executive Directors shall review all connected transactions annually and confirm in our annual report that such transactions have been entered into in our ordinary and usual course of business, are either on normal commercial terms or on terms no less favorable to us than those available to or from independent third parties and on terms that are fair and reasonable and in the interest of our Shareholders as a whole.

(6) Our Controlling Shareholders will make annual statements regarding their compliance with the Non-Competition Undertakings in our annual reports, which are consistent with the principle of making disclosure in the corporate governance section of the annual report.

OUR CONNECTED PERSONS

Upon Listing, each of KDL and KDL Holding is our Controlling Shareholder and therefore is a connected person of our Company under the Listing Rules. Further, Ningbo Huaige Health Investment Management Partnership (Limited Partnership) (寧波懷格健康投資管理合夥企業(有限合夥)) ("Ningbo Huaige Health"), as the general partner of our Substantial Shareholder, Ningbo Huaige Taiyi, is also a connected person of our Company under the Listing Rules. We have entered into a number of agreements with each of KDL, KDL Holding and Ningbo Huaige Health in our ordinary and usual course of business and the details of which are set out below. The transactions disclosed in this section will constitute our continuing connected transactions under Chapter 14A of the Listing Rules upon Listing.

OUR CONTINUING CONNECTED TRANSACTIONS

(A) Continuing Connected Transactions Fully Exempt from the Reporting, Annual Review, Announcement and Independent Shareholders' Approval Requirements

1. IP Licensing Agreement

Parties: our Company (as the licensee) and KDL (as the licensor).

Principal terms: Our Company has entered into a trade name and trademark licensing agreement dated June 20, 2018 and a supplemental trade name and trademark licensing agreement dated October 14, 2019 with KDL (together, the "IP Licensing Agreement") pursuant to which KDL has agreed to grant to:

(i) our Company and Shanghai KDL Research Center a non-exclusive and non-transferable license to use the trade names "KDL" and "康德萊" (the "KDL Trade Name") in its name, product packaging or identification for a perpetual term on a royalty-free basis unless otherwise agreed by KDL and our Company in writing; and

(ii) our Group has obtained a non-exclusive and non-transferable license to use its trademarks as listed in the IP Licensing Agreement (the "KDL Trademarks") for the Group's corporate marketing activities and in the Group's product packaging for a term of 20 years on a royalty-free basis from the first to the tenth year and at an annual fee to be negotiated and agreed by both parties but which should not exceed 1% of the revenue generated from sales of products using the KDL Trademarks from the eleventh to twentieth year. Upon expiry, the term of the license of KDL Trademarks shall be renewable through negotiation and subject to the restrictions and regulations under the Listing Rules.

Details of the KDL Trademarks are set forth in Appendix VI to this prospectus.

Reasons for the transactions and pricing policy: Our Company was established as a subsidiary of KDL to engage in the research and development, manufacturing and sales of interventional medical devices and has been licensed by KDL to use the KDL Trade Name and certain KDL Trademarks on a royalty-free basis for a number of years. In line with our existing arrangements and in order to maintain the consistency of our image, we will continue to use the KDL Trade Name on a royalty-free basis and the KDL Trademarks on a royalty-free basis for the first to the tenth year. As agreed by both parties after arm's length negotiations, we will use the KDL Trademarks at an annual fee of not exceeding 1% of the revenue generated from sales of products using the KDL Trademarks from the eleventh to twentieth year.

Our Directors believe that entering into the IP Licensing Agreement with a term of more than three years can ensure the stability of our operations, and is beneficial to the interests of our Company and our Shareholders as a whole. Our Directors are of the view that it is normal business practice for agreements of this type to be of such duration.

Implications under Listing Rules: As the grant of the right to use the KDL Trade Name is on a royalty-free basis and the grant of rights to use the KDL Trademarks is on a royalty-free basis for the first ten years, the applicable percentage ratios (other than the profits ratio) calculated for the purpose of Chapter 14A of the Listing Rules for the transactions under the IP Licensing Agreement is expected to be less than 0.1% on an annual basis until June 19, 2028. Accordingly, the transactions under the IP Licensing Agreement will constitute *de minimis* transactions for our Company under Chapter 14A of the Listing Rules upon Listing. Our Company shall review the expected annual caps for the rights to use the KDL Trademarks from June 20, 2028 onwards and comply with the relevant Listing Rules and other laws and regulations.

2. Materials Purchase Framework Agreement

Parties: Our Company (as the purchaser) and KDL (as the supplier).

Principal terms: Our Company has entered into a purchase framework agreement dated December 31, 2018 with KDL, a purchase framework agreement dated December 31, 2018 with Zhejiang Kindly Medical Devices Co., Ltd. 浙江康德萊醫療器械股份有限公司, a wholly-owned subsidiary of KDL, both of which are amended and supplemented by a supplemental purchase framework agreement dated October 14, 2019 entered into by and between our Company and KDL (together, the "Materials Purchase Framework Agreement") pursuant to which KDL has agreed to sell to our Company and our Company has agreed to purchase from KDL certain semi-products and raw materials. The principal terms of the Materials Purchase Framework Agreement are as follows:

- KDL and/or its subsidiaries or associated companies (the "Supplier") will sell to our Group certain semi-products and raw materials including but not limited to medical syringes, injection accessories and diluents of specified specifications, etc., which are required for our manufacturing process;

- with respect to specific product requests that may be identified in the future, our Group and the Supplier will enter into separate individual agreements or work orders to provide for the specific terms and conditions according to the principles provided in the Materials Purchase Framework Agreement;

- *pricing policy:* unless agreed by both parties after arms' length negotiations and with reference to the market prices, quantities, delivery methods of the raw materials and semi-products and historical transaction amounts, purchase price for the raw materials and semi-products shall be calculated and determined according to the price list which had been determined on a cost-plus basis and as set out in the Materials Purchase Framework Agreement. Such prices shall be no less favourable than prices at which our Group pays independent third parties for comparable transactions;

- *term:* the Materials Purchase Framework Agreement is effective from January 1, 2019 to December 31, 2021 and may be renewed conditional on the fulfillment of the relevant requirements under the relevant laws, regulations and the Listing Rules.

Reasons for the transactions: We are engaged in the manufacturing of interventional medical devices and we need certain semi-finished products and raw materials in our manufacturing process. KDL is one of the providers of such semi-finished products and raw materials in the PRC and given our history of business relationship, they can provide the required products that suit our needs most appropriately.

Historical amounts: For the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019, the historical transaction amounts for the materials purchased from the Supplier were RMB1.2 million, RMB3.0 million, RMB2.2 million and RMB0.4 million, respectively.

Annual caps: For the three years ending December 31, 2019, 2020 and 2021, the total amount under the Materials Purchase Framework Agreement shall not exceed RMB2.0 million, RMB2.0 million and RMB2.0 million, respectively.

Basis of caps: In determining the above annual caps, our Directors have considered: (i) the historical transaction amount of payments for the purchase of raw materials and semi-products from the Supplier; and (ii) the expected demand for the relevant raw materials and semi-products to be purchased from the Supplier.

Implication under the Listing Rules: As the highest applicable percentage ratios (other than the profits ratio) calculated for the purpose of Chapter 14A of the Listing Rules for the transactions under the Materials Purchase Framework Agreement will be less than 5% and the total consideration will be less than HK$3 million on an annual basis, the transactions under the Materials Purchase Framework Agreement will constitute *de minimus* transactions of our Company under Chapter 14A of the Listing Rules upon Listing.

3. Financial Adviser Services Agreement

Parties: Our Company and Ningbo Huaige Health.

Principal terms: Our Company has entered into a financial adviser services agreement dated April 20, 2018 with Ningbo Huaige Health (the "Financial Adviser Services Agreement") pursuant to which our Company agreed to engage Ningbo Huaige Health and Ningbo Huaige Health agreed to act as a financial adviser and provide corporate finance advice to our Company unless terminated by mutual agreement of the parties. The transaction under the Financial Adviser Services Agreement became our continuing connected transaction when Ningbo Huaige Taiyi, a limited partnership in which Ningbo Huaige Health is the general partner, became our Pre-IPO Investor in December 2018 and which will remain as our Substantial Shareholder upon Listing. The principal terms of the Financial Adviser Services Agreement are as follows:

- *pricing policy:* as agreed by both parties after arm's length negotiations, the total service fees charged by Ningbo Huaige Health amount to RMB3.0 million based on its service scope and complexity of financial services, payable in five installments; and

- *term:* the Financial Adviser Services Agreement is effective from April 20, 2018 to April 30, 2020.

Reasons for the transactions: Ningbo Huaige Health is a registered fund manager in the PRC and is experienced in fund management and corporate finance matters. Our Company needs corporate finance advice in relation to our financing activities from time to time. As the general partner of Ningbo Huaige Taiyi, our Substantial Shareholder, Ningbo Huaige Health understands the financing needs of our Company and is able to provide appropriate corporate finance advice for our Company.

Historical amounts: For the year ended December 31, 2018 and the four months ended April 30, 2019, the total transaction amounts paid to Ningbo Huaige Health under the Financial Adviser Services Agreement were RMB1.5 million and RMB0.5 million, respectively.

Annual caps: For each of the years ending December 31, 2019 and 2020, the total service fees payable under the Financial Adviser Services Agreement will be RMB1.2 million and RMB0.3 million, respectively.

Implications under the Listing Rules: As the highest applicable percentage ratio (other than profits ratio) calculated for the purpose of Chapter 14A of the Listing Rules for the transactions under the Financial Adviser Services Agreement will be less than 5% and the total consideration will be less than HK$3.0 million on an annual basis, the transactions under the Financial Adviser Services Agreement will constitute *de minimus* transactions of our Company under Chapter 14A of the Listing Rules upon Listing.

(B) Continuing Connected Transaction Subject to the Reporting, Annual Review, Announcement Requirements but Exempt from the Independent Shareholders' Approval Requirement

1. Property Lease Framework Agreement

Parties: our Company (as the lessee) and KDL Holding (as the lessor).

Principal terms: We entered into a property lease framework agreement (the "Property Lease Framework Agreement") dated October 14, 2019 with KDL Holding, pursuant to which we may lease properties from KDL Holding and/or it associates or subsidiaries ("KDL Holding Group") as office premises, warehouses, staff quarters and production plants. The principal terms of the Property Lease Framework Agreement are as follows:

- the KDL Holding Group will lease to us properties we need for our business operations, including office premises, warehouses, staff quarters and production plants;

- our Group and the KDL Holding Group will enter into separate lease agreements which will set out the specific terms and conditions according to the principles in the Property Lease Framework Agreement;

- *pricing policy:*

  (i) the rentals shall be determined with reference to the then market price of properties of comparable size and use in the vicinity which are available to independent third parties as agreed by both parties after arm's length negotiations;

  (ii) the property management fees shall be determined as agreed by both parties after arm's length negotiations with reference to the then market price;

  (iii) the energy charges and other facilities fees shall follow the government-prescribed price or where no such government-prescribed price is applicable, it shall then be determined as agreed by both parties after arm's length negotiations with reference to the then market price; and

- *term:* the Property Lease Framework Agreement is valid for a term of 3 years commencing from the Listing Date. The term of the separate underlying lease agreements entered into under the Property Lease Framework Agreement shall be for a maximum of 3 years. We may request to renew the term of the lease by issuing a written notice to the relevant members of the KDL Holding Group at least three months before expiry of the lease. The relevant lease may be renewed upon mutual agreement by both parties after arm's length negotiations.

Existing leases: Based on the property lease agreements entered into between our Group and KDL Holding Group which are subject to the Property Lease Framework Agreement, our Group leased a number of properties from the KDL Holding Group with a total GFA of 2,947.1 sq.m. as of the Latest Practicable Date. Such properties are located in Shanghai and Zhuhai and are mainly used as production plants, warehouses, staff quarters and office premises. For details of the existing leases, please refer to the paragraph headed "Business – Properties" in this prospectus. Leased properties numbered 3 to 9 in the summary table contained therein represent our existing leases with the KDL Holding Group.

Reasons for the transactions: Our Group has started to lease and use the abovementioned properties for its business operations prior to and throughout the Track Record Period. Any relocation may cause unnecessary disruption to our business operation and incur unnecessary costs.

Historical amounts: For the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019, the total rentals charged by KDL Holding Group were RMB2.5 million, RMB3.0 million, RMB5.1 million and RMB2.1 million, respectively.

Annual caps: For the years ending December 31, 2019, 2020 and 2021, the maximum aggregate annual amount of rentals under the Property Lease Framework Agreement shall not exceed RMB4.4 million, RMB1.2 million and RMB1.3 million, respectively.

As disclosed under the paragraph headed "Business – Properties" in this prospectus, we entered into an asset transfer framework agreement with KDL on July 31, 2019 (the "Asset Transfer Agreement") to acquire a plot of land which is where our headquarters (the "Property") is currently located and is one of the properties under the Property Lease Framework Agreement. We also entered into a property lease termination agreement dated August 12, 2019 with KDL pursuant to which the lease agreement for the Property was terminated and KDL agreed that we may continue to use the Property at nil consideration from July 31, 2019 to the date of completion of transfer of land use rights and property ownership rights of the Property to us.

Basis of caps: In determining the above annual caps, our Directors have considered: (i) the rentals of the existing property leases according to the terms of the existing property leases; and (ii) the steady increase in rentals of properties in the vicinity of the relevant properties and the future development of the property market in the PRC.

Cushman & Wakefield Limited, the independent property valuer of our Company, has confirmed that, (i) the terms of the abovementioned existing leases, including the lease term, are at arm's length, on normal commercial terms and reasonable for contracts of the relevant type, (ii) the rentals of the abovementioned existing property leases with a total GFA of 2,947.1 sq.m. are fair and reasonable and represent the prevailing market rates for properties of similar size situated in the locality that are used for similar purposes in the PRC, and (iii) the considerations in formulating the proposed annual caps are fair and reasonable and consistent with market practice.

Listing Rules Implications: As the highest applicable percentage ratios (other than the profits ratio) calculated for the purpose of Chapter 14A of the Listing Rules for the transactions under the Property Lease Framework Agreement will be less than 5% on an annual basis but the consideration is more than HK$3.0 million, under Rule 14A.76 of the Listing Rules, the transactions under the Property Lease Framework Agreement will be subject to the reporting, announcement and annual review requirements but will be exempt from the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules upon the Listing.

(C) Continuing Connected Transaction Subject to the Reporting, Annual Review, Announcement and Independent Shareholders' Approval Requirements

1. Medical Accessories and Molds Sales Framework Agreement

Parties: Our Company (as the supplier) and KDL (as the purchaser).

Principal terms: Our Company has entered into a procurement framework agreement dated December 31, 2018 with KDL, a procurement framework agreement dated December 31, 2018 with Zhejiang Kindly Medical Devices Co., Ltd. 浙江康德萊醫療器械股份有限公司, a wholly-owned subsidiary of KDL, both of which are amended and supplemented by a supplemental procurement framework agreement dated October 14, 2019 entered into by and between our Company and KDL (together, the "Medical Accessories and Molds Sales Framework Agreement") pursuant to which our Company has agreed to sell to KDL and KDL has agreed to purchase from our Company certain medical accessories and molds for their manufacturing of medical devices. The principal terms of the Medical Accessories and Molds Sales Framework Agreement are as follows:

- our Group will sell to KDL and/or its subsidiaries or associated companies (the "Purchaser") certain medical accessories and molds manufactured by our Group;

- with respect to specific product requests that may be identified in the future, our Group and the Purchaser will enter into separate individual agreements or work orders to provide for the specific terms and conditions according to the principles provided in the Medical Accessories and Molds Sales Framework Agreement;

- *pricing policy:* unless agreed by both parties after arm's length negotiations and with reference to the market prices, quantities, delivery methods of the medical accessories and/or molds and historical transaction amounts, purchase price for the medical accessories and/or molds shall be calculated according to the price list which had been determined on a cost-plus basis and as set out in the Medical Accessories and Molds Sales Framework Agreement. Such prices shall be no less favourable than prices at which our Group charges independent third parties in comparable transactions; and

- *term:* the Medical Accessories and Molds Sales Framework Agreement is effective from January 1, 2019 to December 31, 2021 and may be renewed conditional on the fulfillment of the relevant requirements under the relevant laws, regulations and the Listing Rules.

Reasons for the transactions: It is in our ordinary and usual course of business to sell medical accessories and molds. KDL needs certain medical accessories in the manufacturing process of their medical devices and they have purchased such medical accessories and molds from us historically.

Historical amounts: For the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019, the historical transaction amounts for the sales of goods to the Purchaser were RMB15.3 million, RMB19.0 million, RMB14.1 million and RMB3.0 million, respectively.

Annual caps: For the three years ending December 31, 2019, 2020 and 2021, the annual transaction amounts under the Medical Accessories and Molds Sales Framework Agreement shall not exceed RMB16.0 million, RMB16.0 million and RMB16.0 million, respectively.

Basis of caps: In determining the above annual caps, our Directors have considered: (i) the historical amount of payments received by our Group from the Purchaser for the sales of medical accessories and molds; and (ii) the expected demand from the Purchaser for the relevant medical accessories and molds.

Implication under the Listing Rules: As the highest applicable percentage ratios (other than the profits ratio) calculated for the purpose of Chapter 14A of the Listing Rules for the transactions under the Medical Accessories and Molds Sales Framework Agreement will be more than 5% on an annual basis, the transactions under the Medical Accessories and Molds Sales Framework Agreement will be subject to the reporting, announcement, annual review and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

CONFIRMATION OF OUR DIRECTORS

Our Directors (including independent non-executive Directors) consider that the above continuing connected transactions have been and will be entered into in our Group's ordinary and usual course of business and on normal commercial terms, are fair and reasonable, and in the interest of our Company and Shareholders as a whole. The proposed annual caps in respect of the continuing connected transactions are also fair and reasonable and in the interest of our Company and our Shareholders as a whole.

CONFIRMATION OF THE SOLE SPONSOR

The Sole Sponsor is of the view that (i) the non-exempt continuing connected transactions as set out above have been entered into in the ordinary and usual course of business of our Group, on normal commercial terms or better, and are fair and reasonable, and in the interests

of our Group and our Shareholders as a whole; and (ii) the proposed annual caps for these non-exempt continuing connected transactions are fair and reasonable, and in the interests of our Company and our Shareholders as a whole.

WAIVER APPLICATION FOR NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

The transactions described under the paragraph headed "– (B) Continuing Connected Transaction Subject to the Reporting, Annual Review, Announcement Requirements but Exempt from the Independent Shareholders' Approval Requirement" in this section constitute our continuing connected transactions under the Listing Rules, which are exempt from the independent Shareholders' approval requirements but subject to the reporting, annual review, announcement requirements of the Listing Rules.

The transactions described under the paragraph headed "– (C) Continuing Connected Transaction Subject to the Reporting, Annual Review, Announcement and Independent Shareholders' Approval Requirements" in this section constitute our continuing connected transactions under the Listing Rules, which are subject to the reporting, annual review, announcement and independent Shareholders' approval requirements of the Listing Rules.

In respect of these continuing connected transactions, pursuant to Rule 14A.105 of the Listing Rules, we have applied for, and the Stock Exchange has granted, waivers exempting us from strict compliance with (i) the announcement requirement under Chapter 14A of the Listing Rules in respect of the continuing connected transactions as disclosed in the paragraph headed "– (B) Continuing Connected Transaction Subject to the Reporting, Annual Review, Announcement Requirements but Exempt from the Independent Shareholders' Approval Requirement" in this section; and (ii) the announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the continuing connected transactions as disclosed in the paragraph headed "– (C) Continuing Connected Transaction Subject to the Reporting, Annual Review, Announcement and Independent Shareholders' Approval Requirements" in this section, subject to the conditions that the aggregate amounts of the continuing connected transactions for each financial year shall not exceed the relevant amounts set forth in the respective annual caps (as stated above). We will fully comply with the requirements under Chapter 14A of the Listing Rules (other than those exempted) for transactions conducted. After the expiration of the waiver on December 31, 2021, we will comply with the then applicable Listing Rules for the non-exempt continuing connected transactions.

DIRECTORS

The following table sets forth general information regarding our current Directors:

Name	Age	Position	Roles and Responsibilities	Date of Joining our Group	Date of First Appointment as Director	Relationship with other Directors, Supervisors and other members of Senior Management
Dr. Liang Dongke (梁棟科)	41	Chairman of the Board, executive Director and general manager	In charge of overall management, business, strategic development, and scientific research and development	June 7, 2006	June 7, 2006	Husband of Dr. Song Yuan (宋媛)
Mr. Wang Cailiang (王彩亮)	49	Executive Director and deputy general manager	In charge of product registration, quality control system, and advancement of internal control of our Group	June 25, 2010	June 25, 2010	None
Mr. Zhang Weixin (張維鑫)	45	Non-executive Director	Supervise the management of our Board	June 25, 2010	December 8, 2018	None
Ms. Chen Hongqin (陳紅琴)	49	Non-executive Director	Supervise the management of our Board	March 20, 2014	March 20, 2014	None
Mr. Fang Shengshi (方聖石)	32	Non-executive Director	Supervise the management of our Board	December 8, 2018	December 8, 2018	None
Mr. Dai Kerong (戴尅戎)	85	Independent non-executive Director	Supervise and provide independent advice to our Board	December 8, 2018	December 8, 2018	None

Name	Age	Position	Roles and Responsibilities	Date of Joining our Group	Date of First Appointment as Director	Relationship with other Directors, Supervisors and other members of Senior Management
Mr. Jian Xigao (蹇錫高)	73	Independent non-executive Director	Supervise and provide independent advice to our Board	December 8, 2018	December 8, 2018	None
Dr. Ge Junbo (葛均波)	56	Independent non-executive Director	Supervise and provide independent advice to our Board	December 8, 2018	December 8, 2018	None
Mr. Hui Hung Kwan (許鴻群)	48	Independent non-executive Director	Supervise and provide independent advice to our Board	December 8, 2018	December 8, 2018	None

Our Board currently consists of nine Directors, comprising two executive Directors, three non-executive Directors and four independent non-executive Directors. Pursuant to the Articles of Association, our Directors are elected and appointed by our Shareholders at a Shareholders' meeting for a term of three years, which is renewable upon re-election and re-appointment.

The following sets forth the biographies of our Directors:

Executive Directors

Dr. Liang Dongke (梁棟科), aged 41, was appointed as a Director on June 7, 2006 and as the general manager of our Company on June 30, 2010, appointed as the Chairman of the Board on April 26, 2016 and designated as an executive Director on December 8, 2018. Dr. Liang is primarily in charge of the overall management, business, strategic development, and scientific research and development of our Group. In addition, Dr. Liang holds the following positions in the subsidiaries of our Group:

Name of subsidiary	Position	Period
Zhuhai Derui	Executive director and general manager	February 26, 2016 to present

Name of subsidiary	Position	Period
Shanghai Pukon	Director and chairman of the board of directors	March 28, 2018 to present
Shanghai Qimu	Executive director	August 17, 2018 to present
Shanghai Puhui	Executive director	November 14, 2018 to present
Shanghai Healing	Executive director	February 15, 2019 to present
Hongkong Int	Executive director	February 21, 2019 to present
Shanghai KDL Research Center	Executive director	March 22, 2019 to present

Dr. Liang has over 12 years of experience in the medical devices industry. Dr. Liang obtained a Bachelor of Engineering in material science and engineering from Shandong Industrial University (山東工業大學) (now part of Shandong University) in Shandong, the PRC and a Master of Engineering in material science from Shandong University in Shandong, the PRC in July 2000 and December 2002, respectively, and a Ph.D. in biomedical engineering from Dalian University of Technology in Liaoning, the PRC in July 2006. Dr. Liang was qualified as a senior engineer by the Shanghai Municipal Human Resources and Social Security Bureau (上海市人力資源和社會保障局) in October 2014 and has been a distinguished professor (特聘教授) in Zhuhai College of Jilin University since September 2016.

Dr. Liang also served as the director of KDL, one of our Controlling Shareholders which is engaged in the research and development, manufacturing and sales of medical puncture devices and is listed on the Shanghai Stock Exchange (stock code: 603987), from February 16, 2017 to May 4, 2017.

His awards and recognitions include "Shanghai Pioneer in Outstanding Technologies" (上海市優秀技術帶頭人) awarded by the Shanghai Science and Technology Committee (上海市科學技術委員會) in April 2014, "Entrepreneur Talents in Technological Innovation" (科技創新創業人才) awarded by the Ministry of Science and Technology of the PRC (中華人民共和國科學技術部) in February 2015, and being selected as one of the scientific and technological innovation leaders in "The Plan for Ten Thousand Talents" (萬人計劃) in June 2016.

Mr. Wang Cailiang (王彩亮), aged 49, was appointed as a Director on June 25, 2010, designated as an executive Director on December 8, 2018, and appointed as the deputy general manager of our Company on December 9, 2018. Mr. Wang is primarily in charge of product registration, quality control system, and advancement of internal control of our Group.

Mr. Wang has over 19 years of experience in the medical devices industry. Mr. Wang obtained his bachelor's degree in biological chemistry from ShanghaiTech University in Shanghai, the PRC in July 1993.

Mr. Wang joined KDL, one of our Controlling Shareholders which is principally engaged in the research and development, manufacturing and sales of medical puncture devices and is listed on the Shanghai Stock Exchange (stock code: 603987), in December 1999 and had served

as its deputy general manager from December 1999 to May 2012, its vice-chairman of the board of directors and deputy general manager from September 2010 to May 2012, its general manager from May 2012 to September 2015, its chairman of the board of directors from February 2017 to October 2018 and its director since September 2010. Mr. Wang has also served as the director of Shanghai Gongye Investment Co., Ltd. (上海共業投資有限公司), one of our Controlling Shareholders, and KDL since August 2007 and September 2010, respectively.

Non-executive Directors

Mr. Zhang Weixin (張維鑫), aged 45, was appointed as a non-executive Director on December 8, 2018. Mr. Zhang is primarily responsible for supervising the management of our Board.

Mr. Zhang has over 22 years of experience in the medical devices industry. From 1996 to 1998, Mr. Zhang served as the deputy general manager of Shanghai Safe Medical Device Polymer Co., Ltd. (上海賽爾富醫械塑膠有限公司), the predecessor of Zhuhai Kindly Medical Instruments Co., Ltd. (珠海康德萊醫療器械有限公司), which is a subsidiary of KDL (one of our Controlling Shareholders which is engaged in the research and development, manufacturing and sales of medical puncture devices and is listed on the Shanghai Stock Exchange (stock code: 603987)). Mr. Zhang was the deputy general manager of KDL from 1998 to 2002, and the director and the general manager of Shanghai Meihua Amsino Equipment Co., Ltd. (上海美華醫療器具股份有限公司), a former subsidiary of KDL which sells medical equipment, chemicals and other non-hazardous materials, from November 2001 to March 2008 and from March 2006 to March 2008, respectively. Mr. Zhang has served as the chairman of the board of directors of Shanghai Gongye Investment Co., Ltd. (上海共業投資有限公司), a company engaged in business consulting, investment and domestic trading, since June 2006. After obtaining his bachelor's degree in economics through online courses from China University of Geosciences in Wuhan, the PRC in July 2007, Mr. Zhang re-joined KDL and served as its general manager from August 2007 to May 2012, its director since September 2010, its deputy general manager from May 2012 to February 2017, and its general manager since February 2017. Mr. Zhang has been the director of Shanghai Kindly Pipe Co., Ltd. (上海康德萊制管有限公司), a subsidiary of KDL engaged in the production and sale of needle tubes, since March 2017, and the director and the chairman of the board of directors of Zhejiang Kindly Medical Devices Co., Ltd. (浙江康德萊醫療器械股份有限公司), another subsidiary of KDL engaged in the production of medical puncture devices, since May 2009 and February 2018, respectively.

Ms. Chen Hongqin (陳紅琴), aged 49, was a Director from September 21, 2015 to May 25, 2017, and was reappointed as a non-executive Director on December 8, 2018. Ms. Chen is primarily responsible for supervising the management of our Board.

Ms. Chen has over 17 years of experience in equipment manufacturing and management in the medical devices industry. Ms. Chen obtained her bachelor's degree in mining equipment from the Guizhou Institute of Technology (貴州工學院) in Guizhou Province, the PRC in July 1991 and obtained a senior engineer qualification certificate granted by the Shanghai Municipal Human Resources and Social Security Bureau in October 2012.

Prior to joining our Group, Ms. Chen worked as an assistant engineer at State-Run No.126 Factory (國營第一二六廠) from October 1992 to March 1997 and as an engineer at China Guihang Group Xin'an Machinery Factory (中國貴航集團新安機械廠) from March 1997 to December 2001. Ms. Chen has held a number of management positions since 2002, including the quality director and management representative of KDL, one of our Controlling Shareholders which is engaged in the research and development, manufacturing and sales of medical puncture devices and is listed on the Shanghai Stock Exchange (stock code: 603987), from January 2002 to March 2016, the officer of the general manager office of KDL Holding, one of our Controlling Shareholders, from March to December 2016, the deputy general officer and manager of the general manager office of KDL from February 2017 to February 2018, the assistant to the general manager of KDL Holding from March 2018 to January 2019, and the assistant to the manager (總裁) of KDL since February 2019. Ms. Chen has also served as the director of KDL and KDL Holding since February 2017 and September 2018, respectively.

Mr. Fang Shengshi (方聖石), aged 32, was appointed as a non-executive Director on December 8, 2018. Mr. Fang is primarily responsible for supervision of the management of our Board.

Mr. Fang received a bachelor's degree in management from Shanghai Lixin University of Accounting and Finance (formerly known as Shanghai Lixin Institute of Commerce) in Shanghai, the PRC in July 2010. Mr. Fang was a practicing member of The Chinese Institute of Certified Public Accountants (中國註冊會計師協會) between December 2012 and November 2015, and has been its non-practicing member since December 2015. He obtained an intermediate-level accounting qualification accredited by the Shanghai Municipal Human Resources and Social Security Bureau in November 2016. In addition, Mr. Fang was qualified as a Tax Adviser by the China Certified Tax Agents Association in December 2016, he has also been a member of the China Certified Tax Agents Association since May 2017 and has held a Legal Professional Qualification Certificate granted by the Ministry of Justice of the PRC since February 2017.

Mr. Fang has over 8 years of experience in audit, investment and financial management. From August 2010 to September 2015, Mr. Fang worked at BDO China Shu Lun Pan Certified Public Accountants LLP (立信會計師事務所特殊普通合夥), during which he was responsible for auditing. From October 2015 to December 2016, Mr. Fang was the vice-president of Shanghai Jisheng Equity Investment Management Co., Ltd. (上海紀升股權投資管理有限公司) overseeing project financing and providing financial consulting services. Since January 2017, Mr. Fang has served as an investment director at Shanghai Huaige Industrial Development Co., Ltd. (上海懷格實業發展有限公司). Since August 2017, Mr. Fang has been a limited partner of

Ningbo Huaige Health Investment Management Partnership (Limited Partnership) (寧波懷格健康投資管理合夥企業(有限合夥)), which engages in business activities such as investment management. Mr. Fang also holds various directorships in other healthcare and investment companies, including Ningbo Huaige Medical Investment Management Co., Ltd. (寧波懷格醫療投資管理有限公司) since July 2017, Hunan Cofoe Medical Technology Development Co., Ltd. (湖南可孚醫療科技發展有限公司) since September 2017, and Shanghai Bestudy Medical Technology Co., Ltd. (上海百試達醫藥科技有限公司) since March 2018.

Independent Non-executive Directors

Mr. Dai Kerong (戴尅戎), aged 85, was appointed as an independent non-executive Director on December 8, 2018. Mr. Dai is primarily responsible for supervising and providing independent advice to our Board.

After graduating from medical studies in Shanghai First Medical Institute (now part of The Shanghai Medical College of Fudan University) in Shanghai, the PRC in 1955, Mr. Dai has been a tenured professor at Shanghai Jiao Tong University ("SJTU") and currently serves as director for a number of centers under Shanghai's Ninth People's Hospital, SJTU School of Medicine (上海交通大學醫學院附屬第九人民醫院 (the "Ninth People's Hospital")), including the Shanghai Joint Surgery Clinical Medical Center (上海市關節外科臨床醫學中心) and Engineering Research Center of Digital Medicine and Clinical Translation, Ministry of Education (數字醫學臨床轉化教育部工程研究中心).

Mr. Dai has received a number of state and city level awards throughout his career, including a Second Class State Award for Inventions granted by State Scientific and Technological Commission (國家科學技術委員會) in December 1989, a Third Class Shanghai Science and Technology Progress Award granted by the Shanghai People's Government (上海市人民政府) in December 1994, a Second Class State Science and Technology Progress Award granted by Shanghai Municipal People's Government in December 2003 and a Second Class State Science and Technology Progress Award granted by the State Council of the PRC in January 2005.

Mr. Dai is a foreign correspondence member (外籍通信院士) of Académie Nationale de Médecine in France and has been admitted as an academician of the Chinese Academy of Engineering (中國工程院院士) since December 2003.

Mr. Jian Xigao (蹇錫高), aged 73, was appointed as an independent non-executive Director on December 8, 2018. Mr. Jian is primarily responsible for supervising and providing independent advice to our Board.

Mr. Jian obtained his bachelor's degree in polymer chemical engineering and master's degree in polymer materials science from Dalian University of Technology (formerly known as Dalian Institute of Technology) in Liaoning, the PRC in 1969 and 1981, respectively.

Mr. Jian is currently a professor at the Dalian University of Technology, the head of its Polymer Materials Research Institute (高分子材料研究所所長) and director of the Liaoning High Performance Resin Engineering Technology Research Center (遼寧省高性能樹脂工程技術研究中心主任). In September 2016, he was appointed as an independent director of Red Avenue New Materials Group Co Ltd (彤程新材料集團股份有限公司), a chemical manufacturer listed on the Shanghai Stock Exchange (stock code: 603650).

Mr. Jian has received a number of state level awards, including a Second Class State Technological Invention Award granted by the State Council of the PRC in January 2004, a Second Class State Technological Invention Award granted by the State Council of the PRC in December 2011, a Patent Gold (專利金獎) Award for Chinese Outstanding Patented Invention granted by World Intellectual Property Organization and State Intellectual Property Office of the PRC in November 2015 and an extraordinary gold medal (特別金獎) at the Geneva International Exhibition of Inventions in April 2016. Mr. Jian has been admitted as an academician of the Chinese Academy of Engineering (中國工程院院士) in January 2013.

Dr. Ge Junbo (葛均波), aged 56, was appointed as an independent non-executive Director on December 8, 2018. Dr. Ge is primarily responsible for supervising and providing independent advice to our Board.

After obtaining his PhD in medical studies from Johannes Gutenberg University of Mainz in Germany in February 1993, Dr. Ge is currently working at Zhongshan Hospital, Fudan University (復旦大學附屬中山醫院) as director of the cardiology division (心內科主任). In January 2018, Dr. Ge was appointed as a director of Lanhai Medical Investment Co., Ltd. (覽海醫療產業投資股份有限公司), a company engaging in medical services and listed on the Shanghai Stock Exchange (stock code: 600896).

Dr. Ge has received a number of state level awards, including a Second Class State Science and Technology Progress Award granted by the State Council of the PRC in February 2007, a Second Class State Technological Invention Award granted by the State Council of the PRC in December 2011, and was elected as an academician of the Chinese Academy of Sciences (中國科學院院士) in December 2011.

Dr. Ge received the National May Day Labor Medal (全國五一勞動獎章) from the All-China Federation of Trade Unions (中華全國總工會) in April 2012 and the Bethune Award (白求恩獎章) from the Ministry of Human Resources and Social Security (人力資源和社會保障部), the National Health and Family Planning Commission (國家衛生和計劃生育委員會) and the National Administration of Traditional Chinese Medicine (國家中醫藥管理局) in August 2017.

Mr. Hui Hung Kwan (許鴻群), aged 48, was appointed as an independent non-executive Director on December 8, 2018. Mr. Hui is primarily responsible for supervising and providing independent advice to our Board.

Mr. Hui has more than 25 years of experience in accounting. After graduating with a bachelor's degree in business administration from the Chinese University of Hong Kong in Hong Kong in December 1994, he has held various positions, including audit manager at Li, Tang, Chen & Co. from June 1994 to June 2004. From June 2004 to October 2010, Mr. Hui served as the chief financial officer of C&G Environmental Protection Holdings Limited, a company listed on the main board of the Singapore Exchange Limited (stock code: D79). He was the chief financial officer of Premiere Eastern Energy Pte. Limited (東潤能源有限公司) from November 2010 to December 2012 and the independent non-executive director of Tus International Limited (formerly known as Jinheng Automotive Safety Technology Holdings Limited), a company listed on the Main Board of the Stock Exchange (stock code: 872) from July 2009 to June 2015. Mr. Hui has also served as the chief financial officer of China Creative Global Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1678) since June 2013 and the independent non-executive director of Gansu Qingheyuan Halal Food Co., Ltd. (甘肅清河源清真食品股份有限公司) since September 2018.

Mr. Hui has been an associate of the Hong Kong Institute of Certified Public Accountants (formerly known as the Hong Kong Society of Accountants) and a fellow of the Association of Chartered Certified Accountants since September 1997 and October 2002, respectively.

Save as disclosed above, none of our Directors has any other directorships in listed companies during the three years immediately prior to the date of this prospectus.

Save as disclosed in this prospectus, each of our Directors has confirmed that there are no other matters relating to his appointment as a Director that need to be brought to the attention of our Shareholders and there is no other information in relation to his appointment which is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules.

Save as disclosed above, each of our Director confirms that he/she did not have any interest in a business, apart from the business of our Company, which competes or is likely to compete, directly or indirectly, with our business, and requires disclosure under Rule 8.10 of the Listing Rules.

SUPERVISORS

The following table sets forth general information regarding our Supervisors:

Name	Age	Position	Roles and Responsibilities	Date of Joining our Group	Date of First Appointment as Supervisor	Relationship with other Directors, Supervisors and other members of Senior Management
Ms. Wang Li (王莉)	57	Chairperson of the Board of Supervisors	Oversee the financial affairs of our Company and supervise the senior management of the Group	September 21, 2015	September 21, 2015	None
Ms. Chen Jie (陳潔)	37	Supervisor	Oversee the financial affairs of our Company and supervise the senior management of the Group	December 22, 2008	March 3, 2017	None
Mr. Xu Jianhai (徐建海)	34	Employee representative Supervisor	Oversee the financial affairs of our Company and supervise the senior management of the Group	October 8, 2008	September 21, 2015	None

The PRC Company Law requires a joint stock company with limited liability to establish a supervisory committee. Our Board of Supervisors currently consists of three members. Pursuant to our Articles of Association, at least one-third of our Supervisors must be employee representatives elected by our employees. Except for the employee representative Supervisor, the other Supervisors are elected and appointed by our Shareholders at a Shareholders' meeting for a term of three years, which is renewable upon re-election and re-appointment.

The following sets forth the biographies of our Supervisors:

Ms. Wang Li (王莉), aged 57, was elected by our Shareholders and appointed as a Supervisor on September 21, 2015. Ms. Wang graduated from the Jilin Institute of Chemical Technology in Jilin, the PRC with a bachelor's degree in chemical engineering in July 1987.

She has over 18 years of experience in the healthcare and medical apparatus industry. Ms. Wang has obtained an intermediate-level economist qualification conferred by the Ministry of Personnel of the PRC in November 1998. Ms. Wang had been the general manager of Shanghai KDL Enterprise Development Group Pharmaceutical Co., Ltd. (上海康德萊企業發展集團藥業有限公司) from June 2001 to December 2006, the project manager of KDL Holding, one of our Controlling Shareholders, from November 2007 to December 2008, the general manager of Tianjin KDL Medical Products Co., Ltd. (天津康德萊醫療產品有限公司), a former subsidiary of KDL, one of our Controlling Shareholders which is engaged in the research and development, manufacturing and sales of medical puncture devices and is listed on the Shanghai Stock Exchange (stock code: 603987), from January 2011 to December 2013, and the chairperson of the board of supervisors of KDL from January 2014 to February 2017. In addition, Ms. Wang has been the director of Beijing Kangbaishi Trading Co., Ltd. (北京康百世商貿有限公司) since June 2018, the director of Nanchang KDL Medical Technologies Co., Ltd. (南昌康德萊醫療科技有限公司) since August 2018, and the director of Zhuhai Dejiayun Information Technology Co., Ltd. (珠海德加雲信息技術有限公司) since January 2019.

Ms. Chen Jie (陳潔), aged 37, was elected by our Shareholders and appointed as a Supervisor on March 3, 2017. Ms. Chen obtained an associate degree (專科) in accounting from Shanghai Lixin University of Accounting and Finance (formerly known as Shanghai Lixin Institute of Commerce) in Shanghai, the PRC in July 2004 and a bachelor's degree from Tongji University in Shanghai, the PRC in January 2011.

She served as an accountant in Shanghai Sieton (Group) Co., Ltd. (上海協通(集團)有限公司) from July 2004 to August 2005 and in Shanghai Sieton Toyota Motor Sales Service Co., Ltd. (上海協通豐田汽車銷售服務有限公司) from June 2005 to March 2007. Ms. Chen joined our Company as the manager of the administrative department in December 2008. Ms. Chen received a preliminary-level accounting qualification accredited by the Ministry of Finance of the PRC in May 2006. Moreover, Ms. Chen has been the supervisor of Shanghai Qimu, Shanghai Puhui and Shanghai Healing since August 2018, November 2018 and February 2019, respectively.

Mr. Xu Jianhai (徐建海), aged 34, was elected by our employees and appointed as an employee representative Supervisor on September 21, 2015. Mr. Xu obtained a bachelor's degree in biotechnology from Hebei University in Hebei, the PRC in June 2007.

Mr. Xu worked as the person-in-charge of the laboratory of KDL, one of our Controlling Shareholders which is engaged in the research and development, manufacturing and sales of medical puncture devices and is listed on the Shanghai Stock Exchange (stock code: 603987), from June 2007 to September 2008, and has been the manager of the quality control department of our Company since October 2008.

Save as disclosed above, none of our Supervisors has any other directorships in listed companies during the three years immediately prior to the date of this prospectus.

Save as disclosed in this prospectus, each of our Supervisors has confirmed that there are no other matters relating to his/her appointment that need to be brought to the attention of our Shareholders and there is no other information in relation to his/her appointment which is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules.

SENIOR MANAGEMENT

The following table sets forth general information regarding our senior management:

Name	Age	Position/Title	Roles and Responsibilities	Date of Joining our Group	Relationship with other Directors, Supervisors and other members of Senior Manage
Dr. Liang Dongke (梁棟科)	41	General manager	In charge of overall management, business, strategic development, and scientific research and development	June 7, 2006	Husband of Dr. Song Yuan (宋媛)
Mr. Wang Cailiang (王彩亮)	49	Deputy general manager	In charge of product registration, quality control system, and advancement of internal control of our Group	June 25, 2010	None

Name	Age	Position/Title	Roles and Responsibilities	Date of Joining our Group	Relationship with other Directors, Supervisors and other members of Senior Manage
Dr. Song Yuan (宋媛)	40	Deputy general manager, secretary to the Board and joint company secretary	In charge of information disclosure, investor relations, equity investment and convening board and shareholder meetings of our Group	May 25, 2017	Wife of Dr. Liang Dongke (梁棟科)
Ms. Zhao Yan (趙燕)	44	Finance controller	In charge of the management of financial affairs of our Group	April 3, 2007	None

Dr. Liang Dongke (梁棟科), please refer to the paragraph headed "– Directors" in this section for details.

Mr. Wang Cailiang (王彩亮), please refer to the paragraph headed "– Directors" in this section for details.

Dr. Song Yuan (宋媛), aged 40, was appointed as the secretary to the Board on September 28, 2018, as the deputy general manager of our Company on December 9, 2018 and as the joint company secretary on May 22, 2019. Dr. Song is in charge of information disclosure, investor relations, equity investment and convention of Board meetings and shareholder meetings of our Group.

Dr. Song graduated with a bachelor's degree in polymer material science and engineering from Shandong University in Shandong, the PRC in July 2002, and completed a successive postgraduate and doctoral program in material science and engineering (polymer) in Dalian University of Technology in Liaoning, the PRC in October 2008.

She worked as a clerk in KDL Holding, one of our Controlling Shareholders, from February to July 2010. Dr. Song was the secretary to the board of directors of KDL, one of our Controlling Shareholders which is engaged in the research and development, manufacturing

and sales of medical puncture devices and is listed on the Shanghai Stock Exchange (stock code: 603987), from August 2010 to September 2018, and had held directorship in our Company from May 2017 to December 2018. Dr. Song is the wife of Dr. Liang Dongke.

Ms. Zhao Yan (趙燕), aged 44, was appointed as the finance controller of our Company on September 21, 2015 and is in charge of the management of financial affairs of our Group. In addition, Ms. Zhao has served as the supervisor of Zhuhai Derui since February 26, 2016.

Ms. Zhao obtained an associate degree (大專) in accounting from Xi'an Jiaotong University in Xi'an, the PRC in December 2000 and a bachelor's degree in finance through online courses from SJTU in August 2005. She received an intermediate-level accounting qualification accredited by the Ministry of Finance of the PRC in May 2004.

Ms. Zhao has over 19 years of experience in accounting and finance. Ms. Zhao joined KDL, one of our Controlling Shareholders which is engaged in the research and development, manufacturing and sales of medical puncture devices and is listed on the Shanghai Stock Exchange (stock code: 603987), in May 2000 and served as the accounting manager from May 2000 to November 2007, and the manager of the finance department of our Company from April 2007 to October 2015. She had held directorship in our Company from May 2017 to December 2018.

JOINT COMPANY SECRETARIES

Dr. Song Yuan (宋媛), aged 40, was appointed as our joint company secretary on May 22, 2019. Please refer to the paragraph headed "– Senior Management" in this section for details.

Ms. Leung Shui Bing (梁瑞冰), aged 42, was appointed as our joint company secretary on May 22, 2019. Ms. Leung is a manager of the Listing Services Department of TMF Hong Kong Limited (a global corporate services provider).

She has over 15 years of experience in the company secretarial field. Ms. Leung obtained a bachelor's degree in Business and Management Studies (Accounting and Finance) from the University of Bradford in the United Kingdom in July 2008, and a master's degree in Corporate Governance from The Open University of Hong Kong in August 2017.

She was admitted as an associate member of the Hong Kong Institute of Chartered Secretaries in December 2017 and the Institute of Chartered Secretaries and Administrators in the United Kingdom in December 2017. Ms. Leung is currently the joint company secretary of IntelliCentrics Global Holdings Ltd. (stock code: 6819.HK).

BOARD COMMITTEES

Our Board delegates certain responsibilities to various Board committees. In accordance with the relevant PRC laws and regulations, the Articles and the Listing Rules, we have established our audit committee, remuneration committee and nomination committee.

Audit Committee

We have established an audit committee with terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules on December 9, 2018. The audit committee consists of Mr. Hui Hung Kwan, Mr. Jian Xigao, and Mr. Fang Shengshi, with Mr. Hui Hung Kwan being the chairman of the committee.

The primary function of the audit committee is to assist our Board in providing an independent view of our financial reporting process, internal control and risk management system, overseeing the audit process and performing other duties and responsibilities as assigned by our Board which includes, amongst other things:

- proposing to the Board of Directors the appointment and replacement of external audit firms;
- supervising the implementation of our internal audit system;
- liaising between our internal audit department and external auditors;
- reviewing our financial information and related disclosures; and
- other duties conferred by the Board of Directors.

Remuneration Committee

We have established a remuneration committee with terms of reference in compliance with paragraph B.1 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules on December 9, 2018. The remuneration committee consists of Mr. Jian Xigao, Dr. Liang Dongke and Mr. Hui Hung Kwan, with Mr. Jian Xigao being the chairman of the committee.

The primary function of the remuneration committee is to develop remuneration policies of our Directors, evaluate the performance, make recommendations on the remuneration packages of our Directors and senior management and evaluate and make recommendations on employee benefit arrangements which includes, amongst other things:

- establishing, reviewing and making recommendations to our Directors on our policy and structure concerning remuneration of our Directors and senior management;
- determining the terms of the specific remuneration package of each Director and members of senior management;

- reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by our Directors from time to time; and

- other duties conferred by the Board of Directors.

Nomination Committee

We have established a nomination committee with terms of reference in compliance with paragraph A.5 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules on December 9, 2018. The nomination committee consists of Dr. Liang Dongke, Mr. Dai Kerong, and Dr. Ge Junbo, with Dr. Liang Dongke being the chairman of the committee.

The primary function of the nomination committee is to make recommendations to our Board in relation to the appointment and removal of Directors which includes, amongst other things:

- reviewing the structure, size and composition of our Board on a regular basis and making recommendations to the Board regarding any proposed changes;

- identifying, selecting or making recommendations to our Board on the selection of individuals nominated for directorships;

- assessing the independence of our independent non-executive Directors;

- making recommendations to the Board on relevant matters relating to the appointment, re-appointment and removal of our Directors; and

- other duties conferred by the Board of Directors.

CORPORATE GOVERNANCE

Code Provision A.2.1 of the Corporate Governance Code

Dr. Liang Dongke is our chairman of the Board and the general manager of our Company. With extensive experience in the medical devices industry and having served in our Company since its establishment, Dr. Liang 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 chairman and general manager 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, our Supervisors and our senior management, which comprises experienced and visionary individuals. Our Board currently comprises two executive Directors (including Dr. Liang), three non-executive Directors and four independent non-executive Directors, and therefore has a strong independence element in its composition.

Save as disclosed above, our Company intends to comply with all code provisions under the Corporate Governance Code after the Listing.

Board Diversity

Our Company seeks to achieve board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

As at the date of this prospectus, our Board consists of eight male members and one female member with one Director of age 31 to 40 years old, four Directors of age 41 to 50 years old, two Directors of age 51 to 60 years old and two Directors of over 60 years old. Our Company has reviewed the membership, structure and composition of the Board, and is of the opinion that the structure of the Board is reasonable, and the experiences and skills of the Directors in various aspects and fields can enable our Company to maintain high standard of operation.

EMOLUMENT OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

We offer our executive Directors, employee representative Supervisor and senior management members, who are also employees of our Company, emolument in the form of salaries, allowances, bonuses and benefits in kind. Our independent non-executive Directors receive emolument based on their responsibilities (including being members or chairman of Board committees).

For the three years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019, the aggregate amount of emolument paid by our Company to our Directors and Supervisors were RMB0.8 million, RMB1.3 million, RMB1.8 million and RMB0.6 million, respectively. It is estimated that under the arrangements currently in force, the aggregate emolument (excluding any possible payment of discretionary bonus) payable to the Directors and Supervisors for the year ending December 31, 2019, will be RMB2.2 million.

For the three years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019, the aggregate amount of emolument paid by our Company to the five highest paid individuals were RMB2.3 million, RMB2.9 million, RMB3.5 million and RMB1.0 million, respectively. During the Track Record Period, no remuneration was paid by our Company to, or receivable by, our Directors, Supervisors or the five highest paid individuals as an inducement to join or upon joining our Company or as a compensation for loss of office in connection with the management of the affairs of our Company or any subsidiary during the Track Record Period.

During the Track Record Period, except for our non-executive Directors, our independent non-executive Directors, and a Supervisor, namely Ms. Wang Li who did not receive remuneration from our Company, none of our Directors and Supervisors waived or agreed to waive any emolument. Except as disclosed above, no other payments have been paid, or are payable, by our Company or any of our subsidiaries to our Directors, Supervisors or the five highest paid individuals during the Track Record Period.

COMPLIANCE ADVISER

We have appointed BOCOM International (Asia) Limited as our compliance adviser pursuant to Rules 3A.19 and 19A.05 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us in the following circumstances:

(a) before publication of any regulatory announcement, circular or financial report;

(b) where a transaction, which might constitute a notifiable or connected transaction under the Listing Rules, is contemplated, including share issues and securities repurchases;

(c) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results of operation deviate from any forecast, estimate or other information in this prospectus; and

(d) where the Stock Exchange makes an inquiry of our Company pursuant to Rule 13.10 of the Listing Rules.

Pursuant to Rule 19A.06 of the Listing Rules, BOCOM International (Asia) Limited will, in a timely manner, inform us of any amendment or supplement to the Listing Rules that are announced by the Stock Exchange. BOCOM International (Asia) Limited will also inform us of any amendment or supplement to applicable laws and guidelines.

The term of the appointment will commence on the Listing Date and end on the date on which we distribute the annual report of the first full financial year commencing after the Listing pursuant to the Rule 13.46 of the Listing Rules.

This section presents certain information regarding our share capital prior to and immediately following the completion of the Global Offering.

BEFORE THE GLOBAL OFFERING

As of the Latest Practicable Date, our share capital was RMB120,000,000.00 comprising 120,000,000 Domestic Shares with a nominal value of RMB1.00 each and the particulars of our shareholding structure were as follows:

Shareholder	Number of Shares	Description of Shares	Approximate percentage to total share capital
KDL	42,857,142	Domestic Shares	35.71%
Ningbo Huaige Taiyi	25,200,000	Domestic Shares	21.00%
Dr. Liang Dongke (梁棟科)	9,542,854	Domestic Shares	7.95%
Other seven holders of Domestic Shares[(1)]	42,400,004	Domestic Shares	35.34%
Total	120,000,000		100.00%

Note:

(1) Other seven holders of Domestic Shares include: Mr. Lin Sen, Mr. Wang Ruiqin, Mr. Chen Xing, Mr. Huang Chubin, Ningbo Tongchuang Suwei, Mr. Wang Kai and Ningbo Int. For details of their shareholdings, please refer to the section headed "History and Corporate Structure" in this prospectus.

UPON COMPLETION OF THE GLOBAL OFFERING

Assuming the Over-allotment Option is not exercised, the share capital of our Company immediately after the Global Offering will be as follows:

Shareholder	Number of Shares	Description of Shares	Approximate percentage to total share capital
KDL	42,857,142	Domestic Shares	26.79%
Ningbo Huaige Taiyi	25,200,000	Domestic Shares	15.75%
Dr. Liang Dongke (梁棟科)	9,542,854	Domestic Shares	5.96%
Other seven holders of Domestic Shares[(1)]	42,400,004	Domestic Shares	26.50%
Holders of H Shares	40,000,000	H Shares	25.00%
Total	160,000,000		100.00%

Note:

(1) Other seven holders of Domestic Shares include: Mr. Lin Sen, Mr. Wang Ruiqin, Mr. Chen Xing, Mr. Huang Chubin, Ningbo Tongchuang Suwei, Mr. Wang Kai and Ningbo Int. For details of their shareholdings, please refer to the section headed "History and Corporate Structure" in this prospectus.

Assuming the Over-allotment option is exercised in full, the share capital of our Company immediately after the Global Offering will be as follows:

Shareholder	Number of Shares	Description of Shares	Approximate percentage to total share capital
KDL	42,857,142	Domestic Shares	25.82%
Ningbo Huaige Taiyi	25,200,000	Domestic Shares	15.18%
Dr. Liang Dongke (梁棟科)	9,542,854	Domestic Shares	5.75%
Other seven holders of Domestic Shares[(1)]	42,400,004	Domestic Shares	25.54%
Holders of H Shares	46,000,000	H Shares	27.71%
Total	166,000,000		100.00%

Note:

(1) Other seven holders of Domestic Shares include: Mr. Lin Sen, Mr. Wang Ruiqin, Mr. Chen Xing, Mr. Huang Chubin, Ningbo Tongchuang Suwei, Mr. Wang Kai and Ningbo Int. For details of their shareholdings, please refer to the section headed "History and Corporate Structure" in this prospectus.

PUBLIC FLOAT REQUIREMENTS

Rules 8.08(1)(a) and (b) of the Listing Rules require there to be an open market in the securities for which listing is sought and for a sufficient public float of an issuer's listed securities to be maintained. This normally means that (i) at least 25% of the issuer's total issued share capital must at all times be held by the public; and (ii) where an issuer has one class of securities or more apart from the class of securities for which listing is sought, the total securities of the issuer held by the public (on all regulated market(s) including the Stock Exchange) at the time of listing must be at least 25% of the issuer's total issued share capital.

Based on the information in the above tables, our Company will meet the public float requirement under the Listing Rules after the completion of the Global Offering (whether or not the Over-allotment Option is exercised in full).

THE SHARES

Upon completion of the Global Offering, our Company would have two classes of Shares, namely Domestic Shares and H Shares. Both Domestic Shares and H Shares are ordinary shares in the share capital of our Company. H shares may only be subscribed for and traded in Hong Kong dollars (except for the H Shares under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect and can be traded in Renminbi) between legal and natural persons of Hong Kong, Macau, Taiwan or any country or jurisdiction other than the PRC and qualified domestic institutional investors of the PRC. Domestic Shares, on the other hand, may only be traded in Renminbi. Apart from certain qualified domestic institutional investors in the PRC, as well as certain PRC qualified investors under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect, H Shares generally cannot be subscribed by or traded among legal and natural persons of the PRC. Domestic Shares, on the other hand, can only be subscribed by or traded among legal and natural persons of the PRC, qualified foreign institutional investors or qualified foreign strategic investors. We have not approved any share issue plan other than the Global Offering. We must pay all dividends in respect of H Shares in Hong Kong dollars and all dividends in respect of Domestic Shares in Renminbi.

RANKING

Domestic Shares and H Shares are regarded as different classes of shares under the Articles of Association. The differences between Domestic Shares and H Shares and the provisions on class rights, the dispatch of notices and financial reports to shareholders, dispute resolution, registration of Shares on different registers of shareholders, the method of share transfer and appointment of dividend receiving agents are set forth in the Articles of Association and summarized in the Appendix V to this prospectus. Except for the differences above, Domestic Shares and H Shares will rank pari passu with each other in all other respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this prospectus. All dividends in respect of the H Shares are to be declared in Renminbi and paid by our Company in Hong Kong Dollars whereas all dividends in respect of Domestic Shares are to be paid by our Company in Renminbi. In addition to cash, dividends may be distributed in the form of shares.

CONVERSION OF DOMESTIC SHARES INTO H SHARES

According to stipulations by the State Council securities regulatory authority and the Articles of Association, the Domestic Shares may be converted into H Shares. Such converted shares may be listed or traded on an overseas stock exchange provided that the conversion and trading of such converted shares shall only be effected after all requisite internal approval process have been duly completed and the approval from the relevant PRC regulatory authorities (including the CSRC) and the relevant overseas stock exchange have been obtained. In addition, such conversion and trading shall in all respects comply with the regulations prescribed by the State Council securities regulatory authority and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange.

If any of the Domestic Shares are to be converted to H Shares to be traded on the Stock Exchange, such conversion requires the approval of the relevant PRC regulatory authorities, including the CSRC. Subject to fulfilling the procedures below, our Company may apply for the listing of all or any portion of the Domestic Shares on the Stock Exchange as H Shares before any proposed conversion so that the conversion process can be completed promptly upon notice to the Stock Exchange and delivery of shares for entry on the H Share register. As any listing of additional Shares after our Company's initial listing on the Stock Exchange is ordinarily considered by the Stock Exchange to be a purely administrative matter, it does not require prior application for listing as at the time of our Company's initial listing in Hong Kong. A vote by our Shareholders in separate class meetings is not required for the listing and trading of the converted shares on an overseas stock exchange. Any listing of the converted shares on the Stock Exchange after the initial listing is subject to prior notification by way of announcement to inform Shareholders and the public of any proposed conversion. As confirmed by our PRC Legal Adviser, the Articles of Association are not inconsistent with the relevant PRC laws and regulations on the conversion of domestic shares.

After all the requisite approvals have been obtained, the relevant Domestic Shares will be withdrawn from the China Securities Depository and Clearing Corporation Limited, and our Company will re-register such Shares on the H Share register maintained in Hong Kong and instruct the H Share Registrar to issue H Share certificates. Registration on the H Share register of our Company will be on the conditions that (i) the H Share Registrar lodges with the Stock Exchange a letter confirming the entry of the relevant H Shares on the H Share register and the due dispatch of H Share certificates; and (ii) the admission of the H Shares to be traded on the Stock Exchange complies with the Listing Rules and the General Rules of CCASS and the CCASS Operational Procedures in force from time to time. Until the converted Shares are re-registered on the H Share register of our Company, such Shares would not be listed as H Shares. So far as our Directors are aware, none of our existing Shareholders proposes to convert any of their Domestic Shares into H Shares.

LOCK-UP PERIODS

In accordance with the PRC Company Law, the shares issued prior to any public offering of shares by a company cannot be transferred within one year from the date on which such publicly offered shares are listed and traded on the relevant stock exchange. As such, the Shares issued by our Company prior to the issue of H Shares will be subject to such statutory restriction on transfer within a period of one year from the Listing Date.

Our Directors, Supervisors and members of the senior management of our Company shall declare their shareholdings in our Company and any changes in their shareholdings. Shares transferred by our Directors, Supervisors and members of the senior management each year during their term of office shall not exceed 25% of their total respective shareholdings in our Company. The Shares that the aforementioned persons held in our Company cannot be transferred within one year from the date on which the shares are listed and traded, nor within

half a year after they leave their positions in our Company. The Articles of Association may contain other restrictions on the transfer of the Shares held by our Directors, Supervisors and members of senior management of our Company.

SHAREHOLDERS' GENERAL MEETINGS AND CLASS MEETINGS

For details of circumstances under which Shareholders' general meeting and Shareholders' class meeting are required, please refer to Appendix V to this prospectus.

REGISTRATION OF SHARES NOT LISTED ON AN OVERSEAS STOCK EXCHANGE

According to the Notice of Centralized Registration and Deposit of Non-overseas Listed Shares of Companies Listed on an Overseas Stock Exchange (《關於境外上市公司非境外上市股份集中登記存管有關事宜的通知》) issued by the CSRC, an overseas listed company is required to register its shares that are not listed on any overseas stock exchange with China Securities Depository and Clearing Corporation Limited within 15 business days upon its listing.

So far as our Directors are aware, immediately following the completion of the Global Offering and without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option, the following persons will have an interest or short position in the Shares or the underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the issued voting shares of our Company:

Name	Class of Shares held after the Global Offering	Capacity/nature of interest	Number of Shares	Approximate percentage of shareholding in the issued share capital of our Company as at the date of this prospectus	Approximate percentage of shareholding in the total share capital of our Company after the Global Offering (assuming no exercise of the Over-allotment Option)[1]	Approximate percentage of shareholding in the total share capital of our Company after the Global Offering (assuming the Over-allotment Option is fully exercised)[2]
KDL	Domestic Shares	Beneficial owner	42,857,142	35.71%	26.79%	25.82%
KDL Holding[3]	Domestic Shares	Interest in a controlled corporation	42,857,142	35.71%	26.79%	25.82%
Gongye[3] (as defined below)	Domestic Shares	Interest in a controlled corporation	42,857,142	35.71%	26.79%	25.82%
Kindly Holding Co., Ltd.[3]	Domestic Shares	Interest in a controlled corporation	42,857,142	35.71%	26.79%	25.82%
Mr. Zhang Xianmiao[3]	Domestic Shares	Interest in a controlled corporation; interest held jointly with another person	42,857,142	35.71%	26.79%	25.82%
Ms. Zheng Aiping[3]	Domestic Shares	Interest in a controlled corporation; interest held jointly with another person	42,857,142	35.71%	26.79%	25.82%
Mr. Zhang Wei[3]	Domestic Shares	Interest in a controlled corporation; interest held jointly with another person	42,857,142	35.71%	26.79%	25.82%
Ningbo Huaige Taiyi[4]	Domestic Shares	Beneficial owner	25,200,000	21.00%	15.75%	15.18%
Ningbo Huaige Gongxin[4] (as defined below)	Domestic Shares	Interest in a controlled corporation	25,200,000	21.00%	15.75%	15.18%
Ningbo Huaige Health[4] (as defined below)	Domestic Shares	Interest in a controlled corporation	25,200,000	21.00%	15.75%	15.18%
Mr. Wang Kai[4]	Domestic Shares	Beneficial owner	5,571,428	4.64%	3.48%	3.34%
		Interest in a controlled corporation	25,200,000	21.00%	15.75%	15.18%
Ms. Zhao Wei[4]	Domestic Shares	Interest of spouse	5,571,428	4.64%	3.48%	3.34%
		Interest in a controlled corporation	25,200,000	21.00%	15.75%	15.18%
OrbiMed Capital LLC[6]	H Shares	Interest in a controlled corporation	11,312,800	N/A	7.07%	6.81%
Dr. Liang Dongke	Domestic Shares	Beneficial owner	9,542,854	7.95%	5.96%	5.75%
Dr. Song Yuan[5]	Domestic Shares	Interest of spouse	9,542,854	7.95%	5.96%	5.75%

Notes:

(1) The calculation is based on the total number of 160,000,000 Shares in issue immediately after completion of the Global Offering (without taking into account the H Shares which may be issued upon the exercise of the Over-allotment Option).

(2) The calculation is based on the total number of 166,000,000 Shares in issue immediately after completion of the Global Offering (including such amount of H Shares to be issued assuming the exercise of Over-allotment Option in full).

(3) To the best of our Directors' knowledge, KDL Holding controls KDL as it owns more than one-third of the voting power at general meetings of KDL. KDL Holding is in turn controlled by each of Shanghai Gongye Investment Co., Ltd. ("Gongye") and Kindly Holding Co., Ltd. as each of Gongye and Kindly Holding Co., Ltd. owns more than one-third of the voting power at general meetings of KDL Holding. Gongye is held as to 56.43% and Kindly Holding Co., Ltd. is wholly-owned by the Zhang Family as concert parties. As such, under the SFO, each of KDL Holding, Gongye, Kindly Holding Co., Ltd., Mr. Zhang Xianmiao, Ms. Zheng Aiping and Mr. Zhang Wei is deemed to be interested in the equity interests held by KDL.

(4) To the best of our Directors' knowledge, Ningbo Huaige Taiyi is a limited partnership established in the PRC and is owned as to 53.13% by Ningbo Huaige Gongxin Equity Investment Partnership (Limited Partnership) 寧波懷格共信股權投資合夥企業(有限合夥) ("Ningbo Huaige Gongxin") as limited partner. Ningbo Huaige Health Investment Management Partnership (Limited Partnership) 寧波懷格健康投資管理合夥企業(有限合夥) ("Ningbo Huaige Health") is the general partner of Ningbo Huaige Taiyi and Ningbo Huaige Gongxin. Mr. Wang Kai is the general partner of Ningbo Huaige Health. Ms. Zhao Wei, the spouse of Mr. Wang Kai, has 85% interest in Ningbo Huaige Health as a limited partner. As such, under the SFO, each of Ningbo Huaige Gongxin, Ningbo Huaige Health, Mr. Wang Kai and Ms. Zhao Wei is deemed to be interested in the equity interests held by Ningbo Huaige Taiyi.

(5) Dr. Song Yuan is the spouse of Dr. Liang Dongke. Under section 316(1)(a) of the SFO, Dr. Song Yuan is deemed to be interested in the equity interests held by Dr. Liang Dongke.

(6) Taking into account the 3,884,400 H Shares and 7,428,400 H Shares (assuming an Offer Price of HK$20.80, being the high-end of the indicative Offer Price range) to be subscribed for by OrbiMed Partners Master Fund Limited and Worldwide Healthcare Trust PLC, respectively, pursuant to the cornerstone investment agreement as further described under the section headed "Cornerstone Investors" in this prospectus, OrbiMed Capital LLC will be interested in approximately 6.21% H Shares upon Listing (assuming the Over-allotment Option is not exercised).

Save as disclosed herein, our Directors are not aware of any persons who will, immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised), without taking into account the Offer Shares that may be taken up under the Global Offering, 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. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

THE CORNERSTONE PLACING

We have entered into a cornerstone investment agreement (the "Cornerstone Investment Agreement") with the cornerstone investors set out below (the "Cornerstone Investors"), pursuant to which the Cornerstone Investors have agreed to, subject to certain conditions, subscribe at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 200 H Shares) that may be purchased for an aggregate amount of US$30 million (or approximately HK$235.3 million, at an exchange rate of US$1 = HK$7.84358) (the "Cornerstone Placing").

Set out below is the aggregate number of Offer Shares, and the corresponding percentages of our Company's total Offer Shares and issued share capital under the Cornerstone Placing:

		Assuming the Over-allotment Option is not exercised		**Assuming the Over-allotment Option is exercised in full**	
Based on the Offer Price of:	**Total number of Offer Shares to be subscribed by the Cornerstone Investors**	**Percentage of the total number of Offer Shares**	**Percentage of our total issued share capital immediately upon completion of the Global Offering**	**Percentage of the total number of Offer Shares**	**Percentage of our total issued share capital immediately upon completion of the Global Offering**
		(approximate)	*(approximate)*	*(approximate)*	*(approximate)*
HK$20.10 (being the low-end of the indicative Offer Price range)					
OrbiMed Capital LLC	11,706,800	29.27%	7.32%	25.45%	7.05%
HK$20.45 (being the mid-point of the indicative Offer Price range)					
OrbiMed Capital LLC	11,506,400	28.77%	7.19%	25.01%	6.93%
HK$20.80 (being the high-end of the indicative Offer Price range)					
OrbiMed Capital LLC	11,312,800	28.28%	7.07%	24.59%	6.81%

To the best knowledge of our Company, each of the Cornerstone Investors is an Independent Third Party, is not our connected person (as defined in the Listing Rules), is not an existing Shareholder or their respective close associates. The subscription of Offer Shares by the Cornerstone Investors under the Cornerstone Placing is not financed directly or indirectly by our Company, any of our Directors, any of our existing Shareholders or their respective close associates. Each of the Cornerstone Investors is making independent investment decisions and neither of the Cornerstone Investors is accustomed to take instructions from a core connected person (as defined in the Listing Rules) of our Company, our Company, any of our Directors, any of our existing Shareholders, or their respective close associates in relation to the acquisition, disposal, voting or other disposition of the Offer

Shares. Details of the actual number of the Offer Shares to be allocated to each of the Cornerstone Investors will be disclosed in the allotment results announcement to be issued by our Company on or around November 7, 2019.

The Cornerstone Placing will form part of the International Offering, and the Cornerstone Investors will not acquire any Offer Shares under the Global Offering other than pursuant to the Cornerstone Investment Agreement. The Offer Shares to be subscribed by the Cornerstone Investors will rank *pari passu* in all respects with the fully paid Shares in issue and will be counted towards the public float of our Company. Immediately following completion of the Global Offering, the Cornerstone Investors will not have any Board representation in our Company, nor will it become a substantial shareholder of our Company. The Cornerstone Investors do not have any preferential rights in the Cornerstone Investment Agreement compared with other public Shareholders. Other than the Cornerstone Investment Agreement, there are no side arrangements between our Company and the Cornerstone Investors or any benefit, direct or indirect, conferred on the Cornerstone Investors by virtue of or in relation to the Cornerstone Placing.

The total number of Offer Shares to be subscribed by the Cornerstone Investors pursuant to the Cornerstone Placing will not be affected by reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the section headed "Structure of the Global Offering – The Hong Kong Public Offering – Reallocation and Clawback". If there is over-allocation in the International Offering, the settlement of such over-allocation will be effected through deferred settlement of the Offer Shares to be subscribed by the Cornerstone Investors under the Cornerstone Placing. Whether deferred settlement takes place or not, the subscription price for the Offer Shares under the Cornerstone Placing will be paid by the Cornerstone Investors on the Listing Date in accordance with the Cornerstone Investment Agreement. For details of the Over-allotment Option and the stabilization action by the Stabilizing Manager, please refer to the sections headed "Structure of the Global Offering – The International Offering – Over-allotment Option" and "Structure of the Global Offering – Stabilization" in this prospectus, respectively.

THE CORNERSTONE INVESTORS

The information about the Cornerstone Investors set forth below has been provided by the Cornerstone Investors in connection with the Cornerstone Placing. As confirmed by our Directors, our Company became acquainted the Cornerstone Investors through introduction and arrangement by the Joint Global Coordinators. To the best knowledge of our Directors, it is expected that the Cornerstone Investors would finance their subscription under the Cornerstone Placing by their own internal resources.

OrbiMed

Pursuant to the Cornerstone Investment Agreement entered into among our Company, the Joint Global Coordinators, the Sole Sponsor, OrbiMed Partners Master Fund Limited ("OrbiMed Partners") and Worldwide Healthcare Trust PLC ("Worldwide Healthcare") dated October 22, 2019, OrbiMed Partners and Worldwide Healthcare have agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 200 H Shares) which may be purchased for an aggregate amount of US$10,300,870 (or approximately HK$80.8 million) and US$19,699,130 (or approximately HK$154.5 million), respectively, at the Offer Price.

OrbiMed Partners is a limited company incorporated in Bermuda. It is a private fund focused on healthcare investments and is controlled by OrbiMed Capital LLC ("OrbiMed"). OrbiMed is the portfolio manager of Worldwide Healthcare, which is a specialist investment trust incorporated in the United Kingdom. OrbiMed is a dedicated healthcare investment firm. OrbiMed invests globally across a spectrum of healthcare companies, from seed-stage venture capital to large publicly-traded companies. OrbiMed manages a series of private equity funds, including long/short event-driven funds and closed-end investment trusts.

CLOSING CONDITIONS

The obligation of the Cornerstone Investors to acquire the Offer Shares under the Cornerstone Investment Agreement is subject to, among other things, the following closing conditions:

(i) the Hong Kong Underwriting Agreement and the International Underwriting Agreement being entered into by, *inter alia*, our Company, the Joint Global Coordinators and the Underwriters and having become effective and unconditional by no later than the time and date as specified in agreements in accordance with their respective terms, or as subsequently varied by agreement of the parties thereto or waived, to the extent it may be waived, by the relevant parties, and not having been terminated;

(ii) the Offer Price having been agreed upon between our Company and the Joint Global Coordinators (on behalf of the Underwriters) in connection with the Global Offering;

(iii) the Listing Committee having granted the approval for the listing of, and permission to deal in, the H Shares (including the H Shares under the Cornerstone Placing) and such approval or permission not having been revoked prior to the commencement of dealings in the H Shares on the Stock Exchange;

(iv) the respective representations, warranties, undertakings and acknowledgements of the Cornerstone Investors and our Company under the Cornerstone Investment Agreement being (as at the date of the Cornerstone Investment Agreement) and to

be (as of the Listing Date and date of closing of the Cornerstone Investment Agreement) accurate and true in all respects and not misleading and that there being no material breach of the Cornerstone Investment Agreement on the part of the Cornerstone Investors and our Company; and

(v) no laws having been enacted or promulgated by any Governmental Authority (as defined in the Cornerstone Investment Agreement) which prohibit the consummation of the transactions contemplated in the Global Offering or the Cornerstone Investment Agreement, and no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions.

RESTRICTIONS ON THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has undertaken to our Company, the Sole Sponsor and the Joint Global Coordinators that unless it has obtained prior written consent of each of our Company, the Sole Sponsor and the Joint Global Coordinators, it will not, and will procure that a wholly owned subsidiary of each of the Cornerstone Investors that is (i) a "professional investor" as defined in Part I of Schedule 1 to the SFO; and (ii) not a U.S. person as defined in Regulation S under the Securities Act (the "Investor Subsidiary") will not, at any time during the period of six months from the inclusive of the Listing Date (the "Lock-up Period") whether directly or indirectly: (i) dispose of any of the Offer Shares or any of the interest in the Offer Shares or the Investor Subsidiary or any company or entity holding any of the Offer Shares or any voting right or any other right attaching thereto, including any securities convertible into or exchangeable or exercisable for or that represent the right to receive any of the forgoing securities, save and except that it may charge, pledge, mortgage or otherwise create security over the H Shares to be subscribed for by the Cornerstone Investors in the International Offering in favour of an institution authorized by the Hong Kong Monetary Authority (the "Institution") and in compliance with the Listing Rules as security for one or more bona fide loan(s) (the "Loan(s)") on customary commercial terms to be granted to itself for the purpose of financing the acquisition of its H Shares pursuant to the Cornerstone Investment Agreement, and the Institution may foreclose or enforce (whether during the Lock-up Period or otherwise) the security following its default in accordance with the terms and conditions of the applicable Loan, provided always that it shall procure the Institution not to dispose of its H Shares during the Lock-up Period; (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital or securities or any interest therein or any voting right or any other right attaching thereto, save as otherwise excepted in (i) above; (iii) agree or contract to, or publicly announce any intention to enter into any such transaction described above; or (iv) enter into any transactions directly or indirectly with the same economic effect as any aforesaid transactions, pursuant to the Cornerstone Investment Agreement.

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our consolidated financial statements as included in Appendix I to this prospectus, which were prepared in accordance with HKFRS, together with the accompanying notes. The following discussion and analysis include forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements due to various factors, including those set forth in the sections headed "Forward-Looking Statements", "Risk Factors" in this prospectus and elsewhere in this prospectus.

OVERVIEW

We are a leading Chinese cardiovascular interventional device manufacturer. We ranked second in the PRC coronary interventional device market and first in the PRC PCI supporting device market in terms of sales revenue from respective products among domestic manufacturers in 2018, according to Frost & Sullivan. We also ranked tenth in the PRC coronary interventional device market with a market share of 1.8% and seventh in the PCI supporting device market with a market share of 3.1% among all manufacturers in 2018, according to Frost & Sullivan. In 2018, we sold our products in approximately 40 countries and jurisdictions worldwide to our customers, including both distributors and medical device manufacturers and other customers. We derive most of our revenue from sales in China.

In 2016, 2017 and 2018, our total revenue was RMB106.4 million, RMB137.6 million and RMB203.1 million, respectively, representing a CAGR of 38.1% from 2016 to 2018, while our net profit was RMB34.0 million, RMB40.8 million and RMB58.2 million, respectively, representing a CAGR of 30.9% for the same periods. In the first four months of 2018 and 2019, our total revenue was RMB60.1 million and RMB86.9 million, respectively, while our net profit was RMB20.6 million and RMB31.3 million, respectively. Our total revenue and net profit experienced a continued increase during the Track Record Period, primarily driven by, among other things, increases in our market share and market demand. For more details on our financial position, please refer to the paragraph headed "– Results of operations" in this section.

We generate revenue from sales of interventional medical devices, medical accessories and other products and services. In 2016, 2017 and 2018 and the first four months of 2018 and 2019, our interventional medical devices sales accounted for 76.5%, 79.7%, 87.1%, 84.4% and 91.1% of our total revenue, respectively, and our medical accessories sales accounted for 17.6%, 16.9%, 10.1%, 11.9% and 5.9% of our total revenue, respectively. We derive most of our revenue from sales of interventional medical devices in China. Accordingly, our revenue depends on the market demand for medical devices in China. We expect that favorable governmental policies will drive the demand for medical devices in China.

For more details on factors affecting our financial results, please refer to the paragraph headed "– Significant factors affecting our results of operations and financial condition" in this section.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

During the Track Record Period, the following factors have significantly affected our results of operations and financial condition:

Regulatory Environment in China

The medical industry is highly regulated. Government policies and regulations, and their implementation and enforcement, significantly impact the supply, demand and pricing of medical devices, as well as on the cost of compliance for medical device companies in China. Medical devices must be filed or registered with the NMPA before they can be manufactured or sold in China, and such filings and registrations must be renewed periodically. The regulatory requirements in connection with such filing and registrations may change, which could significantly increase the resources and time required to launch new products and renew registrations for existing products.

In recent years, the PRC government has promulgated policies to encourage the development of innovative medical devices, such as "Healthy China 2030", "13th Five-Year National Science and Technology Innovation Planning" and "13th Five-Year Plan for Medical Device Science and Technology Innovations", which have contributed to the growth of the medical devices industry in China. Please refer to the section headed "Industry Overview" in this prospectus for details. Changes in policies and regulations may also affect our results of operations. In April 2017, the PRC government announced a pilot program in certain provinces in China to implement "two-invoice" policies, which only allows a single-layer of distributors for the sale of medical products from manufacturers to hospitals. Please refer to the paragraph headed "Regulatory Overview – The Two-invoice System" in this prospectus for details. Since the "two-invoice" policy remains at an early stage of implementation, it remains uncertain how it will affect our results of operations in the future.

Development of the Medical Device Industry

We derive most of our revenue from sales of medical devices in China. Accordingly, our revenues depend on the market demand for medical devices in China, which in turn depends on the development of the Chinese medical device industry. According to Frost & Sullivan, China's medical device market grew from RMB255.6 billion in 2014 to RMB528.4 billion at ex-factory price level in 2018, representing a CAGR of 19.9% from 2014 to 2018. We expect that favorable governmental policies will drive the demand for medical devices in China. Frost & Sullivan estimates that China's medical device market will grow to RMB1,061.9 billion in terms of ex-factory price level by 2023, representing a CAGR of 15.0% from 2018.

The growth of the PRC medical device industry may be negatively affected by a number of factors, including adverse macroeconomic conditions and delays in the implementation of favorable governmental policies. A slowdown of the PRC medical device industry will negatively impact our results of operations and financial condition.

Competition in the Medical Device Industry in China

Competition in the medical device industry in China and worldwide significantly affects our results of operations. Our ability to compete successfully depends on our ability to differentiate our products from competing products based on product quality, price, customer service and other factors.

Expansion of our production capacity and enhancement of our distribution and sales channel are important for us to compete effectively in the medical device industry. As competition intensifies, we may face compressed margins and lower revenues. Our ability to manage these competitive pressures will significantly affect our financial results.

Our Ability to Develop and Successfully Market New Products

Our ability to develop and successfully market new products is one of the most important factors affecting our results of operations and financial condition. Our success depends on our ability to anticipate industry trends and identify, develop and market new products that meet our customers' demand in a timely and cost-effective manner. Although we have a wide range of products and have covered most of the cardiovascular interventional surgical instruments, new products are expected to continue to significantly influence our revenue and gross margins. We intend to expand our product portfolio by strengthening our research and development of new or enhanced products, expanding product lines and improving our existing products.

Since 2016, we have launched ten new products and expect to maintain a similar pace of development with one more new product expected to be launched soon. Moving forward, we will target our product development efforts on increasing our portfolio of cardiovascular interventional medical devices and expanding our product lines to include products such as nerve interventional medical device, heart valves and degradable stents.

Expansion of Our Manufacturing Capacity

Our manufacturing capacity affects our results of operations. We have significantly expanded our production facilities over time. Since our inception, our production plants have grown to approximately 15,403.55 square meters as of the Latest Practicable Date. We need to expand our manufacturing capacity over time to satisfy increased demand for our products. The expansion of manufacturing capacity requires time to (i) construct the facilities, (ii) obtain the necessary permits and certifications for operations, (iii) recruit and train the new employees for

the new manufacturing facility and (iv) purchase our replacement machine and equipment. We plan to increase our capacity substantially, including a new manufacturing facility in Shanghai. For details, please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus.

Our Ability to Expand and Manage Our Distributor Network and Sales Force

We generate a majority of our total revenue from sales to distributors. In 2016, 2017 and 2018 and the first four months of 2018 and 2019, revenue from sales to distributors was RMB53.1 million, RMB64.7 million, RMB107.3 million, RMB31.0 million and RMB45.8 million, respectively, representing 49.9%, 47.0%, 52.8%, 51.6% and 52.8% of our total revenue, respectively.

Accordingly, our ability to expand and manage our distribution network remains critical to our business and financial performance. In 2016, 2017 and 2018 and the first four months of 2018 and 2019, our distribution network consisted of 237, 275, 339, 232 and 267 distributors, respectively.

We also generate a portion of our total revenue from sales to medical device manufacturers and other customers. In 2016, 2017 and 2018 and the first four months of 2018 and 2019, revenue from sales to medical device manufacturers and other customers was RMB53.3 million, RMB72.9 million, RMB95.8 million, RMB29.1 million and RMB41.1 million, respectively, representing 50.1%, 53.0%, 47.2%, 48.4% and 47.2% of our total revenue, respectively.

Accordingly, our ability to expand and manage our sales force also remains critical to our business and financial performance. In 2016, 2017 and 2018 and the first four months of 2019, we had 259, 231, 243 and 202 medical device manufacturers and other customers, respectively.

The profit margins of sales to distributors are generally higher than the profit margins for sales to medical device manufacturers and other customers.

Product Pricing

For our products sold to distributors, our product prices are affected by the public biddings set by hospitals and health care agencies, which may put downward pressure on our selling prices. For our products sold to manufacturers and other customers, our product prices are based on our negotiation with relevant customers. Decreases in the selling prices of our products may materially and adversely affect our revenue and gross profit margin. We seek to enhance our pricing bargaining power by investing in product development, design capabilities and new product initiatives that respond to customer needs. We seek to maintain the average selling prices of our products despite pricing pressure. However, to the extent our cost reductions do not sufficiently offset price reductions, our profit margins could decline.

Fluctuations in Foreign Exchange Rates

During the Track Record Period, we generated some of our revenue from sales denominated in foreign currencies, while most of our costs and expenses were denominated in Renminbi. Fluctuations in exchange rates, particularly the rate between Renminbi and the U.S. dollar or Euro, could significantly impact our financial condition and results of operations, affect our gross and net profit margins, and result in foreign exchange and operating gains or losses. For details of our sensitivity analysis, please refer to the paragraph headed "– Qualitative and Quantitative Disclosure about Market Risk" in this section.

Cost of Raw Materials

Raw materials account for a significant portion of our production costs, representing 49.3%, 52.2%, 54.4%, 54.3% and 54.2% of our cost of sales in 2016, 2017 and 2018 and the first four months of 2018 and 2019, respectively. Plastic materials are major raw materials in 2016, 2017 and 2018 and the first four months of 2018 and 2019, which primarily include PC and ABS. Please refer to the paragraph headed "Industry Overview – Major Raw Materials and Price Trend" in this prospectus for the price trend of these raw materials. Because it is difficult to pass on increased prices for raw materials to our customers, volatility in the price of raw materials may negatively affect our profit margins and results of operations.

CRITICAL ACCOUNTING POLICIES

The Accountants' Report in Appendix I to this prospectus sets forth significant accounting policies, which are important for understanding our financial condition and results of operations. Some accounting policies involve subjective assumptions, estimates and judgments related to assets, liabilities, income, expenses and other accounting items.

We base our estimates on historical experience and other assumptions that we believe to be reasonable under the circumstances. Our estimates during the Track Record Period were generally accurate as compared to actual results and our estimates are unlikely to change materially in the near future. Results may differ under different assumptions and conditions. Our management has identified below the accounting policies, estimates and judgments that are most critical to the preparation of our consolidated financial information.

Revenue Recognition

We recognize revenue when our customers take possession of and accept the products at the amount of promised consideration to which we are expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Property, Plant and Equipment

We recognize property, plant and equipment at cost, less accumulated depreciation and impairment losses, if any. The cost of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to working condition and location for its intended use. Subsequent expenditure relating to an item of property, plant and equipment that has already been recognized is added to the carrying amount of the asset when it is probable that the future economic benefits, in excess of the original assessed standard of performance of the existing asset, will flow to us. All other subsequent expenditure is recognized as an expense in profit or loss in the period in which it is incurred.

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

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

Buildings held for own use	20 years
Machinery	5 – 10 years
Motor vehicles	5 – 10 years
Furniture, fixture and equipments	5 – 10 years
Leasehold improvements	10 years

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

Leases

At inception of a contract, we assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At inception or on reassessment of a contract that contains a lease component, we allocate the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, we have elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

As a leasee, we recognize a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the

commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, our incremental borrowing rate. The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in our estimate of the amount expected to be payable under a residual value guarantee or if we change our assessment of whether it will exercise a purchase, extension or termination option.

Short-term leases and leases of low-value assets

We have elected not to recognise right-of-use assets and lease liabilities for short-term leases of properties that have a lease term within 12 months or leases of low-value assets. We recognise the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Trade and Other Receivables

We recognize a receivable when we have an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognized before we have an unconditional right to receive consideration, the amount is presented as a contract asset. Receivables are stated at amortized cost using the effective interest method less allowance for credit losses.

Inventories

We recognize inventories at the lower of cost and net realizable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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

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

Impairment of non-current assets

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

- property, plant and equipment;
- intangible assets;
- right-of-use assets;
- prepayment of lease; and
- investments in subsidiaries in our Company's statement of financial position.

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

Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

Recognition of impairment losses

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

Reversals of impairment losses

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

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

Income Tax

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

DESCRIPTION OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

The following table sets forth selected items in our consolidated statements of profit or loss for the periods indicated:

	For the year ended December 31,			For the four months period ended April 30,	
	2016	**2017**	**2018**	**2018**	**2019**
				(unaudited)	
			(RMB in thousands)		
Revenue	106,445	137,551	203,059	60,093	86,910
Cost of sales	(47,440)	(59,755)	(84,662)	(25,467)	(32,924)
Gross profit	59,005	77,796	118,397	34,626	53,986
Other income	7,854	2,939	9,694	882	3,089
Distribution costs	(6,095)	(8,604)	(17,600)	(3,505)	(4,733)
Administrative expenses	(10,476)	(11,489)	(20,504)	(3,671)	(6,981)
Research and development expenses	(10,876)	(12,922)	(22,098)	(4,867)	(7,720)
(Recognition)/reversal of impairment losses	(60)	8	111	7	58
Profit from operations	39,352	47,728	68,000	23,472	37,699
Finance costs	–	–	(1,527)	(17)	(980)
Profit before taxation	39,352	47,728	66,473	23,455	36,719
Income tax	(5,351)	(6,958)	(8,237)	(2,870)	(5,460)
Profit for the year/period	34,001	40,770	58,236	20,585	31,259

Revenue

The following table sets forth our revenue by business line, in absolute amount and as a percentage of total revenue, for the periods indicated:

	For the year ended December 31,						For the four months period ended April 30,			
	2016		2017		2018		2018		2019	
							(unaudited)			
	(RMB in thousands, except percentages)									
Interventional medical devices										
Cardiovascular	80,910	76.0%	108,809	79.1%	175,676	86.6%	50,370	83.8%	78,979	90.9%
Orthopedics and others	490	0.5%	877	0.6%	1,098	0.5%	352	0.6%	181	0.2%
Subtotal	81,400	76.5%	109,686	79.7%	176,774	87.1%	50,722	84.4%	79,160	91.1%
Medical accessories	18,735	17.6%	23,240	16.9%	20,589	10.1%	7,147	11.9%	5,112	5.9%
Others	6,310	5.9%	4,625	3.4%	5,696	2.8%	2,224	3.7%	2,638	3.0%
Total	106,445	100.0%	137,551	100.0%	203,059	100.0%	60,093	100.0%	86,910	100.0%

We generate revenue from sales of interventional medical devices, medical accessories and others. In 2016, 2017 and 2018 and the first four months of 2018 and 2019, our interventional medical devices sales accounted for 76.5%, 79.7%, 87.1%, 84.4% and 91.1% of our total revenue, respectively, our medical accessories sales accounted for 17.6%, 16.9%, 10.1%, 11.9% and 5.9% of our total revenue, respectively, and our other sales accounted for 5.9%, 3.4%, 2.8%, 3.7% and 3.0% of our total revenue, respectively. Our sales mix changed as we focused more on interventional medical devices that showed higher margin.

The following table sets forth the sales volume and price range of our top five selling cardiovascular interventional medical devices for the periods indicated:

	For the year ended December 31,						For the four months period ended April 30,			
	2016		2017		2018		2018		2019	
Name of products	*Quantity* ('000 units)	*Price range* RMB	*Quantity* ('000 units)	*Price range* RMB	*Quantity* ('000 units)	*Price range* RMB	*Quantity* ('000 units)	*Price range* RMB	*Quantity* ('000 units)	*Price range* RMB
Inflation device	276	57-325	360	58-513	558	51-503	163	53 – 490	254	57 – 506
Introducer set	193	19-128	294	20-111	517	18-110	134	18 – 109	286	19 – 112
Guidewire	190	15-188	179	12-149	325	14-168	109	14 – 149	114	14 – 155
Pressure bandage	129	14-160	162	18-162	260	16-200	81	16 – 162	117	17 – 205
Y connector pack	118	13-94	198	12-148	254	13-149	82	13 – 148	113	13 – 153

The above products all have different models, specifications and configurations in each product type. In 2018, we sold our products through distributors or directly to medical device manufacturers and other customers in over 40 countries and regions. We derive most of our revenue from sales in China.

The following table sets forth our revenue by geographic area, in absolute amount and as a percentage of our total revenue, for the periods indicated.

	For the year ended December 31,						For the four months period ended April 30,			
	2016		2017		2018		2018		2019	
							(unaudited)			
	(RMB in thousands, except percentages)									
Mainland China	67,884	63.8%	83,325	60.6%	133,978	66.0%	39,245	65.3%	54,231	62.4%
Europe	9,076	8.5%	17,042	12.4%	22,229	10.9%	7,714	12.8%	13,615	15.7%
U.S.	3,452	3.2%	4,488	3.3%	6,106	3.0%	2,286	3.8%	2,752	3.2%
Others[(1)]	26,033	24.5%	32,696	23.7%	40,746	20.1%	10,848	18.1%	16,312	18.7%
Total	106,445	100.0%	137,551	100.0%	203,059	100.0%	60,093	100.0%	86,910	100.0%

(1) Others include various countries and regions in Oceania, Africa, North America (other than the U.S.), South America and Asia (other than Mainland China).

The following table sets forth our revenue by sales channels, in absolute amount and as a percentage of our total revenue, for the periods indicated.

	For the year ended December 31,						For the four months period ended April 30,			
	2016		2017		2018		2018		2019	
							(unaudited)			
	(RMB in thousands, except percentages)									
Sales to distributors	53,092	49.9%	64,694	47.0%	107,278	52.8%	30,984	51.6%	45,847	52.8%
Sales to medical device manufacturers and other customers	53,353	50.1%	72,857	53.0%	95,781	47.2%	29,109	48.4%	41,063	47.2%
Total	106,445	100.0%	137,551	100.0%	203,059	100.0%	60,093	100.0%	86,910	100.0%

Cost of Sales

Our cost of sales consists of raw material, manufacturing and direct labor costs. Our cost of sales accounted for 44.6%, 43.4%, 41.7%, 42.4% and 37.9% of our total revenue in 2016, 2017 and 2018 and the first four months of 2018 and 2019, respectively.

The following table sets forth the components of our cost of sales, in absolute amount and as a percentage of our total cost of sales, for the periods indicated:

	For the year ended December 31,						For the four months period ended April 30,			
	2016		2017		2018		2018		2019	
							(unaudited)			
	(RMB in thousands, except percentages)									
Raw material costs	23,388	49.3%	31,192	52.2%	46,030	54.4%	13,829	54.3%	17,845	54.2%
Manufacturing costs	5,881	12.4%	6,565	11.0%	10,008	11.8%	3,107	12.2%	3,918	11.9%
Direct labour costs	18,171	38.3%	21,998	36.8%	28,624	33.8%	8,531	33.5%	11,161	33.9%
Total	47,440	100.0%	59,755	100.0%	84,662	100.0%	25,467	100.0%	32,924	100.0%

Raw material costs constituted the largest component of our cost of sales during the Track Record Period. The principal raw materials used in our production are plastic materials, accessories and packaging materials. During the Track Record Period, our raw material costs increased due to increases in sales volume and prices of the plastic materials such as PC and ABS.

Manufacturing costs consist primarily of operating costs for our production machines and facilities, including depreciation, utilities, maintenance costs and factory rentals. The increases in manufacturing costs during the Track Record Period were primarily due to increases in factory rentals, machine depreciation and utilities as a result of our capacity expansion to meet sales demand.

Direct labour costs consist primarily of salaries and benefits for production personnel. The increases in staff costs during the Track Record Period were primarily due to increases in the average salaries and the headcount of production personnel due to the production expansion plan of our Company to meet increased sales demand.

The following table sets forth our cost of sales by business line, in absolute amount and as a percentage of total cost of sales, for the periods indicated:

	For the year ended December 31,						For the four months period ended April 30,			
	2016		2017		2018		2018		2019	
							(unaudited)			
	(RMB in thousands, except percentages)									
Interventional medical devices										
Cardiovascular	28,818	60.7%	38,574	64.5%	64,901	76.7%	18,336	72.0%	26,932	81.8%
Orthopedics and others	51	0.1%	162	0.3%	286	0.3%	90	0.4%	44	0.1%
Subtotal	28,869	60.8%	38,736	64.8%	65,187	77.0%	18,426	72.4%	26,976	81.9%
Medical accessories	14,024	29.6%	16,584	27.8%	13,905	16.4%	4,860	19.1%	3,465	10.5%
Others	4,547	9.6%	4,435	7.4%	5,570	6.6%	2,181	8.5%	2,483	7.6%
Total	47,440	100.0%	59,755	100.0%	84,662	100.0%	25,467	100.0%	32,924	100.0%

Gross Profit and Gross Profit Margin

The following table sets forth our gross profit and gross profit margin by business line for the periods indicated:

	For the year ended December 31,						For the four months period ended April 30,			
	2016		2017		2018		2018		2019	
	Gross profit	Gross Profit Margin (%)	Gross profit	Gross Profit Margin (%)	Gross profit	Gross Profit Margin (%)	Gross profit	Gross Profit Margin (%)	Gross profit	Gross Profit Margin (%)
							(unaudited)			
	(RMB in thousands, except percentages)									
Interventional medical devices										
Cardiovascular	52,092	64.4%	70,235	64.5%	110,775	63.1%	32,034	63.6%	52,047	65.9%
Orthopedics and others	439	89.6%	715	81.5%	812	74.0%	262	74.4%	137	75.7%
Subtotal	52,531	64.5%	70,950	64.7%	111,587	63.1%	32,296	63.7%	52,184	65.9%
Medical accessories	4,711	25.1%	6,656	28.6%	6,684	32.5%	2,287	32.0%	1,647	32.2%
Others	1,763	27.9%	190	4.1%	126	2.2%	43	1.9%	155	5.9%
Total	59,005	55.4%	77,796	56.6%	118,397	58.3%	34,626	57.6%	53,986	62.1%

The following table sets forth our gross profit and gross profit margin by sales channels for the periods indicated:

	For the year ended December 31,						For the four months period ended April 30,			
	2016		2017		2018		2018		2019	
	Gross profit	Gross Profit Margin (%)	Gross profit	Gross Profit Margin (%)	Gross profit	Gross Profit Margin (%)	Gross profit	Gross Profit Margin (%)	Gross profit	Gross Profit Margin (%)
							(unaudited)			
	(RMB in thousands, except percentages)									
Sales to distributors	34,459	64.9%	43,577	67.4%	72,355	67.4%	21,000	67.8%	31,541	68.8%
Sales to medical device manufacturers and other customers	24,546	46.0%	34,219	47.0%	46,042	48.1%	13,626	46.8%	22,445	54.7%
Total	59,005	55.4%	77,796	56.6%	118,397	58.3%	34,626	57.6%	53,986	62.1%

Other Income

Other income consists primarily of government grants, net gain/loss on sale of property, plant and equipment, interest income, foreign exchange gains/losses and fair value changes on foreign currency forward contract and wealth management products. Other income accounted for 7.4%, 2.1%, 4.8%, 1.5% and 3.6% of our total revenue in 2016, 2017 and 2018 and the first four months of 2018 and 2019, respectively.

The following table sets forth the components of our other income, in absolute amount and as a percentage of total other income, for the periods indicated:

	For the year ended December 31,						For the four months period ended April 30,			
	2016		2017		2018		2018		2019	
							(unaudited)			
	(RMB in thousands, except percentages)									
Government grants	2,370	30.2%	2,364	80.4%	6,660	68.7%	1,423	161.3%	185	6.0%
Net gain/(loss) on sale of property, plant and equipment	13	0.2%	(421)	(14.3)%	(3,330)	(34.4)%	–	–	–	–

	For the year ended December 31,						For the four months period ended April 30,			
	2016		2017		2018		2018		2019	
							(unaudited)			
	(RMB in thousands, except percentages)									
Interest income	2,994	38.1%	2,930	99.7%	3,864	39.9%	1,293	146.6%	733	23.7%
Net realised and unrealised gains from fair value changes on financial assets measured at fair value through profit or loss	–	–	–	–	–	–	–	–	3,054	98.9%
Foreign exchange gains/(losses)	1,370	17.4%	(2,614)	(88.9)%	1,352	13.9%	(1,863)	(211.2)%	(897)	(29.0)%
Fair value changes on foreign currency forward contract	112	1.4%	–	–	1,384	14.3%	–	–	–	–
Others	995	12.7%	680	23.1%	(236)	(2.4)%	29	3.3%	14	0.4%
Total	7,854	100.0%	2,939	100.0%	9,694	100.0%	882	100.0%	3,089	100.0%

The majority of the government grants are subsidies received from the PRC government for encouragement of research and development projects and incentive for investing in medical device production lines.

Distribution Costs

Our distribution costs consist primarily of staff cost, exhibition fees, logistics and related charges as well as other miscellaneous fees, which include travelling, entertainment and other marketing related expenses. In 2016, 2017 and 2018 and the first four months of 2018 and 2019, distribution costs accounted for 5.7%, 6.3%, 8.7%, 5.8% and 5.4% of our revenue, respectively.

The following table sets forth the components of our distribution costs, in absolute amount and as a percentage of total distribution costs, for the periods indicated:

	For the year ended December 31,						For the four months period ended April 30,			
	2016		2017		2018		2018		2019	
							(unaudited)			
	(RMB in thousands, except percentages)									
Staff costs	2,774	45.5%	3,735	43.5%	5,688	32.3%	1,594	45.5%	2,447	51.7%
Exhibition fees	129	2.1%	477	5.5%	4,156	23.6%	470	13.4%	222	4.7%
Logistics and related charges	2,102	34.5%	2,523	29.3%	4,767	27.1%	1,078	30.7%	1,493	31.5%
Other miscellaneous fees	1,090	17.9%	1,869	21.7%	2,989	17.0%	363	10.4%	571	12.1%
Total	6,095	100.0%	8,604	100.0%	17,600	100.0%	3,505	100.0%	4,733	100.0%

Administrative Expenses

Administrative expenses consist primarily of staff costs, professional service fees, depreciation and amortization, tax and surcharges as well as other miscellaneous expenses, which include rental costs, transportation expenses, utilities and communication fees. In 2016, 2017 and 2018 and the first four months of 2018 and 2019, administrative expenses accounted for 9.8%, 8.4%, 10.1%, 6.1% and 8.0% of our total revenue, respectively.

The following table sets forth the components of our administrative expenses, in absolute amount and as a percentage of total administrative expenses, for the periods indicated:

	For the year ended December 31,						For the four months period ended April 30,			
	2016		2017		2018		2018		2019	
							(unaudited)			
	(RMB in thousands, except percentages)									
Staff costs	7,144	68.2%	6,541	56.9%	10,149	49.5%	2,084	56.8%	4,038	57.8%
Professional service fees	35	0.3%	321	2.8%	3,887	19.0%	7	0.2%	283	4.1%
Depreciation and amortization	834	8.0%	942	8.2%	2,012	9.8%	323	8.8%	1,588	22.7%
Tax and surcharges	727	6.9%	792	6.9%	1,102	5.4%	380	10.4%	458	6.6%
Others	1,736	16.6%	2,893	25.2%	3,354	16.3%	877	23.8%	614	8.8%
Total	10,476	100.0%	11,489	100.0%	20,504	100.0%	3,671	100.0%	6,981	100.0%

Research and Development Expenses

Our research and development expenses primarily consist of staff costs of our research and development staff, direct materials used in our research and development efforts, depreciation, expenses relating to the registration for certifications, as well as patents and trademarks. In 2016, 2017 and 2018 and the first four months of 2018 and 2019, our research and development expenses were RMB10.9 million, RMB12.9 million, RMB22.1 million, RMB4.9 million and RMB7.7 million, respectively, representing 10.2%, 9.4%, 10.9%, 8.1% and 8.9% of our total revenue for the same periods, respectively. In each period during the Track Record Period, all of our research and development expenses were recorded in the period that such expenses were incurred, and we did not capitalize any of our research and development expenses. The following table sets forth the components of our research and development expenses, in absolute amount and as a percentage of total research and development expenses, for the periods indicated:

	For the year ended December 31,						For the four months period ended April 30,			
	2016		2017		2018		2018		2019	
							(unaudited)			
	(RMB in thousands, except percentages)									
Staff costs	4,192	38.6%	4,186	32.4%	7,810	35.3%	1,982	40.7%	3,896	50.5%
Direct materials	3,019	27.8%	3,979	30.8%	8,755	39.6%	1,083	22.3%	1,757	22.8%
Depreciation	2,329	21.4%	2,794	21.6%	2,510	11.4%	645	13.3%	702	9.1%
Registration fee	700	6.4%	563	4.4%	1,207	5.5%	156	3.2%	178	2.3%
Others	636	5.8%	1,400	10.8%	1,816	8.2%	1,001	20.5%	1,187	15.3%
Total	10,876	100.0%	12,922	100.0%	22,098	100.0%	4,867	100.0%	7,720	100.0%

Income Tax

We and our PRC subsidiaries are subject to income tax in China. Under the PRC Enterprise Income Tax Law, or the EIT Law, we and our PRC subsidiaries are subject to enterprise income tax at a statutory rate of 25%. We were qualified as "High and New Tech Enterprises" under the EIT Law and therefore entitled to a reduced income tax rate of 15% during the Track Record Period.

In 2016, 2017 and 2018 and the first four months of 2019, our effective income tax rate was 13.6%, 14.6%, 12.4% and 14.9% respectively:

	For the year ended December 31,			For the four months period ended April 30,
	2016	2017	2018	2019
	(RMB in thousands, except percentages)			
PRC Tax				
Current tax	5,429	7,140	8,959	4,828
Deferred tax	(78)	(182)	(722)	632
Total	5,351	6,958	8,237	5,460

RESULTS OF OPERATIONS

The First Four Months of 2019 Compared to the First Four Months of 2018

Revenue

Our revenue increased by 44.6% from RMB60.1 million in the first four months of 2018 to RMB86.9 million in the first four months of 2019, primarily attributable to an RMB28.4 million increase in revenue from interventional medical devices driven by increased sales volume, as a result of the increase in our market share and number of PCI procedures in China.

Cost of Sales

Our cost of sales increased by 29.3% from RMB25.5 million in the first four months of 2018 to RMB32.9 million in the first four months of 2019, primarily due to (i) an increase in raw material costs from RMB13.8 million in the first four months of 2018 to RMB17.8 million in the first four months of 2019, reflecting our higher production and sales volume during the period; (ii) an increase in direct labour costs from RMB8.5 million in the first four months of 2018 to RMB11.2 million in the first four months of 2019, primarily reflecting increases in headcount and average salaries of our production staff; and (iii) an increase in manufacturing costs from RMB3.1 million in the first four months of 2018 to RMB3.9 million in the first four months of 2019, primarily resulting from increase in factory rental costs, depreciation and utilities.

Gross Profit and Gross Profit Margin

As a result of the foregoing, gross profit increased by 55.9% from RMB34.6 million in the first four months of 2018 to RMB54.0 million in the first four months of 2019. Gross profit margin increased from 57.6% in the first four months of 2018 to 62.1% in the first four months of 2019, primarily attributable to (i) increased percentage of sales of interventional medical devices which have higher margin; and (ii) decreased price of the raw material polycarbonate in the first four months of 2019 in comparison to the first four months of 2018.

Other Income

Other income increased by 250.2% from RMB0.9 million in the first four months of 2018 to RMB3.1 million in the first four months of 2019, primarily due to (i) RMB3.1 million of net gain from wealth management products purchased from banks and financial institutions; and (ii) RMB0.9 million of foreign exchange losses in the first four months of 2019 as compared to RMB1.9 million of foreign exchange losses in the first four months of 2018 due to fewer foreign currency fluctuations, offset by an RMB1.2 million decrease in government grants.

Distribution costs

Distribution costs increased by 35.0% from RMB3.5 million in the first four months of 2018 to RMB4.7 million in the first four months of 2019, primarily due to (i) an RMB0.9 million increase in staff costs, resulting from increases in the average salaries and headcount of sale personnel; (ii) an RMB0.4 million increase in logistic-related charges, primarily driven by our increased sales volume; and (iii) an RMB0.2 million increase in other miscellaneous fees due to greater expansion efforts in China and abroad, offset by an RMB0.2 million decrease in exhibition fees and conference fees.

Administrative Expenses

Administrative expenses increased by 90.2% from RMB3.7 million in the first four months of 2018 to RMB7.0 million in the first four months of 2019, primarily due to (i) an RMB2.0 million increase in staff costs, resulting from increases in headcount, average salaries and performance incentives of our administrative personnels; and (ii) an RMB1.3 million increase in depreciation and amortization of our buildings, office furniture, equipment and vehicles.

Research and Development Expenses

Research and development expenses increased by 58.6% from RMB4.9 million in the first four months of 2018 to RMB7.7 million in the first four months of 2019, primarily due to (i) an RMB1.9 million increase in staff costs, resulting from increases in the headcount, as well as average salaries and performance incentives of our research and development staff; and (ii) an RMB0.7 million increase in direct materials used for our research and development efforts.

Income Tax

Income tax increased by 90.2% from RMB2.9 million in the first four months of 2018 to RMB5.5 million in the first four months of 2019, primarily due to an increase in profit before tax.

Our effective income tax rate increased from 12.2% to 14.9% in the first four months of 2018 and the first four months of 2019, primarily due to Shanghai Pukon being subject to the PRC statutory tax rate of 25% and no longer entitled to a preferential tax rate of 10% applicable to a small and low profit enterprise as the revenue generated exceeded the threshold of small and low profit enterprise.

Profit for the Period

As a result of the foregoing, our profit increased by 51.9% from RMB20.6 million in the first four months of 2018 to RMB31.3 million in the first four months of 2019, and our net profit margin remained relatively stable at 34.3% in the first four months of 2018 and 36.0% in the first four months of 2019, respectively.

2018 Compared to 2017

Revenue

Our revenue increased by 47.6% from RMB137.6 million in 2017 to RMB203.1 million in 2018, primarily attributable to an RMB67.1 million increase in revenue from interventional medical devices driven by increased sales volume, as a result of an increase in the number of our distributors as well as the increase in number of PCI procedures in China.

Cost of Sales

Our cost of sales increased by 41.7% from RMB59.8 million in 2017 to RMB84.7 million in 2018, primarily due to (i) an increase in raw material costs from RMB31.2 million in 2017 to RMB46.0 million in 2018, reflecting our higher production and sales volume during the period; (ii) an increase in direct labour costs from RMB22.0 million in 2017 to RMB28.6 million in 2018, primarily reflecting increases in headcount and average salaries of our production staff; and (iii) an increase in manufacturing costs from RMB6.6 million in 2017 to RMB10.0 million in 2018, primarily resulting from increase in factory rental costs, depreciation and utilities.

Gross Profit and Gross Profit Margin

As a result of the foregoing, gross profit increased by 52.2% from RMB77.8 million in 2017 to RMB118.4 million in 2018. Gross profit margin increased from 56.6% in 2017 to 58.3% in 2018, primarily attributable to increased percentage of sales of interventional medical devices which have higher margin.

Other Income

Other income increased by 229.8% from RMB2.9 million in 2017 to RMB9.7 million in 2018, primarily due to (i) an RMB4.3 million increase in government grants; (ii) RMB1.4 million of foreign exchange gains in 2018 as compared to RMB2.6 million of foreign exchange losses in 2017; and (iii) an RMB1.4 million increase in fair value changes on foreign currency forward contract, offset by an RMB2.9 million increase in net loss on sale of property, plant and equipment.

Distribution costs

Distribution costs increased by 104.6% from RMB8.6 million in 2017 to RMB17.6 million in 2018, primarily due to (i) an RMB2.0 million increase in staff costs, resulting from increases in the average salaries and headcount of sale personnel; (ii) an RMB3.7 million increase in exhibition fees, primarily due to increased exhibition and marketing activities; and (iii) an RMB2.2 million increase in logistic-related charges, primarily driven by our increased sales volume.

Administrative Expenses

Administrative expenses increased by 78.5% from RMB11.5 million in 2017 to RMB20.5 million in 2018, primarily due to (i) an RMB3.6 million increase in staff costs, resulting from increases in headcount, average salaries and performance incentives of our administrative personnels; (ii) an RMB3.6 million increase in professional service fees, primarily driven by fees paid to our financial advisor which (a) provided financial advice with respect to initial public offering, (b) formulated financing plans, assisted with selecting suitable strategic investors and completing our capital increase, and (c) formulated industrial investment and acquisition plans; and (iii) an RMB1.1 million increase in depreciation and amortization of our office furniture, equipment and vehicles.

Research and Development Expenses

Research and development expenses increased by 71.0% from RMB12.9 million in 2017 to RMB22.1 million in 2018, primarily due to (i) an RMB3.6 million increase in staff costs, resulting from increases in the headcount, as well as average salaries and performance incentives of our research and development staff; and (ii) an RMB4.8 million increase in direct materials used for our research and development efforts.

Income Tax

Income tax increased by 18.4% from RMB7.0 million in 2017 to RMB8.2 million in 2018, primarily due to an increase in profit before tax.

Our effective income tax rate decreased from 14.6% to 12.4% in 2017 and 2018, mainly due to the recognition of previously unrecognized deferred income tax assets arising from the tax losses of one of our subsidiaries as the subsidiary started to generate profit in 2018.

Profit for the Year

As a result of the foregoing, our profit increased by 42.8% from RMB40.8 million in 2017 to RMB58.2 million in 2018, and our net profit margin remained relatively stable at 29.6% in 2017 and 28.7% in 2018, respectively.

2017 Compared to 2016

Revenue

Our revenue increased by 29.2% from RMB106.4 million in 2016 to RMB137.6 million in 2017, primarily attributable to an RMB28.3 million increase in revenue from interventional medical devices driven by increased sales volume, as a result of an increase in the number of our distributors and the number of PCI procedures in China.

Cost of Sales

Our cost of sales increased by 26.0% from RMB47.4 million in 2016 to RMB59.8 million in 2017, primarily due to (i) an increase in raw material costs from RMB23.4 million in 2016 to RMB31.2 million in 2017, reflecting our higher production and sales volume during the year, and (ii) an increase in direct labour costs from RMB18.2 million to RMB22.0 million, primarily reflecting increase in headcount and average salaries of our production staff.

Gross Profit and Gross Profit Margin

As a result of the foregoing, gross profit increased by 31.8% from RMB59.0 million in 2016 to RMB77.8 million in 2017. Gross profit margin increased from 55.4% in 2016 to 56.6% in 2017, primarily attributable to increased sales of interventional medical devices which have higher margin.

Other Income

Other income decreased by 62.6% from RMB7.9 million in 2016 to RMB2.9 million in 2017, primarily because we had foreign exchange losses of RMB2.6 million in 2017 while we had foreign exchange gains of RMB1.4 million in 2016.

Distribution costs

Distribution costs increased by 41.2% from RMB6.1 million in 2016 to RMB8.6 million in 2017, primarily due to an RMB1.0 million increase in staff costs, resulting from increase in the average salaries and the headcount of our sale personnel.

Administrative Expenses

Administrative expenses remained relatively stable, which increased slightly from RMB10.5 million in 2016 to RMB11.5 million in 2017.

Research and Development Expenses

Research and development expenses increased by 18.8% from RMB10.9 million in 2016 to RMB12.9 million in 2017, primarily due to an RMB1.0 million increase in direct materials used for our research and development efforts.

Income Tax

Income tax increased by 30.0% from RMB5.4 million in 2016 to RMB7.0 million in 2017, primarily due to an increase in taxable income.

Our effective income tax rate remained relatively stable at 13.6% in 2016 and 14.6% in 2017.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 19.9% from RMB34.0 million in 2016 to RMB40.8 million in 2017, and our net profit margin slightly decreased from 31.9% in 2016 to 29.6% in 2017.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Our principal sources of liquidity have been cash from operations and financing. Our principal uses of cash have been, and are expected to be, capital expenditures for the expansion of our business and working capital. We expect to fund our future operations and expansion plans principally with cash generated from our operations and equity financing, net proceeds from the Global Offering and other funds raised from capital markets from time to time, when necessary.

Cash Flow

The following table sets forth a summary of our net cash flow for the periods indicated:

Selected Consolidated Cash Flow Statement Data

	For the year ended December 31,			For the four months period ended April 30,	
	2016	**2017**	**2018**	**2018**	**2019**
	(RMB in thousands)				
Operating profits before changes in working capital	41,061	55,091	75,641	26,774	40,819
Net cash generated from operating activities	38,910	39,324	66,492	10,642	25,303
Net cash (used in)/generated from investing activities	(12,883)	45,675	(39,584)	(732)	(184,103)
Net cash (used in)/generated from financing activities	(12,800)	–	121,896	1,382	(51,774)
Net increase in cash and cash equivalent	13,227	84,999	148,804	11,292	(210,574)
Effects of foreign exchange rates changes	1,378	(2,742)	2,658	(2,174)	(1,120)
Cash and cash equivalent at the end of the year/period	64,445	146,702	298,164	155,820	86,470

Net Cash generated from Operating Activities

The increase in net cash generated from operating activities during the Track Record Period was primarily attributable to the increase in the profit generated.

Net Cash (used in)/generated from Investing Activities

Net cash used in investing activities in the first four months of 2019 was RMB184.1 million, primarily due to (i) an RMB10.9 million of payment for the purchase of property, plant and equipment, and (ii) a net effect of investment in wealth management products of RMB166.9 million.

Net cash used in investing activities in 2018 was RMB39.6 million, primarily due to (i) an RMB35.2 million of payment for the purchase of property, plant and equipment and intangible assets; and (ii) an RMB10.0 million of prepayment for leased property, partially offset by (i) an RMB1.7 million of proceeds from sale of property, plant and equipment; and (ii) an RMB3.9 million of interest received from bank deposits.

Net cash generated from in investing activities in 2017 was RMB45.7 million, primarily due to loan repaid from a related party of RMB55.4 million, offset by payment for purchase of plant, property and equipment of RMB12.2 million.

Net cash used in investing activities in 2016 was RMB12.9 million, primarily due to (i) an RMB12.4 million of payment for the purchase of property, plant and equipment and intangible assets; (ii) an RMB5.4 million of net loan made to a related party, offset by (i) an RMB1.9 million of proceeds from sale of property, plant and equipment; and (ii) an RMB2.8 million of interest received from loan to related parties.

Net Cash (used in)/generated from Financing Activities

Net cash used in financing activities in the first four months of 2019 was RMB51.8 million, primarily due to an RMB48.2 million of dividends paid to our equity shareholders, and payment of Listing expenses of RMB8.2 million offset by an RMB5.5 million of capital injection received from non-controlling interests.

Net cash generated from financing activities in 2018 was RMB121.9 million, primarily due to (i) an RMB180.0 million of capital injection from our equity shareholders; (ii) an RMB9.5 million of capital injection from non-controlling interests of our subsidiaries, offset by an RMB66.6 million of dividends payment.

Net cash used in financing activities in 2016 represents an RMB12.8 million of dividend payment.

Capital Expenditures

Capital expenditures principally consist of expenditures for the purchases of property, plant and equipment, intangible assets and land use right. During the Track Record Period, we financed our capital expenditures primarily through cash flow from operations.

In 2016, 2017 and 2018 and the first four months of 2018 and 2019, we made the following capital expenditures:

	For the year ended December 31,			For the four months period ended April 30,	
	2016	**2017**	**2018**	**2018**	**2019**
				(unaudited)	
			(RMB in thousands)		
Property, plant and equipment	12,333	12,180	34,554	2,025	10,877
Intangible assets	49	–	602	–	–
Land use right	–	3,000	–	–	7,068
Total	12,382	15,180	35,156	2,025	17,945

The following table sets forth our estimated capital expenditures to be incurred in the financial year ended December 31, 2019:

	For the year ended December 31, 2019
	(RMB in thousands)
Property, plant and equipment	132,248
Land use right	93,032
Total	225,280

Our projected capital expenditures are subject to any future changes in our business plan, market conditions, and the economic and regulatory environment. We plan to finance our future capital expenditures through cash generated from our operations and the net proceeds from the Global Offering.

Current Assets and Current Liabilities

The following table sets forth our current assets and current liabilities as of the dates indicated.

	As of December 31,			As of April 30,	As of August 31,
	2016	2017	2018	2019	2019
	(RMB in thousands)				
Current assets					
Inventories	16,146	29,468	39,015	41,052	43,799
Trade and other receivables	66,295	11,375	7,085	13,091	15,189
Other current assets	1,724	2,138	3,366	13,240	24,282
Financial assets at fair value through profit or loss	–	–	–	169,945	23,824
Cash and cash equivalents	64,445	146,702	298,164	86,470	183,306
Total current assets	148,610	189,683	347,630	323,798	290,400
Current liabilities					
Trade and other payables	11,701	17,846	24,049	28,519	34,764
Contract liabilities	6,231	7,415	11,533	10,167	8,187
Lease liabilities	–	–	5,397	5,603	293
Deferred income	172	493	494	494	494
Current taxation	2,110	1,480	1,261	3,427	6,104
Total current liabilities	20,214	27,234	42,734	48,210	49,842
Net current assets	128,396	162,449	304,896	275,588	240,558

We had net current assets of RMB240.6 million as of August 31, 2019 as compared with net current assets of RMB275.6 million as of April 30, 2019. The decrease in net current assets was primarily attributable to our partial payment of approximately RMB50.0 million for the purchase price of the land use right of a plot of land in Jiading, Shanghai with a total area of 13,425 square meters and ownership in the buildings thereon. Please refer to the paragraph headed "Summary – Recent Developments" in this prospectus for further details.

We had net current assets of RMB275.6 million as of April 30, 2019 as compared with net current assets of RMB304.9 million as of December 31, 2018. The decrease in net current assets was primarily attributable to cash dividends of RMB48.2 million paid in April 2019.

We had net current assets of RMB304.9 million as of December 31, 2018 as compared with net current assets of RMB162.4 million as of December 31, 2017. The increase in net current assets was primarily attributable to an RMB151.5 million increase in cash and cash equivalents as a result of capital injection of RMB189.5 million received from our shareholders and non-controlling interests of our subsidiaries in 2018.

We had net current assets of RMB162.4 million as of December 31, 2017 as compared with net current assets of RMB128.4 million as of December 31, 2016. The increase in net current assets was primarily attributable to increase in net operating profit generated in 2017.

Our financial assets at fair value through profit or loss increased by RMB169.9 million as of April 30, 2019 because we purchased certain wealth management products using cash. Our wealth management products were issued by reputable commercial banks and financial institutions. We only purchased wealth management products that had a relatively low risk level assigned to them by the relevant banks and financial institutions and as set forth in the purchase agreement for such products. To ensure our liquidity, substantially all of the wealth management products we purchased had maturity term or were redeemable within three months.

In the first four months of 2019, the wealth management products we purchased included (i) 11 types of non-principal protected products issued by four reputable commercial banks in China; and (ii) two types of non-principal protected products issued by two reputable financial institutions in China. The underlying financial instruments of these products included bonds, debentures, monetary funds, listed shares and other financial assets, with the majority in low-risk monetary funds. These products had maximum annual interest rates ranging from 3.0% to 6.8%. Six out of the 13 products had no fixed maturity term and could be redeemed with prior notice. Seven out of the 13 products had maturity term between three days to 90 days. The four issuing banks are all A-share listed banks in China with credit ratings ranging from BB+ to A+ as assigned by Fitch's, from Baa2 to A1 as assigned by Moody's and from BBB- to A+ as assigned by S&P. The two financial institutions, both subsidiaries of A-share listed companies in China, are approved by the People's Bank of China and regulated by the China Banking and Insurance Regulatory Commission. As of the Latest Practicable Date, all of the wealth management products we purchased in the first four months of 2019 had been redeemed at maturity except for five types of products issued by commercial banks amounting to RMB23.5 million, which had no fixed maturity term and could be redeemed upon prior notice.

Our payments for the purchase of wealth management products amounted to RMB565.0 million for the first four months of 2019 primarily because we received an RMB180.0 million capital injection from our equity shareholders in December 2018. After gaining respective approvals from our Board and our Shareholders in a general meeting, our management was authorized to use our surplus funds for purchasing wealth management products for short-term cash-flow and treasury management purpose and such investments would not affect our business operations. After deducting the purchase amounts of wealth management products, as confirmed by our Directors, the balance of our working capital for any day in the first four months of 2019 exceeded RMB40.0 million, which was in line with our past operating scale and sufficient for meeting all of our operating needs.

We have adopted an investment policy to monitor and control risks relating to our investment activities, which includes the following measures:

(i) our investment shall comply with the relevant laws and regulations, match with our development strategies, of an appropriate scale, shall not affect our principal business development, and prioritize benefit and efficiency;

(ii) our management or the relevant department shall submit a proposal and an economic efficiency valuation report for potential investment opportunities. For potential investments that are over RMB5 million, a feasibility study shall also be prepared;

(iii) potential investments that require our Board's approval include, among others, investments in targets which the most recent audited yearly net profit exceed RMB1 million and account for more than 10.0% of our Company's most recent audited yearly net profit;

(iv) potential investments that require our Shareholders' approval in a general meeting include, among others, investments in targets which the most recent audited yearly net profit exceed RMB3 million and account for more than 50.0% of our Company's most recent audited yearly net profit;

(v) investments that do not require our Board's or our Shareholders' approval shall be approved by, with authorisation of our Board, our general manager; and

(vi) we shall not invest in securities, authorise others to or engage in investments in share, interest rate, exchange rate and commodities based derivative products with our internal funds. If we decide to make the aforesaid investments after due consideration, we shall assess our risk exposure and it shall only be approved by our Board or our Shareholders.

Valuation of Our Wealth Management Products

We prefer to invest in low risk wealth management products issued by reputable commercial banks and financial institutions in China. The underlying financial instruments of these products would include bonds, debentures, monetary funds, listed shares and other financial assets, with the majority in low-risk monetary funds. Please refer to the paragraph headed "– Liquidity and Capital Resources – Current Assets and Current Liabilities" in this section for details.

We have invested in wealth management products issued by banks and financial institutions for short-term cash flow and treasury management purposes during the Track Record Period, mainly including net value-based wealth management products, which were categorized under the level 2 fair value measurement, and variable-income based wealth management products, which were categorized under the level 3 fair value measurement.

The fair value of net value-based wealth management products was estimated using the market comparison approach. The market comparison approach involves valuing the products by comparing to the prices counterparty banks would pay to redeem the products at the end of each reporting period.

The fair value of variable income-based wealth management products was determined by discounting the cash flow associated with the products based on the expected rate of return stated in each product's product manual. Each product's expected rate of return was not guaranteed and depended on the market price of its underlying financial instruments. In relation to the valuation of the variable-income based wealth management products, our Directors have reviewed each product's product manual and reviewed the valuation report provided and the unobservable inputs applied by our Company's finance team. Based on the above procedures, our Directors are of the view that the valuation is reasonable, and the related disclosures in the financial statements of the Group are properly prepared.

Details of the fair value measurement of our level 3 financial instruments, particularly the fair value hierarchy and the valuation techniques are disclosed in Note 25(e)(i) to the Accountants' Report attached as Appendix I to this prospectus issued by our reporting accountants, KPMG, in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 "Accountants' Report on Historical Financial Information in Investment Circulars" issued by HKICPA. In relation to the valuation analysis on our Company's wealth management products, the Sole Sponsor conducted relevant due diligence work, including but not limited to (i) review of the relevant notes in the Accountants' Report attached as Appendix I to this prospectus; (ii) review of the wealth management product manuals of our Company; and (iii) discussion with our Company about the key basis and assumptions for the valuation of its wealth management products. Having considered the work done by and the views of our Directors and the reporting accountants, the Sole Sponsor has no reason to believe that our Directors have not properly discharged their duties in the context of valuation of our Company's wealth management products.

DISCUSSION OF CERTAIN KEY ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As of December 31,			As of April 30,	As of August 31,
	2016	2017	2018	2019	2019
	(RMB in thousands)				
Non-current assets					
Property, plant and equipment	36,090	37,987	59,544	64,973	103,898
Right-of-use assets	–	–	58,024	72,391	46,076
Prepayment of lease	–	–	10,000	–	–
Intangible asset	40	24	572	517	5,694
Other non-current assets	472	3,700	4,486	6,776	10,809
Deferred tax assets	880	1,062	1,784	1,152	1,035
Total non-current assets	37,482	42,773	134,410	145,809	167,512
Current assets					
Inventories	16,146	29,468	39,015	41,052	43,799
Trade and other receivables	66,295	11,375	7,085	13,091	15,189
Other current assets	1,724	2,138	3,366	13,240	24,282
Financial assets at fair value through profit and loss	–	–	–	169,945	23,824
Cash and cash equivalents	64,445	146,702	298,164	86,470	183,306
Total current assets	148,610	189,683	347,630	323,798	290,400

	As of December 31,			As of April 30,	As of August 31,
	2016	2017	2018	2019	2019
	(RMB in thousands)				
Non-current liabilities					
Lease liabilities	–	–	54,782	53,634	1,613
Deferred income	6,434	5,008	3,214	3,073	2,556
Total non-current liabilities	6,434	5,008	57,996	56,707	4,169
Current liabilities					
Trade and other payables	11,701	17,846	24,049	28,519	34,764
Contract liabilities	6,231	7,415	11,533	10,167	8,187
Lease liabilities	–	–	5,397	5,603	293
Deferred income	172	493	494	494	494
Current taxation	2,110	1,480	1,261	3,427	6,104
Total current liabilities	20,214	27,234	42,734	48,210	49,842
Net assets	159,444	200,214	381,310	364,690	403,901

Property, Plant and Equipment

Our property, plant and equipment increased by RMB5.4 million from RMB59.5 million as of December 31, 2018 to RMB65.0 million as of April 30, 2019, primarily due to the purchase of new production equipment.

Our property, plant and equipment increased by RMB21.6 million from RMB38.0 million as of December 31, 2017 to RMB59.5 million as of December 31, 2018, primarily due to: (i) the purchase of eight apartment units for employee dormitory which purchase price was RMB10.8 million; and (ii) the purchase of new production equipment which purchase price was RMB10.7 million.

Our property, plant and equipment remained relatively stable as of December 31, 2016 and December 31, 2017.

Right-of-use Assets

We had an RMB72.4 million of right-of-use assets as of April 30, 2019. The increase from December 31, 2018 was mainly because we purchased a land use right of RMB7.1 million with an useful life of 50 years. For details, please refer to Note 12 in Appendix I to this prospectus.

We had an RMB58.0 million of right-of-use assets as of December 31, 2018 because we recognized certain long-term (more than 12 months) lease contracts for properties from KDL and third party landlords as right-of-use assets. For details, please refer to Note 12 in Appendix I to this prospectus.

Prepayment of Lease

We had an RMB10.0 million of prepayment of lease as of December 31, 2018 because we recognized the prepaid rent for a leased property from a third party landlord with lease period of five years starting from January 2019. For details, please refer to Note 12 in Appendix I to this prospectus.

Inventories

The following table sets forth the components of our inventories as of the dates indicated:

	As of December 31,			As of April 30,
	2016	2017	2018	2019
	(RMB in thousands)			
Raw materials	5,802	9,418	14,311	16,541
Work in progress	4,270	5,390	7,007	8,432
Finished goods	5,277	13,665	16,691	14,809
Others	797	995	1,006	1,270
Total	16,146	29,468	39,015	41,052

Our inventories increased period by period, primarily due to our procurement of raw materials and preparation of more finished products to meet higher demand for our products.

The following table sets forth our inventory turnover days for the periods indicated.

	For the year ended December 31,			For the four months period ended April 30,
	2016	2017	2018	2019
Inventory turnover days[(1)]	112	139	148	146

(1) Calculated by dividing the average balance of inventories by cost of sales for the relevant period multiplied by 365 days or 120 days, where applicable. Average balance equals the sum of the beginning balance and ending balance for the period divided by two.

Our inventory turnover days increased from 112 days in 2016 to 139 days in 2017, and to 148 days in 2018 and to 146 days in the first four months of 2019, primarily attributable to our increased inventory resulting from the increase in our customer demand. 87.4% or RMB35.9 million of our total inventories as of April 30, 2019 had been subsequently used or sold as at the Latest Practicable Date.

Trade and Other Receivables

The following table sets forth our trade and other receivables as of the dates indicated:

	As of December 31,			As of April 30,
	2016	**2017**	**2018**	**2019**
	(RMB in thousands)			
Receivables from third parties	3,699	1,677	4,150	10,336
Receivables from related parties	7,383	9,890	2,698	2,493
Less: losses allowance on trade receivables	(200)	(192)	(81)	(22)
Net trade receivables	10,882	11,375	6,767	12,807
Loan receivables from a related party	55,413	–	–	–
Others	–	–	318	284
Net other receivables	55,413	–	318	284
Total	66,295	11,375	7,085	13,091

Our trade and other receivables increased by 84.8% from RMB7.1 million as of December 31, 2018 to RMB13.1 million as of April 30, 2019, primarily to due an RMB6.2 million increase in receivables from third parties.

Our trade and other receivables decreased by 37.7% from RMB11.4 million as of December 31, 2017 to RMB7.1 million as of December 31, 2018, primarily due to an RMB7.2 million decrease in receivables from the KDL Group.

Our trade and other receivables decreased by 82.8% from RMB66.3 million as of December 31, 2016 to RMB11.4 million as of December 31, 2017, primarily due to the repayment of a loan from KDL of RMB55.4 million.

We make provisions for impairment of trade and other receivables based on our assessment of risk of default and expected losses. As of December 31, 2016, 2017 and 2018 and April 30, 2019, we made provisions for the impairment of trade receivables and other receivables of RMB0.2 million, RMB0.2 million, RMB0.1 million and RMB0.02 million, respectively. Subsequent to the Track Record Period, we have settled trade receivables of RMB12.7 million as of the Latest Practicable Date, representing 98.9% of our trade receivables as of April 30, 2019.

The following table sets forth an aging analysis of our trade receivables as of the dates indicated:

	As of December 31,			As of April 30,
	2016	2017	2018	2019
	(RMB in thousands)			
Within 3 months	7,497	6,122	6,767	12,093
3 ~ 6 months	2,952	3,853	–	714
6 ~ 9 months	–	1,400	–	–
9 ~ 12 months	–	–	–	–
Over 1 year	433	–	–	–
Total	10,882	11,375	6,767	12,807

We require most of our distributors to make full prepayment for our products, while we sometimes grant medical device manufacturers and other customers and few distributors credit periods within 30 to 90 days. We determine the credit terms for our customers on a case-by-case basis, taking into account a customer's credit history, ability to pay and operating environment.

During the years ended December 31, 2016, 2017, 2018 and April 30, 2019, 37.1%, 32.5%, 32.8% and 37.6% of our total revenue generated from customers with credit term granted, respectively.

The following table sets forth the turnover days for trade receivables from customers for the periods indicated:

	For the year ended December 31,			As of April 30,
	2016	2017	2018	2019
Turnover days for trade receivables from customers[(1)]	105	91	50	36

(1) Calculated by dividing the average balance of trade receivables from customers by the corresponding revenue for the relevant period multiplied by 365 days or 120 days, where applicable. Average balance equals the sum of the beginning balance and ending balance for the period divided by two.

The decrease in turnover days during the Track Record Period was primarily attributable to our enhanced efforts to collect receivables from customers.

Trade and Other Payables

The following table sets forth our trade and other payables as of the dates indicated:

	As of December 31,			As of April 30,
	2016	**2017**	**2018**	**2019**
	(RMB in thousands)			
Trade payables	4,593	9,425	10,309	12,292
Payroll payables	5,249	6,431	10,319	7,792
Individual income tax payable	–	–	–	5,229
Amount due to related parties	503	32	736	866
Others	1,356	1,958	2,685	2,340
Total	11,701	17,846	24,049	28,519

Our trade and other payables increased by 18.6% from RMB24.0 million as of December 31, 2018 to RMB28.5 million as of April 30, 2019, primarily due to an RMB5.2 million increase in individual income tax payables relating to dividend payments to our Shareholders, which had been fully settled in May 2019.

Our trade and other payables increased by 34.8% from RMB17.8 million as of December 31, 2017 to RMB24.0 million as of December 31, 2018, primarily due to an RMB3.9 million increase in payroll payables as a result of the increases in employee headcount, average salary and bonus.

Our trade and other payables increased by 52.5% from RMB11.7 million as of December 31, 2016 to RMB17.8 million as of December 31, 2017, primarily due to an RMB4.8 million of increase in trade payables, as a result of increased purchase volume from suppliers who grant credit term to us.

The following table sets forth an aging analysis of our trade payables as of the dates indicated:

	As of December 31,			As of April 30,
	2016	2017	2018	2019
	(RMB in thousands)			
Within 3 months	4,298	8,975	10,028	11,426
Over 3 months but within 6 months	232	425	226	693
Over 6 months but within 1 year	63	1	47	150
Over 1 year	–	24	8	23
Total	4,593	9,425	10,309	12,292

Most of our suppliers grant us a credit period of 30 to 90 days.

The following table sets forth the turnover days for our trade payables for the periods indicated:

	For the year ended December 31,			For the four months period ended April 30,
	2016	2017	2018	2019
Trade payable turnover days*(Note)*	32	43	43	41

Note: Calculated by dividing the average balance of trade payable by cost of sales for the relevant period multiplied by 365 days or 120 days, where applicable. Average balance equals the sum of the beginning balance and ending balance for the period divided by two.

Our trade payables turnover days remained stable at 43 days in 2017 and 2018 and at 41 days in the first four months of 2019. Our trade payables turnover days increased from 32 days in 2016 to 43 days in 2017 primarily due to the increased percentage of purchase from suppliers who grant credit term to us. 97.3% or RMB12.0 million of our trade payables as of April 30, 2019 had been subsequently settled as at the Latest Practicable Date.

Contract Liability

When receive a deposit before the delivery of the products, this will give rise to contract liabilities. We typically receive a 100% deposit from the majority of our customers before the delivery of our products.

The following table below sets forth the movement in contract liabilities as of the dates indicated:

	As of December 31,			As of April 30,
	2016	2017	2018	2019
	(RMB in thousands)			
At the beginning of year	5,474	6,231	7,415	11,533
Increase in contract liabilities as a result of receiving advances from customers	67,727	94,012	140,502	52,851
Decrease in contract liabilities as a result of recognizing revenue during the year	(66,970)	(92,828)	(136,384)	(54,217)
At the end of year	6,231	7,415	11,533	10,167

INDEBTEDNESS

Borrowings

As of December 31, 2016, 2017 and 2018, April 30, 2019 and August 31, 2019, we did not incur any bank borrowings and we had no unutilized banking facilities.

Our Directors confirm that we had no material defaults in payment of trade and non-trade payables and borrowings, and had not breached any financial covenants during the Track Record Period and up to the Latest Practicable Date.

Capital Commitments

As of December 31, 2016, 2017 and 2018, April 30, 2019 and August 31, 2019, we had capital commitment of nil, nil, RMB2.0 million, RMB6.0 million and RMB439.2 million, respectively. The increase from April 30, 2019 to August 31, 2019 is primarily attributable to capital expenditure approved on May 22, 2019 by our Board as part of the use of our net proceeds from the Global Offering.

Operating Lease Commitments

As of December 31, 2016, 2017 and 2018, April 30, 2019 and August 31, 2019, our total future minimum lease payments under non-cancellable short-term (i.e. within 12 months) operating leases for properties are payable as follows:

	As of December 31,			As of April 30,	As of August 31,
	2016	2017	2018	2019	2019
	(RMB in thousands)				
Within 1 year	26	124	139	533	291

Lease Liabilities

The following table below sets forth our lease liabilities as of December 31, 2018, April 30, 2019 and August 31, 2019:

	As of December 31, 2018	As of April 30, 2019	As of August 31, 2019
	(RMB in thousands)	*(RMB in thousands)*	*(RMB in thousands)*
Within 1 year or on demand	5,651	5,855	305
More than 1 years but less than 2 years	6,499	6,844	244
More than 2 years but less than 5 years	23,289	23,518	771
More than 5 years	43,401	40,701	981
Total undiscounted lease liabilities	78,840	76,918	2,301
Less: total future interest expenses	(18,661)	(17,681)	(395)
Present value of lease liabilities	60,179	59,237	1,906

We had no lease liabilities as of December 31, 2016 and 2017. During the years ended December 31, 2016 and 2017, we leased certain of our properties from KDL and third party landlords under short-term (i.e less than 12 months) lease arrangements. We elected to not recognize right-of-use assets on these short-term lease contracts in accordance with the accounting policies set forth in note 2(h) in Appendix I to this prospectus.

Contingent Liabilities

We did not have outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, or other similar indebtedness, or hire purchase commitments, liabilities under acceptances or acceptance credits, any guarantees or other material contingent liabilities.

We are not currently involved in any material legal, arbitration or administrative proceedings that if adversely determined, would materially and adversely affect our financial position or results of operations, although there can be no assurance that this will be the case in the future.

Our Directors have confirmed that except as disclosed in this prospectus, there has not been any material changes in our indebtedness or contingent liabilities since the Latest Practicable Date.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios for the periods and as of the dates indicated.

	Year ended/as of December 31,			For the four months period ended/as of April 30,
	2016	2017	2018	2019
Gross profit margin[(1)]	55.4%	56.6%	58.3%	62.1%
Net profit margin[(2)]	31.9%	29.6%	28.7%	36.0%
Return on equity[(3)]	22.8%	22.7%	20.4%	N/A
Return on total assets[(4)]	19.8%	19.5%	16.3%	N/A
Current ratio[(5)]	7.4	7.0	8.1	6.7

(1) Calculated by dividing gross profit by total revenue.

(2) Calculated by dividing profit for the year by total revenue.

(3) Calculated by dividing profit attributable to equity shareholders for the year by the average of total equity attributable to equity shareholders at the beginning and the end of each year.

(4) Calculated by dividing profit for the year by the average of total assets at the beginning and the end of each year.

(5) Calculated by dividing total current assets by total current liabilities.

Gross Profit Margin

Our gross profit margin increased from 55.4% in 2016 to 56.6% in 2017 and to 58.3% in 2018 and further to 62.1% in the first four months of 2019, primarily attributable to increased percentage of sales of interventional medical devices which have higher margin.

Net Profit Margin

Our net profit margin increased from 34.3% in the first four months of 2018 to 36.0% in the first four months of 2019, primarily attributable to increased gross profit margin for the period due to increased percentage of sales of interventional medicate devices which have higher margin.

Our net profit margin remained relatively stable at 29.6% in 2017 and 28.7% in 2018.

Our net profit margin slightly decreased from 31.9% in 2016 to 29.6% in 2017.

Return on Equity

Our return on equity decreased from 22.7% in 2017 to 20.4% in 2018, primarily attributable to an increase in equity from RMB180.0 million capital injection from our shareholders.

Our return on equity remained relatively stable at 22.8% and 22.7% in 2016 and 2017, respectively.

Return on Total Assets

Our return on total assets decreased from 19.5% in 2017 to 16.3% in 2018, primarily attributable to an increase in total assets resulted from the RMB189.5 million of capital injection from our shareholders and non-controlling interest of our subsidiaries.

Our return on total assets remained relatively stable at 19.8% and 19.5% in 2016 and 2017, respectively.

Current Ratio

Our current ratio decreased from 8.1 as of December 31, 2018 to 6.7 as of April 30, 2019, primarily attributable to decrease in current assets due to an RMB48.2 million cash dividend being paid in April 2019.

Our current ratio increased from 7.0 as of December 31, 2017 to 8.1 as of December 31, 2018, primarily due to an increase in current assets resulted from the RMB189.5 million of capital injection from our shareholders and non-controlling interest of our subsidiaries.

Our current ratio remained stable at 7.4 as of December 31, 2016 and 7.0 as of December 31, 2017.

LISTING EXPENSES

Assuming the Global Offering is based on the middle point price of the Offer Price range, the estimated total listing expenses in relation to the Listing and the Global Offering are RMB64.6 million, consisting primarily of RMB57.1 million for underwriting fees, sponsor fees, legal and reporting accountant's service fees, etc. which are directly attributable to issuance of the new H Shares and should be deducted from equity upon the completion of the Global Offering in accordance with HKAS32, *Financial Instruments*, as well as with reference to the technical update titled "*Accounting for transaction costs incurred in initial public offering*" issued by HKICPA in June 2014. The remaining RMB7.5 million are mainly estimated for public relations, road shows and other miscellaneous expenses, etc. and is to be charged to our consolidated statements of profit or loss once incurred. Of which, RMB0.3 million had been recognized in our consolidated statements of profit or loss for the year ended December 31, 2018 and the remaining RMB7.2 million to be deducted from our consolidated statements of profit or loss after April 30, 2019. Our Directors do not expect these expenses to materially impact our results of operations for the year ending December 31, 2019.

UNAUDITED FINANCIAL INFORMATION AFTER TRACK RECORD PERIOD

The following represents our management's analysis of our results of operations for the first six months of 2019, derived from the unaudited condensed consolidated financial statements of our Group for the first six months of 2019 (the "2019 Interim Financial Report").

Our Directors are responsible for the preparation and fair presentation of the 2019 Interim Financial Report in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the HKICPA and other applicable accounting standards as adopted in the section headed "Historical Financial Information" of the Accountant's Report contained in Appendix I to this prospectus. Our 2019 Interim Financial Report is unaudited but has been reviewed by our reporting accountants, KPMG, in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

Based on our 2019 Interim Financial Report, our total revenue increased by 41.2% from RMB95.7 million for the first six months of 2018 to RMB135.1 million for the first six months of 2019, primarily due to the increase in revenue from increased sales volumes of interventional medical devices, as a result of the increase in our market share and number of PCI procedures in China. Our net profit increased by 32.2% from RMB35.1 million for the first six months of 2018 to RMB46.4 million for the first six months of 2019 as a result of business growth.

Based on our 2019 Interim Financial Report, we had (i) net current assets and net assets of RMB288.8 million and RMB386.2 million, respectively, as at June 30, 2019; and (ii) net cash generated from operating activities of RMB42.7 million, net cash used in investing activities of RMB78.4 million and net cash used in financing activities of RMB64.8 million for the first six months of 2019.

KDL INTERIM REPORT

Warning Statement

YOU SHOULD RELY ONLY ON THE INFORMATION CONTAINED IN THIS PROSPECTUS TO MAKE YOUR INVESTMENT DECISION. IN PARTICULAR, YOU SHOULD NOT RELY ON ANY PARTICULAR STATEMENTS IN OTHER PUBLISHED ANNOUNCEMENTS, PRESS AND MEDIA COVERAGE AND/OR RESEARCH ANALYST REPORTS RELATING TO OUR CONTROLLING SHAREHOLDER, KDL, OUR GROUP AND THE GLOBAL OFFERING. PLEASE REFER TO THE SECTION HEADED "DISCLOSURE BY KDL" IN THIS PROSPECTUS.

On August 22, 2019, KDL published its half year financial report for the first six months of 2019 on the Shanghai Stock Exchange (the "KDL Interim Report"). The following is a summary of the selected financial information relating to our Group's performance, extracted from the subsection headed "Part X – 9. Interests in other entities – I. Interests in subsidiaries– (3) major financial information of material non-wholly-owned subsidiaries" of the KDL Interim Report, prepared under PRC GAAP:

	As of December 31, 2018	As of June 30, 2019
		(unaudited)
	(RMB in thousands)	
Current assets	359,883	293,695
Non-current assets	61,854	138,981
Total assets	421,737	432,676
Current liabilities	37,188	40,745
Non-current liabilities	3,214	3,448
Total liabilities	40,402	44,193

	For the six months period ended June 30,	
	2018	2019
	(unaudited)	*(unaudited)*
	(RMB in thousands)	
Operating revenue	95,668	135,079
Net profit	32,105	48,642
Comprehensive income	32,105	48,830
Cash generated from operating activities	100,387	14,555

Our Directors confirmed that the difference between our 2019 Interim Financial Report and those disclosed in KDL Interim Report were primarily caused by below:

- In accordance with HKFRS16, we recognized right-of-use assets and lease liabilities on our long-term leases, i.e., leases with terms of more than 12 months. The recognition of right-of-use assets and lease liabilities resulted in temporary differences between the accounting base and the tax base, and we recognised the relevant deferred tax assets on right-of-use assets and lease liabilities accordingly;

- In accordance with HKFRS9, we recognised wealth management products as financial assets at fair value through profit or loss. In addition, we recognized our wealth management products which have maturity periods within three months or are redeemable with prior notice as current assets; and

- Furthermore, we recognized our prepayments for purchase of property, plant and equipment as non-current assets and the related payments as cash flow of investing activities, and the payment for listing expenses to be capitalized as cash flow of financing activities, respectively.

The KDL Interim Report were prepared by KDL for its own reporting and disclosure purpose and we are not in a position to comment on it. We make no representation as to the appropriateness, accuracy, completeness or reliability of the information disclosed in the KDL Interim Report. Investors should not rely on any particular statements from the KDL Interim Report, or in other published announcements, press and media coverage and/or research analyst reports relating to KDL, our Group and the Global Offering other than those issued by us.

WORKING CAPITAL

We did not have any negative operating cash flow in 2016, 2017 and 2018 and the first four months of 2019.

Taking into account our internal resources, our cash flow from operations and the estimated net proceeds from the Global Offering, our Directors confirm that the working capital available to us is sufficient at present and for at least the next 12 months from the date of this prospectus.

RELATED PARTY TRANSACTIONS

During the Track Record Period, our transactions with related parties primarily include (i) payment of remuneration to key management personnel and (ii) transactions with the KDL Group and the KDL Holding Group, and indirect Shareholder, Ningbo Huaige Health Investment Management Partnership (Limited Partnership)* (寧波懷格健康投資管理合夥企業(有限合夥)) ("Ningbo Huaige Health"), as described in Note 26 to the Accountants' Report attached as Appendix I to this prospectus.

All of the amounts due to our Controlling Shareholders and its subsidiaries were trade related, unsecured, interest-free, and were RMB0.6 million as of April 30, 2019. The amount due to Ningbo Huaige Health was trade related, unsecured and interest-free, and was RMB1.0 million as of April 30, 2019.

All of the amounts due from one of our Controlling Shareholders and its subsidiaries were trade related, unsecured, interest-free and were RMB2.4 million as of April 30, 2019.

Our Directors believe that our related party transactions during the Track Record Period were conducted on an arm's length basis and entered into in the ordinary course of business, and would not distort our track record results or make our historical results not reflective of our future performance. The related party transactions will not be terminated before the Listing. Please also refer to the section headed "Connected Transactions" in this prospectus.

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT MARKET RISK

We are exposed to credit, liquidity and foreign currency risks in the ordinary course of business. We describe below our exposure to these risks, and the financial risk management policies and practices we use to manage these risks.

Credit Risk

Our credit risk is primarily attributable to trade and other receivables. We monitor our exposure to credit risks on an ongoing basis. We conduct credit evaluations of a customer based on its credit history, ability to pay and operating environment. Our trade receivables are generally due within 30 to 90 days from the billing date.

We typically do not require collateral from customers. The receivables from our five largest customers accounted for 89%, 97%, 87% and 66% of total trade receivables as of December 31, 2016, 2017 and 2018 and April 30, 2019, respectively.

Liquidity Risk

We regularly monitor our liquidity, our expected cash inflows and outflows, and the maturity of our loans and borrowings to ensure that we maintain sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet our short-and long-term liquidity requirements.

Foreign Currency Risk

Foreign currency risk mainly arises from exchange rate fluctuations. We are exposed to foreign currency risk primarily through receivables, payables and cash balances arising from our sale and procurement activities that are denominated in U.S. dollars. For details of the Renminbi against foreign currency transaction with the third-party commercial bank, see the paragraph headed "Business – Risk Management" in this prospectus.

The following table sets forth the changes in our profit after tax and retained profits if the RMB had strengthened/weakened by 10% against U.S. dollars, with all other variables held constant, as of the dates indicated.

	Year ended December 31,						Four months period ended April 30,	
	2016		2017		2018		2019	
	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits
	(RMB in thousands, except percentages)							
USD	10%	2,494	10%	5,502	10%	3,662	10%	4,703
	(10%)	(2,494)	(10%)	(5,502)	(10%)	(3,662)	(10%)	(4,703)

OFF-BALANCE SHEET ARRANGEMENTS

We did not have any off-balance sheet arrangements as of April 30, 2019.

DIVIDENDS AND DIVIDEND POLICY

The Board of Directors is responsible for submitting proposals for dividend payments to the shareholders' general meeting for approval. The determination of whether to pay a dividend and in which amount is based on our results of operations, cash flow, financial condition, future business prospects, statutory and regulatory restrictions and other factors that the Board of Directors deems relevant.

Under PRC law, we may only pay dividends out of profit after tax. Profit after tax for a given year represents net profit as determined under PRC GAAP or HKFRS or the accounting standards of the overseas jurisdiction where the shares are listed, whichever is lower, less:

- any of its accumulated losses in prior years;
- appropriations we are required to make to the statutory reserve, which is currently 10% of our net profit as determined under PRC GAAP, until such reserve reaches an amount equal to 50% of our registered capital; and
- appropriations to a discretionary surplus reserve as approved by the shareholders at a general meeting.

We retain distributable profits not distributed in a given year and make them available for distribution in subsequent years. We generally do not distribute dividends in a year in which we do not have any distributable profits. Shareholders must also approve the payment of any dividends at a shareholders' general meeting.

We are not allowed to distribute profits to the shareholders until we have made up our losses and made appropriations to our statutory surplus reserve and general reserves. Shareholders must return any profit distributed in violation of the relevant rules and regulations.

In the case of meeting the capital needs of our normal operations, if there is no major investment or major cash expenditures, we shall give priority to dividend distribution policy of cash dividends. Subject to our Board's approval, approval of shareholders and market conditions, our Company's accumulated profit to be distributed in cash for fiscal years 2019 and 2020 is expected to be not less than 30% of the annual distributable profit realized for the respective fiscal year.

We paid cash dividends of RMB12.8 million, nil, RMB66.6 million and RMB48.2 million in 2016, 2017, 2018 and the four months ended April 30, 2019, respectively.

Both our Domestic Shareholders and H Shareholders are entitled to our accumulated retained earnings prior to the Global Offering.

DISTRIBUTABLE RESERVES

As of April 30, 2019, we had RMB30.7 million of reserves available for distribution to our Shareholders.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since April 30, 2019, the date of our latest audited consolidated financial statements, and there has been no event since April 30, 2019 which materially affects the information in the Accountants' Report in Appendix I to this prospectus.

NO ADDITIONAL DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that as at the Latest Practicable Date, there are no circumstances which, had we been required to comply with Rules 13.13 to 13.19 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

For details or our unaudited pro forma adjusted consolidated net tangible assets, please refer to Appendix II to this prospectus.

FUTURE PLANS

Please refer to the paragraph headed "Business – Our Strategies" in this prospectus for a detailed description of our future plans.

USE OF PROCEEDS

Assuming (i) an Offer Price of HK$20.45 per Offer Share, being the mid-point of the indicative Offer Price range of HK$20.10 to HK$20.80 per Offer Share; and (ii) that the Over-Allotment Option is not exercised, the net proceeds from the Global Offering are estimated to be HK$744.5 million after deducting underwriting commission, incentive fees and other expenses payable by us in connection with the Global Offering. In line with our business strategies, we intend to use our net proceeds from the Global Offering for the following purposes:

- 34.1%, or HK$253.9 million, will be intended for setting up a research and development center and an additional facility in Jiading, Shanghai, including HK$64.8 million for intending to acquire a new plot of land of 13,333.3 square meters, obtaining relevant approvals and designing, HK$127.4 million for constructing the foundations and structures of new facilities on the land and HK$61.7 million for furnishing of such new facilities. We have identified a target plot of land located at Jinyuan Yi Road, Jiading, Shanghai with a total area of 13,333.3 square meter, which should be acquired through the statutory public bidding process. We have entered into a letter of intent for cooperation on March 1, 2016 with Shanghai North Hongqiao Construction and Development Co., Ltd., pursuant to which we have paid RMB2.0 million as deposit to ensure that we will participate in the public bidding process of the target land. As a subsidiary of Shanghai Yangliu Economic Development Center, Shanghai North Hongqiao Construction and Development Co., Ltd. has, on behalf of the local government, collected and stored (收儲) the target land from the former land use right holder. As long as we participate in the public bidding process for purchasing the target land, the deposit will be refunded to us. The RMB2.0 million deposit was paid in 2016 because, as confirmed by our Directors, prolonged time period is required for the multiple governmental authorities to complete various public administrative procedures such as target land control planning (控規調整) and target land collection and storage (收儲), both steps which are necessary to prepare the target land for public bidding. The local government confirmed that the target land had received approvals in April 2019 for control planning and in August 2019 for collection and storage. As of the Latest Practicable Date, the public bidding process had not begun but, as confirmed by our Directors, the local government anticipated that it would be completed in the first quarter of 2020. If we successfully acquired the target land after the public bidding process, we plan to commence construction of the new facilities in the first half of 2020, complete the construction in the first half of 2021, and begin commercial operation by the end of 2021.

(1) The research and development center and the additional facility can improve the research and development of clinical innovation ideas, including incubating new projects, as well as increasing our production capacity. During the Track Record Period, we increased annual actual production time to meet increased customer demand. The utilization rate of our production facilities for our top five selling products all remained relatively stable or increased period to period during the Track Record Period, primarily reflecting our increased production volumes to meet increased customer demand. Please refer to the paragraph headed "Business – Our Production Processes and Facilities – Production Facilities and Production Capacity – Production Capacity and Utilization Rates" in this prospectus for more details. We anticipate to continue increasing our production capacity to meet an expected increase in customer demand for our major products. According to Frost & Sullivan, the size of the PRC PCI supporting device market is expected to reach RMB5.6 billion and RMB9.0 billion in 2023 and 2028, respectively, with CAGR of 13.3% from 2018 to 2023 and 10.0% from 2023 to 2028, respectively. The market share of our Company for the PRC PCI supporting device market also increased during the Track Record Period from 1.0% in 2016 to 1.6% and 3.1% 2017 and 2018, respectively. Based on the above, we are of the view that additional production capacity is required to cater for the increasing market demand.

(2) The expected capital expenditure for production equipment that would be placed in the additional facility is HK$84.5 million. Except for 20 of the 50 injection machines and the sterilization center, all of the additional and replacement production equipment we plan to purchase (as detailed below) would be located in the additional facility. Please refer to the paragraph headed "– 13.8%, or HK$102.7 million, will be used to purchase additional and replace existing production equipment and to automate our production lines, including HK$75.6 million for purchasing additional production equipment, HK$12.9 million for replacing 20 of our current injection machines which are at or close to end-of-life, and HK$14.2 million for automating our production lines" in this section for details of the additional and replacement production equipment we plan to purchase. The expected production capacity of the additional facility attributable to our top five selling cardiovascular interventional medical devices (inflation device, introducer set, guidewire, pressure bandage and Y connector pack) is 1.5 million, 1.5 million, 1.0 million, 1.0 million and 1.0 million units, respectively. Please refer to the paragraph headed "Business – Our Strategies – Expand production capacity to meet growing market demand" in this prospectus for details.

Apart from enabling an expansion of the production of our current products, the additional facility is also expected to facilitate the production of our three new products that have received registration certificates in 2019, namely micro-guidewire for single use, PTCA balloon dilation catheter and micro-catheter for single use, as well as the production of our pipeline products, such

as the guiding catheter that is expected to launch in the first quarter of 2020. Please refer to the paragraphs headed "Business – Licenses, Permits and Approvals" and "Business – Our Product and Service Offerings – Product Pipeline" in this prospectus for details.

(3) Our Directors believe that purchasing the new plot of land can help mitigate the risk of market fluctuation of rental costs, which in turn would help lower our operation costs and enhance our operational efficiency. We intend to build a production facility with a gross floor area of 33,334 square meters on the new plot of land. The estimated annual cost for renting a 33,334 square meters production facility in Jiading, Shanghai is RMB14.6 million, calculated based on a rent of RMB1.2 per square meter per day, with reference to the market price in the neighborhood and is expected to increase annually by 3% to 8% thereafter with reference to our current property lease agreement with KDL in connection with our headquarters in the same neighborhood. For acquiring a plot of land and constructing the production facility of similar size, the estimated annual amortisation expense is RMB9.8 million, calculated by amortising the capital expenditures (capital expenditures of acquiring the plot of land and building the production facility is estimated at RMB50.0 million and RMB210.0 million, respectively) over a useful life of 50 years for the land and 20 years for the production facility. Based on the above cost-benefit analysis, the estimated annual amortisation expense for acquiring a plot of land and constructing the production facility is RMB4.9 million less than the relevant annual rental cost. In addition, our Directors also believe that acquiring a new plot of land can strengthen our asset base which can help obtain more preferential terms from banks for financing arrangements for our operation, if needed.

Please refer to the paragraph headed "Business – Our Strategies – Expand production capacity to meet growing market demand" in this prospectus for details.

- 14.4%, or HK$107.2 million, will be used to develop and commercialize existing pipeline products to further expand our product offerings. Our research and development team plans to develop and expand 13 of our 16 current pipeline products in various development stages being developed by our subsidiaries. We intend to continue devoting significant resources to the research and development of pipeline products of our subsidiaries, including Shanghai Healing, Shanghai Puhui and Shanghai Qimu. As confirmed by our Directors, four of these pipeline products, mainly biodegradable biliary stent, embolectomy catheter, biodegradable sinus stent and aortic intervention valve, will enter into the clinic trial stage and therefore require relatively higher research and development costs in comparison to the research and development costs we incurred in the Track Record Period. The expected time for starting and completing clinical trial for each of biodegradable biliary stent, embolectomy catheter, biodegradable sinus stent and aortic

intervention valve is from October 2020 to October 2021, from June 2020 to December 2020, from August 2019 to April 2020 and from December 2020 to December 2023, respectively.

(1) We intend to devote 8.7%, or HK$64.8 million in Shanghai Healing to develop production technology related to heart valve. Shanghai Healing's pipeline products include aortic intervention valves, super-stiff guidewire, expandable vascular sheath and valvuloplasty balloon catheter. We intend to allocate a total amount of HK$64.8 million research and development costs to Shanghai Healing as follows: HK$16.1 million in material costs, HK$8.6 million in equipment costs, HK$7.6 million in labor costs, HK$11.6 million in clinical costs, HK$9.8 million in inspection and registration costs and HK$11.1 million in sampling costs;

(2) We intend to devote 4.3%, or HK$32.0 million in Shanghai Puhui to develop production technology related to neural thrombectomy systems and neural intervention instruments. Shanghai Puhui's pipeline products include neural micro-catheter, neural micro-guidewires, support catheter and embolectomy catheter. We intend to allocate a total amount of HK$32.0 million research and development costs to Shanghai Puhui as follows: HK$2.6 million in material costs, HK$2.6 million in equipment costs, HK$3.2 million in labor costs, HK$20.5 million in clinical costs, HK$0.9 million in inspection and registration costs and HK$2.2 million in sampling costs; and

(3) We intend to devote 1.4%, or HK$10.4 million in Shanghai Qimu to develop production technology related to biodegradable sinus and biliary tract stents. Shanghai Qimu's pipeline products include non-vascular guidewire, biliary stone extraction balloon catheter, stone extractor, biodegradable sinus stent and biodegradable biliary stent. We intend to allocate a total amount of HK$10.4 million research and development costs to Shanghai Qimu as follows: HK$1.0 million in material costs, HK$3.1 million in equipment costs, HK$2.0 million in labor costs, HK$3.1 million in clinical costs, HK$0.6 million in inspection and registration costs and HK$0.6 million in sampling costs.

Please refer to the paragraphs headed "Business – Our Strategies – Continue to develop and commercialize existing pipeline products, as well as to further expand our product offerings" and "Business – Our Product and Service Offerings – Overview – Product Pipeline" in this prospectus for details.

- 13.8%, or HK$102.7 million, will be used to purchase additional and replace existing production equipment and to automate our production lines, including HK$75.6 million for purchasing additional production equipment, HK$12.9 million for replacing 20 of our current injection machines which are at or close to end-of-life, and HK$14.2 million for automating our production lines.

  The production equipment we intend to purchase include one balloon production line (which mainly consists of a balloon molding machine, a laser welding machine, a pre-stretching equipment, a folding winder, a hydrophilic coating equipment, a light curing machine, a developing ring pressure grip system, a cutting-edge molding equipment, a sealing machine, a bursting pressure testing equipment, a friction test equipment and a catheter pushing force test equipment), 50 injection machines, one centreless grinding machine, four pressure spring machines, one laser cutter, four catheter laminating machines, four precision knitting machines, one microscopic measurement system, four precision extrusion lines (each mainly consists of a dehumidifying dryer, a feeding system, an extruder system, a chiller, a tractor, a cutting machine, a winder and a size measuring system), four hydrophilic coating equipment, six ultrasonic welding equipment and one sterilization center, which will increase our production capacity and efficiency and further improve our production quality control. The expected timetable for purchasing new production equipment in stages is from end of 2019 to 2021.

  We also intend to better automate our production lines to increase our production efficiency and quality. The annualized production capacity for each of our top five selling cardiovascular interventional medical devices (inflation device, introducer set, guidewire, pressure bandage and Y connector pack) was 0.8 million, 0.7 million, 0.4 million, 0.4 million and 0.3 million units calculated based on their production capacities for the first four months of 2019. Please refer to the paragraph headed "Business – Our Production Processes and Facilities – Production Facilities and Production Capacity – Production Capacity and Utilization Rates" in this prospectus. The expected timetable for improving the automation of the Company's production lines is from end of 2019 and 2021. After we have completed purchasing new and replacement production equipment and improving the automation of our production lines, our estimated annual production capacity for each of our top five selling cardiovascular interventional medical devices (inflation device, introducer set, guidewire, pressure bandage and Y connector pack) will increase from expected 1.2 million, 2.3 million, 0.5 million, 0.8 million and 1.2 million units, in 2019, respectively, to 2.7 million, 3.8 million, 1.5 million, 1.8 million and 2.2 million units, respectively, by the end of 2021. Please refer to the paragraph headed "Business – Our Strategies – Expand production capacity to meet growing market demand" in this prospectus for details.

- 8.7%, or HK$64.8 million, will be used to expand our distribution network and coverage, collaborate with local distributors and intensify our marketing efforts, including setting up additional domestic sales offices independently or through partnership with local distributors. Please refer to the paragraph headed "Business – Our Strategies – Pursue strategic acquisitions and partnerships in start-up projects and distributors" in this prospectus.

- 19.6%, or HK$145.9 million, will be used to fund potential strategic investments including acquisition, partnership and license-in.

  (1) We intend to pursue strategic acquisitions or partnership worldwide with companies holding products or technologies in the medical and health industry that will enrich our current product portfolio and industrial structure, enhance our competitiveness and complement our growth strategy.

  (2) We also plan to fund promising medical devices through license-in with respect to clinical trials, preparation of registration and filing and potential commercialization process.

  (3) We also intend to invest directly or through professional medical equity investment fund in innovative companies in the medical industry.

  (4) In addition, we plan to further expand our technology transformation program to foster innovative products and continue investing in promising medical device research and development projects in the next five years.

  As at the Latest Practicable Date, we did not have any definitive targets for acquisition, partnership, license-in or investment purposes, nor any definitive quantitative criteria for potential targets (such as revenue or the scale of business, although the targets are likely to be businesses of relatively smaller scale than us). We will seek potential targets through internal market research and/or recommendations from our business partners. In evaluating potential targets, we will consider various factors including the level of synergy, the degree of innovation of the underlying technology, the target's current customer base, as well as the potential growth and profitability of the business. We plan to invest in targets with early-stage products or technologies in cardiovascular intervention, neurological intervention and peripheral intervention, primarily located in regions that have advanced medical research and development abilities such as Israel, Japan and Europe. We anticipate that each investment will generally not exceed an amount of US$10.0 million. We plan to make three to five investments in the next five years. We also anticipate to fund the five potential strategic investments with our internal funds should they exceed the amount of HK$145.9 million. Our Directors believe that since most of the interventional medical device products and technologies that

the Company intends to acquire belong to Class III medical devices and taking into account factors such as the approval period for obtaining registration certificates of such products and technologies, the expected investment payback period would be three to five years.

According to Frost & Sullivan, the availability for investment targets is sufficient. First, the sizes of medical device markets in China and globally have grown rapidly and are expected to continue increasing in the next five years, which are driven not only by aging population and increasing healthcare sector investments but also by the development of new technologies and the frequent emergence of innovative companies. These emerging companies are more likely to focus on innovative technologies and products, which are the core competitiveness of entering the medical device market. Therefore, there will be a wealth of innovative and promising medical device projects and companies worth investing in the next five years for our Company. Furthermore, Israel, Japan and European countries such as Germany are well-known for their advanced medical research and development. Particularly, these regions have leading companies focusing on cardiovascular intervention, neurological intervention and peripheral intervention. There are also a number of companies with their research and development centers located in Israel. The strong community and atmosphere of innovation in these countries can incubate companies with innovative early-stage medical products or technologies in cardiovascular intervention, neurological intervention and peripheral intervention.

Please refer to the paragraph headed "Business – Our Strategies – Pursue strategic acquisitions and partnerships in start-up projects and distributors" in this prospectus for details.

- 9.4%, or HK$70.0 million, will be used for general corporate purposes and funding our working capital.

In the event that the Offer Price is set at the maximum Offer Price or the minimum Offer Price of the indicative Offer Price range, the net proceeds of the Global Offering will increase or decrease by approximately HK$13.4 million, respectively.

If the Over-allotment Option is exercised in full, the net proceeds from the Global Offering will increase to approximately HK$862.3 million, assuming an Offer Price of HK$20.45 per Offer Share, being the mid-point of the indicative Offer Price range of HK$20.10 to HK$20.80 per Offer Share, and after deducting underwriting commission, incentive fees and other expenses payable by the Company in connection with the Global Offering. If the Over-allotment Option is exercised in full or in part, we intend to apply the additional net proceeds from the exercise of the Over-allotment Option to the above purposes on a pro-rata basis.

If the Offer Price determined is higher or lower than the mid-point of the estimated Offer Price range, the above allocation of proceeds will be adjusted on a pro-rata basis. If the net proceeds from the Global Offering are not immediately used for the above purposes, subject to permission under applicable laws and regulations, we may deposit the proceeds partially or wholly into authorized financial institutions or licensed banks for conversion into short-term interest-bearing bank deposits, currency market instruments, treasury instruments, wealth management products or other financial instruments.

There is no assurance that our future business plans will materialize in accordance with the expected timeframe or that our objectives will be accomplished at all. If any material changes have occurred to the above purposes of use of proceeds, we will publish appropriate announcements.

HONG KONG UNDERWRITERS

Hong Kong Underwriters

BOCOM International Securities Limited
CMB International Capital Limited

HONG KONG UNDERWRITING ARRANGEMENTS

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering initially 4,000,000 Hong Kong Offer Shares (subject to adjustment) for subscription by way of the Hong Kong Public Offering at the Offer Price on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the H Shares to be issued pursuant to the Global Offering (including any H Shares which may be issued pursuant to the exercise of the Over-allotment Option) as mentioned herein and pursuant to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed to subscribe or procure subscriptions for the Hong Kong Offer Shares now being offered but which are not taken up under the Hong Kong Public Offering on and subject to the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to, among other things, the International Underwriting Agreement having been signed and becoming unconditional.

Grounds for Termination

The Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and the Sole Sponsor shall be entitled, after prior consultation with our Company, by notice (orally or in writing) to our Company to terminate the Hong Kong Underwriting Agreement with immediate effect if, at any time at or prior to 8:00 a.m. on the Listing Date:

(a) there has come to the notice of the Joint Global Coordinators or the Sole Sponsor:

  (i) that any statement contained in any of the Hong Kong Public Offering documents and/or in, any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become,

untrue or incorrect in any material respect or misleading in any respect, or that any forecast, estimate, expression of opinion, intention or expectation contained in any of the Hong Kong Public Offering documents, and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) is not fair and honest and not based on reasonable assumptions;

(ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission from any of the Hong Kong Public Offering documents and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto);

(iii) any material breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than upon any of the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters or the International Underwriters);

(iv) that an order or a petition is presented for the winding-up or liquidation of our Company or any other member of our Group or our Company or any other member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of our Company or any other member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of our Company or any other member of our Group or anything analogous thereto occurs in respect of our Company or any other member of our Group;

(v) any event, act or omission which gives or is likely to give rise to any liability of any of the indemnifying parties pursuant to the Hong Kong Underwriting Agreement;

(vi) any material adverse change or development involving a prospective adverse change in the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of our Company or any other member of our Group;

(vii) any breach of, or any event rendering untrue or incorrect or misleading in any respect, any of the warranties under the Hong Kong Underwriting Agreement;

(viii) approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, our H Shares to be issued (including any additional H Shares that may be issued pursuant to the exercise of the Over-Allotment Option) under the Global Offering is refused or not granted (not including granting of such approval subject to customary conditions), other than subject to customary conditions, on or before the date of the Listing, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld;

(ix) our Company has withdrawn this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering; or

(x) that any expert (other than the Sole Sponsor) has withdrawn or is likely to withdraw its consent to being named in any of the Hong Kong Public Offering documents or to the issue of any of the Hong Kong Public Offering documents; or

(b) there shall develop, occur, exist or come into effect:

(i) any local, national, regional or international event or circumstance in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak of infectious disease, economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism) in or affecting Hong Kong, the PRC, the United States, the United Kingdom, any member of the European Union, Japan or Singapore (collectively, the "Relevant Jurisdictions");

(ii) any change, or any development involving a prospective change (whether or not permanent), or any event or circumstance likely to result in any change or development involving a prospective change, in any local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, investment markets, the interbank markets and credit markets) in or affecting any of the Relevant Jurisdictions;

(iii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange; or any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent Authority), New York (imposed at Federal or New York State level or other competent Authority), London, the PRC, the European Union or any member thereof, Japan or any Relevant Jurisdiction, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any of those places or jurisdictions;

(iv) any new law, or any change or any development involving a prospective change or any event or circumstance likely to result in a change or a development involving a prospective change in (or in the interpretation or application by any court or other competent authority of) existing laws, in each case, in or affecting any of the Relevant Jurisdictions;

(v) the imposition of economic sanctions, or the withdrawal of trading privileges, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions (other than the PRC) on or from (as applicable) the PRC;

(vi) a change or development involving a prospective change in or affecting taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the Hong Kong dollar or the Renminbi against any foreign currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions;

(vii) any change or development involving a prospective change, or a materialization of, any of the risks set out in the section headed "Risk Factors" in this prospectus;

(viii) any litigation or claim of any third party being threatened or instigated against any member of our Group;

(ix) a Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company;

(x) the chairman of our Board, general manager or finance controller of our Company vacating his or her office;

(xi) an authority or a political body or organization in any Relevant Jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any Director;

(xii) a contravention by any member of our Group of the Listing Rules or applicable laws;

(xiii) a prohibition by a governmental or regulatory authority on our Company for whatever reason from allotting our H Shares (including any additional H Shares that may be issued pursuant to the exercise of the Over-Allotment Option) pursuant to the terms of the Global Offering;

(xiv) non-compliance of this prospectus (or any other documents used in connection with the contemplated offer of our H Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws;

(xv) except with the approval of the Sole Sponsor, the issue or requirement to issue by our Company of any supplement or amendment to this prospectus (or to any other documents used in connection with the contemplated offer of our H Shares) pursuant to the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange, CSRC and/or the SFC; or

(xvi) that a valid demand by any creditor for repayment or payment of any indebtedness of our Company or any other member of our Group or in respect of which our Company or any other member of our Group is liable prior to its stated maturity, which demand has or could reasonably be expected to have a material adverse effect on our Group taken as a whole,

which, individually or in the aggregate, in the sole opinion of the Joint Global Coordinators or the Sole Sponsor (i) has or will or may have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of our Group as a whole; or (ii) has or will have or may have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering or dealings in our H Shares in the secondary market; or (iii) makes it or will make or may make it inadvisable or inexpedient or impracticable for the Global Offering to proceed or to market the Global Offering; or (iv) has or will or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing or delaying the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof.

OTHER UNDERTAKINGS

Undertakings by Our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that, no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us and we shall not enter into any agreement to such issue within six months from the Listing Date (whether or not such issue of Shares or our securities will be completed within six months from the commencement of dealing), except pursuant to the Global Offering, the exercise of the Over-allotment Option or for the circumstances permitted under Rule 10.08 of the Listing Rules.

Undertakings by our Controlling Shareholders

Each of our Controlling Shareholders has undertaken to the Stock Exchange pursuant to Rule 10.07 of the Listing Rules, the Sole Sponsor, the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and to our Company that, except pursuant to the Global Offering (including the exercise of the Over-allotment Option), he/she/it will not and will procure that the relevant registered holder(s) of our Shares will not, without the prior written consent of the Stock Exchange and unless in compliance with the requirements of the Listing Rules:

(a) in the period commencing on the date by reference to which disclosure of his/her/its shareholding in our Company is made in this prospectus and ending on the date which is six months from the date on which dealings in our H Shares commence on the Stock Exchange (the "First Six Month Period"), dispose of, nor enter into agreement to dispose of or otherwise create any options, rights, interest or encumbrances in respect of, any of the securities in respect of which he/she/it is shown by this prospectus to be the beneficial owner, including the securities in such companies through which he/she/it directly or indirectly holds Shares in our Company, provided that nothing in this paragraph (a) shall prevent changes of KDL Holding's and the Zhang Family's indirect shareholdings in our Company if any of such changes is due to, whether directly or indirectly, any corporate actions or refinancing actions of KDL involving KDL allotting and issuing new shares or convertible securities, leading to dilutions of KDL Holding's and the Zhang Family's interests in KDL; and

(b) in the period of six months commencing on the date on which the First Six Month Period expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities referred to in the above paragraph (a) if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she/it would then cease to be a Controlling Shareholder for the purposes of the Listing Rules,

provided that the above shall not prevent our Controlling Shareholders from using securities of our Company beneficially owned by our Controlling Shareholders as security (including a charge or a pledge) in favour of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan.

Each of our Controlling Shareholders has further undertaken to the Stock Exchange pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, the Sole Sponsor, the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and to our Company that within the period commencing on the date by reference to which disclosure of his/her/its shareholding is made in this prospectus and ending on the date which is 12 months from the Listing Date, he/she/it will immediately inform our Company and the Stock Exchange in writing of:

(a) any pledge(s) or charge(s) of any Shares or securities of our Company beneficially owned by him/her/it in favor of any authorized institution as permitted under the Listing Rules, and the number of such Shares or securities of our Company so pledged or charged; and

(b) any indication(s) received by any of our Controlling Shareholders, either verbal or written, from the pledgee or chargee of any Shares or other securities of our Company pledged or charged that any of such Shares or other securities will be disposed of.

We will also inform the Stock Exchange as soon as we have been informed of the above matters (if any) by our Controlling Shareholders and disclose such matters in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible.

UNDERTAKINGS PURSUANT TO THE HONG KONG UNDERWRITING AGREEMENT

Undertakings by Our Company

Our Company has undertaken to the Sole Sponsor and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) that, except for the issue of the Offer Shares pursuant to the Global Offering (including pursuant to the Over-allotment Option) or in certain circumstances prescribed by Rule 10.08 of the Listing Rules, or as otherwise with the Sole Sponsor's and the Joint Global Coordinators' prior written consent, and unless in compliance with the Listing Rules, our Company will not:

(a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an Encumbrance (as defined in the Hong Kong Underwriting Agreement) over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants

or other rights to purchase, any Shares or other securities of the Company, as applicable), or deposit any Shares or other securities of our Company, as applicable, with a depositary in connection with the issue of depositary receipts; or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of our Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of the Company, as applicable); or

(c) enter into any transaction with the same economic effect as any transaction specified in paragraphs (a) or (b) above; or

(d) offer to or agree to or announce any intention to effect any transaction specified in paragraphs (a), (b) or (c) above,

in each case, whether any of the transactions specified in paragraphs (a), (b) or (c) above is to be settled by delivery of Shares or such other securities of our Company, as applicable, or in cash or otherwise (whether or not the issue of such Shares or such other securities will be completed within the First Six Month Period). In the event that, during the period of six months commencing on the date on which the First Six Month Period expires (the "Second Six Month Period"), our Company enters into any of the transactions specified in paragraphs (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company.

Indemnity

We have agreed to indemnify and hold harmless, among others, the Sole Sponsor, the Joint Global Coordinators and the Hong Kong Underwriters for certain losses which they may suffer, including, among other things, losses arising from the performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

INTERNATIONAL OFFERING

International Underwriting Agreement

In connection with the International Offering, it is expected that we will enter into the International Underwriting Agreement with the International Underwriters and the Joint Global Coordinators. Under the International Underwriting Agreement, the International Underwriters, subject to certain conditions set out therein, will agree to procure subscribers or purchasers for the International Offer Shares, failing which it agrees to subscribe for or purchase the International Offer Shares which are not taken up under the International Offering.

We expect to grant the Over-allotment Option to the International Underwriters and exercisable by the Joint Global Coordinators (on behalf of the International Underwriters) on or before Saturday, November 30, 2019, being the 30th day from the last day for the lodging of Application Forms under the Hong Kong Public Offering, to require us to allot and issue up to an aggregate of 6,000,000 Offer Shares, representing in aggregate 15% of the Offer Shares initially available under the Global Offering at the Offer Price to cover, among other things, over-allocations, if any, in the International Offering.

COMMISSION AND EXPENSES

The Hong Kong Underwriters will receive an underwriting commission of 3.0% of the aggregate Offer Price payable for the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the International Underwriters. Our Company may also in its sole discretion pay the Joint Global Coordinators an additional incentive fee of up to 1.0% of the aggregate of the sale proceeds of the Offer Shares under the Global Offering (including pursuant to the exercise of the Over-allotment Option).

The aggregate commissions and fees (including the discretionary incentive fee), together with the listing fees, SFC transaction levy, the Stock Exchange trading fee, legal and other professional fees, printing and other expenses payable by us relating to the Global Offering are estimated to amount to HK$73.5 million in total (based on the mid-point of our indicative Offer Price range of HK$20.45 and assuming the Over-allotment Option is not exercised).

ACTIVITIES BY THE UNDERWRITERS

The Underwriters and their respective affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process. These entities are diversified financial institutions with relationships in and outside Hong Kong. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own accounts and for the account of others. In relation to the H Shares, other activities

could include acting as agent for buyers and sellers of the H Shares, entering into transactions with other buyers and sellers in a principal capacity, proprietary trading in the H Shares, and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets including the H Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, buying and selling the H Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Underwriters and their respective affiliates holding long and/or short positions in the H Shares, in baskets of securities or indices including the H Shares, in units of funds that may purchase the H Shares, or in derivatives related to any of the foregoing.

In relation to issues by the Underwriters or their respective affiliates of any listed securities having the H Shares as their or part of their underlying assets, whether on the Stock Exchange or on any other stock exchange, the rules of the relevant stock exchange may require the issuer of other securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and these will also result in hedging activity in the H Shares in most cases.

All these activities may occur both during and after the end of the stabilizing period described in the paragraph headed "Structure of the Global Offering – Stabilization" in this prospectus. These activities may affect the market price or value of the H Shares, the liquidity or trading volume in the H Shares, and the volatility of our Share price, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Underwriters or their respective affiliates will be subject to certain restrictions, including the following:

(a) the Underwriters or their respective affiliates (other than the Stabilizing Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) the Underwriters or their respective affiliates must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

HONG KONG UNDERWRITERS' INTERESTS IN OUR COMPANY

Save as disclosed in this prospectus and other than pursuant to the Hong Kong Underwriting Agreement, none of the Hong Kong Underwriters has any shareholding in any member of our Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement and/or the International Underwriting Agreement.

RESTRICTIONS ON THE OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation.

In particular, the Offer Shares have not been offered or sold, and will not be offered or sold, directly or indirectly, in the PRC.

SOLE SPONSOR'S INDEPENDENCE

The Sole Sponsor satisfies the independence criteria set out in Rule 3A.07 of the Listing Rules.

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering consists of (subject to adjustment and the Over-allotment Option):

(i) the Hong Kong Public Offering of 4,000,000 Offer Shares (subject to adjustment as mentioned below) in Hong Kong as described in the paragraph headed "The Hong Kong Public Offering" in this section; and

(ii) the International Offering of 36,000,000 Offer Shares (subject to adjustment as mentioned below) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S.

The Offer Shares will represent 25.00% of the enlarged issued share capital of our Company immediately after completion of the Global Offering (without taking into account shares to be issued upon exercise of the Over-allotment Option). If the Over-allotment Option is exercised in full, the Offer Shares will represent 27.71% of the enlarged issued share capital immediately after completion of the Global Offering and the exercise of the Over-allotment Option as set out in the paragraph headed "The International Offering – Over-allotment Option" in this section.

Investors may apply for the Hong Kong Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest, if qualified to do so, for the International Offer Shares under the International Offering, but may not do both. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. The International Offering will involve selective marketing of the International Offer Shares to institutional and professional investors and other investors expected to have a sizeable demand for the International Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. The International Underwriters are soliciting from prospective investors' indications of interest in acquiring the International Offer Shares. Prospective investors will be required to specify the number of International Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price.

The number of Hong Kong Offer Shares and International Offer Shares to be offered under the Hong Kong Public Offering and the International Offering respectively may be subject to reallocation as described in the paragraph headed "The Hong Kong Public Offering – Reallocation and Clawback" in this section.

THE HONG KONG PUBLIC OFFERING

Number of Shares Initially Offered

Our Company is initially offering 4,000,000 Offer Shares at the Offer Price under the Hong Kong Public Offering, representing 10.0% of the total number of Offer Shares initially available under the Global Offering, for subscription by the public in Hong Kong. Subject to adjustment as mentioned below, the number of Offer Shares initially offered under the Hong Kong Public Offering will represent 2.5% of our enlarged issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

In Hong Kong, individual retail investors are expected to apply for the Hong Kong Offer Shares through the Hong Kong Public Offering. Individual retail investors, including individual investors in Hong Kong applying through banks and other institutions, seeking International Offer Shares will not be allotted International Offer Shares in the International Offering.

The Joint Global Coordinators may require any investor who has been offered Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Joint Global Coordinators so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for the Hong Kong Offer Shares.

Allocation

For allocation purposes only, the total number of Offer Shares initially being offered for subscription under the Hong Kong Public Offering (after taking into account any adjustment in the number of Offer Shares allocated between the Hong Kong Public Offering and the International Offering) will be divided equally into two pools (subject to adjustment at odd lot size): Pool A comprising 2,000,000 Hong Kong Offer Shares and Pool B comprising 2,000,000 Hong Kong Offer Shares, both of which are available on an equitable basis to successful applicants. All valid applications that have been received for the Hong Kong Offer Shares with a total subscription amount (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee) of HK$5 million or below will fall into Pool A and all valid applications that have been received for the Hong Kong Offer Shares with a total subscription amount (excluding brokerage, SFC transaction levy and Stock Exchange trading fee) of over HK$5 million and up to the total value of Pool B, will fall into Pool B.

Applicants should be aware that applications in Pool A and Pool B may receive different allocation ratios. If the Hong Kong Offer Shares in one pool (but not both pools) are under-subscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only receive an allocation of the Hong Kong Offer Shares from either Pool A or Pool B but not from both pools

and can only apply for the Hong Kong Offer Shares in either Pool A or Pool B. When there is over-subscription, allocation of the Hong Kong Offer Shares to investors under the Hong Kong Public Offering, both in relation to Pool A and Pool B, will be based on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation in each pool may vary, depending on the number of Hong Kong Offer Shares validly applied for by each applicant. The allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

Reallocation and Clawback

The allocation of the Offer Shares between the International Offering and the Hong Kong Public Offering is subject to reallocation pursuant to paragraph 4.2 of Practice Note 18 of the Listing Rules as follows:

(a) if the number of Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of Shares initially available for subscription under the Hong Kong Public Offering, then Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Shares available for subscription under the Hong Kong Public Offering will be increased to 12,000,000 Shares, representing 30.0% of the Offer Shares initially available for subscription under the Global Offering (before any exercise of the Over-allotment Option);

(b) if the number of Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of Shares initially available for subscription under the Hong Kong Public Offering, then Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the number of Shares available for subscription under the Hong Kong Public Offering will be increased to 16,000,000 Shares, representing 40.0% of the Offer Shares initially available for subscription under the Global Offering (before any exercise of the Over-allotment Option); and

(c) if the number of Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of Shares initially available for subscription under the Hong Kong Public Offering, then Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the number of Shares available for subscription under the Hong Kong Public Offering will be increased to 20,000,000 Shares, representing 50.0% of the Offer Shares initially available for subscription under the Global Offering (before any exercise of the Over-allotment Option).

In each case, the Offer Shares reallocated to the Hong Kong Public Offering from the International Offering will be allocated between Pool A and Pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Global Coordinators deem appropriate.

In addition, the Joint Global Coordinators may reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In accordance with Guidance Letter GL 91-18 issued by the Stock Exchange, if such reallocation is done other than pursuant to Practice Note 18 of the Listing Rules, the maximum total number of Offer Shares that may be allocated to the Hong Kong Public Offering following such reallocation shall be not more than double the initial allocation to the Hong Kong Public Offering (i.e. 8,000,000 Shares), and the final Offer Price shall be fixed at the low-end of the indicative Offer Price range (i.e. HK$20.10 per Offer Share) stated in this prospectus.

If the Hong Kong Public Offering is not fully subscribed, the Joint Global Coordinators have the authority to reallocate all or any of the unsubscribed Hong Kong Offer Shares originally included in the Hong Kong Public Offering to the International Offering in such proportions as the Joint Global Coordinators deem appropriate.

The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings at the discretion of the Joint Global Coordinators.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Offering.

Multiple or suspected multiple applications and any application for more than 50.0% of the total number of the Offer Shares initially comprised in the Hong Kong Public Offering (that is 2,000,000 Shares) are liable to be rejected.

The listing of the Offer Shares on the Stock Exchange is sponsored by the Sole Sponsor. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK$20.80 per Offer Share in addition to any brokerage, SFC transaction levy and Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the paragraph headed "Pricing of the Global Offering" in this section, is less than the maximum price of HK$20.80 per Offer Share, appropriate

refund payments (including the brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to relevant applicants, without interest. Further details are set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL OFFERING

Number of International Offer Shares Offered

The number of International Offer Shares to be initially offered for subscription under the International Offering will consist of 36,000,000 Offer Shares, representing 90.0% of the Offer Shares under the Global Offering. Subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, the International Offer Shares will represent 22.5% of our enlarged issued share capital immediately after completion of the Global Offering assuming that the Over-allotment Option is not exercised.

Allocation

Pursuant to the International Offering, the International Underwriters will conditionally place the International Offer Shares with institutional and professional investors and other investors expected to have a sizeable demand for the Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. The International Offering is subject to the Hong Kong Public Offering being unconditional.

Allocation of the International Offer Shares pursuant to the International Offering will be determined by the Joint Global Coordinators and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell the Offer Shares after the Listing. Such allocation may be made to professional, institutional and other investors and is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and our Shareholders as a whole.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant application under the Hong Kong Public Offering and to ensure that it is excluded from any application of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of International Offer Shares to be offered pursuant to the International Offering may change as a result of the clawback arrangement described in the paragraph headed "The Hong Kong Public Offering – Reallocation and Clawback" in this section, exercise of the Over-allotment Option in whole or in part and/or reallocation of all or any unsubscribed Hong Kong Offer Shares to the International Offering.

Over-allotment Option

In connection with the Global Offering, our Company is expected to grant an Over-allotment Option to the International Underwriters, exercisable by the Joint Global Coordinators at their sole and absolute discretion at any time within 30 days after the last day for lodging applications under the Hong Kong Public Offering. Pursuant to the Over-allotment Option, the Joint Global Coordinators will have the right to require our Company to issue and allot up to an aggregate of 6,000,000 Offer Shares representing in aggregate 15.0% of the initial number of the Offer Shares at the Offer Price to cover over-allocations in the International Offering, if any. An announcement will be made in the event that the Over-allotment Option is exercised. The Joint Global Coordinators may also cover any over-allocations by purchasing Shares in the secondary market or by a combination of purchases in the secondary market and a partial exercise of the Over-allotment Option. Any such secondary market purchase will be made in compliance with all applicable laws, rules and regulations.

PRICING OF THE GLOBAL OFFERING

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building" is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or around Friday, November 1, 2019 and, in any event, not later than Monday, November 4, 2019. The Offer Price will be not more than HK$20.80 and is currently expected not to be less than HK$20.10, unless otherwise announced as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus. If, for any reason, the Offer Price is not agreed by Monday, November 4, 2019 between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse.**

If, based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Joint Global Coordinators consider it appropriate, the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may be reduced below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of Thursday, October 31, 2019, being the last day for lodging applications under the Hong Kong Public Offering, cause to be published on the Stock Exchange's website at **www.hkexnews.hk**, and on our Company's website at **www.kdl-int.com** the notice of the reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the offering statistics as currently set out in the section headed "Summary" in this prospectus and any other financial information which may change as a result of such reduction.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of any such reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering.

If the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range is so reduced, applicants who have already submitted an application will be notified that they are required to confirm their applications. All applicants who have already submitted an application need to confirm their applications in accordance with the procedures set out in the announcement and all unconfirmed applications will not be valid. In the absence of any notice being published of a reduction in the number of Offer Shares being offered under the Global Offering and/or a reduction in the indicative Offer Price range stated in this prospectus and the Application Forms, respectively, on or before the last day for lodging applications under the Hong Kong Public Offering, the Offer Price, once agreed upon, will under no circumstances be outside the Offer Price range as stated in this prospectus.

The applicable Offer Price, level of applications in the Hong Kong Public Offering, the level of indications of interest in the International Offering, the results of applications and basis of allotment of the Hong Kong Offer Shares are expected to be announced on Thursday, November 7, 2019 through a variety of channels as described in the paragraph headed "How to Apply for Hong Kong Offer Shares – 11. Publication of Results" in this prospectus.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, underwriters may bid for or purchase securities in the secondary market during a specified period of time to retard and, if possible, prevent a decline in the initial public market price of the securities below the Offer Price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements of the relevant jurisdictions. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, the Stabilizing Manager, its affiliates or any persons acting for it may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect transactions with a view to stabilizing or supporting the market price of our H Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the Listing Date. Any market purchases of our H Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager, its affiliates or any persons acting for it to conduct any such stabilizing action. Such stabilizing action, if taken, will be required to be brought to an end within 30 days of the last day for lodging applications under the Hong Kong Public Offering and conducted at the absolute discretion of the Stabilizing Manager, its affiliates or any persons acting for it, and may be discontinued at any time.

Stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules of the SFO, as amended, includes: (i) over-allocating for the purpose of preventing or minimizing any reduction in the market price of our H Shares; (ii) selling or agreeing to sell our H Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of our H Shares; (iii) purchasing or agreeing to purchase our H Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing or agreeing to purchase our H Shares for the sole purpose of preventing or minimizing any reduction in the market price of our H Shares; (v) selling or agreeing to sell our H Shares in order to liquidate any position established as a result of the abovementioned purchases; and (vi) offering or attempting to do anything as described in (ii), (iii), (iv) or (v) above.

Specifically, prospective applicants for the Offer Shares should note that:

- the Stabilizing Manager, its affiliates or any person acting for it may, in connection with the stabilizing action, maintain a long position in our H Shares;

- there is no certainty as to the extent to which, and the time or period for which, the Stabilizing Manager, its affiliates or any person acting for it will maintain such a long position;

- liquidation and selling of any such long position in the open market by the Stabilizing Manager, its affiliates or any person acting for it may have an adverse impact on the market price of our H Shares;

- no stabilizing action can be taken to support the price of our H Shares for longer than the stabilization period which will begin on the Listing Date and is expected to expire on Saturday, November 30, 2019 being the 30th day after the last date for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for our H Shares, and therefore the price of our H Shares, could fall;

- the price of our H Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and

- stabilizing bids or transactions effected in the course of the stabilizing action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for the Offer Shares.

Our Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO will be made within seven days of the expiration of the stabilization period.

In connection with the Global Offering, the Stabilizing Manager may over-allocate up to and not more than an aggregate of 6,000,000 H Shares and cover such over-allocations by (amongst other methods) exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price or by any combination of these means.

UNDERWRITING ARRANGEMENTS

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us on the Price Determination Date.

We expect that our Company will, on or about Friday, November 1, 2019, shortly after determination of the Offer Price, enter into the International Underwriting Agreement relating to the International Offering. Underwriting arrangements, the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarized in the section headed "Underwriting" in this prospectus.

H SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

If the Stock Exchange grants the listing of, and permission to deal in, the H Shares and our Company complies with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, November 8, 2019, it is expected that dealings in H Shares on the Stock Exchange will commence on Friday, November 8, 2019. Our H Shares will be traded in board lots of 200 H Shares each and the stock code will be 1501.

CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for the Hong Kong Offer Shares pursuant to the Hong Kong Public Offering will be conditional on, *inter alia*:

- the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Offer Shares to be issued pursuant to the Global Offering (including any Offer Shares which may be issued pursuant to the exercise of the Over-allotment Option) (subject only to allotment and dispatch of H Share certificates in respect thereof and such other normal conditions acceptable to our Company and the Joint Global Coordinators) not later than Friday, November 8, 2019 (or such later date as our Company and the Joint Global Coordinators may agree) and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Offer Shares on the Stock Exchange;

- our Company having submitted to the HKSCC all requisite documents to enable the Offer Shares to be admitted to trade on the Stock Exchange;

- the Offer Price having been duly determined and the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and

- the obligations of the Underwriters under the respective Underwriting Agreements becoming and remaining unconditional (unless and to the extent such conditions are validly waived on or before such dates and times by the Joint Global Coordinators) and not having been terminated in accordance with the terms of the respective agreements.

In each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is 30 days after the date of this prospectus.

If, for any reason, the Offer Price is not agreed between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), the Global Offering will not proceed.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Hong Kong Public Offering to be published by us on our website at **www.kdl-int.com** and the website of Hong Kong Exchanges and Clearing Limited at **www.hkexnews.hk** on the next day following such lapse. In such event, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus. In the meantime, the application monies will be held in separate bank account(s) with the receiving banks or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, amongst other things, the other becoming unconditional and not having been terminated in accordance with its terms.

Share certificates for the Offer Shares are expected to be issued on Thursday, November 7, 2019 but will only become valid certificates of title at 8:00 a.m. on the date of commencement of the dealings in our H Shares, which is expected to be on Friday, November 8, 2019, provided that (i) the Global Offering has become unconditional in all respects, and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Offer Shares prior to the receipt of H Share certificates or prior to H Share certificates bearing valid certificates of title do so entirely at their own risk.

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** service at **www.eipo.com.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a U.S. Person (as defined in Regulation S); and
- are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorized officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any of our subsidiaries;
- a Director or chief executive officer of our Company and/or any of our subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.eipo.com.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours between 9:00 a.m. on Monday, October 28, 2019 until 12:00 noon on Thursday, October 31, 2019 from:

(i) the following offices of the Hong Kong Underwriters:

BOCOM International Securities Limited	9/F, Man Yee Building 68 Des Voeux Road Central Hong Kong
CMB International Capital Limited	45/F, Champion Tower Three Garden Road Central Hong Kong

(ii) any of the following outlets of **Bank of Communications Co., Ltd. Hong Kong Branch**:

District	Outlet Name	Address
Hong Kong Island	King's Road Sub-Branch	G/F., Kailey Court, 67-71 King's Road
Kowloon	Jordan Road Sub-Branch	1/F., Booman Building, 37U Jordan Road
	Ngau Tau Kok Sub-Branch	Shop G1 & G2, G/F., Phase I, Amoy Plaza, 77 Ngau Tau Kok Road

(iii) any of the following branches of **CMB Wing Lung Bank Limited**:

District	Branch Name	Address
Hong Kong Island	Head Office	45 Des Voeux Road Central
Kowloon	Mongkok Branch	B/F CMB Wing Lung Bank Centre, 636 Nathan Road

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, October 28, 2019 until 12:00 noon on Thursday, October 31, 2019 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "**BANK OF COMMUNICATIONS (NOMINEE) CO. LTD. – SHANGHAI KINDLY PUBLIC OFFER**" for the payment, should be deposited in the special collection boxes provided at any of the outlets/branches of the receiving banks listed above, at the following times:

- **Monday, October 28, 2019 – 9:00 a.m. to 5:00 p.m.**
- **Tuesday, October 29, 2019 – 9:00 a.m. to 5:00 p.m.**
- **Wednesday, October 30, 2019 – 9:00 a.m. to 5:00 p.m.**
- **Thursday, October 31, 2019 – 9:00 a.m. to 12:00 noon**

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, October 31, 2019, the last application day or such later time as described in the paragraph headed "10. Effect of Bad Weather on the Opening of the Applications Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through **White Form eIPO** service, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorize our Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by our Articles of Association;

(ii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the PRC Company Law, the Special Regulations and our Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) agree that none of our Company, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering nor participated in the International Offering;

(viii) agree to disclose to our Company, our H Share Registrar, receiving banks, the Joint Global Coordinators, the Underwriters and/or their respective advisors and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Joint Global Coordinators and the Underwriters nor any of their respective officers or advisors will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorize our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any H Share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the H Share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that our Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in the paragraph headed "Who can apply" in this section, may apply through the **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.eipo.com.hk**.

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorize the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

Time for Submitting Applications under the White Form eIPO Service

You may submit your application to the **White Form eIPO** Service Provider at **www.eipo.com.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Monday, October 28, 2019 until 11:30 a.m. on Thursday, October 31, 2019 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, October 31, 2019 or such later time under the paragraph headed "10. Effect of Bad Weather on the Opening of the Applications Lists" in this section.

No Multiple Applications

If you apply by means of **White Form eIPO**, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **White Form eIPO** more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Commitment to sustainability

The obvious advantage of **White Form eIPO** service is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK$2 for each "Shanghai Kindly Medical Instruments Co., Ltd." **White Form eIPO** application submitted via **www.eipo.com.hk** to support sustainability.

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Global Coordinators and our H Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;
- declare that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as their agent;
- confirm that you understand that our Company, our Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

- authorize our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send H Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

- agree that none of our Company, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- agree to disclose your personal data to our Company, our H Share Registrar, receiving banks, the Joint Global Coordinators, the Underwriters and/or its respective advisors and agents;

- agree without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;

- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the PRC Company Law, the Special Regulations and our Articles of Association;

- agree with our Company, for itself and for the benefit of each Shareholder and each director, supervisor, manager and other senior officer of our Company (and so that our Company will be deemed by its acceptance in whole or in part of this application to have agreed, for itself and on behalf of each Shareholder and each director, supervisor, manager and other senior officer of our Company, with each CCASS Participant giving **electronic application instructions**):

  (a) to refer all differences and claims arising from our Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning the affairs of our Company to arbitration in accordance with our Articles of Association;

  (b) that any award made in such arbitration shall be final and conclusive; and

  (c) that the arbitration tribunal may conduct hearings in open sessions and publish its award;

- agree with our Company (for our Company itself and for the benefit of each Shareholder) that H Shares in our Company are freely transferable by their holders;

- authorize our Company to enter into a contract on its behalf with each director and officer of our Company whereby each such director and officer undertakes to observe and comply with his or her obligations to Shareholders stipulated in our Articles of Association; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of number of 200 Hong Kong Offer Shares. Instructions for more than 200 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions(1)

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- **Monday, October 28, 2019 – 9:00 a.m. to 8:30 p.m.**
- **Tuesday, October 29, 2019 – 8:00 a.m. to 8:30 p.m.**
- **Wednesday, October 30, 2019 – 8:00 a.m. to 8:30 p.m.**
- **Thursday, October 31, 2019 – 8:00 a.m. to 12:00 noon**

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Monday, October 28, 2019 until 12:00 noon on Thursday, October 31, 2019 (24 hours daily, except on Thursday, October 31, 2019, the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Thursday, October 31, 2019, the last application day or such later time as described in the paragraph headed "10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

Note:

(1) The times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by our Company, the H Share Registrar, the receiving banks, the Joint Global Coordinators, the Underwriters and any of their respective advisors and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, the Directors, the Sole Sponsor, the Joint Global Coordinators and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Center to complete an input request form for **electronic application instructions** before 12:00 noon on Thursday, October 31, 2019.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for H Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum of 200 Hong Kong Offer Shares. Each application or electronic application instruction in respect of more than 200 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.eipo.com.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details of the Offer Price, please refer to the paragraph headed "Structure of the Global Offering – Pricing of the Global Offering" in this prospectus.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is/are:

- a tropical cyclone warning signal number 8 or above;
- a "black" rainstorm warning; and/or
- Extreme Conditions,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, October 31, 2019. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have any of those warnings and/or Extreme Conditions in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Thursday, October 31, 2019 or if there is/are a tropical cyclone warning signal number 8 or above, a "black" rainstorm warning signal and/or Extreme Conditions in force in Hong Kong that may affect the dates mentioned in the section headed "Expected Timetable" in this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Thursday, November 7, 2019 on our Company's website at **www.kdl-int.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at **www.kdl-int.com** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m. on Thursday, November 7, 2019;
- from the designated results of allocations website at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment**) with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Thursday, November 7, 2019 to 12:00 midnight on Wednesday, November 13, 2019;

- by telephone enquiry line by calling +852 2862 8669 between 9:00 a.m. and 10:00 p.m. from Thursday, November 7, 2019 to Sunday, November 10, 2019;

- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, November 7, 2019 to Saturday, November 9, 2019 at all the receiving banks' designated outlets/branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. For further details of the conditions of the Global Offering, please refer to the section headed "Structure of the Global Offering" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to **White Form eIPO** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the H Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) the Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonored upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;

- our Company or the Joint Global Coordinators believes that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or

- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK$20.80 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the paragraph headed "Structure of the Global Offering – Conditions of the Hong Kong Public Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Thursday, November 7, 2019.

14. DISPATCH/COLLECTION OF H SHARE CERTIFICATES AND REFUND MONIES

You will receive one H Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the H Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the H Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- H Share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, H Share certificates will be deposited into CCASS as described below); and

- refund cheque(s) crossed "Account Payee Only" in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer

Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of H Share certificates and refund monies as mentioned below, any refund cheques and H Share certificates are expected to be posted on or before Thursday, November 7, 2019. The right is reserved to retain any H Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

H Share certificates will only become valid at 8:00 a.m. on Friday, November 8, 2019 provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting" in this prospectus has not been exercised. Investors who trade shares prior to the receipt of H Share certificates or the H Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or H Share certificate(s) from our H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, November 7, 2019 or such other date as notified by us.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar.

If you do not collect your refund cheque(s) and/or H Share certificate(s) personally within the time specified for collection, they will be dispatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or H Share certificate(s) will be sent to the address on the relevant Application Form on or before Thursday, November 7, 2019, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above for collecting refund cheque(s). If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Thursday, November 7, 2019, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your H Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Thursday, November 7, 2019, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

  For Hong Kong Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS investor participant*

  Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in the paragraph headed "11. Publication of Results" in this section. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, November 7, 2019 or any other date as determined by HKSCC or HKSCC Nominees.

  Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through White Form eIPO service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your H Share certificate(s) from H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, November 7, 2019, or such other date as notified by our Company on the website of the Stock Exchange at **www.hkexnews.hk** or the website of our Company at **www.kdl-int.com** as the date of dispatch/collection of H Share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your H Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your H Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Thursday, November 7, 2019 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of H Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your H Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, November 7, 2019, or, on any other date determined by HKSCC or HKSCC Nominees.

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in the paragraph headed "11. Publication of Results" in this section on Thursday, November 7, 2019. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, November 7, 2019 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, November 7, 2019. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly or partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, November 7, 2019.

15. ADMISSION OF THE H SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the H Shares and we comply with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-70, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

KPMG

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SHANGHAI KINDLY MEDICAL INSTRUMENTS CO., LTD. AND BOCOM INTERNATIONAL (ASIA) LIMITED

Introduction

We report on the historical financial information of Shanghai Kindly Medical Instruments Co., Ltd. (上海康德莱醫療器械股份有限公司) (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-70, which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2016, 2017 and 2018 and 30 April 2019, and the consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows, for each of the years ended 31 December 2016, 2017 and 2018 and the four months period ended 30 April 2019 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-70 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 28 October 2019 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for 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 and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in Note 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 purpose of the accountants' report, a true and fair view of the Company's and the Group's financial position as at 31 December 2016, 2017 and 2018 and 30 April 2019 and of the Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Review of stub period corresponding financial information

We have reviewed the stub period corresponding financial information of the Group which comprises the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the four months period ended 30 April 2018 and other explanatory information (the "Stub Period Corresponding Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Corresponding Financial Information in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Corresponding Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has

come to our attention that causes us to believe that the Stub Period Corresponding Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 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 and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 24(d) to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Relevant Periods.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
28 October 2019

HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the years ended 31 December 2016, 2017 and 2018 and the four months period ended 30 April 2019 (the "Relevant Periods"), on which the Historical Financial Information is based, were audited by KPMG Huazhen LLP (畢馬威華振會計師事務所(特殊普通合夥)) in accordance with Hong Kong Standard on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand yuan (RMB'000) except when otherwise indicated.

Consolidated statements of profit or loss

		Year ended 31 December			Four months period ended 30 April	
	Note	**2016**	**2017**	**2018**	**2018**	**2019**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Revenue	*4*	106,445	137,551	203,059	60,093	86,910
Cost of sales		(47,440)	(59,755)	(84,662)	(25,467)	(32,924)
Gross profit		59,005	77,796	118,397	34,626	53,986
Other income	*5*	7,854	2,939	9,694	882	3,089
Distribution costs		(6,095)	(8,604)	(17,600)	(3,505)	(4,733)
Administrative expenses		(10,476)	(11,489)	(20,504)	(3,671)	(6,981)
Research and development expenses		(10,876)	(12,922)	(22,098)	(4,867)	(7,720)
(Recognition)/reversal of impairment losses		(60)	8	111	7	58
Profit from operations		39,352	47,728	68,000	23,472	37,699
Finance costs	*6(a)*	–	–	(1,527)	(17)	(980)
Profit before taxation	*6*	39,352	47,728	66,473	23,455	36,719
Income tax	*7*	(5,351)	(6,958)	(8,237)	(2,870)	(5,460)
Profit for the year/period		34,001	40,770	58,236	20,585	31,259
Attributable to:						
Equity shareholders of the Company		34,001	40,770	58,451	20,586	31,864
Non-controlling interests		–	–	(215)	(1)	(605)
Profit for the year/period		34,001	40,770	58,236	20,585	31,259
Earnings per share (RMB)	*10*					
Basic and diluted (RMB)		0.40	0.49	0.68	0.25	0.27

The accompanying notes form part of the Historical Financial Information.

Consolidated statements of profit or loss and other comprehensive income

	Year ended 31 December			Four months period ended 30 April	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Profit for the year/period	34,001	40,770	58,236	20,585	31,259
Other comprehensive income for the year/period (after tax and reclassification adjustments)					
Items that will not be reclassified subsequently to profit or loss:					
Exchange differences on translation of financial statements of the Company	–	–	–	–	3
Other comprehensive income	–	–	–	–	3
Total comprehensive income for the year/period	34,001	40,770	58,236	20,585	31,262
Attributable to:					
Equity shareholders of the Company	34,001	40,770	58,451	20,586	31,867
Non-controlling interests	–	–	(215)	(1)	(605)
Total comprehensive income for the year/period	34,001	40,770	58,236	20,585	31,262

The accompanying notes form part of the Historical Financial Information.

Consolidated statements of financial position

	Note	As at 31 December 2016 RMB'000	2017 RMB'000	2018 RMB'000	As at 30 April 2019 RMB'000
Non-current assets					
Property, plant and equipment	*11*	36,090	37,987	59,544	64,973
Right-of-use assets	*12(a)*	–	–	58,024	72,391
Prepayment of lease	*12(a)*	–	–	10,000	–
Intangible assets		40	24	572	517
Other non-current assets	*13*	472	3,700	4,486	6,776
Deferred tax assets	*22(b)*	880	1,062	1,784	1,152
		37,482	42,773	134,410	145,809
Current assets					
Inventories	*15*	16,146	29,468	39,015	41,052
Trade and other receivables	*16*	66,295	11,375	7,085	13,091
Other current assets	*17*	1,724	2,138	3,366	13,240
Financial assets at fair value through profit or loss	*18*	–	–	–	169,945
Cash and cash equivalents	*19*	64,445	146,702	298,164	86,470
		148,610	189,683	347,630	323,798
Current liabilities					
Trade and other payables	*20*	11,701	17,846	24,049	28,519
Contract liabilities	*21*	6,231	7,415	11,533	10,167
Lease liabilities	*12(b)*	–	–	5,397	5,603
Deferred income	*23*	172	493	494	494
Current taxation	*22(a)*	2,110	1,480	1,261	3,427
		20,214	27,234	42,734	48,210
Net current assets		128,396	162,449	304,896	275,588
Total assets less current liabilities		165,878	205,222	439,306	421,397
Non-current liabilities					
Lease liabilities	*12(b)*	–	–	54,782	53,634
Deferred income	*23*	6,434	5,008	3,214	3,073
		6,434	5,008	57,996	56,707
NET ASSETS		159,444	200,214	381,310	364,690
CAPITAL AND RESERVES					
Share capital	*24(b)*	19,600	19,600	60,000	120,000
Reserves		139,844	180,614	312,025	230,510
Total equity attributable to equity shareholders of the Company		159,444	200,214	372,025	350,510
Non-controlling interests	*14*	–	–	9,285	14,180
TOTAL EQUITY		159,444	200,214	381,310	364,690

The accompanying notes form part of the Historical Financial Information.

Statements of financial position of the Company

	Note	As at 31 December 2016 RMB'000	2017 RMB'000	2018 RMB'000	As at 30 April 2019 RMB'000
Non-current assets					
Property, plant and equipment	*11*	38,595	39,716	50,599	53,109
Right-of-use assets	*12(a)*	–	–	57,824	65,224
Prepayment of lease	*12(a)*	–	–	10,000	–
Intangible assets		40	24	572	517
Other non-current assets	*13*	427	3,583	4,073	5,696
Deferred tax assets	*22(b)*	29	55	456	779
Interest in subsidiaries	*14*	10,626	15,626	36,126	57,559
		49,717	59,004	159,650	182,884
Current assets					
Inventories	*15*	13,624	21,344	29,674	30,612
Trade and other receivables	*16*	66,206	10,974	5,469	11,861
Amounts due from subsidiaries		261	–	2,016	622
Other current assets	*17*	1,232	1,665	2,038	11,312
Financial assets at fair value through profit or loss	*18*	–	–	–	155,895
Cash and cash equivalents	*19*	58,423	141,638	271,742	60,282
		139,746	175,621	310,939	270,584
		189,463	234,625	470,589	453,468
Current liabilities					
Trade and other payables	*20*	8,860	14,004	15,952	21,338
Amounts due to subsidiaries		7,194	5,842	8,118	8,963
Contract liabilities	*21*	6,231	7,415	10,805	8,991
Lease liabilities	*12(b)*	–	–	5,193	5,467
Deferred income	*23*	172	493	494	494
Current taxation	*22(a)*	2,058	1,490	1,025	3,217
		24,515	29,244	41,587	48,470
Net current assets		115,231	146,377	269,352	222,114
Total assets less current liabilities		164,948	205,381	429,002	404,998
Non-current liabilities					
Lease liabilities	*12(b)*	–	–	54,782	53,634
Deferred income	*23*	5,654	4,228	3,214	3,073
		5,654	4,228	57,996	56,707
NET ASSETS		159,294	201,153	371,006	348,291
CAPITAL AND RESERVES					
Share capital	*24(a)*	19,600	19,600	60,000	120,000
Reserves	*24(a)*	139,694	181,553	311,006	228,291
TOTAL EQUITY		159,294	201,153	371,006	348,291

The accompanying notes form part of the Historical Financial Information.

Consolidated statements of changes in equity

		Attributable to equity shareholders of the Company							
	Note	**Share capital** *RMB'000*	**Capital reserve** *RMB'000*	**Statutory surplus reserve** *RMB'000*	**Exchange reserve** *RMB'000*	**Retained profits** *RMB'000*	**Total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total equity** *RMB'000*
Balance at 1 January 2016		19,600	103,280	1,651	–	13,712	138,243	–	138,243
Changes in equity for 2016									
Profit for the year		–	–	–	–	34,001	34,001	–	34,001
Appropriation for surplus reserve	*24(c)*	–	–	3,480	–	(3,480)	–	–	–
Dividends approved in respect of previous year	*24(d)*	–	–	–	–	(12,800)	(12,800)	–	(12,800)
Balance at 31 December 2016 and 1 January 2017		19,600	103,280	5,131	–	31,433	159,444	–	159,444
Changes in equity for 2017									
Profit for the year		–	–	–	–	40,770	40,770	–	40,770
Appropriation for surplus reserve	*24(c)*	–	–	4,183	–	(4,183)	–	–	–
Balance at 31 December 2017		19,600	103,280	9,314	–	68,020	200,214	–	200,214
Balance at 1 January 2018		19,600	103,280	9,314	–	68,020	200,214	–	200,214
Changes in equity for 2018									
Profit/(loss) for the year		–	–	–	–	58,451	58,451	(215)	58,236
Share capital increase by capital reserve transfer	*24(b)*	22,400	(22,400)	–	–	–	–	–	–
Capital injection from equity shareholders of the Company	*24(b)*	18,000	162,000	–	–	–	180,000	–	180,000
Capital injection from non-controlling interest		–	–	–	–	–	–	9,500	9,500
Dividends approved in respect of previous year	*24(d)*	–	–	–	–	(66,640)	(66,640)	–	(66,640)
Appropriation for surplus reserve	*24(c)*	–	–	5,639	–	(5,639)	–	–	–
Balance at 31 December 2018 and 1 January 2019		60,000	242,880	14,953	–	54,192	372,025	9,285	381,310
Changes in equity for the four months period ended 30 April 2019									
Profit/(loss) for the period		–	–	–	–	31,864	31,864	(605)	31,259
Other comprehensive income		–	–	–	3	–	3	–	3
Share capital increase by capital reserve transfer	*24(b)*	60,000	(60,000)	–	–	–	–	–	–
Capital injection from non-controlling interest		–	–	–	–	–	–	5,500	5,500
Dividends approved in respect of previous year	*24(d)*	–	–	–	–	(53,382)	(53,382)	–	(53,382)
Balance at 30 April 2019		120,000	182,880	14,953	3	32,674	350,510	14,180	364,690

The accompanying notes form part of the Historical Financial Information.

	Note	Attributable to equity shareholders of the Company						
		Share capital	**Capital reserve**	**Statutory surplus reserve**	**Retained profits**	**Total**	**Non-controlling interests**	**Total equity**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
(Unaudited)								
Balance at 1 January 2018		19,600	103,280	9,314	68,020	200,214	–	200,214
Changes in equity for the four months period ended 30 April 2018								
Profit/(loss) for the period		–	–	–	20,586	20,586	(1)	20,585
Share capital increase by capital reserve transfer	*24(b)*	22,400	(22,400)	–	–	–	–	–
Capital injection from non-controlling interest		–	–	–	–	–	1,500	1,500
Balance at 30 April 2018		42,000	80,880	9,314	88,606	220,800	1,499	222,299

The accompanying notes form part of the Historical Financial Information.

Consolidated statements of cash flows

	Note	Year ended 31 December 2016 RMB'000	2017 RMB'000	2018 RMB'000	Four months period ended 30 April 2018 RMB'000 (unaudited)	2019 RMB'000
Operating activities						
Cash generated from operations	*19(b)*	43,998	47,094	77,197	13,546	28,945
Payment for interest element of leases liabilities	*12(d)*	–	–	(1,527)	(17)	(980)
Tax paid	*22(a)*	(5,088)	(7,770)	(9,178)	(2,887)	(2,662)
Net cash generated from operating activities		38,910	39,324	66,492	10,642	25,303
Investing activities						
Payment for the purchase of property, plant and equipment		(12,333)	(12,180)	(34,554)	(2,025)	(10,877)
Proceeds from sale of property, plant and equipment		1,918	2,512	1,708	–	–
Payment for the purchase of intangible assets		(49)	–	(602)	–	–
Prepayment for the deposit of land use right	*13*	–	(3,000)	–	–	–
Payment for the purchase of land use right	*12(a)*	–	–	–	–	(7,068)
Prepayment for the leased property	*12*	–	–	(10,000)	–	–
Loan made to a related party	*27(b)*	(75,413)	–	–	–	–
Loan repaid from a related party	*27(b)*	70,000	55,413	–	–	–
Interest received from loan made to a related party	*27(b)*	2,750	978	–	–	–
Interest received from bank deposits		244	1,952	3,864	1,293	733
Payment for purchase of financial assets measured at fair value through profit or loss		–	–	–	–	(565,000)
Proceeds from sale of financial assets measured at fair value through profit or loss		–	–	–	–	398,109
Net cash (used in)/ generated from investing activities		(12,883)	45,675	(39,584)	(732)	(184,103)

The accompanying notes form part of the Historical Financial Information.

	Note	Year ended 31 December 2016 RMB'000	2017 RMB'000	2018 RMB'000	Four months period ended 30 April 2018 RMB'000 (unaudited)	2019 RMB'000
Financing activities						
Capital injection received from equity shareholders of Company	*24(b)*	–	–	180,000	–	–
Capital injection received from non-controlling interests		–	–	9,500	1,500	5,500
Payment for capital element of lease liabilities	*12(d)*	–	–	(964)	(118)	(942)
Payment for the listing expense	*17*	–	–	–	–	(8,179)
Dividends paid to equity shareholders of the Company	*24(d)*	(12,800)	–	(66,640)	–	(48,153)
Net cash (used in)/ generated from financing activities		(12,800)	–	121,896	1,382	(51,774)
Net increase/(decrease) in cash and cash equivalents		13,227	84,999	148,804	11,292	(210,574)
Cash and cash equivalents at the beginning of year/period	*19(a)*	49,840	64,445	146,702	146,702	298,164
Effects of foreign exchange rates changes		1,378	(2,742)	2,658	(2,174)	(1,120)
Cash and cash equivalents at the end of year/period	*19(a)*	64,445	146,702	298,164	155,820	86,470

The accompanying notes form part of the Historical Financial Information.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

Shanghai Kindly Medical Instruments Co., Ltd.* 上海康德萊醫療器械股份有限公司 ("the Company") was established in Shanghai, People's Republic of China (the "PRC") on 7 June 2006 as a limited liability company with a registered capital of RMB10,000,000 by Shanghai Kindly Enterprise Development Group Co., Ltd.* 上海康德萊企業發展集團股份有限公司 ("KDL") and Dalian Health Island Technology Co., Ltd.* 大連健康島科技有限公司 ("Dalian HT"). 70% equity interests of the Company were owned by KDL and the remaining 30% equity interests were held by Dalian HT. On 6 April 2010, Dalian HT transferred its 30% equity interest of the Company to KDL at a cash consideration of RMB3 million and the Company became a wholly owned subsidiary of KDL.

On 25 June 2010 and 22 October 2014, the Company's registered capital increased to RMB15,000,000 and then to RMB18,300,000 as a result of introduction of new investors. On 5 September 2015, the Company converted into a joint stock company with limited liability. On 4 December 2015, the Company's share capital increased to RMB19,600,000 as a result of introduction of new investors.

On 25 April 2018, shareholders of the Company resolved to increase the share capital of the Company by way of a transfer of capital reserve of RMB22,400,000. As a result, the Company's share capital increased to RMB42,000,000. On 8 December 2018, the Company's share capital increased to RMB60,000,000 as a result of capital by new investors as set out in note 24(b). On 20 April 2019, the Company's share capital increased to RMB120,000,000 by way of a transfer of capital reserve of RMB60,000,000. As at 30 April 2019, KDL held 35.71% shareholding of the Company, which was the single largest shareholder of the Company.

The Company and its subsidiaries (together, "the Group") are principally engaged in the research and development, manufacturing and sales of interventional and implantable medical devices in the PRC.

The financial statements of the subsidiaries of the Group for which there are statutory requirements were prepared in accordance with the relevant accounting rules and regulations applicable to entities in the countries in which they were incorporated and/or established.

The English translation of the names in Chinese marked with "*" are translations provided for identification purpose only. If there is any inconsistency between the Chinese names and their English translations marked with "*", the Chinese names should prevail.

As at the date of this report, the Company has direct or indirect interests in the following subsidiaries, all of which are private companies:

Company name	Place and date of incorporation/ establishment	Particulars of registered and paid-in capital	Proportion of ownership interests held by the Company	Principal activities	Name of statutory auditor
Shanghai Kindly Medical Instruments Automation Research Centre Co., Ltd. (Chinese name as 上海康德萊醫療器械自動化 研究所有限公司, "Shanghai KDL Research Center") *(i)(iii)*	23 February 2000 the PRC	RMB5,000,000/ RMB5,000,000	100%	Manufacturing of moulds and processing	*(ii)*
Zhuhai Derui Medical Instruments Co., Ltd. (Chinese name as 珠海德瑞醫療器械有限公司, "Zhuhai Derui") *(i)(iii)*	26 February 2016 the PRC	RMB20,000,000/ RMB20,000,000	100%	Manufacturing of medical devices	*(ii)*

Company name	Place and date of incorporation/ establishment	Particulars of registered and paid-in capital	Proportion of ownership interests held by the Company	Principal activities	Name of statutory auditor
Shanghai Pukon Medical Instruments Co., Ltd. (Chinese name as 上海璞康醫療器械有限公司, "Shanghai Pukon") *(i)(iv)*	28 March 2018 the PRC	RMB20,000,000/ RMB20,000,000	85%	Research and development, manufacturing and sales of semi-finished medical devices	*(ii)*
Shanghai Qimu Medical Instruments Co., Ltd. (Chinese name as 上海七木醫療器械有限公司, "Shanghai Qimu") *(i)(iv)(v)*	17 August 2018 the PRC	RMB20,000,000/ RMB10,000,000	35%	Research and development, manufacturing and sales of medical devices	*(ii)*
Shanghai Puhui Medical Instruments Co., Ltd. (Chinese name as 上海璞慧醫療器械有限公司, "Shanghai Puhui") *(i)(v)*	14 November 2018 the PRC	RMB20,000,000/ RMB5,500,000	45%	Research and development, manufacturing and sales of medical devices	*Not applicable*
Shanghai Healing Medical Instruments Co., Ltd. (Chinese name as 上海翰凌醫療器械有限公司, "Shanghai Healing") *(i)*	15 February 2019 the PRC	RMB20,000,000/ RMB2,000,000	69%	Research and development, manufacturing and sales of medical devices	*Not applicable*
Hongkong INT Medical Instruments Company Limited ("Hongkong Int")	21 February 2019 Hong Kong	HKD36,000,000/ HKD11,000,000	100%	Import and export trade, investment, and consultancy	*Not applicable*

Notes:

(i) The English translation of these companies' names is for reference only. The official names of these companies are in Chinese. These companies were all limited liability companies under the law of the PRC.

(ii) Name of the statutory auditors is: BDO China Shu Lun Pan Certified Public Accountants LLP ("BDO", Chinese name as 立信會計師事務所(特殊普通合夥)).

(iii) The statutory financial statements of these companies for the years ended 31 December 2016, 2017 and 2018 were prepared in accordance with the Accounting Standards for Business Enterprises (the "ASBE") issued by the Ministry of Finance (the "MOF") of the PRC.

(iv) The statutory financial statements of these companies for the year ended 31 December 2018 were prepared in accordance with the ASBE issued by the MOF of the PRC.

(v) The Company set up Shanghai Qimu and Shanghai Puhui together with other individual investors in 2018, and the Company owned 35% equity interest in Shanghai Qimu and 45% equity interest in Shanghai Puhui, respectively. Management evaluated the Company's control over Shanghai Qimu and Shanghai Puhui with consideration of the purpose and design of the entity, governance structure, the Company's power over the relevant activities and other relevant factors. According to the investment agreements, the Company is able to nominate the sole executive director of Shanghai Qimu and Shanghai Puhui during the period when it is the single largest shareholder of two entities, management concluded that the Company has control over Shanghai Qimu and Shanghai Puhui since the date of their incorporation as well as date of this report.

All companies comprising the Group have adopted 31 December as their financial year end date.

The Historical Financial Information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Further details of the significant accounting policies adopted are set out in note 2.

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing this Historical Financial Information, the Group has adopted all applicable new and revised HKFRSs, including HKFRS9, *Financial Instruments* and HKFRS15, *Revenue from Contracts with Customer*, which are effective for the accounting period beginning on 1 January 2018, and HKFRS16, *Leases*, which is effective for the accounting period beginning on 1 January 2019, consistently throughout the Relevant Periods.

The adoption of HKFRS9 and HKFRS15 did not have significant impact on the Group's financial position and performance throughout the Relevant Periods when compared to those that would have been presented under HKAS39, *Financial Instruments: Recognition and Measurement*, and HKAS18, *Revenue*.

The adoption of HKFRS16 primarily affects the Group's accounting as a lessee of leases for properties, plant and equipment which are classified as operating leases under HKAS17, *Leases*. Upon the adoption of HKFRS16, according to the accounting policies described in note 2(h), at the commencement date of the lease, the Group will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the Group will recognise interest expense accrued on the outstanding balance of the lease liability, and the amortisation of the right-of-use asset, instead of recognising rental expenses incurred under operating leases on a systematic basis over the lease term under HKAS17. The adoption of HKFRS16 primarily leads to an increase in both assets and liabilities and to impact on the timing of expense recognition in the consolidated statement of profit or loss over the period of leases .However, the adoption of HKFRS16 did not have significant impact on the Group's net assets and net profit throughout the Relevant Periods when compared to those that would have been presented under HKAS17.

Amendments, new standards and interpretations issued but not yet effective for the year beginning on or after 1 January 2020 are set out in note 29.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

The Stub Period Corresponding Financial Information has been prepared in accordance with the same basis of preparation and presentation adopted in respect of the Historical Financial Information.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the assets and liabilities are stated at their fair value as explained in the accounting policies set out in notes 2(d) and 2(e).

(b) Use of estimation and judgement

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

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

(c) Subsidiaries and non-controlling interests

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

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

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

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

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

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

In the Company's statements of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(i)(ii)).

(d) Other investments in debt and equity securities

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

Investments in debt and equity securities are recognised/derecognised on the date the Group or the Company commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 25(e). These investments are subsequently accounted for as follows, depending on their classification.

(i) Investments other than equity investments

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

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 2(r)(ii)).

– fair value through other comprehensive income (FVOCI) – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– fair value at profit or loss (FVPL) if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(ii) Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group or the Company makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in note 2(r)(iv).

(e) Derivative financial instruments

Derivative financial instruments are recognised at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedges of net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

(f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(i)(ii)). The cost of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to working condition and location for its intended use. Subsequent expenditure relating to an item of property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that the future economic benefits, in excess of the original assessed standard of performance of the existing asset, will flow to the Group or the Company. All other subsequent expenditure is recognised as an expense in profit or loss in the period in which it is incurred.

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

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

Buildings held for own use	20 years
Machinery	5 – 10 years
Motor vehicles	5 – 10 years
Furniture, fixture and equipments	5 – 10 years
Leasehold improvements	10 years

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

(g) Intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group or the Company has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable. Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 2(i)(ii)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Other intangible assets that are acquired by the Group or the Company are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses. Expenditure on internally generated goodwill, brands as well as intellectual properties is recognised as an expense in the period in which it is incurred.

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

Software	10 years

Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

(h) Leases

At inception of a contract, the Group or the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group or the Company assesses whether:

– the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

– the Group or the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

– the Group or the Company has the right to direct the use of the asset. The Group or the Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where all the decisions about how and for what purpose the asset is used are predetermined, the Group or the Company has the right to direct the use of the asset if either:

– the Group or the Company has the right to operate the asset; or

– the Group or the Company designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group or the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group or the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

As a leasee, the Group or the Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use asset are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's or the Company's incremental borrowing rate. Generally, the Group or the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise:

– fixed payments, including in-substance fixed payments;

– variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

– amounts expected to be payable under a residual value guarantee; and

– the exercise price under a purchase option that the Group or the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Group or the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group or the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's or the Company's estimate of the amount expected to be payable under a residual value guarantee or if the Group or the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Group or the Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases of plants that have a lease term within 12 months or leases of low-value assets. The Group or the Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(i) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group or the Company recognises a loss allowance for expected credit losses (ECLs) on financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables).

Financial assets measured at fair value are not subject to the ECL assessment.

Measurement of ECLs

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

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

– fixed-rate financial assets and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate;

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

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

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

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

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

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

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group or the Company compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group or the Company considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group or the Company in full, without recourse by the Group or the Company to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group or the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

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

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

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group or the Company recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income recognised in accordance with note 2(r)(ii) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

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

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

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

Write-off policy

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

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

(ii) Impairment of other non-current assets

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

– property, plant and equipment;

– intangible assets;

– right-of-use assets;

– prepayment of lease; and

– investments in subsidiaries in the Company's statement of financial position.

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

Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

Recognition of impairment losses

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

Reversals of impairment losses

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

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

(j) Inventories and other contract cost

(i) Inventories

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

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

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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

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

(ii) Other contract costs

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventory (see note 2(j)(i)), property, plant and equipment (see note 2(f)) or intangible assets (see note 2(g)). Incremental costs of obtaining a contract are those costs that the Group or the Company incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. an incremental sales commission. Incremental costs of obtaining a contract are capitalised when incurred if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group or the Company entered into the contract (for example, payments to sub-contractors). Other costs of fulfilling a contract, which are not capitalised as inventory, property, plant and equipment or intangible assets, are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group or the Company expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised. The accounting policy for revenue recognition is set out in note 2(r).

(k) Contract assets and contract liabilities

A contract asset is recognised when the Group or the Company recognises revenue (see note 2(r)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses (ECL) in accordance with the policy set out in note 2(i)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see note 2(l)).

A contract liability is recognised when the customer pays non-refundable consideration before the Group or the Company recognises the related revenue (see note 2(r)). A contract liability would also be recognised if the Group or the Company has an unconditional right to receive non-refundable consideration before the Group or the Company recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2(l)).

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

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 2(r)).

(l) Trade and other receivables

A receivable is recognised when the Group or the Company has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group or the Company has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 2(k)).

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 2(i)(i)).

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in note 2(i)(i).

(n) Trade and other payables

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

(o) Employee benefits

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

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

Short-term employee benefit is in the form of a benefit in kind (e.g. free or discounted goods or services), then measurement of these benefit is based on the Group's or the Company's net marginal cost of providing the benefit, unless other HKFRSs specifically require fair value measurement of the asset or obligation (i.e the benefit is in the form of low-interest loans to employees).

Loans given to employees at lower-than-market interest rates are generally short-term employee benefits. Loans granted to employees are financial instruments in the scope of HKFRS9 *Financial instruments*. Therefore, low-interest loans to employees are measured at fair value initially, any difference between the fair value of the loan and the amount advanced is an employee benefit.

(ii) Termination benefits

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

(p) Income tax

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

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

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

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

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

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

- in the case of current tax assets and liabilities, the Group or the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(q) Provisions and contingent liabilities

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

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

(r) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods in the ordinary course of the Group's business.

Revenue is recognised when control over a product is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the

interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

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

(i) Sale of medical devices, accessories and moulds

Revenue is recognised when the customer takes possession of and accepts the products.

(ii) Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost or that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 2(i)(i)).

(iii) Government grants

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

(iv) Dividends

– Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

– Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(s) Translation of foreign currencies

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

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

(t) Related parties

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

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

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

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

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

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

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

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

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

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

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

(u) Segment reporting

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

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

3 ACCOUNTING ESTIMATES

Note 25 contain information about the assumptions and risk factors relating to financial instruments. Other key sources of estimation uncertainty are as follows:

(a) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and distribution expenses. These estimates are based on the current market condition and historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to changes in market conditions. Management reassesses these estimations at the balance sheet dates to ensure inventory is shown at the lower of cost and net realisable value.

(b) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual values. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expenses to be recorded during the Relevant Periods. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expenses for future periods are adjusted if there are significant changes from previous estimates.

(c) Income tax

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The management carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of these transactions is reconsidered periodically to take into account changes in tax legislations. Deferred tax assets are recognised for deductible temporary differences.

As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which they can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

(d) Impairment of non-current assets

Internal and external sources of information are reviewed by the Group at the end of Relevant Periods to assess whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset or the cash-generating unit to which it belongs is estimated to determine impairment losses on the asset. Changes in facts and circumstances may result in revisions to the conclusion of whether an indication of impairment exists and revised estimates of recoverable amount, which would affect profit or loss in future years.

4 REVENUE AND SEGMENT REPORTING

The Group derives revenue principally from the sales of interventional medical devices. Sales returns are only allowed under certain specific circumstances, which is determined and approved by management and within certain period of time agreed by buyer and seller.

(a) Disaggregation of revenue

(i) Disaggregation of revenue from contracts with customers by major products is as follows:

	Year ended 31 December			Four months period ended 30 April	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Revenue from contracts with customers within the scope of HKFRS15					
Disaggregated by major products					
– Sales of interventional medical devices					
Cardiovascular devices	80,910	108,809	175,676	50,370	78,979
Orthopaedics and other devices	490	877	1,098	352	181
Subtotal	81,400	109,686	176,774	50,722	79,160
– Sales of medical accessories	18,735	23,240	20,589	7,147	5,112
– Others	6,310	4,625	5,696	2,224	2,638
	106,445	137,551	203,059	60,093	86,910

The Group's customer base is diversified. There is no individual customer with whom transactions have exceeded 10% of the Group's revenue for the years ended 31 December 2016, 2017 and 2018 and the four months period ended 30 April 2018 and 2019.

During the years ended 31 December 2016, 2017 and 2018 and the four months period ended 30 April 2018 and 2019, revenue from KDL and its subsidiaries/associate (exclude the Group, and herein referred to as "KDL Group") was RMB15,286,000, RMB19,049,000, RMB14,056,000, RMB4,899,000 (unaudited) and RMB3,007,000 respectively, which represents 14.3%, 13.8%, 6.9%, 8.2% (unaudited) and 3.5% of total revenue for the relevant years or period.

During the years ended 31 December 2016, 2017 and 2018 and the four months period ended 30 April 2018 and 2019, the Group recognised its revenue from its contract with customers at point in time in accordance with the accounting policies as set forth in note 2(r)(i).

The Group has applied the practical expedient in paragraph 121 of HKFRS15 to its sales contracts for interventional medical devices and other accessories as the Group will be entitled to those revenue when it satisfies the remaining performance obligations under the contracts of sales of interventional medical devices and accessories that had an original expected duration of one year or less.

(ii) Disaggregation of revenue by geographical location of external customers is as follows:

	Year ended 31 December			Four months period ended 30 April	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Mainland China	67,884	83,325	133,978	39,245	54,231
Europe	9,076	17,042	22,229	7,714	13,615
U.S.	3,452	4,488	6,106	2,286	2,752
Other countries	26,033	32,696	40,746	10,848	16,312
	106,445	137,551	203,059	60,093	86,910

The geographical location of customers is based on the location at which the customers operate. All of the non-current assets of the Group are physically located in the PRC.

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified one reportable segment, the cardiovascular interventional business, which is primary engaged in sales, manufacture, research and development of cardiovascular interventional medical devices as well as related moulds and accessories. Other segments, which are currently engaged in research and development of other interventional and implantable medical devices, such as neurological interventional medical devices and endocardia implantable medical devices, etc, are combined in all other segments.

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results attributable to segment on "segment net profit".

In addition to receiving segment information concerning segment net profit, management is provided with segment information concerning revenue from external customers used by the segments in their operations.

A measurement of segment assets and liabilities is not provided regularly to the Group's most senior executive management and accordingly, no segment assets or liabilities information is presented.

Information regarding the Group's segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2016, 2017 and 2018 and the four months periods ended 30 April 2018 and 2019 is set out below:

	Year ended 31 December 2016		
	Cardiovascular interventional business	**All others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Revenue from external customers	106,445	–	106,445
Inter-segment revenue	–	–	–
Segment revenue	106,445	–	106,445
Segment net profit	34,001	–	34,001

	Year ended 31 December 2017		
	Cardiovascular interventional business	**All others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Revenue from external customers	137,551	–	137,551
Inter-segment revenue	–	–	–
Segment revenue	137,551	–	137,551
Segment net profit	40,770	–	40,770

	Year ended 31 December 2018		
	Cardiovascular interventional business	**All others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Revenue from external customers	198,022	5,037	203,059
Inter-segment revenue	–	1,630	1,630
Segment revenue	198,022	6,667	204,689
Segment net profit	58,858	62	58,920

	Four months period ended 30 April 2018 (unaudited)		
	Cardiovascular interventional business	All others	Total
	RMB'000	*RMB'000*	*RMB'000*
Revenue from external customers	60,093	–	60,093
Inter-segment revenue	–	–	–
Segment revenue	60,093	–	60,093
Segment net profit	20,590	(5)	20,585

	Four months period ended 30 April 2019		
	Cardiovascular interventional business	All others	Total
	RMB'000	*RMB'000*	*RMB'000*
Revenue from external customers	83,239	3,671	86,910
Inter-segment revenue	1,044	2,121	3,165
Segment revenue	84,283	5,792	90,075
Segment net profit	31,631	721	32,352

(ii) Reconciliation of segment profit

	Year ended 31 December			Four months period ended 30 April	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue					
Segment revenue	106,445	137,551	204,689	60,093	90,075
Elimination of inter-segment revenue	–	–	(1,630)	–	(3,165)
Consolidated revenue	106,445	137,551	203,059	60,093	86,910
Profit					
Segment net profit	34,001	40,770	58,920	20,585	32,352
Elimination of inter-segment net profit	–	–	(684)	–	(1,093)
Consolidated net profit	34,001	40,770	58,236	20,585	31,259

5 OTHER INCOME

	Year ended 31 December			Four months period ended 30 April	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Government grants *(note)*	2,370	2,364	6,660	1,423	185
Net gain/(loss) on sale of property, plant and equipment	13	(421)	(3,330)	–	–
Interest income	2,994	2,930	3,864	1,293	733
Net realised and unrealised gains from fair value changes on financial assets measured at fair value through profit or loss	–	–	–	–	3,054
Foreign exchange gains/(losses)	1,370	(2,614)	1,352	(1,863)	(897)
Fair value changes on foreign currency forward contract	112	–	1,384	–	–
Others	995	680	(236)	29	14
	7,854	2,939	9,694	882	3,089

Note: Majority of the government grants are subsidies received from government for encouragement of research and development projects and compensation on the capital expenditure of medical device production lines.

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Year ended 31 December			Four months period ended 30 April	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
(a) Finance costs					
Interest on lease liabilities	–	–	1,527	17	980
(b) Staff costs					
Salaries, wages and other benefits	28,409	31,651	45,317	11,264	17,578
Contributions to defined contribution retirement plan	3,842	4,809	6,954	1,945	2,766
	32,251	36,460	52,271	13,209	20,344

(i) Pursuant to the relevant labour rules and regulations in the PRC, the Company and its subsidiaries in the PRC participate in defined contribution retirement benefit schemes (the "Schemes") organised by the local government authorities whereby the Company and its subsidiaries in the PRC are required to make contributions to the Schemes based on certain percentages of the eligible employee's salaries. The local government authorities are responsible for the entire pension obligations payable to the retired employees. The Group has no other obligations for payments of retirement and other post-retirement benefits of employees other than the contributions described above.

(ii) Staff costs includes remuneration of directors and senior management (notes 8 and 9).

	Year ended 31 December			Four months period ended 30 April	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
(c) Other items					
Depreciation and amortisation					
– property, plant and equipment *(note 11)*	6,028	7,122	7,771	2,372	3,086
– right-of-use assets *(note 12)*	–	–	3,119	51	2,701
– intangible assets	6	16	54	5	55
	6,034	7,138	10,944	2,428	5,842
Recognition/(reversal) of impairment loss on trade and other receivables	60	(8)	(111)	(7)	(58)
Auditors' remuneration					
– audit services	3	270	31	7	50
Research and development costs[#]	10,876	12,922	22,098	4,867	7,720
Cost of inventories[##]	47,440	59,755	84,662	25,467	32,924

During the years ended 31 December 2016, 2017 and 2018, and the four months period ended 30 April 2018 and 2019, research and development costs includes staff costs and depreciation and amortization of RMB6,521,000, RMB6,980,000, RMB10,320,000, RMB2,627,000 (unaudited) and RMB4,598,000 respectively, which amount is also included in the respective total amounts disclosed separately above.

During the years ended 31 December 2016, 2017 and 2018 and the four months period ended 30 April 2018 and 2019, cost of inventories includes staff costs and depreciation and amortization expenses of RMB21,042,000, RMB25,400,000, RMB31,927,000, RMB9,009,000 (unaudited) and RMB13,515,000 respectively, which amount is also included in the respective total amounts disclosed separately above.

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	Year ended 31 December			Four months period ended 30 April	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Current tax – PRC Tax	5,429	7,140	8,959	3,050	4,828
Deferred tax	(78)	(182)	(722)	(180)	632
Total	5,351	6,958	8,237	2,870	5,460

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

	Year ended 31 December			Four months period ended 30 April	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Profit before taxation	39,352	47,728	66,473	23,455	36,719
Notional tax on profit before taxation, calculated at the rates applicable to profits in the PRC *(note(i))*	9,838	11,932	16,618	5,864	9,180
Effect of preferential tax rate *(notes (ii) & (iii))*	(3,551)	(4,408)	(5,961)	(2,098)	(3,506)
Effect of super deduction on research and development expenses *(note (iv))*	(1,236)	(1,494)	(2,077)	(881)	(1,346)
Others	300	928	(343)	(15)	1,132
Actual tax expense	5,351	6,958	8,237	2,870	5,460

Notes:

(i) Effective from 1 January 2008, under the PRC Corporate Income Tax Law, the PRC statutory income tax rate is 25%. The Group's subsidiaries in the PRC are subject to PRC income tax at 25% unless otherwise specified.

(ii) According to the PRC income tax law and its relevant regulations, entities that qualified as high-technology enterprise are entitled to a preferential income tax rate of 15%. The Company obtained its renewed certificate of high-technology enterprise on 24 November 2016 and is subject to income tax at 15% for the three years period ended 31 December 2018.

The 15% preferential tax rate applicable to high-technology enterprise is subject to renewal approval jointly by the relevant authorities, upon expiry of the three-year grant period, according to the then prevailing income tax regulations. The Company is in the process applying for the renewal of the high-technology enterprise designation according to the relevant rules and regulations, and the directors of the Company are of the view that, upon completion of certain administrative procedures, it would be more likely than not that the Company would continue to be qualified as a high-technology enterprise for the three years commencing on 1 January 2019.

(iii) According to the PRC income tax law and its relevant regulations issued in 2018, entities that qualified as small and low profit enterprise are entitled to a preferential income tax rate of 10%. Zhuhai Derui, Shanghai Pukon and Shanghai Qimu were qualified as small and low profit enterprises in 2018 and enjoy the preferential income tax rate of 10% for the year ended 31 December 2018.

According to the PRC income tax law and its relevant regulations issued in 2019, entities that qualified as small and low profit enterprise are entitled to a preferential income tax rate of 5% (taxable income less than RMB1,000,000) or 10% (taxable income range from RMB1,000,000 to RMB3,000,000).

The directors of the Company are of the view that Zhuhai Derui, Shanghai KDL Research Center, Shanghai Qimu, Shanghai Puhui and Shanghai Healing would continue to be qualified as a small and low profit enterprise for the year ending 31 December 2019.

(iv) According to the PRC income tax law and its relevant regulations, an additional 50% of qualified research and development expenses so incurred is allowed to be deducted from taxable income for the years ended 31 December 2016 and 2017. Effective from 1 January 2018 to 31 December 2020, an additional 75% of qualified research and development expenses so incurred is allowed to be deducted from taxable income.

8 DIRECTORS' EMOLUMENTS

Details of directors' emoluments during the Relevant Periods are as follows:

For the year ended 31 December 2016	Directors' fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Retirement scheme contributions *RMB'000*	2016 Total *RMB'000*
Executive directors				
Mr. Liang Dongke (梁棟科)	–	721	59	780
Mr. Wang Cailiang (王彩亮)	–	–	–	–
Non-executive directors				
Ms. Xue Lijuan (薛麗娟)	–	–	–	–
Ms. Chen Hongqin (陳紅琴)	–	–	–	–
Mr. Chen Xing (陳星)	–	–	–	–
	–	721	59	780

For the year ended 31 December 2017	Directors' fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Retirement scheme contributions *RMB'000*	2017 Total *RMB'000*
Executive directors				
Mr. Liang Dongke (梁棟科)	–	922	64	986
Mr. Wang Cailiang (王彩亮)	–	–	–	–
Non-executive directors				
Ms. Xue Lijuan (薛麗娟) (resigned on 9 May 2017) *(ii)*	–	–	–	–
Ms. Chen Hongqin (陳紅琴) (resigned on 9 May 2017) *(ii)*	–	–	–	–
Mr. Chen Xing (陳星) (resigned on 19 April 2017) *(i)*	–	–	–	–
Mr. Zhang Xianmiao (張憲淼) (appointed on 9 May 2017) *(ii)*	–	–	–	–
Ms. Song Yuan (宋媛) (appointed on 9 May 2017) *(ii)*	–	–	–	–
Ms. Zhao Yan (趙燕) (appointed on 19 April 2017) *(i)*	–	244	35	279
	–	1,166	99	1,265

For the year ended 31 December 2018	Directors' fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Retirement scheme contributions *RMB'000*	2018 Total *RMB'000*
Executive directors				
Mr. Liang Dongke (梁棟科)	–	1,091	70	1,161
Mr. Wang Cailiang (王彩亮)	–	90	12	102
Non-executive directors				
Mr. Zhang Xianmiao (張憲淼) (resigned on 7 December 2018) *(iii)*	–	–	–	–
Ms. Song Yuan (宋媛) (resigned on 7 December 2018) *(iii)*	–	181	24	205
Ms. Zhao Yan (趙燕) (resigned on 7 December 2018) *(iii)*	–	304	37	341
Mr. Zhang Weixin (張維鑫) (appointed on 7 December 2018) *(iii)*	–	–	–	–
Ms. Chen Hongqin (陳紅琴) (appointed on 7 December 2018) *(iii)*	–	–	–	–
Mr. Fang Shengshi (方聖石) (appointed on 7 December 2018) *(iii)*	–	–	–	–
Independent non-executive directors				
Mr. Dai Kerong (戴尅戎) (appointed on 7 December 2018) *(iii)*	–	–	–	–
Mr. Ge Junbo (葛均波) (appointed on 7 December 2018) *(iii)*	–	–	–	–
Mr. Jian Xigao (蹇錫高) (appointed on 7 December 2018) *(iii)*	–	–	–	–
Mr. Hui Hung Kwan (許鴻群) (appointed on 7 December 2018) *(iii)*	–	–	–	–
	–	1,666	143	1,809

For the four months period ended 30 April 2018	Directors' fees *RMB'000 (unaudited)*	Salaries, allowances and benefits in kind *RMB'000 (unaudited)*	Retirement scheme contributions *RMB'000 (unaudited)*	2018 Total *RMB'000 (unaudited)*
Executive directors				
Mr. Liang Dongke (梁棟科)	–	218	22	240
Mr. Wang Cailiang (王彩亮)	–	–	–	–
Non-executive directors				
Mr. Zhang Xianmiao (張憲淼) (resigned on 7 December 2018) *(iii)*	–	–	–	–
Ms. Song Yuan (宋媛) (resigned on 7 December 2018) *(iii)*	–	–	–	–
Ms. Zhao Yan (趙燕) (resigned on 7 December 2018) *(iii)*	–	74	12	86
	–	292	34	326

For the four months period ended 30 April 2019	Directors' fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Retirement scheme contributions *RMB'000*	2019 Total *RMB'000*
Executive directors				
Mr. Liang Dongke (梁棟科)	–	209	25	234
Mr. Wang Cailiang (王彩亮)	–	165	25	190
Non-executive directors				
Mr. Zhang Weixin (張維鑫)	–	–	–	–
Ms. Chen Hongqin (陳紅琴)	–	–	–	–
Mr. Fang Shengshi (方聖石)	–	–	–	–
Independent non-executive directors				
Mr. Dai Kerong (戴尅戎)	40	–	–	40
Mr. Ge Junbo (葛均波)	40	–	–	40
Mr. Jian Xigao (蹇錫高)	40	–	–	40
Mr. Hui Hung Kwan (許鴻群)	40	–	–	40
	160	374	50	584

Notes:

(i) On 19 April 2017, Mr. Chen Xing was resigned as the non-executive director and Ms. Zhao Yan was appointed as a non-executive director.

(ii) On 9 May 2017, Ms. Xue Lijuan and Ms. Chen Hongqin were resigned as non-executive directors. Mr. Zhang Xianmiao and Ms. Song Yuan were appointed as non-executive directors.

(iii) On 7 December 2018, Mr. Zhang Xianmiao, Ms. Song Yuan and Ms. Zhao Yan were resigned as non-executive directors. Mr. Zhang Weixin, Ms. Chen Hongqin and Mr. Fang Shengshi were appointed as non-executive directors.

On 7 December 2018, Mr. Dai Kerong, Mr. Ge Junbo, Mr. Jian Xigao and Mr. Hui Hung Kwan were appointed as independent non-executive directors.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

For the years ended 31 December 2016, 2017 and 2018 and the four months periods ended 30 April 2018 and 2019, of the five individuals with the highest emoluments, one, two, two, two (unaudited) and two are directors respectively whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other four, three, three, three and three individuals are as follows:

	Year ended 31 December			Four months period ended 30 April	
	2016 *RMB'000*	2017 *RMB'000*	2018 *RMB'000*	2018 *RMB'000 (unaudited)*	2019 *RMB'000*
Salaries and other emoluments	1,412	1,506	1,853	407	514
Retirement scheme contributions	137	162	178	56	75
	1,549	1,668	2,031	463	589

The emoluments of the above individuals with the highest emoluments are within the following bands:

	Year ended 31 December			Four months period ended 30 April	
	2016	2017	2018	2018	2019
	Number of individuals	*Number of individuals*	*Number of individuals*	*Number of individuals (unaudited)*	*Number of individuals*
RMB nil – RMB1,000,000	4	3	3	3	3

10 EARNINGS PER SHARE

For the years ended 31 December 2016, 2017 and 2018 and the four months period ended 30 April 2018 and 2019, the calculation of basic and diluted earnings per share is based on the profit attributable to equity shareholders of the Company of RMB34,001,000, RMB40,770,000, RMB58,451,000, RMB20,586,000 (unaudited) and RMB31,864,000 respectively, and the weighted average number of shares of 84,000,000, 84,000,000, 86,170,000, 84,000,000 (unaudited) and 120,000,000 in issue respectively, calculated as follows:

Weighted average number of ordinary shares

	Year ended 31 December			Four months period ended 30 April	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Issued ordinary shares at the beginning of the year/period	19,600	19,600	19,600	19,600	60,000
Effect of share capital increase by capital reserve transfer on 25 April 2018 *(note 24(b))*	22,400	22,400	22,400	22,400	–
Effect of issuing of shares *(note 24(b))*	–	–	1,085	–	–
Effect of share capital increase by capital reserve transfer on 20 April 2019 *(note 24(b))*	42,000	42,000	43,085	42,000	60,000
Weighted average number of ordinary shares	84,000	84,000	86,170	84,000	120,000

There were no potential dilutive ordinary shares during the Relevant Periods and therefore dilutive earnings per share are the same as the basic earnings per share.

11 PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings held for own use *RMB'000*	Machinery *RMB'000*	Motor vehicles *RMB'000*	Furniture, fixture and equipments *RMB'000*	Construction in progress *RMB'000*	Leasehold improvements *RMB'000*	Total *RMB'000*
Cost:							
At 1 January 2016	–	39,589	1,724	1,295	–	15,411	58,019
Additions	–	9,541	612	363	–	1,760	12,276
Disposals	–	(2,402)	(102)	(10)	–	–	(2,514)
At 31 December 2016 and 1 January 2017	–	46,728	2,234	1,648	–	17,171	67,781
Additions	–	8,318	111	492	–	3,031	11,952
Disposals	–	(5,653)	–	(82)	–	–	(5,735)
At 31 December 2017 and 1 January 2018	–	49,393	2,345	2,058	–	20,202	73,998
Additions	10,848	15,092	651	1,551	–	6,224	34,366
Disposals	–	(7,693)	(122)	(42)	–	–	(7,857)
At 31 December 2018 and 1 January 2019	10,848	56,792	2,874	3,567	–	26,426	100,507
Additions	–	4,217	–	211	2,540	1,547	8,515
At 30 April 2019	10,848	61,009	2,874	3,778	2,540	27,973	109,022
Accumulated amortisation and depreciation:							
At 1 January 2016	–	(17,027)	(829)	(903)	–	(7,513)	(26,272)
Charge for the year	–	(4,131)	(325)	(219)	–	(1,353)	(6,028)
Written back on disposals	–	521	79	9	–	–	609
At 31 December 2016 and 1 January 2017	–	(20,637)	(1,075)	(1,113)	–	(8,866)	(31,691)
Charge for the year	–	(4,860)	(310)	(342)	–	(1,610)	(7,122)
Written back on disposals	–	2,750	–	52	–	–	2,802
At 31 December 2017 and 1 January 2018	–	(22,747)	(1,385)	(1,403)	–	(10,476)	(36,011)
Charge for the year	(146)	(5,084)	(297)	(337)	–	(1,907)	(7,771)
Written back on disposals	–	2,661	117	41	–	–	2,819
At 31 December 2018 and 1 January 2019	(146)	(25,170)	(1,565)	(1,699)	–	(12,383)	(40,963)
Charge for the period	(174)	(1,774)	(154)	(199)	–	(785)	(3,086)
At 30 April 2019	(320)	(26,944)	(1,719)	(1,898)	–	(13,168)	(44,049)
Net book value:							
At 31 December 2016	–	26,091	1,159	535	–	8,305	36,090
At 31 December 2017	–	26,646	960	655	–	9,726	37,987
At 31 December 2018	10,702	31,622	1,309	1,868	–	14,043	59,544
At 30 April 2019	10,528	34,065	1,155	1,880	2,540	14,805	64,973

The Company

	Buildings held for own use *RMB'000*	Machinery *RMB'000*	Motor vehicles *RMB'000*	Furniture, fixture and equipments *RMB'000*	Construction in progress *RMB'000*	Leasehold improvements *RMB'000*	Total *RMB'000*
Cost:							
At 1 January 2016	–	40,438	1,577	1,117	–	15,270	58,402
Additions	–	10,990	445	321	–	1,760	13,516
Disposals	–	(2,386)	(101)	–	–	–	(2,487)
At 31 December 2016 and 1 January 2017	–	49,042	1,921	1,438	–	17,030	69,431
Additions	–	6,967	122	310	–	3,031	10,430
Disposals	–	(4,072)	–	(3)	–	–	(4,075)
At 31 December 2017 and 1 January 2018	–	51,937	2,043	1,745	–	20,061	75,786
Additions	10,848	8,332	503	940	–	3,689	24,312
Disposals	–	(8,392)	(122)	(29)	–	–	(8,543)
At 31 December 2018 and 1 January 2019	10,848	51,877	2,424	2,656	–	23,750	91,555
Additions	–	2,230	–	119	1,678	1,398	5,425
At 30 April 2019	10,848	54,107	2,424	2,775	1,678	25,148	96,980
Accumulated amortisation and depreciation:							
At 1 January 2016	–	(15,793)	(673)	(815)	–	(7,410)	(24,691)
Charge for the year	–	(4,919)	(319)	(166)	–	(1,325)	(6,729)
Written back on disposals	–	505	79	–	–	–	584
At 31 December 2016 and 1 January 2017	–	(20,207)	(913)	(981)	–	(8,735)	(30,836)
Charge for the year	–	(4,619)	(413)	(275)	–	(1,600)	(6,907)
Written back on disposals	–	1,671	–	2	–	–	1,673
At 31 December 2017 and 1 January 2018	–	(23,155)	(1,326)	(1,254)	–	(10,335)	(36,070)
Charge for the year	(146)	(5,628)	(258)	(271)	–	(1,796)	(8,099)
Written back on disposals	–	3,069	116	28	–	–	3,213
At 31 December 2018 and 1 January 2019	(146)	(25,714)	(1,468)	(1,497)	–	(12,131)	(40,956)
Charge for the period	(174)	(1,812)	(103)	(128)	–	(698)	(2,915)
At 30 April 2019	(320)	(27,526)	(1,571)	(1,625)	–	(12,829)	(43,871)
Net book value:							
At 31 December 2016	–	28,835	1,008	457	–	8,295	38,595
At 31 December 2017	–	28,782	717	491	–	9,726	39,716
At 31 December 2018	10,702	26,163	956	1,159	–	11,619	50,599
At 30 April 2019	10,528	26,581	853	1,150	1,678	12,319	53,109

12 LEASES

(a) Right-of-use assets and prepayment of lease

The Group and the Company leases land and buildings for own use. Information about leases for which the Group and the Company is a lessee is presented below:

The Group	**Property** *RMB'000*	**Land** *RMB'000*	**Total** *RMB'000*
At 1 January 2016, 31 December 2016, 1 January 2017, 31 December 2017 and 1 January 2018 *(i)*	–	–	–
Additions	61,143	–	61,143
Depreciation charge for the year	(3,119)	–	(3,119)
At 31 December 2018 and 1 January 2019	58,024	–	58,024
Additions *(note (ii) & (iii))*	10,000	7,068	17,068
Depreciation charge for the period	(2,666)	(35)	(2,701)
At 30 April 2019	65,358	7,033	72,391

The Company	**Property** *RMB'000*	**Land** *RMB'000*	**Total** *RMB'000*
At 1 January 2016, 31 December 2016, 1 January 2017, 31 December 2017 and 1 January 2018 *(i)*	–	–	–
Additions	60,792	–	60,792
Depreciation charge for the year	(2,968)	–	(2,968)
At 31 December 2018 and 1 January 2019	57,824	–	57,824
Additions *(note (ii))*	10,000	–	10,000
Depreciation charge for the period	(2,600)	–	(2,600)
At 30 April 2019	65,224	–	65,224

(i) During the years ended 31 December 2016 and 2017, the Group leased its properties from KDL and third party landlords under short-term (i.e within 12 months) lease arrangements. The Group has elected not recognising right-of-use assets on these short-term lease contracts in accordance with the accounting policies set forth in note 2(h).

During the year ended 31 December 2018, the Group entered into certain long-term (i.e. more than 12 months) lease contracts for properties from KDL and third party landlords. Further details of lease expenses recognised in the consolidated statement of profit or loss during the Relevant Periods are disclosed in note 12(c) below.

(ii) Prepayment of lease

In December 2018, the Company entered into a five-year lease contract with a third party landlord for its property. The lease term commence from 1 January 2019 to 31 December 2023. The Company prepaid the lease payment of RMB10,000,000 as of 31 December 2018 and recognised it as "Prepayment of lease" in the consolidated statement of financial position of the Group and the statement of financial position of the Company. On 1 January 2019, the Company recognised respective right-of-use assets in the consolidated statement of financial position of the Group and the statement of financial position of the Company upon the commencement of the lease term accordingly.

(iii) Purchase of land use right

In January 2019, the Group purchased a land use right with an amount of RMB7,068,000 and made the full payment in February 2019. The Group recognised the land use right as right-of-use asset with useful lives of 50 years.

(b) Lease liabilities

The following table shows the remaining contractual maturities of the Group's and the Company's lease liabilities at the end of each of the Relevant Periods.

The Group	**31 December 2018**		**30 April 2019**	
	Present value of the minimum lease payments *RMB'000*	**Total minimum lease payments** *RMB'000*	**Present value of the minimum lease payments** *RMB'000*	**Total minimum lease payments** *RMB'000*
Within 1 year or on demand	5,397	5,651	5,603	5,855
More than 1 years but less than 2 years	5,912	6,499	6,222	6,844
More than 2 years but less than 5 years	19,247	23,289	19,439	23,518
More than 5 years	29,623	43,401	27,973	40,701
	60,179	78,840	59,237	76,918
	60,179	78,840	59,237	76,918
Less: total future interest expense		(18,661)		(17,681)
Present value of the lease liabilities		60,179		59,237

The Company	**31 December 2018**		**30 April 2019**	
	Present value of the minimum lease payments *RMB'000*	**Total minimum lease payments** *RMB'000*	**Present value of the minimum lease payments** *RMB'000*	**Total minimum lease payments** *RMB'000*
Within 1 year or on demand	5,193	5,441	5,467	5,716
More than 1 years but less than 2 years	5,912	6,499	6,222	6,844
More than 2 years but less than 5 years	19,247	23,289	19,439	23,518
More than 5 years	29,623	43,401	27,973	40,701
	59,975	78,630	59,101	76,779
	59,975	78,630	59,101	76,779
Less: total future interest expense		(18,655)		(17,678)
Present value of the lease liabilities		59,975		59,101

(c) Amounts recognised in consolidated statements of profit or loss

	Years ended 31 December			Four months period ended 30 April	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Expense relating to short-term leases	2,465	2,882	2,362	1,380	267
Depreciation charge on right-of-use assets for the year/period	–	–	3,119	51	2,666
Interest on lease liabilities	–	–	1,527	17	980
Total	2,465	2,882	7,008	1,448	3,913

(d) Amounts recognised in the consolidated statements of cash flows

	Years ended 31 December			Four months period ended 30 April	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Payments for short-term lease	2,470	2,887	2,401	1,380	267
Payments for interest element of lease liabilities	–	–	1,527	17	980
Payments for capital element of lease liabilities	–	–	964	118	942
Prepayments for leases	–	–	10,000	–	–
Total cashout for leases	2,470	2,887	14,892	1,515	2,189

13 OTHER NON-CURRENT ASSETS

The Group	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deposit for purchase of land use right	–	3,000	3,000	3,000
Prepayment for property, plants and equipment	472	700	888	3,250
Others	–	–	598	526
	472	3,700	4,486	6,776

The Company	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deposit for purchase of land use right	–	3,000	3,000	3,000
Prepayment for property, plants and equipment	427	583	475	2,170
Others	–	–	598	526
	427	3,583	4,073	5,696

14 INVESTMENTS IN SUBSIDIARIES

(a) The carrying amount of interest in subsidiaries is listed below:

	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted, at cost				
Shanghai KDL Research Center	5,626	5,626	5,626	5,626
Zhuhai Derui	5,000	10,000	10,000	20,000
Shanghai Pukon	–	–	17,000	17,000
Shanghai Qimu	–	–	3,500	3,500
Shanghai Puhui	–	–	–	–
Shanghai Healing	–	–	–	2,000
Hongkong Int	–	–	–	9,433
	10,626	15,626	36,126	57,559

Details of the subsidiaries is set forth in note 1.

(b) Non-controlling interests in subsidiaries

The following table lists out the information relating to Shanghai Pukon, Shanghai Qimu and Shanghai Puhui, the subsidiaries of the Group which has a material non-controlling interest (NCI). The summarised financial information presented below represents the amounts before any inter-company elimination.

	As at 31 December 2018			
	Shanghai Pukon	Shanghai Qimu	Shanghai Puhui	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NCI percentage	15%	65%	55%	
Current assets	17,035	8,753	–	
Non-current assets	8,087	1,364	–	
Current liabilities	(4,610)	(566)	–	
Net assets	20,512	9,551	–	
Carrying amount of NCI	3,077	6,208	–	9,285
Revenue	6,667	–	–	
Profit/(loss) for the year	512	(449)	–	
Profit/(loss) allocated to NCI	77	(292)	–	(215)
Cash flows from/to operating activities	1,166	(703)	–	
Cash flows to investing activities	(7,890)	(1,400)	–	
Cash flows from financing activities	20,000	10,000	–	

	As at 30 April 2019				
	Shanghai Pukon	**Shanghai Qimu**	**Shanghai Puhui**	**Shanghai Healing**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
NCI percentage	15%	65%	55%	31%	
Current assets	17,344	7,319	5,297	1,289	
Non-current assets	8,620	1,642	2	438	
Current liabilities	(2,964)	(516)	(34)	(146)	
Net assets	23,000	8,445	5,265	1,581	
Carrying amount of NCI	3,450	5,489	5,371	(130)	14,180
Revenue	5,798	–	–	–	
Profit/(loss) for the period	2,488	(1,106)	(235)	(419)	
Profit/(loss) allocated to NCI	373	(719)	(129)	(130)	(605)
Cash flows from/to operating activities	1,566	(1,217)	(550)	(367)	
Cash flows to investing activities	(5,157)	(6,311)	(4,865)	(771)	
Cash flows from financing activities	–	–	5,500	2,000	

15 INVENTORIES

The Group	**As at 31 December**			**As at 30 April**
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	5,802	9,418	14,311	16,541
Work in progress	4,270	5,390	7,007	8,432
Finished goods	5,277	13,665	16,691	14,809
Others	797	995	1,006	1,270
	16,146	29,468	39,015	41,052

The Company	**As at 31 December**			**As at 30 April**
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	5,650	8,540	10,595	12,146
Work in progress	3,148	3,257	3,564	4,240
Finished goods	4,029	8,552	14,521	12,974
Others	797	995	994	1,252
	13,624	21,344	29,674	30,612

The analysis of the amount of inventories recognised as an expense and included in profit or loss was presented in note 6(c).

16 TRADE AND OTHER RECEIVABLES

The Group	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables *(a)*				
Receivables from third parties	3,699	1,677	4,150	10,336
Receivables from related parties *(note 27)*	7,383	9,890	2,698	2,493
Less: losses allowance on trade receivables	(200)	(192)	(81)	(22)
Trade receivables, net	10,882	11,375	6,767	12,807
Loan receivables from a related party *(note 27)*	55,413	–	–	–
Others	–	–	318	284
Trade and other receivables, net	66,295	11,375	7,085	13,091

(a) Ageing analysis

As of the end of each of the Relevant Periods, the ageing analysis of trade receivables, based on the invoice date and net of loss allowance, is as follows:

	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	7,497	6,122	6,767	12,093
3 ~ 6 months	2,952	3,853	–	714
6 ~ 9 months	–	1,400	–	–
9 ~ 12 months	–	–	–	–
Over 1 year	433	–	–	–
	10,882	11,375	6,767	12,807

Trade receivables are generally due within 30 to 90 days from the date of billing. Further details on the Group's credit policy and credit risk arising from trade receivables are set out in note 25(a).

The Company	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables				
Receivables from third parties	3,607	1,525	2,784	9,560
Receivables from related parties *(note 27)*	7,378	9,631	2,448	2,039
Less: losses allowance on trade receivables	(192)	(182)	(81)	(22)
Trade receivables, net	10,793	10,974	5,151	11,577
Loan receivables from a related party *(note 27)*	55,413	–	–	–
Others	–	–	318	284
Trade and other receivables, net	66,206	10,974	5,469	11,861

All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

17 OTHER CURRENT ASSET

The Group	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
VAT recoverable	51	434	1,180	810
Listing expenses to be capitalised	–	–	–	8,179
Prepayments for goods and services	1,673	1,704	2,186	4,251
	1,724	2,138	3,366	13,240

The Company	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
VAT recoverable	11	115	108	–
Listing expense to be capitalised	–	–	–	8,179
Prepayments for goods and services	1,221	1,550	1,930	3,133
	1,232	1,665	2,038	11,312

18 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at FVTPL				
– Net value-based wealth management products issued by banks	–	–	–	58,960
– Variable income-based wealth management products issued by banks and financial institution	–	–	–	110,985
	–	–	–	169,945

The Company	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at FVTPL				
– Net value-based wealth management products issued by banks	–	–	–	54,940
– Variable income-based wealth management products issued by banks and financial institutions	–	–	–	100,955
	–	–	–	155,895

(i) The wealth management products are issued by banks and financial institutions in mainland China.

The wealth management products are at variable rates on return and principals are not protected or guaranteed, with maturity periods within three months or are redeemable at the agreed trade dates (i.e. a specific day every week) with prior notice.

The underlying financial instruments of these products includes bonds, debentures, monetary funds, listed shares and other financial assets, etc.

19 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

The Group	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at bank	64,441	146,694	298,149	86,450
Cash on hand	4	8	15	20
Cash and cash equivalents	64,445	146,702	298,164	86,470

The Company	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at bank	58,421	141,636	271,732	60,263
Cash on hand	2	2	10	19
Cash and cash equivalents	58,423	141,638	271,742	60,282

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

	Note	Year ended 31 December 2016 RMB'000	2017 RMB'000	2018 RMB'000	Four months period ended 30 April 2018 RMB'000 (unaudited)	2019 RMB'000
Profit before taxation		39,352	47,728	66,473	23,455	36,719
Adjustments for:						
Depreciation of property, plant and equipment	6(c)	6,028	7,122	7,771	2,372	3,086
Depreciation of right-of-use assets	6(c)	–	–	3,119	51	2,701
Amortisation of intangible assets	6(c)	6	16	54	5	55
Finance costs	6(a)	–	–	1,527	17	980
Interest income	5	(2,994)	(2,930)	(3,864)	(1,293)	(733)
(Gain)/loss on sale of property, plant and equipment	5	(13)	421	3,330	–	–
Net realised and unrealised gains from fair value changes on financial assets measured at fair value through profit or loss	5	–	–	–	–	(3,054)
Impairment loss on/(reversal of) trade and other receivables	6(c)	60	(8)	(111)	(7)	(58)
Effects of foreign exchange		(1,378)	2,742	(2,658)	2,174	1,123
Operating profits before changes in working capital		41,061	55,091	75,641	26,774	40,819
Changes in working capital:						
Increase in inventories		(3,251)	(13,322)	(9,547)	(3,180)	(2,037)
Decrease/(increase) in operating receivables		92	(899)	2,575	(6,177)	(7,571)
Increase/(decrease) in trade and other payables		4,500	6,145	6,203	(3,151)	(759)
Increase/(decrease) in deferred income		839	(1,105)	(1,793)	646	(141)
Increase/(decrease) in contract liabilities		757	1,184	4,118	(1,366)	(1,366)
Cash generated from operations		43,998	47,094	77,197	13,546	28,945

(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Leases liabilities *RMB'000* *(note 12)*
At 1 January 2016, 31 December 2016, 1 January 2017 and 31 December 2017	–
Change from financing cash flows:	
Payment for capital element of lease liabilities *(note 12)*	(964)
Total change from financing cash flows	(964)
Other change:	
Lease liabilities generated during the year *(note 12)*	61,143
Total other change	61,143
At 31 December 2018 and 1 January 2019	60,179
Change from financing cash flows:	
Payment for capital element of lease liabilities *(note 12)*	(942)
Total change from financing cash flows	59,237
Other change:	
Lease liabilities generated during the period *(note 12)*	–
Total other change	–
At 30 April 2019	59,237

20 TRADE AND OTHER PAYABLES

The Group	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables *(i)*	4,593	9,425	10,309	12,292
Payroll payables	5,249	6,431	10,319	7,792
Individual income tax payables	–	–	–	5,229
Amounts due to related parties *(note 27)*	503	32	736	866
Others	1,356	1,958	2,685	2,340
	11,701	17,846	24,049	28,519

(i) As of the end of each of the Relevant Period, the ageing analysis of the Group's trade payables, based on the invoice date, is as follows:

	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	4,298	8,975	10,028	11,426
Over 3 months but within 6 months	232	425	226	693
Over 6 months but within 1 year	63	1	47	150
Over 1 year	–	24	8	23
	4,593	9,425	10,309	12,292

The Company	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	4,212	7,565	7,258	8,778
Payroll payables	3,855	4,534	6,119	5,006
Individual income tax payables	–	–	–	5,229
Amounts due to related parties *(note 27)*	188	30	500	694
Others	605	1,875	2,075	1,631
	8,860	14,004	15,952	21,338

All of the trade and other payables are expected to be settled within one year.

21 CONTRACT LIABILITIES

The Group	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Advances received from customer	6,231	7,415	11,533	10,167

The Company	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Advances received from customer	6,231	7,415	10,805	8,991

When the Group receives a deposit before the delivery of the products, this will give rise to contract liabilities. The Group typically receives a 100% deposit from majority of its customers before the delivery of the products.

Movement in contract liabilities

The Group	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of year/period	5,474	6,231	7,415	11,533
Increase in contract liabilities as a result of receiving advances from customers	67,727	94,012	140,502	52,851
Decrease in contract liabilities as a result of recognising revenue during the year/period	(66,970)	(92,828)	(136,384)	(54,217)
At the end of year/period	6,231	7,415	11,533	10,167

The Company	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of year/period	5,474	6,231	7,415	10,805
Increase in contract liabilities as a result of receiving advances from customers	67,727	94,012	139,412	50,421
Decrease in contract liabilities as a result of recognising revenue during the year/period	(66,970)	(92,828)	(136,022)	(52,235)
At the end of year/period	6,231	7,415	10,805	8,991

22 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

The Group	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
PRC Corporate Income Tax				
At the beginning of the year/period	1,769	2,110	1,480	1,261
Provision for the year/period	5,429	7,140	8,959	4,828
Tax paid	(5,088)	(7,770)	(9,178)	(2,662)
At the end of year/period	2,110	1,480	1,261	3,427

The Company	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
PRC Corporate Income Tax				
At the beginning of the year/period	1,769	2,058	1,490	1,025
Provision for the year/period	5,273	6,812	8,696	4,800
Tax paid	(4,984)	(7,380)	(9,161)	(2,608)
At the end of year/period	2,058	1,490	1,025	3,217

(b) Deferred tax assets and liabilities recognised:

Movement of each component of deferred tax assets and liabilities

The components of deferred tax assets recognised in the consolidated statements of financial position and the movements during the year/period are as follows:

Deferred tax assets arising from:

The Group	Credit loss allowance	Right-of-use assets	Lease liabilities	Unrealised profit	Tax losses	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2016	25	–	–	777	–	–	802
Credited to profit or loss	6	–	–	72	–	–	78
At 31 December 2016 and 1 January 2017	31	–	–	849	–	–	880
(Charged)/credit to profit or loss	(1)	–	–	183	–	–	182
At 31 December 2017 and 1 January 2018	30	–	–	1,032	–	–	1,062
(Charged)/credited to profit or loss	(18)	(8,724)	9,048	(99)	515	–	722
At 31 December 2018 and 1 January 2019	12	(8,724)	9,048	933	515	–	1,784
(Charged)/credited to profit or loss	(9)	333	(176)	(637)	(432)	289	(632)
At 30 April 2019	3	(8,391)	8,872	296	83	289	1,152

The Company	Credit loss allowance *RMB'000*	Right-of-use assets *RMB'000*	Lease liabilities *RMB'000*	Unrealised profit *RMB'000*	Others *RMB'000*	Total *RMB'000*
At 1 January 2016	11	–	–	–	–	11
Credited to profit or loss	18	–	–	–	–	18
At 31 December 2016 and 1 January 2017	29	–	–	–	–	29
(Charged)/credit to profit or loss	(1)	–	–	27	–	26
At 31 December 2017 and 1 January 2018	28	–	–	27	–	55
(Charged)/credited to profit or loss	(16)	(8,674)	8,996	95	–	401
At 31 December 2018 and 1 January 2019	12	(8,674)	8,996	122	–	456
(Charged)/credited to profit or loss	(9)	290	(131)	(122)	295	323
At 30 April 2019	3	(8,384)	8,865	–	295	779

(c) Deferred tax assets not recognised

As at 31 December 2016, 2017 and 2018 and 30 April 2019, the Group has not recognised deferred tax assets in respect of respective cumulative tax losses of RMB857,000, RMB2,704,000, RMB449,000 and RMB3,361,000,as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity.

Pursuant to the relevant laws and regulations in the PRC, the unrecognised tax losses as of the end of each of the Relevant Periods will expire in the following years:

Year	As at 31 December 2016 *RMB'000*	2017 *RMB'000*	2018 *RMB'000*	As at 30 April 2019 *RMB'000*
2021	857	857	–	–
2022	–	1,847	–	–
2023	–	–	449	449
2024	–	–	–	2,912
	857	2,704	449	3,361

23 DEFERRED INCOME

The Group	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Government grants				
At the beginning of year/period	5,767	6,606	5,501	3,708
Grants received	1,991	144	2,220	–
Charged to profit or loss	(1,152)	(1,249)	(4,013)	(141)
At the end of year/period	6,606	5,501	3,708	3,567
Representing				
– Current portion	172	493	494	494
– Non-current portion	6,434	5,008	3,214	3,073
Total	6,606	5,501	3,708	3,567

The Company	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Government grants				
At the beginning of year/period	5,767	5,826	4,721	3,708
Grants received	1,211	144	1,700	–
Charged to profit or loss	(1,152)	(1,249)	(2,713)	(141)
At the end of year/period	5,826	4,721	3,708	3,567
Representing				
– Current portion	172	493	494	494
– Non-current portion	5,654	4,228	3,214	3,073
Total	5,826	4,721	3,708	3,567

As at 31 December 2016, 2017 and 2018 and 30 April 2019, deferred income of the Group and the Company mainly represented various grants received from the government to compensate the capital expenditure on production lines and expenditure incurred for research and developments projects.

Government grants are recognised as other income over the useful lives of relevant machinery or when the research and development projects commenced.

24 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

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

The Company	*Note*	Share capital *RMB'000*	Capital reserve *RMB'000*	Statutory surplus reserve *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*
Balance at 1 January 2016		19,600	103,280	1,441	12,904	137,225
Changes in equity for 2016:						
Profit for the year		–	–	–	34,869	34,869
Dividends approved in respect of the previous year		–	–	–	(12,800)	(12,800)
Appropriation for surplus reserve		–	–	3,480	(3,480)	–
Balance at 31 December 2016 and 1 January 2017		19,600	103,280	4,921	31,493	159,294
Changes in equity for 2017:						
Profit for the year		–	–	–	41,859	41,859
Appropriation for surplus reserve		–	–	4,183	(4,183)	–
Balance at 31 December 2017 and 1 January 2018		19,600	103,280	9,104	69,169	201,153
Changes in equity for 2018:						
Profit for the year		–	–	–	56,493	56,493
Dividends approved in respect of the previous year	*24(d)*	–	–	–	(66,640)	(66,640)
Share capital increase by capital reserve transfer	*24(b)*	22,400	(22,400)	–	–	–
Capital injection from equity shareholders	*24(b)*	18,000	162,000	–	–	180,000
Appropriation for surplus reserve		–	–	5,639	(5,639)	–
Balance at 31 December 2018 and 1 January 2019		60,000	242,880	14,743	53,383	371,006
Profit for the period		–	–	–	30,667	30,667
Dividends approved in respect of the previous year		–	–	–	(53,382)	(53,382)
Share capital increase by capital reserve transfer		60,000	(60,000)	–	–	–
At 30 April 2019		120,000	182,880	14,743	30,668	348,291

(b) Share capital

	2016		2017		2018		2019	
	No. of shares ('000)	*RMB'000*	*No. of shares ('000)*	*RMB'000*	*No. of shares ('000)*	*RMB'000*	*No. of shares ('000)*	*RMB'000*
Ordinary shares, issued and fully paid:								
At 1 January	19,600	19,600	19,600	19,600	19,600	19,600	60,000	60,000
Transfer from capital reserve *(i)*	–	–	–	–	22,400	22,400	60,000	60,000
Shares issued *(ii)*	–	–	–	–	18,000	18,000	–	–
At 31 December/30 April	19,600	19,600	19,600	19,600	60,000	60,000	120,000	120,000

(i) Share capital increase by capital reserve transfer

Pursuant to the resolution of shareholders passed on 25 April 2018, the Company transferred capital reserve of RMB22,400,000 to share capital and issued additional 22,400,000 shares at RMB1 per share.

Pursuant to the resolution of shareholders passed on 20 April 2019, the Company transferred capital reserve of RMB60,000,000 to share capital and issued additional 60,000,000 shares at RMB1 per share.

(ii) Issuance of new shares in 2018

On 8 August 2018 and 12 October 2018, Ningbo Huaige Taiyi Equity Investment Partnership (Limited Partnership)* (寧波懷格泰益股權投資合夥企業 (有限合夥)) ("Ningbo Huaige Taiyi"), Ningbo Tongchuang Suwei Investment Partnership (Limited Partnership)* (寧波同創速維投資合夥企業 (有限合夥)) ("Ningbo Tongchuang Suwei"), Ningbo Int Investment Partnership (Limited Partnership)* (寧波瑛泰投資合夥企業 (有限合夥)) ("Ningbo Int"), the Company, and the then shareholders (including KDL) entered into an agreement for subscription of the Company's shares. Pursuant to the agreement, the Company issued a total of 18,000,000 new shares, including (i) 12,600,000 new shares to Ningbo Huaige Taiyi; (ii) 3,000,000 new shares to Ningbo Tongchuang Suwei; (iii) 1,200,000 new shares to Mr. Liang Dongke; and (iv) 1,200,000 new shares to Ningbo Int for a total cash consideration of RMB180,000,000 (representing RMB10 per share issued). The subscription was completed on 11 December 2018.

Upon the completion of capital injection, total number of issued shares of the Company increased to 60,000,000 shares as at 31 December 2018. The share capital increased by RMB18,000,000 and corresponding capital premium of RMB162,000,000 was recognised in capital reserve.

As at 30 April 2019, KDL, Ningbo Huaige Taiyi, Ningbo Tongchuang Suwei, Ningbo Int, Mr. Liang Dongke and all other individual shareholders hold 35.71%, 21%, 5%, 2%, 7.95% and 28.34% shareholding of the Company, respectively.

(iii) Ningbo Int

Ningbo Int is a special purpose vehicle established for the employee participate to hold indirect equity interest in the Company, which is the share incentive scheme of the Company. On 29 November 2018, 46 employees of the Company ("Participants") set up Ningbo Int as a limited liability partnership company with the initial capital contribution of RMB12,120,000 (representing 12,120,000 shares of RMB1 per share). According to the partnership agreement of Ningbo Int dated on 29 November 2018 (the "Ningbo Int Partnership Agreement"), Mr. Liang Dongke is the general partner (the "GP") of Ningbo Int and all other Participants are limited partners (the "LPs").

As set forth in note 24(b)(ii), Ningbo Int subscribed for 1,200,000 shares issued by the Company at a cash consideration of RMB12,000,000 (representing RMB10 per share issued), and then holds 2% equity interests in the Company as at 30 April 2019.

In addition, the Participants, Ningbo Int and the Company entered into a supplementary agreement to the Ningbo Int Partnership Agreement. Pursuant to the supplementary agreement, the Participants shall remain in service for five years commencing from 1 January 2019 (the "Lockup Period"). During the Lock-up Periods, the Participants are not allowed to transfer, pledge or dispose their equity interests in Ningbo Int unless certain exit conditions are met, such as termination of employment with the Company or retirement, etc.

If the exit conditions are met, the GP will acquire the interests of Ningbo Int from the Participants at the initial subscription price paid by the Participants.

(c) Nature and purpose of reserves

(i) Capital reserve

Under PRC rules and regulations, capital reserve is non-distributable other than in liquidation and may be utilised for business expansion or converted into ordinary shares by the issuance of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by the shareholders.

(ii) Statutory surplus reserve

In accordance with the PRC Company Law, all PRC subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory reserves until the reserves reach 50% of their respective registered capital. For the entity concerned, statutory reserves can be used to make good previous years' losses, if any, and may be converted into capital in proportion to the existing equity interests of investors, provided that the balance of the reserve after such conversion is not less than 25% of the entity's registered capital.

(d) Dividends

Pursuant to the shareholders' approval at the general meeting of the Company held on 15 February 2016, a final cash dividend of RMB0.65 per share based on 19,600,000 ordinary shares totaling RMB12,800,000 in respect of the year ended 31 December 2015 was declared and paid on 7 June 2016.

Pursuant to the shareholders' approval at the general meeting of the Company held on 25 April 2018, a final cash dividend of RMB3.40 per share based on 19,600,000 ordinary shares totaling RMB66,640,000 in respect of the years ended 31 December 2016 and 2017 was declared and paid on 8 June 2018 accordingly.

Pursuant to the shareholders' approval at the general meeting of the Company held on 20 April 2019, a final cash dividend of RMB1.27 per share in respect of the year ended 31 December 2018 based on 42,000,000 ordinary shares (outstanding shares prior to the issuance of new shares as mentioned in note 24(b)(ii)) with a total amount of RMB53,382,000 was declared on 29 April 2019.

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of the debt-to-equity ratio. For this purpose, the Group defines debt as total leases liabilities and defines equity as total equity.

As at 31 December 2016, 2017 and 2018 and 30 April 2019, the Group's net debt-to-capital ratio was as follows:

	Note	As at 31 December 2016	2017	2018	As at 30 April 2019
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current liabilities:					
Lease liabilities	*12*	–	–	5,397	5,603
Non-current liabilities:					
Lease liabilities	*12*	–	–	54,782	53,634
Total debt		–	–	60,179	59,237
Total equity		159,444	200,214	381,310	364,690
Debt-to-equity ratio		0%	0%	15.8%	16.2%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade and other receivables. The Group's exposure to credit risk arising from cash and cash equivalents, time deposits and wealth management products, is limited because the counterparties are reputable banks or financial institutions, for which the Group considered have low credit risks.

The Group's exposure to credit risk arising from trade receivables is influenced mainly by the individual characteristics of each customer. The default risk of the industry or country in which the customers operate also has an influence on credit risk. As at 31 December 2016, 2017, 2018 and 30 April 2019, 89%, 97%, 87% and 66% of the total trade receivables were due from the Group's top five largest customers (KDL Group is considered as one customer).Trade receivables are generally due within 30 to 90 days from the date of billing. Normally, the Group does not obtain collateral from customers.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates.

The Group measures loss allowances for trade receivables at lifetime ECL. The Group determines ECL by using a provision matrix, estimated based on historical credit loss experience, the past default experience of the debtor, general economic conditions of the industry and country in which the debtors operates and an assessment of both the current and the forecast duration of condition as of the end of each of the Relevant Periods. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

For loan receivables from a related party, the Group assesses the credit quality of the counter party by taking into account its financial position, credit history and other factors. The Group is of the opinion that the risk of default by counter party is low.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2016, 2017 and 2018 and 30 April 2019:

	As at 31 December 2016		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	*RMB'000*	*RMB'000*
Within 3 months	0.11%	7,505	(8)
3 ~ 6 months	2.20%	3,019	(67)
6 ~ 9 months	–	–	–
9 ~ 12 months	–	–	–
Over 1 year	22.35%	558	(125)
		11,082	(200)

	As at 31 December 2017		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	*RMB'000*	*RMB'000*
Within 3 months	0.71%	6,167	(44)
3 ~ 6 months	1.88%	3,926	(74)
6 ~ 9 months	5.04%	1,474	(74)
		11,567	(192)

	As at 31 December 2018		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	*RMB'000*	*RMB'000*
Within 3 months	1.18%	6,848	(81)
		6,848	(81)

	As at 30 April 2019		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	*RMB'000*	*RMB'000*
Within 3 months	0.14%	13,326	(18)
3 ~ 6 months	0.56%	718	(4)
		14,044	(22)

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Company's shareholders when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

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

	As at 31 December 2016 Contractual undiscounted cash outflow					
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**Total**	**Carrying amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other payables	6,452	–	–	–	6,452	6,452

	As at 31 December 2017 Contractual undiscounted cash outflow					
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**Total**	**Carrying amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other payables	11,415	–	–	–	11,415	11,415

	As at 31 December 2018 Contractual undiscounted cash outflow					
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**Total**	**Carrying amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Lease liabilities	5,651	6,499	23,289	43,401	78,840	60,179
Trade and other payables	13,730	–	–	–	13,730	13,730
	19,381	6,499	23,289	43,401	92,570	73,909

	As at 30 April 2019 Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Lease liabilities	5,855	6,844	23,518	40,701	76,918	59,237
Trade and other payables	15,498	–	–	–	15,498	15,498
	21,353	6,844	23,518	40,701	92,416	74,735

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from deposits with banks, wealth management products issued by banks and financial institutions, loan made to a related party and lease liabilities. Instruments bearing interest at variable rates and fixed rates expose the Group to cashflow interest rate risk and fair value interest rate risk respectively. The Group regularly reviews its strategy on interest rate risk management in the light of the prevailing market condition. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's financial assets and liabilities as of the end of each of the Relevant Periods.

	As at 31 December						As at 30 April	
	2016		2017		2018		2019	
	Effective interest rate		*Effective interest rate*		*Effective interest rate*		*Effective interest rate*	
	%	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*
Fixed rate instruments:								
Lease liabilities	–	–	–	–	4.9%	(60,179)	4.9%	(59,237)
Loan made to a related party	4.35%	55,413	–	–	–	–	–	–
Deposits with bank	–	–	1.9%-4.3%	128,808	3.2%-4.0%	226,636	3.09%-3.9%	42,759
		55,413		128,808		166,457		(16,478)
Variable rate instruments:								
Cash at bank	0.0001%-0.35%	64,441	0.0001%-0.35%	17,886	0.0001%-0.35%	71,513	0.0001%-0.35%	43,691
Financial assets at fair value through profit and loss		–		–		–	3.3%-5.2%	169,945
		119,854		146,694		237,970		197,158

(ii) Sensitivity analysis

The following table details the effect on the Group's profit after tax for each year/period of the Relevant Periods and retained profits as at the end of each reporting period that an increase/decrease of 100 basis points in interest rates would have.

	As at 31 December 2016			As at 31 December 2017			As at 31 December 2018				As at 30 April 2019			
	Increase/ (decrease) of basis point	Effect on profit after tax and retained earnings *RMB'000*	Effect on non-controlling interests *RMB'000*	Increase/ (decrease) of basis point	Effect on profit after tax and retained earnings *RMB'000*	Effect on non-controlling interests *RMB'000*	Increase/ (decrease) of basis point	Effect on profit after tax *RMB'000*	Effect on retained earnings *RMB'000*	Effect on non-controlling interests *RMB'000*	Increase/ (decrease) of basis point	Effect on profit after tax *RMB'000*	Effect on retained earnings *RMB'000*	Effect on non-controlling interests *RMB'000*
Interest rates	100	1,013	–	100	1,242	–	100	2,040	2,017	23	100	1,689	1,610	79
	(100)	(1,013)	–	(100)	(1,242)	–	(100)	(2,040)	(2,017)	(23)	(100)	(1,689)	(1,610)	(79)

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit after tax (and retained profits) and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates.

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily Euros ("EUR") and United States dollars ("USD"). In the normal course of business, the Group enters into foreign currency forward contracts for trading transactions denominated in USD to reduce exposure to fluctuations in foreign currency exchange rates. These foreign currency forward contracts are not hedge accounted.

(i) Exposure to currency risk

The following table details the Group's exposure as at the end of each of the Relevant Periods to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the year/period end date.

	Exposure to foreign currencies (expressed in RMB)							
	As at 31 December						As at 30 April	
	2016		2017		2018		2019	
	USD	EUR	USD	EUR	USD	EUR	USD	EUR
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other receivables	189	218	264	233	280	–	2,515	–
Cash and cash equivalents	29,157	1,865	64,466	474	43,057	477	52,803	799
Trade and other payables	(7)	–	(4)	–	(255)	–	(4)	–
Net exposure arising from recognised assets and liabilities	29,339	2,083	64,726	707	43,082	477	55,314	799

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	As at 31 December 2016			As at 31 December 2017			As at 31 December 2018			As at 30 April 2019		
	Increase/ (decrease) in foreign exchange rates	**Effect on profit after tax and retained profits** *RMB'000*	**Effect on non-controlling interests** *RMB'000*	**Increase/ (decrease) in foreign exchange rates**	**Effect on profit after tax and retained profits** *RMB'000*	**Effect on non-controlling interests** *RMB'000*	**Increase/ (decrease) in foreign exchange rates**	**Effect on profit after tax and retained profits** *RMB'000*	**Effect on non-controlling interests** *RMB'000*	**Increase/ (decrease) in foreign exchange rates**	**Effect on profit after tax and retained profits** *RMB'000*	**Effect on non-controlling interests** *RMB'000*
USD	10%	2,494	–	10%	5,502	–	10%	3,662	*	10%	4,703	*
	(10%)	(2,494)	–	(10%)	(5,502)	–	(10%)	(3,662)	(*)	(10%)	(4,703)	(*)
EUR	10%	177	–	10%	60	–	10%	41	–	10%	68	–
	(10%)	(177)	–	(10%)	(60)	–	(10%)	(41)	–	(10%)	(68)	–

* The balance represents an amount less than RMB1,000.

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies.

(e) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

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

A valuation report with analysis of changes in fair value measurement is prepared by the finance team at each interim and annual reporting date, and is reviewed and approved by the head of finance department. Discussion of the valuation process and results with the head of finance department and the directors is held twice a year, to coincide with the reporting dates.

	As at 30 April 2019			
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at FVTPL				
– Net value-based wealth management products issued by banks	–	58,960	–	58,960
– Variable income-based wealth management products issued by banks and financial institutions	–	–	110,985	110,985

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of net value-based wealth management products issued by banks have been estimated using the market comparison approach by reference to the prices provided by the counterparty banks which represented the prices they would pay to redeem the products at the end of each reporting period.

Information about Level 3 fair value measurements

The fair value of variable income-based wealth management products issued by banks and financial institutions is determined by discounting the cash flow associated with the product which is based on the expected rate of return in the product manual. The expected rate of return is not guaranteed and depends on the market price of underlying financial instruments, including bonds and debentures, monetary funds, listed shares and other financial assets, etc.

The valuation requires the directors to make estimates about the expected future cash flows including expected redemption price and/or expected rate of return on maturity of the wealth management products. The directors believe that the estimated fair values resulting from the valuation techniques are reasonable, and that they were the most appropriate values at the end of the reporting period.

Below is a summary of significant unobservable inputs to the valuation of these wealth management products together with a quantitative sensitivity analysis at 30 April 2019:

	Valuation techniques	**Significant unobservable inputs**	**Range**	**Sensitivity of fair value to the input**
Variable income-based wealth management products issued by banks and financial institution	Discounted cash flow method	Expected rate in return	3.30% to 5.20%	0.5% increase/(decrease) in expected rate in return would result in (decrease)/increase in fair value by RMB89,000.

During the period ended 30 April 2019, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognised transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur. The movements during the period in the balance of these Level 3 fair value measurements was as follows:

The movement during the period in the balance of these Level 3 fair value measurements was as follows:

	Variable income-based wealth management products		
	Issued by banks	**Issued by financial institutions**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2016, 31 December 2016, 1 January 2017, 31 December 2017, 1 January 2018, 31 December 2018 and 1 January 2019	–	–	–
Purchase of wealth management products	11,000	150,000	161,000
Net realised and unrealised gains recognised in profit or loss	75	1,793	1,868
Redemption of wealth management products	(1,045)	(50,838)	(51,883)
At 30 April 2019	10,030	100,955	110,985

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

All financial instruments carried at amortised cost were not materially different from their fair values as at 31 December 2016, 2017 and 2018 and 30 April 2019.

26 COMMITMENTS

(a) Capital commitments

Capital commitments outstanding at 31 December 2016, 2017 and 2018 and 30 April 2019 not provided for in the financial statements were as follows:

	As at 31 December			As at 30 April
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted for	–	–	2,006	6,029

(b) Operating lease commitments

At 31 December 2016, 2017 and 2018 and 30 April 2019, the total future minimum lease payments under non-cancellable short term (i.e. within 12 months) operating leases for properties are payable as follows:

	As at 31 December			As at 30 April
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	26	124	139	533

27 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9.

	Years ended 31 December			Four months period ended 30 April	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Short-term employee benefits	1,306	1,530	2,150	434	748

Total remuneration is include in "Staff costs" (note 6(b)).

(b) Related party transactions

During the Relevant Periods, the directors are of the view that the following companies are related parties:

Name of party	Relationship
KDL#	Single largest shareholder of the Company
Zhuhai Kindly Medical Devices Co., Ltd.*# (Chinese name as 珠海康德萊醫療器械有限公司)	Subsidiary of KDL
Zhejiang Kindly Medical Devices Co., Ltd.*# (Chinese name as 浙江康德萊醫療器械股份有限公司)	Subsidiary of KDL
Nanchang Kindly Medical Technology Co., Ltd.*# (Chinese name as 南昌康德萊醫療科技有限公司)	Associate of KDL
Shanghai Kindly International Trade Co., Ltd.*# (Chinese name as 上海康德萊國際商貿有限公司)	Subsidiary of KDL
Wenzhou Kindly Medical Devices Co., Ltd.*# (Chinese name as 溫州康德萊醫療器械有限公司)	Subsidiary of KDL
Shanghai Kindly Holdings Group Co., Ltd.*^ (Chinese name as 上海康德萊控股集團有限公司, "KDL Holding")	40.91% equity interest holder of KDL
Zhuhai Kindly Medical Industry Investments Co., Ltd.*^ (Chinese name as 珠海康德萊醫療產業投資有限公司)	Subsidiary of KDL Holding
Zhuhai Gongsheng Medical Industry Services Co., Ltd.*^ (Chinese name as 珠海共生醫療產業服務有限公司)	Subsidiary of KDL Holding
Ningbo Huaige Health Investment Management Partnership (Limited Partnership)* (Chinese name as 寧波懷格健康投資管理合夥企業 (有限合夥), "Ningbo Huaige Health")	21% indirect equity interest holder of the Company

* English translation is for identification purpose only.

\# KDL and its subsidiaries/associates (exclude the Group) are herein referred to as "KDL Group".

^ KDL Holding and its subsidiaries/associates (exclude KDL Group and the Group) are herein referred to as "KDL Holding Group".

During the Relevant Periods, the Group entered into the following material related party transactions:

	Year ended 31 December			Four months period ended 30 April	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Loan made to KDL	75,413	–	–	–	–
Repayment of loan made to KDL	70,000	55,413	–	–	–
Interest income of loan made to KDL	2,632	922	–	–	–
Rental fee charges	2,515	2,998	5,084	1,597	2,073
Sales of property, plant and equipment	1,331	208	1,179	–	–
Sales of goods	15,286	19,049	14,056	4,899	3,007
Purchase of raw materials	1,150	3,040	2,207	706	365
Consulting fee charged by Ningbo Huaige Health	–	–	278	–	233

(c) Related party balances

The outstanding balances arising from the above transactions as at the end of each of the Relevant Periods are as follows:

The Group	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from related parties				
Trade related:				
KDL Group	7,378	9,878	2,647	2,440
KDL Holding Group	5	12	51	53
Non-trade related:				
KDL *(i)*	55,413	–	–	–
Total	62,796	9,890	2,698	2,493
Amounts due to related parties				
Trade related:				
KDL Group	503	32	236	633
Ningbo Huaige Health *(ii)*	–	–	500	233
Total	503	32	736	866

The Company	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from related parties				
Trade related:				
KDL Group	7,378	9,631	2,448	2,039
Non-trade related:				
KDL *(i)*	55,413	–	–	–
Total	62,791	9,631	2,448	2,039

The Company	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due to related parties				
Trade related:				
KDL Group	188	30	–	461
Ningbo Huaige Health *(ii)*	–	–	500	233
Total	188	30	500	694

Notes:

(i) During the year ended 31 December 2016, KDL repaid RMB50,000,000 of loan to the Group, and the Group provided additional loans of RMB75,413,000 to KDL, at an annual interest rate of 4% or 4.35%, of which RMB20,000,000 have been repaid in 2016 and RMB55,413,000 have been repaid in 2017.

(ii) In April 2018, the Company entered into a two-year contract with Ningbo Huaige Health for consultancy services provided to the Company relating to strategic plan and financial advisory, etc. at a total fee of RMB3,000,000. In December 2018, Ningbo Huaige Health became a related party of the Company upon Ningbo Huaige Taiyi, its wholly owned entity, injected capital of RMB126 million into the Company, which then holds 12,600,000 shares of the Company representing 21% shareholding as set forth in note 24(b)(ii). Thus, the consulting fee charged by Ningbo Huaige Health was presented as a related party transaction since 11 December 2018.

(iii) The trade-related outstanding balances with related parties are unsecured, non-interest bearing and are repayable on demand.

(d) Other related party transactions

(i) Pursuant to an agreement dated 20 June 2018, KDL authorised the Company using its trademark "康德莱" or "KDL" on products for 20 years, commencing from 31 October 2018 to 31 October 2038. No fee is to be charged by KDL from 31 October 2018 to 31 October 2028. KDL is to charge the Company a royalty fee at an agreed amount which shall be no more than 1% of the Group's total sales of products with "康德莱" or "KDL" trademark from 31 October 2028 to 31 October 2038.

(ii) KDL authorised the Company using its trademark "康德莱" or "KDL" as its company name in an indefinite period.

28 IMMEDIATE AND ULTIMATE CONTROLLING COMPANY

As at 31 December 2016, 2017 and 2018 and 30 April 2019, the directors considered the immediate controlling company of the Group is KDL, which is incorporated in the PRC. KDL is listed on the Shanghai Stock Exchange and produces its financial statements available for public use.

As at 31 December 2016, 2017 and 2018 and 30 April 2019, the directors considered the ultimate controlling company of the Group is KDL Holding, which is jointly controlled by Mr. Zhang Xianmiao, Mrs. Zheng Aiping (鄭愛平) and Mr. Zhang Wei (張偉) (together referred to as "Zhang Family") and incorporated in the PRC. KDL Holding does not produce its financial statements available for public use.

29 POSSIBLE IMPACT OF AMENDMENTS

Up to the date of issue of this report, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the financial year commencing from 1 January 2020 and which have not been adopted in the Historical Financial Information. These include the following.

	Effective for accounting periods beginning on or after
Revised conceptual framework for financial reporting 2018	1 January 2020
HKFRS3 *(Revised), Business combinations*	1 January 2020
HKFRS1 *(Revised), Presentation of financial statements*	1 January 2020
HKFRS8, *Accounting policies, change in accounting estimates and errors*	1 January 2020
HKFRS17, *Insurance Contracts*	1 January 2021
Amendments to HKFRS10 and HKAS28*, Sales or contribution of assets between an investor and its associate or joint venture*	To be determined

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

30 SUBSEQUENT EVENTS

(i) On 31 July 2019, the Company entered into an asset transfer framework agreement with KDL to acquire a property located in Jiading, Shanghai (property certificate Hu Fang Di Jia Zi (2011) No. 006094) at a price no more than RMB65 million, which is currently leased from KDL as disclosed in note 12. This acquisition has completed as of the date of this report.

(ii) On 12 August 2019, the Company further entered into an agreement with KDL to terminate the lease contract for the property and settled outstanding rental charges as of that day. Pursuant to the agreement, the Company would continue to use the said property for free charge until the completion date of the legal process of property ownership transfer.

31 SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries comprising the Group in respect of any period subsequent to 30 April 2019.

The following information does not form part of the Accountants' Report from KPMG, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I to this prospectus, and is included for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the "Financial Information" section in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

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 to illustrate the effect of the Global Offering (as defined in this prospectus) on the consolidated net tangible assets attributable to equity shareholders of the Company as at April 30, 2019 as if the Global Offering had taken place on April 30, 2019.

The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the net tangible assets of the Group attributable to equity shareholders of the Company had the Global Offering been completed as at April 30, 2019 or any future date.

	Consolidated net tangible assets of the Group attributable to equity shareholders of the Company as of April 30, 2019[1]	**Estimated net proceeds from the Global Offering[2]**	**Unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company[3][4]**	**Unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company per Share[5]**	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
Based on an Offer Price of HK$20.10 per Share	349,993	642,912	992,905	6.21	7.06
Based on an Offer Price of HK$20.80 per Share	349,993	666,536	1,016,529	6.35	7.23

Notes:

(1) The consolidated net tangible assets of the Group attributable to equity shareholders of the Company as at April 30, 2019 is calculated based on the consolidated net assets attributable to equity shareholders of the Company of RMB350,510,000 as at April 30, 2019, less the intangible assets of RMB517,000 as at the date, as extracted from the Accountants' Report set out in Appendix I to this Prospectus.

(2) The estimated net proceeds from the Global Offering are based on the estimated Offer Prices of HK$20.10 and HK$20.80 per Share, being the lower end price and higher end price of the stated Offer Price range respectively, after deduction of the estimated underwriting fees and other related expenses payable by the Company of approximately RMB63,724,000 and RMB64,708,000, respectively (excluding approximately RMB340,000 of listing expenses which have been charged to the profit or loss up to April 30, 2019), and the issuance of 40,000,000 Shares, takes no account of any H Shares which may be issued upon the exercise of the Over-allotment Option.

(3) No adjustment has been made to reflect any trading result or other transactions of our Group entered into subsequent to April 30, 2019.

(4) The unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company and the amounts per Share are arrived at after the adjustments referred to in the preceding paragraphs and on the basis of 160,000,000 shares are expected to be in issue assuming that the Global Offering had been completed on April 30, 2019 but taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option.

(5) The estimated net proceeds from the Global Offering are converted into Renminbi at a rate of HK$1 = RMB0.8789, being the exchange rate set by PBOC prevailing on 29 May 2019. No representation is made that the Hong Kong Dollars amounts have been, could have been or may be converted into Renminbi, or vice versa at that rate.

B. REPORT FROM OUR REPORTING ACCOUNTANTS

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose in this prospectus.

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF SHANGHAI KINDLY MEDICAL INSTRUMENTS CO., LTD.

We have completed our assurance engagement to report on the compilation of pro forma financial information of Shanghai Kindly Medical Instruments Co., Ltd. (上海康德莱醫療器械股份有限公司) (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets as at 30 April 2019 and related notes as set out in Part A of Appendix II to the prospectus dated 28 October 2019 (the "Prospectus") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offering of the ordinary shares of the Company (the "Global Offering") on the Group's financial position as at 30 April 2019 as if the Global Offering had taken place at 30 April 2019. As part of this process, information about the Group's financial position as at 30 April 2019 has been extracted by the Directors from the Group's historical financial information included in the Accountants' Report as set out in Appendix I to the Prospectus.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of events or transactions as at 30 April 2019 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our procedures on the pro forma financial information have not been carried out in accordance with attestation standards or other standards and practices generally accepted in the United States of America, auditing standards of the Public Company Accounting Oversight Board (United States) or any overseas standards and accordingly should not be relied upon as if they had been carried out in accordance with those standards and practices.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed "Use of Proceeds" in the Prospectus.

Opinion

In our opinion:

(a) the pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG
Certified Public Accountants
Hong Kong
28 October 2019

1. TAXATION IN THE PRC

Taxation on Dividends

Individual Investors

According to the Individual Income Tax Law of the People's Republic of China (中華人民共和國個人所得税法) (the "Individual Income Tax Law"), as promulgated on 10 September 1980 and amended on 31 October 1993, 30 August 1999, 27 October 2005, 29 June 2007, 29 December 2007, 30 June 2011 and 31 August 2018, and the Implementation Regulations of the Individual Income Tax Law of the People's Republic of China (中華人民共和國個人所得税法實施條例) (the "Implementation Regulations of the Individual Income Tax Law"), as promulgated on 28 January 1994 and amended on 19 December 2005, 18 February 2008, 19 July 2011 and 18 December 2018, individual shareholders are subject to the individual income tax in respect of the PRC enterprise's dividend at uniform tax rate of 20%.

Pursuant to the Circular on Issues Concerning the Levy of Individual Income Tax Following the Abolishment of the Document Numbered Guo Shui Fa [1993] No. 045 (《關於國税發[1993]045號文件廢止後有關個人所得税徵管問題的通知》), which was promulgated by the State Administration of Taxation (the "SAT") on 28 June 2011, the dividend received by overseas resident individual shareholders from the issuance of shares in Hong Kong by domestic non-foreign invested enterprises is subject to the payment of individual income tax according to the items of "interests, dividend and bonus income", which shall be withheld by the withholding agents according to relevant laws. For a domestic non-foreign invested enterprise who has been issuing shares in Hong Kong, its overseas resident individual shareholders may enjoy the relevant preferential tax treatment according to the taxation agreement between the PRC and the country where they reside and the taxation arrangement between the PRC and Hong Kong (or Macau). In accordance with the 'Circular of the State Administration of Taxation on the Issuance of the Circular on the Administrative Measures for Tax Treaty Treatment for Non-Residents (Trial Implementation)' (Guo Shui Fa [2009] No. 124) (《國家税務總局關於印發<非居民享受税收協定待遇管理辦法(試行)>的通知》(國税發[2009]124號) (the "Notice")), overseas residents entitled to the relevant tax preferences shall file or entrust an agent in writing to file an application, and go through the relevant procedures. However, given that the tax rate for dividends under the aforesaid tax treaties and tax arrangements is generally 10%, and the number of shareholders is quite large, for the purpose of simplifying tax administration, domestic non-foreign invested enterprises issuing shares in Hong Kong may, when distributing dividends, generally withhold individual income tax at the rate of 10%, and are not obligated to file an application. If the tax rate for dividends is not equal to 10%, the following provisions shall apply:

(i) Where the individuals who receive the dividends and bonuses are residents of countries where the agreed tax rate is lower than 10%, the withholding agent shall, according to the provisions of the Notice, handle the applications for relevant preferential treatments and refund the extra tax upon the approval of competent tax authorities.

(ii) Where the individuals who receive the dividends are residents of countries where the agreed tax rate is higher than 10% but lower than 20%, the withholding agent shall withhold the individual income tax according to the agreed actual tax rate when paying the dividends and bonuses and no applications are needed in such cases.

(iii) Where the individuals who receive the dividends and bonuses are residents of countries which have not established tax treaties with China or other circumstances exist, the withholding agent shall withhold the individual income tax based on the rate of 20% when paying dividends and bonuses.

Enterprise Investors

In accordance with the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得税法) (the "EIT Law") which was implemented on 1 January 2008 and amended on 24 February 2017 and 29 December 2019, and the Provisions of Implementation for the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得税法實施條例) (the "Provisions of Implementation for the EIT Law"), which was implemented on 1 January 2008 and amended on 23 April 2019, a non-PRC resident enterprise is generally subject to a 10% enterprise income tax on PRC-sourced income, including dividends received from a PRC resident enterprise whose shares are issued and listed in Hong Kong, if such non-PRC resident enterprise does not have an establishment or premises in the PRC or has an establishment or premises in the PRC but the PRC-sourced income is not actually connected with such establishment or premises in the PRC. The aforesaid income tax payable by the non-PRC resident enterprises shall be withheld at source, for which the payer of the income thereof shall be the withholding agent. When making such payment or when such payment becomes due and payable, the withholding agent shall withhold the income tax from the payment or the amount due and payable.

Pursuant to the Administrative Measures for Tax Convention Treatment for Non-resident Taxpayers (《非居民納税人享受税收協定待遇管理辦法》), which was implemented by the SAT on 1 November 2015 and amended on 15 June 2018, any non-resident enterprises who received dividend from the PRC resident enterprises and met terms and conditions for enjoying the convention treatment may be entitled to the convention treatment itself/himself when filing a tax return or making a withholding declaration through a withholding agent, subject to the subsequent administration by the tax authorities.

According to the Circular on Issues Related to the Withholding and Remittance of Enterprise Income Tax on Dividends Paid by Chinese Resident Enterprises to Overseas Non-resident Enterprises Which Hold H Shares (Guo Shui Han [2008] No. 897) (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得税有關問題的通知》(國税函[2008]897號)) promulgated by the SAT on 6 November 2008, where Chinese resident enterprises pay dividends of 2008 and thereafter to overseas non-resident enterprise which hold H shares, the enterprise income tax shall be withheld and remitted at the uniform rate of 10%. Upon receipt of such dividends, a non-resident enterprise shareholder may apply to the competent tax authorities for relevant treatment under the tax treaties (arrangements) in

person or through a proxy or a withholding agent, and provide evidence in support of its status as a beneficial owner as defined in the tax treaties (arrangements). Upon verification by the competent tax authorities, the difference between the tax levied and the amount of tax payable as calculated at the tax rate under the tax treaties (arrangements) will be refunded.

Pursuant to the Agreement of the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Tax on Income (內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排) signed on 21 August 2006, the PRC Government may impose tax on dividends paid to a Hong Kong resident (including natural person and legal entity) by a PRC company, but such tax shall not exceed 10% of the total amount of the dividends payable by that PRC company. If a Hong Kong resident directly holds 25% or more of equity interest in a PRC company, such tax shall not exceed 5% of the total amount of dividends payable by that PRC company.

SHARE TRANSFER-RELATED TAX

Individual Investors

Pursuant to the Individual Income Tax Law, individuals are subject to individual income tax at the tax rate of 20% on income from transfer of property. Pursuant to Implementation Regulations of the Individual Income Tax Law, the State Council shall separately formulates the measures for levying individual income tax on income from transfer of shares, and reports to the Standing Committee of the National People's Congress for filing. Pursuant to the "Notice on Gains Derived by Individuals from Share Transfers Continue to be Exempt from Individual Income Tax" ("Cai Shui Zi 1998 No. 61") jointly issued by the MOF and the SAT on 30 March 1998, gains derived by individuals from transfer of shares in listed companies continues to be exempt from individual income tax since 1 January 1997.

It is not certain whether Cai Shui Zi 1998 No.61 applies to such gains of H Share Transfers. To our best knowledge, as of the Latest Practicable Date, no legislation expressly provided individual income tax shall be levied on gains realized by non-resident individual holders from sale of shares of PRC resident enterprises listed on overseas stock exchanges, and in practice, no individual income tax has been levied by the PRC tax authorities on such gains so far.

Enterprise Investors

According to the EIT Law and the Provisions of Implementation for the EIT Law, a non-PRC resident enterprise is generally subject to a 10% enterprise income tax on PRC-sourced income, including gains from disposal of PRC resident enterprise's shares, if such non-PRC resident enterprise does not have an establishment or premises in the PRC or has an establishment or premises in the PRC but the PRC-sourced income is not actually connected with such establishment or premises in the PRC. The aforesaid income tax payable by the non-PRC resident enterprises shall be withheld at source, for which the payer of the income

thereof shall be the withholding agent. When making such payment or when such payment becomes due and payable, the withholding agent shall withhold the income tax from the payment or the amount due and payable. Such tax rates may be reduced pursuant to the special arrangements or applicable treaties entered into between the PRC and the jurisdiction where the non-resident enterprise domiciles.

Others

PRC Stamp Duty

Pursuant to the Provisional Regulations of the People's Republic of China Concerning Stamp Duty (《中華人民共和國印花稅暫行條例》) and the Implementation Rules for the Provisional Regulations of the People's Republic of China Concerning Stamp Duty (《中華人民共和國印花稅暫行條例施行細則》) which came into effect simultaneously on 1 October 1988, PRC stamp duty is applicable to documents which have legal binding effect in the PRC and are governed by the PRC laws. Therefore, PRC stamp duty does not apply to acquisitions or dispositions of H shares by non-residents shareholders outside the PRC.

Estate Duty

The PRC government currently has not imposed any estate duty.

Main Taxation of our Company in the PRC

Enterprise Income Tax Law

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) which was passed by the Standing Committee of the National People's Congress on March 16, 2007 and amended on February 24, 2017 and December 29, 2018, and the last amendment of which became effective as of December 29, 2018, enterprises and other organizations gaining incomes within the territory of China are taxpayer of the enterprise income tax, and shall pay enterprise income tax in accordance with the provisions of this law. The enterprise income tax rate is 25%. High and new technology enterprises with key support by the state pay the enterprise income tax at a reduced rate of 15%. Enterprises are divided into resident enterprises and non-resident enterprises.

A non-resident enterprise that has no establishment or premises within the PRC, or a non-resident enterprise that has establishment or premises in the PRC but its income has no actual connection to such establishment or premises in the PRC, shall pay enterprise income tax on its income from equity investments such as dividend and bonus sourced from the PRC which shall be withheld at source, for which the payer thereof shall be the withholding agent. Meanwhile, if the income of these investors on transfer of shares is deemed to be derived from income on transfer of property in the PRC, such income is subject to enterprise income tax and shall be withheld at source.

According to the "Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income" (《內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排》) which was executed on August 21, 2006 and amended on June 15, 2018, if a non-resident enterprise as a beneficial owner directly owns at least 25% shares in the resident enterprise paying dividend, the rate shall not exceed 5% of total dividend; in other cases, the rate shall not exceed 10% of total dividend.

According to the Administrative Measures for Tax Treatments Entitled by Non-resident Taxpayers under Taxation Treaty (《非居民納税人享受税收協定待遇管理辦法》) which was promulgated by the State Administration of Taxation of the PRC on August 27, 2015 and became effective as of November 1, 2015, a non-resident taxpayer that is qualified to enjoy the preferential treatment under taxation treaty could enjoy the tax treatment automatically when filing tax return or making withholding declaration through a withholding agent, and will be subject to follow-up administration by the tax authorities thereafter.

Value Added Tax

According to the Interim Regulations on Value-added Tax of the PRC (《中華人民共和國增值税暫行條例》) which was promulgated by the State Council on December 13, 1993 and amended on November 5, 2008, February 6, 2016 and November 19, 2017, and the last amendment of which became effective on November 19, 2017 and the Implementation Rules for the Provisional Regulations of the PRC on Value-Added Tax (《中華人民共和國增值税暫行條例實施細則》) which was promulgated by the Ministry of Finance and the State Taxation Administration and became effective on December 25, 1993, was amended on December 15, 2008 and October 28, 2011, and the last amendment of which became effective on November 1, 2011, all entities and individuals engaging in the sale of goods, provision of processing, repairs and replacement services, sales services, intangible properties and real estate and the import of goods within the territory of the PRC are taxpayers of value-added tax, and therefore shall pay value-added tax. In general, the value-added tax rate for sale of goods, labor services, leasing of tangible movable assets or import of goods is 17%.

According to the Circular on VAT and Consumption Tax Policies for Exported Goods and Labor Services (《關於出口貨物劳務增值税和消費税政策的通知》) which was promulgated by the Ministry of Finance and the State Taxation Administration on May 5, 2012, the self-produced goods and goods regarded as self-produced and exported by production enterprises, the processing, maintenance and repair Labor services provided to overseas, and the non-self-produced goods exported by the named production enterprises shall be exempted from VAT, the corresponding input VAT shall be credited against the VAT payable (if any) (excluding VAT payable to which the VAT policy of "refund immediately after payment" or "refund after payment" applies), and the remainder shall be refunded.

According to the Circular of the Ministry of Finance and the State Taxation Administration on the Adjustment to VAT Rates (《財政部、國家稅務總局關於調整增值稅稅率的通知》) which became effective as of May 1, 2018, the taxable sales or import of goods by taxpayers to which a tax rate of 17% and 11% was originally applicable is adjusted to 16% and 10%, respectively. For the export goods to which a tax rate of 17% was originally applicable and the export rebate rate was 17%, the export rebate rate is adjusted to 16%.

According to the Announcement on Policies for Deepening the VAT Reform (《關於深化增值稅改革有關政策的公告》) which was promulgated by Ministry of Finance, State Administration of Taxation and General Administration of Customs on March 20, 2019 and became effective on April 1, 2019, for general VAT payers' sales activities or imports that are subject to VAT at an existing applicable rate of 16% or 10%, the applicable VAT rate is adjusted to 13% or 9% respectively.

PRC FOREIGN EXCHANGE CONTROL

In accordance with the Foreign Exchange Control Regulations of the People's Republic of China (《中華人民共和國外匯管理條例》) ("Foreign Exchange Control Regulation") which was promulgated on 29 January 1996, became effective on 1 April 1996 and was amended on 5 August 2008 by the State Council, all international payments and transfers are classified into current account items and capital account items. The State does not impose restrictions on international payments and transfers under the current account items. The foreign exchange income from the transaction under current items of the PRC enterprises and the foreign exchange income under the current items may be reserved or sold to financial institutions operating foreign exchange sale of settlement business in accordance with the relevant requirements of PRC. Before reserving the foreign exchange income under the capital items or selling it to any financial institution operating foreign exchange sale of settlement business, approval of the competent foreign exchange administrative authorities shall be obtained, unless it is otherwise provided by the State.

Pursuant to the Regulations for Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》), which was promulgated on 20 June 1996 by the PBOC and became effective from 1 July 1996, abolished all other restrictions on convertibility of foreign exchange in respect of current account items while retaining the existing restrictions on foreign exchange transactions in respect of capital account items.

PRC enterprises (including foreign investment enterprises) which need foreign exchange for transactions relating to current account items may, without the approval of the SAFE, effect exchange and payment from their foreign exchange accounts or at the designated foreign exchange banks, on the strength of valid receipts and proof. Foreign investment enterprises are required to pay profit after tax and dividends to their shareholders in foreign exchange on the strength of resolutions of the board of directors approving the distribution of profits, effect exchange and payment from their foreign exchange accounts or convert and pay dividends at the designated foreign exchange banks.

Pursuant to the State Council's Decisions on Matters including Canceling and Adjusting a Batch of Administrative Approval Items (國務院關於取消和調整一批行政審批項目等事項的決定), which was promulgated and effective on 23 October 2014, which cancelled the approval requirement by the SAFE and its branches for the repatriation and settlement of foreign exchange of overseas-raised funds through overseas listing.

In addition, the Notice of the SAFE on Issues Concerning the Foreign Exchange Administration of Overseas Listing (國家外匯管理局關於境外上市外匯管理有關問題的通知) promulgated and implemented by SAFE on 26 December 2014 stipulates the foreign control matters for the domestic enterprises listed offshore:

- SAFE and its branches and foreign exchange authorities (the "Foreign Exchange Bureaus") supervises, manages and examines the business registration, account opens and uses, the cross-border income and expenses, capital exchange for the domestic enterprises listed offshore.

- A domestic enterprise shall register in relation to its offshore listing with Foreign Exchange Bureaus at the place of its incorporation with relevant documents within 15 working days upon the end of its initial offering overseas.

- A domestic shareholder of an oversea-listing enterprise who intends to purchase or reduce its foreign shareholding in accordance with the relevant requirements after the overseas listing of the domestic enterprise shall register its overseas shareholding with the local Foreign Exchange Bureaus with relevant documents within 20 working days before purchasing or reducing its overseas shareholding.

- For its initial offering (or additional offering) and repurchase of shares, a domestic enterprise (other than banking financial institutions) shall open a "special foreign exchange account for domestic enterprises to list overseas" at a domestic bank with a registration certificate of overseas listing to exchange and transfer funds related to such business.

THE PRC LEGAL SYSTEM

The PRC legal system is based on the Constitution of the PRC (《中華人民共和國憲法》) (the "Constitution") and is made up of written laws, administrative regulations, local regulations, separate regulations, autonomous regulations, rules and regulations of State Council departments, rules and regulations of local governments, international treaties of which the PRC Government is a signatory, and other regulatory documents. Court case verdicts do not constitute binding precedents. However, they may be used for the purposes of judicial reference and guidance.

According to the Legislation Law of the PRC (《中華人民共和國立法法》) published on March 15, 2000, implemented on July 1, 2000 and amended on March 15, 2015, the National People's Congress (the "NPC") and the Standing Committee of the National People's Congress exercise the legislative power of the State. The National People's Congress formulates and amends basic laws governing criminal offences, civil affairs, State organs and others. The Standing Committee of the National People's Congress enacts and amends other laws except for the laws shall be enacted by the National People's Congress, and supplements and amends parts of laws enacted by the National People's Congress during the adjournment of the NPC, provided such supplements and amendments are not in conflict with the basic principles of such laws.

The State Council is the highest administrative organ of the PRC and has the power to formulate administrative regulations based on the Constitution and laws. The people's congresses of provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual requirements of their own respective administrative areas, provided that such local regulations do not contravene the Constitution, laws or administrative regulations. The people's congresses of cities divided into districts and their respective standing committees may formulate local regulations on aspects such as urban and rural construction and management, environmental protection and historical and cultural protection based on the specific circumstances and actual requirements of such cities, provided that such local regulations do not contravene any provision of the Constitution, laws, administrative regulations and local regulations of their respective provinces or autonomous regions. However, if there are separate provisions by law on the formulation of local regulations by cities divided into districts, those provisions shall prevail. Such local regulations will become enforceable after being reported to and approved by the standing committees of the people's congresses of the relevant provinces or autonomous regions. The standing committees of the people's congresses of provinces or autonomous regions shall examine the legality of local regulations submitted for approval, and such approval should be granted within four months if they are not in conflict with the Constitution, laws, administrative regulations and local regulations of the province or autonomous region concerned. People's congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in light of the political, economic and cultural characteristics of the ethnic groups in the areas concerned. The ministries and commissions of the State Council, the People's Bank of China, the National Audit Office, and institutions with

administrative functions directly under the State Council may formulate rules within the jurisdiction of their respective departments based on the laws and the administrative regulations, decisions and rulings of the State Council.

The Constitution has supreme legal authority and no laws, administrative regulations, local regulations, autonomous regulations and separate regulations and rules may contravene the Constitution. The authority of laws is greater than that of administrative regulations, local regulations and rules. The authority of administrative regulations is greater than that of local regulations and rules. The authority of the rules enacted by the people's governments of the provinces or autonomous regions is greater than that of the rules enacted by the people's governments of the cities divided into districts within the administrative areas of the provinces and the autonomous regions.

The National People's Congress has the power to alter or annul inappropriate laws enacted by its Standing Committee, and to annul any autonomous regulations and separate regulations which have been approved by the Standing Committee of the National People's Congress which contravene the requirements under the Constitution or the Legislation Law. The Standing Committee of the National People's Congress has the power to annul administrative regulations that contravene the Constitution and laws, to annul local regulations that contravene the Constitution, laws and administrative regulations, and to annul any autonomous regulations and separate regulations which have been approved by the standing committees of the people's congresses of the relevant provinces, autonomous regions, municipalities directly under the Central Government, which contravene the requirements under the Constitution and the Legislation Law. The State Council has the power to alter or annul any inappropriate rules and regulations of departments and rules of local governments. The people' s congresses of provinces, autonomous regions, municipalities directly under the Central Government have the power to alter or annul inappropriate local regulations enacted and approved by their respective standing committees. The standing committees of the local people's congresses have the power to annul any inappropriate rules enacted by the people's governments at the corresponding level. The people's governments of provinces and autonomous regions have the power to alter or annul inappropriate rules enacted by the people's governments at a lower level.

According to the Constitution of the PRC, the power to interpret laws is vested in the Standing Committee of the National People's Congress. According to the Resolutions of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Laws (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) approved on June 10, 1981, the Supreme People's Court has the power to give general interpretation on questions involving the specific application of laws and decrees in court trials. Interpretation of questions involving the specific application of laws and decrees in areas unrelated to judicial and procuratorial work shall be provided by the State Council and competent authorities. In case where the scope of local regulations needs to be further defined or additional stipulations need to be made, the standing committees of the people's congresses of provinces, autonomous regions and municipalities directly under the Central Government which have enacted these regulations

shall provide the interpretations or make the stipulations. Interpretation of questions involving the specific application of local regulations shall be provided by the competent authorities under the people's governments of provinces, autonomous regions and municipalities directly under the Central Government.

PRC Judicial System

Under the Constitution and the PRC Law on the Organization of the Courts (《中華人民共和國法院組織法》), the PRC judicial system is composed of the Supreme People's Court, the local people's courts and special people's courts. The local people's courts are divided into the higher people's courts, the intermediate people's courts and the basic people's courts. Special people's courts include military courts, maritime courts, intellectual property courts and financial courts.

Basic people's courts organize civil divisions, criminal divisions, administrative divisions, supervision divisions and enforcement divisions. The intermediate people's courts are organized into divisions similar to those of the primary people's courts, and are entitled to organize other special divisions as needed, such as the intellectual property division.

The Supreme People's Court supervises the trial of the local people's courts and the special people's courts. People's courts of higher level supervise people's courts of lower level. The People's Procuratorate has the power to exercise legal supervision over civil enforcement activities. The Supreme People's Procuratorate shall appeal to the legally effective judgements and rulings of the people's courts at all levels if it finds that there are circumstances stipulated in the Civil Procedure Law or finds that the mediation agreement harms the national interests and society public interests. The higher people's procuratorates shall appeal to the legally effective judgements and rulings of the lower people's courts if they find that there are circumstances stipulated in the Civil Procedure Law or find that the mediation agreement harms the national interests and society public interests. The local people's procuratorates at all levels can propose procuratorial suggestion to the people's courts at the same level and file to the people's procuratorates at higher levels if they find that there are circumstances stipulated in the Civil Procedure Law or find that the mediation agreement harms the national interests and society public interest in the legally effective judgements and rulings of the people's courts at the same level; and also propose to the people's procuratorates at higher levels to appeal to the people's courts at the same level.

The people's courts employ a "two-tier appellate system". A party may appeal against a first instance judgment or ruling to the people's court at the next higher level. Second judgments or rulings given in the people's court at the next higher level are final. First judgments or rulings of the Supreme People's Court are also final. For the circumstances that violation of legal proceedings seriously in the original judgment such as unclear fundamental issues, omission of subject or illegal judgement in absentia, the court of second instance shall rule to revoke the original ruling and return to the original people's court for re-trial or overrule after clarifying the facts.

The PRC Civil Procedure Law (《中華人民共和國民事訴訟法》), which was adopted in 1991 and amended in 2007, 2012 and 2017, sets forth the procedures for instituting a civil action, the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment. All parties to a civil action conducted within the PRC must comply with the PRC Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by express agreement, select a court where civil actions may be brought, provided that the court is either the plaintiff's or the defendant's place of residence, the place of execution or implementation of the contract or the place of the object of the action, provided that the provisions of the PRC Civil Procedure Law regarding the level of jurisdiction and exclusive jurisdiction shall not be violated. A foreigner or stateless person or foreign enterprise or organization generally has the same litigation rights and obligations as a citizen or legal person or other organizations of the PRC in a prosecution or respond in the people's courts. Where a foreign court restricts the civil litigation rights of citizens, legal persons and other organisations of the People's Republic of China, People's Courts of the People's Republic of China shall implement the principle of reciprocity for civil litigation rights of citizens, enterprises and organisations of that country. All parties to a civil action shall perform the legally effective judgments and rulings. If any party refuse to perform, the other party may apply to the people's court for the enforcement of the same, and the judge may also pass to the executor to enforce. The right of applying enforcement is limited to two years.

A party seeking to enforce a judgment or ruling of a people's court against a party who is not personally or whose property is not within the PRC, may directly apply to a foreign court with jurisdiction over the case for recognition and enforcement of the judgment or ruling. A foreign judgment or ruling may also be recognized and enforced by the people's court according to PRC enforcement procedures if the PRC has entered into, or acceded to, an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgment or ruling satisfies the court's examination according to the principle of reciprocity, unless the people's court finds that the recognition or enforcement of such judgment or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or security, or non-compliance with social and public interest.

THE PRC COMPANY LAW, SPECIAL REGULATIONS AND MANDATORY PROVISIONS

A joint stock limited company which is incorporated in the PRC and seeking a listing on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") is mainly subject to the following four laws and regulations in the PRC:

- The Company Law of the People's Republic of China (《中華人民共和國公司法》) (the "PRC Company Law"), which was promulgated by the Standing Committee of the National People's Congress on December 29, 1993, came into effect on July 1, 1994, revised on December 25, 1999, August 28, 2004, October 27, 2005 and December 28, 2013, respectively, and the latest revision of which was implemented on October 26, 2018;

- The Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (《國務院關於股份有限公司境外募集股份及上市的特別規定》) (the "Special Regulations"), which were promulgated by the State Council on August 4, 1994, and were applicable to the overseas share subscription and listing of joint stock limited companies;

- The Mandatory Provisions for Articles of Association of Companies to be Listed Overseas (《到境外上市公司章程必備條款》) (the "Mandatory Provisions"), which were promulgated by the former Securities Committee of the State Council and the State Economic Restructuring Commission on August 27, 1994, and stated the mandatory provisions which must be incorporated into the articles of association of a joint stock limited company seeking an overseas listing. As such, the Mandatory Provisions are set out in the Articles of Association of our Company, the summary of which is set out in Appendix V of this prospectus;

- The Letter of Opinions on Supplemental Amendments to Articles of Association of Companies Listed in Hong Kong issued by the Overseas Listing Division of the China Securities Regulatory Commission and the Production Systems Division of the State Commission for Economic Restructuring on April 3, 1995 further provides on the "Mandatory Provisions" for the companies to apply for listing in Hong Kong. Set out below is a summary of the major provisions of the PRC Company Law, the Special Regulations and the Mandatory Provisions applicable to our Company.

General

A joint stock limited company refers to an enterprise legal person incorporated under the PRC Company Law with its registered capital divided into shares of equal par value. The liability of its shareholders is limited to the number of shares held by them and the company is liable to its creditors for an amount equal to the total value of all the assets.

A company must conduct its business in accordance with laws and professional ethics. A company may invest in other limited liability companies and joint stock limited companies. The liabilities of the company to such invested companies are limited to the amount invested. Unless otherwise provided by laws, a company cannot be the capital contributor who has the joint and several liabilities associated with the debts of the invested enterprises.

Incorporation

A joint stock limited company may be incorporated by promotion or stock flotation. A joint stock limited company shall be incorporated by a minimum of two promoters while the maximum number thereof shall be 200, and at least half of the promoters must have residences within the PRC.

The promoters must convene an inaugural meeting within 30 days after the issued shares have been fully paid up, and must give notice to all subscribers or make an announcement of the date of the inaugural meeting 15 days before the meeting. The inaugural meeting may be convened only with the presence of shareholders representing more than 50% of the total shares issued by the company. At the inaugural meeting, matters including the adoption of articles of association and the election of members of the board of directors and members of the board of supervisors of the company will be dealt with. All resolutions of the meeting require the approval of subscribers with more than half of the voting rights present at the meeting.

Within 30 days after the conclusion of the inaugural meeting, the board of directors must apply to the registration authority for registration of the establishment of the joint stock limited company. A company is formally established, and has the status of a legal person, after the business license has been issued by the relevant registration authority. Joint stock limited companies established by the raising method shall file the approval on the offering of shares issued by the securities regulatory department of the State Council with the company registration authority for record.

A joint stock limited company's promoters shall be liable for: (1) the payment of debts and expenses incurred in the establishment jointly and severally if the company cannot be established; (2) the refund of subscription monies to the subscribers, together with interest, at bank rates for a deposit of the same term jointly and severally if the company cannot be established; and (3) damages suffered by the company as a result of the default of the promoters in the course of establishment of the company.

According to the Provisional Regulations on the Administration of Share Issuance and Trading (《股票發行與交易管理暫行條例》) promulgated by the State Council on April 22, 1993, all of the promoters or directors and the principal underwriter are required to sign the prospectus to ensure that the prospectus does not contain any misrepresentation, seriously misleading statements or material omissions, and assume joint and several responsibilities for it.

Registered Share Certificates

Under the PRC Company Law, the shareholders may make capital contributions in cash, or alternatively may make capital contributions with such valuated non-monetary property as injection of physical items or assets, intellectual property rights, land-use rights or other transferrable non-monetary properties based on their appraisal values.

Pursuant to the Special Regulations, overseas listed and foreign invested shares shall be issued in registered form, denominated in Renminbi and subscribed for in a foreign currency. Domestic shares issued shall be in registered form.

Under the PRC Company Law, when the company issues share in registered form, it shall maintain a register of shareholders, stating the following matters: (1) the name and domicile of each shareholder; (2) the number of shares held by each shareholder; (3) the serial numbers of shares held by each shareholder; and (4) the date on which each shareholder acquired the shares.

Increase of Share Capital

According to the PRC Company Law, when the joint stock limited company issues new shares, resolutions shall be passed by a general meeting, approving the class and number of the new shares, the issue price of the new shares, the commencement date and deadline of the new share issuance and the class and number of new shares to be issued to existing shareholders. When the company launches a public issuance of new shares with the approval of the securities administration department of the State Council, it shall publish a prospectus and financial and accounting reports, and prepare the share subscription form. After the new share issuance has been paid up, the change shall be registered with the company registration authorities and an announcement shall be made.

Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the PRC Company Law:

(I) prepare a balance sheet and a property list.

(II) a resolution at the general meeting in respect of reduction of share capital.

(III) it shall inform its creditors within 10 days and publish an announcement in the newspaper within 30 days after the date of the resolution in respect of the capital reduction.

(IV) creditors may require the company to pay its debts or provide guarantees covering the debts within 30 days after receiving the notice, or within 45 days of the public announcement if no notice has been received.

(V) it shall apply to the registration authorization of the company for the registration of change in respect of the reduction in registered capital.

Repurchase of Shares

According to the PRC Company Law, a company may not purchase its shares other than for one of the following purposes:

(I) to reduce its registered capital;

(II) to merge with another company that holds the shares of the company;

(III) to use shares for employee stocks plan or equity incentive;

(IV) with respect to shareholders voting against any resolution adopted at the shareholders' general meeting on the merger or division of the company, the right to demand the company to acquire the shares held by them;

(V) to use shares for converting into the convertible corporate bonds issued by a listing company;

(VI) as required for maintenance of the corporate value and shareholders' rights and interests of a listed company.

The buy-back of shares of a company for reasons specified in the case of (I) to (II) above shall be resolved at a general meeting; the buy-back of shares of a company for reasons specified in the case of (III), (V) and (VI) above shall obtain approval from a meeting of the board of directors where over two-thirds of the directors are present in accordance with the requirements of the articles of associations or the authorization from the general meeting.

Following the purchase of its own shares by a company, such shares shall be canceled within ten days from the date of purchase in the case of (I) above; transferred or canceled within six months in the case of (II) and (IV) above; the number of its own shares held by a company shall not exceed 10% of the total number of its issued shares and shall be transferred or cancelled within three years in the case of (III), (V) and (VI) above.

Transfer of Shares

Shares held by shareholders may be transferred in accordance with the relevant laws and regulations. Pursuant to the PRC Company Law, transfer of shares by shareholders shall be carried out at a legally established securities exchange or in ways stipulated by the State Council. No changes of registration in the share register caused by the foregoing requirement within twenty days prior to the convening of shareholder's general meeting or five days prior to the base date for determination of dividend distributions. However, where there are separate provisions by law on change of registration in the share register of listed companies, those provisions shall prevail. Pursuant to the Mandatory Provisions, no modifications of registration in the share register caused by transfer of shares shall be carried out within thirty days prior to convening of shareholder's general meeting or five days prior to any base date for determination of dividend distributions by a company.

Under the PRC Company law, the shares of a company held by the promoter shall not be transferred within a year since the date of its establishment. The shares issued prior to the public issuance of shares shall not be transferred within one year from the date of the joint stock limited company's listing on a stock exchange. Directors, supervisors and the senior management shall declare to the company their shareholdings in the company and any changes

of such shareholdings. They shall not transfer more than 25% of all the shares they hold in the company annually during their tenure. They shall not transfer the shares they hold within one year from the date on which the company's shares are listed and commenced trading on a stock exchange, nor within six months after their resignation from the company.

Shareholders

Under the PRC Company Law and the Mandatory Provisions, the rights of shareholders include:

(I) to receive dividends and other forms of distributions of benefits in proportion to their shareholdings;

(II) to attend or appoint a proxy to attend general meetings and to exercise voting rights;

(III) to supervise and manage a company's business operations, to make proposals or to raise queries;

(IV) to transfer shares in accordance with laws, administrative regulations or the provisions of the articles of association;

(V) to obtain relevant information in accordance with the articles of association, including:

1. a copy of the articles of association, subject to payment of costs;

2. the right to inspect and copy, subject to payment of a reasonable fee:

(1) all parts of the register of shareholders;

(2) personal particulars of each of the company's directors, supervisors, managers and other senior management personnel, including:

(a) present and former names and aliases;

(b) principal address (place of residence);

(c) nationality;

(d) primary and all other part-time occupations and duties;

(e) identification documents and numbers.

(3) status of the company's share capital;

(4) reports showing the nominal value, number, the maximum and the minimum prices of each class of shares repurchased by a company since the end of the last financial year, with all costs paid by the company to this end;

(5) minutes of general meetings.

(VI) in the event of the winding-up or liquidation of a company, to participate in the distribution of remaining assets of a company in proportion to the number of shares held;

(VII) other rights conferred by law, administrative regulations and the articles of association.

The obligations of the shareholders of a company include:

(I) to comply with the articles of association;

(II) to pay subscription money according to the number of shares subscribed for and the method of subscription;

(III) not to abuse shareholder's rights and harm the interest of a company or other shareholders; not to abuse the independent legal person status of a company and the limited liability of the shareholders to impair the interests of creditors of a company.

General Meeting

Under the requirements of the PRC Company law, the general meeting of a joint stock limited company shall be comprised with all of the shareholders. The general meeting is the organ of authority of the company, which exercises the following powers:

(I) to decide on a company's operational policies and investment plans;

(II) to elect and replace directors and decide on matters concerning the remuneration of directors;

(III) to elect and replace the supervisors who are to be appointed from among the shareholders' representatives and decide on matters concerning the remuneration of supervisors;

(IV) to examine and approve reports of the board of directors;

(V) to examine and approve reports of the supervisory committee or supervisors;

(VI) to examine and approve a company's proposed annual financial budget and final accounts;

(VII) to examine and approve a company's proposals for profit distribution plans and losses recovery plans;

(VIII) to decide on any increase or reduction of a company's registered capital;

(IX) to decide on the issue of corporate bonds;

(X) resolutions on matters such as the merger, division, dissolution or liquidation of the company;

(XI) to amend a company's articles of association;

(XII) other powers as provided for in the articles of association.

Annual general meetings are required to be held once every year. An extraordinary general meeting is required to be held within two months after the occurrence of any of the following:

(I) the number of directors is less than the number stipulated by this law or less than two-thirds of the number specified in the articles of association;

(II) the losses of a company which are not recovered reach one-third of the total paid up share capital;

(III) when shareholders alone or in aggregate holding 10% or more of a company's shares request the convening of an extraordinary general meeting;

(IV) whenever the board of directors deems necessary;

(V) when the supervisory committee so requests;

(VI) other circumstances as provided for in the articles of associations.

For a limited company with board of directors, the general meeting shall be convened by the board of directors and chaired by the chairman of the board of directors. In the event that the chairman is incapable of performing or does not perform his/her duties, the meeting shall be chaired by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his/her duties, a director nominated by more than half of directors shall chair the meeting. Where the company convenes annual general meeting, shareholders holding more than 3% of voting shares have a right to submit to the company new proposals in writing, in which the matters falling within the scope of shareholder's general meeting shall be placed by a company in the agenda of the meeting.

In accordance with the requirements under PRC Company Law, a shareholder may entrust a proxy to attend the general meeting. The proxy shall present a power of attorney of the shareholder to a company and shall exercise his voting rights within the authorization scope. There is no specific provision in PRC Company Law regarding the number of shareholders constituting a quorum at a shareholders' meeting. The Mandatory Provisions require that modification or abrogation of rights conferred to any class of shareholders shall be passed by an extraordinary general meeting. Holders of domestic shares and overseas listed foreign shares are deemed as shareholders with different classes.

Directors

In accordance with the requirements under PRC Company Law, a joint stock limited company shall have a board of directors, which shall consist of 5 to 19 members. The term of a director shall be stipulated in the articles of association, but no term of office shall last for more than three years. Directors may serve consecutive terms if re-elected. Meetings of the board of directors of a joint stock limited company shall be convened at least twice a year. All directors and supervisors shall be noticed 10 days before the meeting for every meeting. The board of directors exercises the following functions and powers:

(I) to convene the general meetings and report on its work to the general meetings;

(II) to implement the resolutions at general meetings;

(III) to decide on a company's business plans and investment proposals;

(IV) to formulate a company's proposed annual financial budget as well as final accounts;

(V) to formulate a company's profit distribution proposals and loss recovery proposals;

(VI) to formulate proposals for the increase or reduction of registered capital and the issuance of corporate bonds;

(VII) to prepare plans for the merger, division, dissolution or change in the form of a company;

(VIII) to make decisions on the establishment of the company's internal management bodies;

(IX) to decide on appointment or dismissal of company managers and their remuneration, and to decide on appointment or dismissal of deputy managers and finance controller of the company based on the nomination by the managers as well as their remuneration;

(X) to formulate a company's basic management system;

(XI) to exercise other powers under the articles of association.

In addition, the Mandatory Provisions requires the board of directors to formulate the proposals for amendment of the articles of association of a company. Meetings of the board of directors could be held only if more than half of the directors are present. Where a director is unable to attend a board meeting, he may appoint another director by a power of attorney specifying the scope of the authorization for another director to attend the meeting on his behalf. Where a resolution of the board of directors violates the laws, administrative regulations or the articles of association as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. Where it can be proven that a director objected to the resolution when the resolution was voted on, and that such objections were recorded in the minutes of the meeting, such director may be relieved of that liability.

In accordance with the requirements under PRC Company Law, a person shall not act as director of a company subject to the following circumstances:

(I) unable or has limited ability to undertake any civil liabilities;

(II) has been convicted for corruption, bribery, conversion of property or disruption of the order of socialist market economy and a five-year period has not lapsed since expiry of the execution period or a person who has been stripped of political rights for being convicted of a crime and a five-year period has not lapsed since expiry of the execution period;

(III) has been a former director, factory manager or manager of a company or an enterprise that has entered into insolvent liquidation and who was personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;

(IV) has been a legal representative of a company or an enterprise that has had its business license revoked due to violations of the law and has been ordered to close down by law and the person was personally responsible, where less than three years have elapsed since the date of such revocation; and

(V) is liable for a relatively large amount of debts that are overdue.

The board of directors shall have a chairman, who is elected by more than half of all the directors. The chairman of the board of directors exercises the following functions and powers (including but not limited to):

(I) to preside over general meetings and convene and preside over meetings of the board of directors;

(II) to check on the implementation of the resolutions of the board of directors;

(III) to sign securities issued by a company;

(IV) other powers conferred by the board of directors.

The legal representative of a company, in accordance with the articles of association, may be the chairman of the board of directors or the general manager. In accordance with the requirements under the Mandatory Provisions, each of a company's directors, supervisors, and senior management personnel shall exercise his/her powers or perform his/her duties in accordance with the fiduciary principle, and shall not put himself/herself in a position where his/her duty and his/her interest may conflict. The Mandatory Provisions (which have been incorporated into the Articles of Association, a summary of which is set out in appendix) contains further elaborations of such duties.

Supervisors

A joint stock limited company shall have a supervisory committee composed of not less than three members. The supervisory committee is made up of representatives of the shareholders and an appropriate proportion of representatives of the employees of the company. The proportion shall be stipulated in the articles of association, provided that the proportion of representatives of the employees shall not be less than one third of the supervisors. Representatives of the employees of a company in the supervisory committee shall be democratically elected by the employees at the employees' representative assembly, employees' general meeting or otherwise. No director or senior management of the company may concurrently act as one of its supervisors.

The supervisory committee exercises the following powers:

(I) to review the finances of a company;

(II) to supervise the directors and senior management in their performance of their duties of a company and to propose the removal of directors and senior management who have violated laws, administrative regulations, the articles of association or the resolutions of shareholders' meeting;

(III) when the acts of directors and senior management are harmful to the interests of a company, to require directors and senior management to correct those acts;

(IV) to propose the convening of extraordinary general meetings and to convene and preside over general meetings when the board of directors fails to perform the duty of convening and presiding over general meeting under the requirements of this law;

(V) to initiate proposals for resolutions to general meeting;

(VI) to initiate proceedings against directors and senior management under the requirements of PRC Company Law;

(VII) other powers specified in the articles of association.

Manager and Senior Management

Under the PRC Company Law, a company shall have a manager who shall be appointed or removed by the board of directors. The manager of a company shall report to the board of directors and may exercise the following powers:

(I) to manage the production and management of a company and arrange for the implementation of resolutions of the board of directors;

(II) to arrange for the implementation of the company's annual business plans and investment proposals;

(III) to formulate the establishment of the company's internal management bodies;

(IV) to formulate the general administration system of the company;

(V) to formulate the company's basic rules;

(VI) to recommend the appointment or dismissal of deputy managers and person-in-charge of finance of a company;

(VII) to appoint or dismiss other administration officers (other than those required to be appointed or dismissed by the board of directors); and

(VIII) other powers conferred by the articles of association or the board of directors.

In accordance with the requirements under PRC Company Law, senior management refers to the manager, deputy manager(s), person-in-charge of finance of a company, the board secretary of listed company and other personnel as stipulated in the articles of association.

The circumstances under which a person is disqualified from being a director of a company described above apply mutatis mutandis to managers and senior management of a company. The articles of association shall have binding effect on the shareholders, directors, supervisors, managers and other senior management of the company. Such persons shall be entitled to exercise their rights, apply for arbitration and issue legal proceedings according to the articles of association.

Finance and Accounting

In accordance with the requirements under PRC Company Law, a company shall establish financial and accounting systems of a company according to laws, administrative regulations and the regulations of the financial department of the State Council and shall at the end of each financial year prepare a financial and accounting report which shall be audited by an accounting firm as required by law. The financial and accounting report shall be prepared in accordance with provisions of the laws, administrative regulations and the regulations of the financial department of the State Council.

The financial and accounting reports of a joint stock limited company shall be available at the company for inspection by the shareholders 20 days before the convening of an annual general meeting of shareholders. A listed joint stock limited company must also publish its financial and accounting reports.

When distributing each year's after-tax profits, it shall set aside 10% of its profits into a statutory reserve fund. It may not be set aside where the fund has over 50% of its registered capital. If its statutory reserve fund is not sufficient to make up losses of the previous year, profits of the current year shall be applied to make up losses before allocation is made to the statutory reserve fund pursuant to the above provisions. After allocation of the statutory reserve fund from after-tax profits, it may, upon the general meeting or a resolution passed at the general meeting, allocate discretionary reserve fund from after-tax profits. A joint stock limited company may distribute in proportion to the number of shares held by the shareholders, except for distribution made not based on the shareholding ratios as provided in the articles of association of a joint stock limited company.

The premium received through issuance of shares at prices above par value and other incomes required by the financial department of the State Council to be allocated to the capital reserve fund shall be allocated to the company's capital reserve fund.

A company's reserve fund shall be applied to make up losses of the company, expand its business operations or be converted to increase the registered capital of the company. However, the capital reserve fund may not be applied to make up the company's losses. Upon the conversion of statutory reserve fund into capital, the balance of the statutory reserve fund shall not be less than 25% of the registered capital of the company before such conversion.

The company shall have no other accounting books except the statutory accounting books.

Appointment and Retirement of Accounting Firms

In accordance with the requirements under PRC Company Law, the appointment or dismissal of accounting firms responsible for the auditing of a company shall be determined by the general meeting or board of directors of a company in accordance with provisions of articles of association. The accounting firm should be allowed to make representations when the general meeting or board of directors conducts a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidences, books, financial and accounting reports and other accounting data to the accounting firm it engages without any refusal, withholding and misrepresentation.

In accordance with the requirements under the Special Regulations, a company shall engage an independent accounting firm complying with the relevant regulations of the State to audit its annual report and review and check other financial reports of the company. A company shall provide the relevant information to the engaged audit firm and reply to its enquiries. The accounting firm appointed by a company shall hold office from the conclusion of the annual general meeting at which it was appointed until the conclusion of the next annual general meeting.

Distribution of Profits

According to the PRC Company Law, a company shall not distribute profits before losses are covered and the statutory common reserve is provided. Under the Mandatory Provisions, a company shall appoint receiving agents on behalf of holders of the overseas listed and foreign invested shares to receive on behalf of such shareholders dividends and other distributions payable in respect of their overseas listed and foreign invested shares.

Dissolution and Liquidation

In accordance with the requirements under PRC Company Law, a company shall be dissolved by reason of the following: (I) the term of its operations set down in the articles of association has expired or other events of dissolution specified in the articles of association have occurred; (II) the general meeting has resolved to dissolve; (III) the company is dissolved by reason of merger or division; (IV) the business license is revoked; the company is ordered to close down or be dissolved; (V) the company is dissolved by the people's court and supported by judgement in response to the request of shareholders holding shares that represent

more than 10% of the voting rights of all shareholders, on the grounds that the company suffers significant hardships in its operation and management that cannot be resolved through other means, and the ongoing existence of the company would bring significant losses for shareholders.

Where a company is dissolved under (I) above, it may carry on its existence by amending the articles of association, subject to approval of more than two thirds of voting rights of shareholders attending a general meeting. Where a company is dissolved under (I), (II), (IV) and (V) above, a liquidation group shall be established and the liquidation process shall commence within 15 days after the occurrence of an event of dissolution. The liquidation group of a limited liability company shall be composed of shareholders and the liquidation group of a joint stock limited company shall be composed of its directors or the personnel appointed by the general meeting. If a liquidation group is not established for liquidation within the stipulated period, creditors may apply to the people's court, requesting the court to appoint relevant personnel to form the liquidation group for liquidation. The people's court should accept such application and form a liquidation group to conduct a liquidation in a timely manner.

The liquidation group shall exercise the following powers during the liquidation period:

(I) to dispose the company's assets and to prepare a balance sheet and an inventory of the assets, respectively;

(II) to notify or announce to creditors;

(III) to deal with the company's outstanding businesses related to liquidation;

(IV) to pay any tax overdue as well as tax amounts arising from the process of liquidation;

(V) to claim credits and pay off debts;

(VI) to handle the remaining assets of a company after its debts have been paid off;

(VII) to represent the company in civil lawsuits.

The remaining assets of a company after payment of liquidation expenses, wages of employees, social insurance expenses and statutory compensation, outstanding taxes and debt shall be distributed to shareholders according to their shareholding proportion of a joint stock limited company.

It shall exist during the liquidation period, although it may only engage in operating activities that are related to the liquidation. The company's properties shall not be distributed to the shareholders before payments are made in accordance to the foregoing provisions. Upon liquidation of the company's properties and the preparation of the balance sheet and inventory

of assets, if the liquidation group becomes aware that the company does not have sufficient assets to pay off its liabilities, it must apply to the people's court for a declaration of bankruptcy. Following the declaration of bankruptcy of a company ruled by the people's court, the liquidation group shall hand over matters relating to the liquidation to the people's court.

Upon completion of the liquidation of a company, the liquidation group shall prepare and submit a liquidation report to the general meeting or the people's court for verification, and submit to the registration authority of the company in order to apply for cancel the company's registration, and a public notice of its termination shall be issued.

Members of the liquidation group are required to discharge their duties honestly and in compliance with relevant laws. A member of the liquidation group is liable to indemnify the company or its creditors with respect to any loss arising from his willful or material default.

Overseas Listing

The shares of a company shall only be listed overseas after obtaining approval from CSRC and the listing must be arranged in accordance with the procedures specified by the State Council. According to the Special Regulations, a company's plan to issue overseas listed foreign invested shares and domestic shares which has been approved by the CSRC may be implemented by the board of directors of a company by way of separate issues, within 15 months after approval is obtained from the CSRC.

Loss of Share Certificates

Application by a holder of overseas listed foreign shares, who has lost his/her share certificate, for a replacement share certificate may be dealt with in accordance with the law of the place where the original register of shareholders of overseas listed foreign shares is maintained, the rules of the stock exchange or other relevant regulations.

SECURITIES LAW AND REGULATIONS

The Securities Law took effect on July 1, 1999 and was revised for the first time on August 28, 2004, for the second time on October 27, 2005, for the third time on June 29, 2013 and for the fourth time on August 31, 2014. The Securities Law comprehensively regulates activities in the PRC securities market, regulating, among other things, the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council's securities regulatory authorities. The Securities Law requires that a domestic enterprise issuing securities overseas, directly or indirectly, or having its securities listed or traded overseas, shall obtain an approval from a securities regulatory administration authority under the State Council based on the requirement of State Council.

The CSRC is responsible for supervision and management of the securities and future market of the PRC and for maintaining the order thereof, and to secure their lawful operations in accordance with the laws, regulations and the authorities of the State Council.

Currently, the issue and trading of foreign issued shares (including H shares) are mainly governed by the rules and regulations promulgated by the State Council and the CSRC.

ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

Arbitration Law of the People's Republic of China (《中華人民共和國仲裁法》) (the "Arbitration Law") passed by the Standing Committee of the NPC on August 31, 1994, became effective on September 1, 1995 and was amended on August 27, 2009 and September 1, 2017. Under the Arbitration Law, an arbitration committee may, before the enact by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with the Arbitration Law and the Civil Procedure Law. Where the parties have by agreement provided arbitration as the method for dispute resolution, the people's court will refuse to handle the case except when the arbitration agreement is declared invalid.

Pursuant to the PRC Arbitration Law, an arbitral award shall be final and binding on the parties involved in the arbitration proceeding. Where any party fails to comply with the award, the other party may apply to the people's court for enforcement of such arbitral award. If the respondent is able to demonstrate with evidence that the arbitral award is under any of the following conditions, subject to the hearing and verification of the collegial panel of the people's court, the people's court shall refuse to enforce such award: (I) the parties have no arbitration clause in their contract, nor have subsequently reached a written agreement on arbitration; (II) the matters dealt with by the award fall outside the scope of the arbitration agreement or are matters which the arbitral tribunal has no power to arbitrate; (III) the composition of the arbitration tribunal or the procedure for arbitration contradicts the procedure prescribed by the law; (IV) the evidence based on which the arbitral award was made is falsified; (V) the other parties conceal the evidences from the arbitral tribunal which are sufficient to affect the impartiality of the arbitral award; (VI) the arbitrators have committed embezzlement, accepted bribes or done malpractice for personal benefits or perverted the law in the arbitration of the case. The award shall not be enforced if the people's court determines that the enforcement of the award is against the social and public interest. A party seeking to enforce an arbitral award by a PRC arbitration panel against a party who, or whose property, is not within the territory of PRC, may apply to a foreign court with jurisdiction over the case for enforcement of the arbitral award. Similarly, an arbitral award made by a foreign arbitration body may be recognized and enforced by the PRC courts pursuant to the principles of the reciprocity or any international treaty concluded or acceded to by the PRC.

Pursuant to the Supreme People's Court of the PRC adopted the Arrangement on Mutual Enforcement of Arbitral Awards between Mainland and Hong Kong SAR (《關於內地與香港特別行政區相互執行仲裁裁決的安排》) implemented since February 1, 2000, the arbitration made by the PRC arbitral authorities can be executed in Hong Kong, Hong Kong arbitration awards are also enforceable in China.

SUMMARY OF MATERIAL DIFFERENCES BETWEEN HONG KONG AND PRC COMPANY LAW

The Hong Kong law applicable to a company incorporated in Hong Kong is based on the Companies Ordinance, Companies (Winding up and Miscellaneous Provisions) Ordinance and supplemented by common law and rules of equity that apply to Hong Kong. Our Company, which is a joint stock limited company established in the PRC, is governed by the PRC Company Law and all other applicable rules and regulations promulgated pursuant to the PRC Company Law.

Set out below is a summary of the material differences between the Hong Kong company law applicable to a company incorporated in Hong Kong and the PRC Company Law applicable to a joint stock limited company incorporated and existing under the PRC Company Law. This summary is, however, not intended to be an exhaustive comparison.

(1) Corporate existence

Under the Companies Ordinance, a company having share capital is incorporated by the Registrar of Companies in Hong Kong issuing a certificate of incorporation and upon its incorporation, a company will acquire an independent corporate existence. A company may be incorporated as a public company or a private company.

Under the PRC Company Law, a joint stock limited company may be incorporated by promotion or public subscription. There are no requirements of minimum registered capital for the incorporation of a joint stock limited company, save for requirements of minimum registered capital otherwise stipulated by laws and regulations and pursuant to the State Council's decisions.

Hong Kong law does not prescribe any minimum capital requirement for a Hong Kong company.

(2) Share capital

Under Hong Kong law, the authorized share capital of a Hong Kong company is the amount of share capital which the company is authorized to issue and a company is not bound to issue the entire amount of its authorized share capital. The authorized share capital may be larger than its issued share capital. Hence, the directors of a Hong Kong company may, with the prior approval of the shareholders, if required, cause the company to issue new shares. The PRC Company Law does not provide for authorized share capital other than registered capital. The registered capital of a joint stock limited company is the amount of the issued share capital. Any increase in registered capital must be approved by the shareholders in a general meeting and by the relevant PRC governmental and regulatory authorities when applicable.

Under the PRC Securities Law, a company which is approved by the relevant securities administration authority to list its shares on a stock exchange must have a total amount of capital stock of not less than RMB30 million. Hong Kong law does not prescribe any minimum capital requirements for companies incorporated in Hong Kong.

Under the PRC Company Law, the shares may be subscribed for in the form of money or non-monetary assets that may be valued in currency and lawfully transferable. For non-monetary assets to be used as capital contributions, appraisals and verification must be carried out to ensure no over-valuation or under-valuation of the assets. There is no such restriction on a Hong Kong company under Hong Kong law.

(3) Restrictions on shareholding and transfer of shares

Under PRC law, the domestic shares ("Domestic Shares") in the share capital of a joint stock limited company which are denominated and subscribed for in Renminbi may only be subscribed for or traded by the domestic investors of the PRC. Except for certain PRC qualified domestic institutional investors, the overseas listed foreign shares ("Foreign Shares") issued by a joint stock limited company which are denominated in Renminbi and subscribed for in a currency other than Renminbi, may only be subscribed for and traded by investors from Hong Kong, Macau and Taiwan or any country and territory outside the PRC, as well as other qualified institutions.

Under the PRC Company Law, shares in a joint stock limited company held by its promoters cannot be transferred within one year after the date of establishment of the company. Shares in issue prior to the company's public offering cannot be transferred within one year from the listing date of the shares on the stock exchange. Shares in a joint stock limited company transferred each year by its directors, supervisors and senior management during their term of office shall not exceed 25% of the total shares they held in the company, and the shares they held in the company cannot be transferred within one year from the listing date of the shares, and also cannot be transferred within half a year after the said personnel has left office. The articles of association may set other restrictive requirements on the transfer of the company's shares held by its directors, supervisors and senior management. There are no such restrictions on shareholdings and transfers of shares under Hong Kong law except for the six-month lock-up on the company's issue of shares in the section headed "Underwriting" in this prospectus.

(4) Financial assistance for acquisition of shares

Although the PRC Company Law does not contain any provision prohibiting or restricting a joint stock limited company or its subsidiaries from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares, the Mandatory Provisions, which shall become effective upon approval by the approval authorities of the State Council and the securities regulatory authority of the State Council, contain certain restrictions on a company and its subsidiaries providing such financial assistance similar to those under Hong Kong company law.

(5) Variation of class rights

The PRC Company Law makes no specific provision relating to variation of class rights. However, the PRC Company Law states that the State Council can promulgate regulations relating to other kinds of shares. The Mandatory Provisions contain elaborate provisions relating to the circumstances which are deemed to be variations of class rights and the approval procedures required to be followed regarding variations of class rights. These provisions have been incorporated in the Articles of Association, which are summarized in Appendix V to this prospectus.

Under the Companies Ordinance, no rights attached to any class of shares can be varied except (i) with the approval of a special resolution of the holders of the relevant class at a separate meeting, (ii) with the consent in writing of the holders of three-fourths in nominal value of the issued shares of the class in question, (iii) by agreement of all the members of a Hong Kong company or (iv) if there are provisions in the articles of association relating to the variation of those rights, then in accordance with those provisions. Our Company (as required by the Listing Rules and the Mandatory Provisions) has adopted in the Articles of Association provisions protecting class rights in a similar manner to those found in Hong Kong law. Holders of overseas listed foreign invested shares and domestic shares are defined in the Articles of Association as different classes of shareholders, provided however that the special procedures for approval by separate class shareholders shall not apply to the following circumstances: (i) our Company issues domestic shares and overseas listed foreign invested shares, separately or simultaneously, once every 12-month period, pursuant to a Shareholders' special resolution, not more than 20% of each of the issued domestic shares and issued overseas listed foreign invested shares existing as of the date of the Shareholders' special resolution; (ii) the plan for the issue of domestic shares and overseas listed foreign invested shares upon its establishment is implemented within 15 months following the date of approval by the CSRC; and (iii) upon approval by CSRC, the Shareholders of our Domestic Shares transfer their shares to overseas investors and such shares are listed and traded in foreign markets.

(6) Directors

The PRC Company Law, unlike Hong Kong company law, does not contain any requirements relating to the declaration made by directors of the interests in material contracts, restrictions on directors' authority in making major dispositions, restrictions on companies providing certain benefits, or prohibitions against compensation for loss of office without shareholders' approval. The PRC Company Law provides restrictions on interested directors voting on the resolution at a meeting of the board of directors when such resolution relates to an enterprise which the director is interested in or connected with. The Mandatory Provisions, however, contain requirements and restrictions on major dispositions and specify the circumstances under which a director may receive compensation for loss of office, all of which provisions have been incorporated in the Articles of Association, a summary of which is set out in Appendix V.

(7) Supervisors

Under the PRC Company Law, the board of directors and managers of a joint stock limited company is subject to the supervision and inspection of a supervisory committee but there is no mandatory requirement for the establishment of a supervisory committee for a company incorporated in Hong Kong. The Mandatory Provisions provide that each supervisor owes a duty, in the exercise of his powers, to act in good faith and honestly in what he considers to be in the best interests of the company and to exercise the care, diligence and skill that a reasonably prudent person would exercise under comparable circumstances.

(8) Derivative action by minority shareholders

Hong Kong law permits minority shareholders to start a derivative action on behalf of a company against directors who have committed a breach of their fiduciary duties to the company, if such directors control a majority of votes at a general meeting, thereby effectively preventing a company from suing the directors in breach of their duties in its own name. The PRC Company Law gives shareholders of a joint stock limited company the right to initiate proceedings in the people's court to restrain the implementation of any resolution passed by the shareholders in a general meeting, or by the board of directors, that violates any law or infringes the lawful rights and interests of the shareholders. The PRC Company Law also provides that the shareholder can initiate proceedings if the director or senior management of a company violates the law, administrative regulation or articles of association of the company and thus infringe the shareholders' interest. The Mandatory Provisions further provide remedies to the company against directors, supervisors and senior management in breach of their duties to the company. In addition, every director and supervisor of a joint stock limited company applying for a listing of its foreign shares on the Stock Exchange is required to give an undertaking in favor of the company to comply with the company's articles of association. This allows minority shareholders to act against the directors and supervisors in default.

(9) Protection of minorities

Under Hong Kong law, a shareholder who complains that the affairs of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his interests may petition to court to either wind up the company or make an appropriate order regulating the affairs of the company. In addition, on the application of a specified number of members, the Financial Secretary of the Hong Kong government may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated in Hong Kong. The PRC Company Law provides that where any company encounters any serious difficulty in its operations or management so as that the interests of the shareholders will face serious loss if the company continues to exist and such difficulty cannot be resolved by any other means, the shareholders holding ten percent or more of the voting rights of all the issued shares of the company may plead the people's court to dissolve the company. The Mandatory Provisions, however, contain provisions to the effect that a controlling shareholder may not exercise its voting rights to relieve a director or supervisor of his duty to act honestly in the best interests

of the company or to approve the expropriation by a director or supervisor of the company's assets or the individual rights of other shareholders which is prejudicial to the interests of the shareholders generally or of some part of the shareholders of a company.

(10) Notice of shareholders' meetings

Under the PRC Company Law, notice of an annual general meeting and an extraordinary general meeting must be given not less than 20 days and 15 days before the meeting, respectively. For a limited company incorporated in Hong Kong, the minimum notice period of a general meeting other than an annual meeting is 14 days; and the notice period for an annual general meeting is 21 days.

(11) Quorum for shareholders' meetings

Under Hong Kong law, the quorum for a general meeting is two members unless the articles of association of the company otherwise provide. For one member companies, one member will be a quorum. The PRC Company Law does not specify any quorum requirement for a shareholders' general meeting.

(12) Voting

Under Hong Kong law, an ordinary resolution is passed by a simple majority of votes cast by members present in person or by proxy at a general meeting and a special resolution is passed by a majority of not fewer than three-fourths of votes cast by members present in person or by proxy at a general meeting. Under the PRC Company Law, the passing of any resolution requires more than one half of the votes cast by shareholders present in person or by proxy at a shareholders' general meeting except in cases of proposed amendment to the articles of association, increase or reduction of share capital, and merger, demerger or dissolution of a joint stock limited company or changes to the company status, which require two-thirds or more of votes cast by shareholders present at a shareholders' general meeting.

(13) Financial disclosure

A company is required under the PRC Company Law to make available at its office for inspection by shareholders its annual balance sheet, profit and loss account, statements of changes in financial position and other relevant annexes 20 days before the annual general meeting of shareholders. In addition, a company established by way of public issuance under the PRC Company Law must publish its financial report. The annual balance sheet has to be

verified by registered accountants. The Companies Ordinance requires a company to send to every shareholder a copy of its balance sheet, auditors' report and directors' report, which are to be laid before the company in its annual general meeting, not less than 21 days before such meeting. A company is required under the PRC law to prepare its financial statements in accordance with the PRC accounting standards. The Mandatory Provisions require that the company must, in addition to preparing accounts according to the PRC standards, have its accounts prepared and audited in accordance with International Accounting Standards or Hong Kong accounting standards and its financial statements must also contain a statement of the financial effect of the material differences (if any) from the financial statements prepared in accordance with the PRC accounting standards.

The Special Regulations require that there should not be any inconsistency between the information disclosed within and outside the PRC and that, to the extent that there are differences in the information disclosed in accordance with the relevant PRC and overseas laws, regulations and requirements of the relevant stock exchanges, such differences should also be disclosed simultaneously.

(14) Information on directors and shareholders

The PRC Company Law gives the shareholders of a company the right to inspect the articles of association, minutes of the shareholders' general meetings and financial and accounting reports. Under the articles of association, shareholders of a company have the right to inspect and copy (at reasonable charges) certain information on shareholders and on directors similar to that available to shareholders of Hong Kong companies under Hong Kong law.

(15) Receiving agent

Under both the PRC Company Law and Hong Kong law, dividends once declared become debts payable to shareholders. The limitation period for debt recovery action under Hong Kong law is six years, while that under the PRC law is three years. The Mandatory Provisions require that the company should appoint a trust company registered under the Hong Kong Trustee Ordinance (Chapter 29 of the Laws of Hong Kong) as a receiving agent to receive on behalf of holders of foreign shares dividends declared and all other monies owed by a joint stock limited company in respect of such foreign shares.

(16) Corporate reorganization

Corporate reorganizations involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company to another company in the course of being wound up voluntarily pursuant to section 237 of the Companies (Winding up and Miscellaneous Provisions) Ordinance or a compromise or arrangement between the company and its creditors or between the company

and its members pursuant to section 673 of the Companies Ordinance which requires the sanction of the court. Under PRC Company Law, the merger, demerger, dissolution, liquidation or change to the forms of a company has to be approved by shareholders at a general meeting.

(17) Arbitration of disputes

In Hong Kong, disputes between shareholders and a company incorporated in Hong Kong or its directors may be resolved through the courts. The Mandatory Provisions provide that such disputes should be submitted to arbitration at either the HKIAC or the CIETAC at the claimant's choice.

(18) Mandatory deductions

Under the PRC Company Law, a company shall draw 10% of the profits as its statutory reserve fund before it declares any dividends after taxation. The company may not be required to deposit the statutory reserve fund if the aggregate amount of the statutory reserve fund has accounted for 50% of the company's registered capital. After the company has drawn statutory reserve fund from the after-tax profits, it may, upon a resolution made by the shareholders, draw a discretionary reserve fund from the after-tax profits. There are no such requirements under Hong Kong law.

(19) Remedies of a company

Under the PRC Company Law, if a director, supervisor or manager in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or manager should be responsible to the company for such damages. In addition, remedies of the company similar to those available under the Hong Kong law (including rescission of the relevant contract and recovery of profits made by a director, supervisor or senior management) have been in compliance with the Listing Rules.

(20) Dividends

Under Hong Kong law, the limitation period for an action to recover a debt (including the recovery of dividends) is six years, whereas under PRC laws, the relevant limitation period is three years. A company shall not exercise its powers to forfeit any unclaimed dividend in respect of its listed foreign shares until after the expiry of the applicable limitation period.

(21) Fiduciary duties

In Hong Kong, there is the common law concept of the fiduciary duty of directors. Under the PRC Company Law and the Special Regulations, directors, supervisors, senior management owe a fiduciary duty towards a company and are not permitted to engage in any activities which compete with or damage the interests of the company.

(22) Closure of register of shareholders

The Companies Ordinance requires that the register of shareholders of a company must not generally be closed for the registration of transfers of shares for more than 30 days (extendable to 60 days in certain circumstances) in a year, whereas the articles of association of a company provide, as required by the PRC Company Law, that share transfers may not be registered within 30 days before the date of a shareholders' meeting or within five days before the record date set for the purpose of distribution of dividends.

The Articles of Association was approved at the general meeting on April 20, 2019, and will come into effect upon the date of listing.

The Articles of Association and its relevant amendments has been adopted or approved by the shareholders at the general meeting in accordance with the applicable laws and regulations. The Articles of Association is complied with the requirements under the Company Law of the PRC, the Securities Law of the PRC, the Special Regulations, the Mandatory Provisions and the Reply on Opinions Concerning the Supplement and Amendment to the Articles of Association by Companies to be Listed in Hong Kong.

POWER OF DIRECTORS, SUPERVISORS AND OTHER SENIOR OFFICERS TO ALLOT AND ISSUE SHARES

There is no provision in the Articles of Association empowering our Directors, supervisors or other senior officers to allot and issue shares.

Proposals to increase registered capital of our Company must be formulated by the Board and submitted for approval by an affirmative vote of at least two thirds or more of the voting rights at the general meeting. Any such increase is subject to the formal formalities prescribed by relevant laws and administrative regulations.

POWER TO DISPOSE ASSETS OF OUR COMPANY

The Board shall not dispose of or agree to dispose of any fixed assets without approval by the general meeting if the sum of the expected value of the fixed assets to be disposed of and the value derived from the disposal of fixed assets within four months before such proposed disposal of the fixed assets exceeds 33 percent of the value of the fixed assets as shown on the latest balance sheet considered and approved at the general meeting. Disposals of fixed assets mentioned herein include transfer of certain asset interests, but do not include provision of security interests by pledge of fixed assets.

The effectiveness of our Company's disposal of fixed assets shall not be affected by any breach of the foregoing provisions in Paragraph 1 of this article.

REMUNERATION AND INDEMNIFICATION OR COMPENSATION FOR LOSS OF OFFICE

Our Company shall enter into written contract with a director, supervisor, senior management in relation to emoluments, which shall be approved in advance by the shareholders in a general meeting. The aforesaid remuneration shall include:

- emoluments in respect of his service as director, supervisor, or senior management personnel of our Company;
- emoluments in respect of his service as a director, supervisor or senior management personnel of any subsidiary of our Company;
- emoluments in respect of the provision of other services in connection with the management of our Company and any of its subsidiaries; and
- payment by way of compensation for loss of office, or as consideration for or in connection with his retirement from office.

No proceedings may be brought by a director or supervisor against our Company for anything due to him except pursuant to the preceding contracts.

The contract concerning the emoluments between our Company and its directors or supervisors should provide that in the event that our Company is acquired, our Company's directors and supervisors shall, subject to the prior approval of shareholders in a general meeting, have the right to receive compensation or other payment for his loss of office or retirement. For the purposes of this paragraph, "the acquisition of our Company" includes any of the following:

- an acquisition offer made by any person to the general body of shareholders;
- an acquisition offer made by any person with a view to the offeror becoming a "controlling shareholder" within the meaning of the Articles of Association.

If the relevant director or supervisor does not comply with this article, any payment so received by him shall belong to those persons who have sold their shares as a result of the aforementioned offer. The expenses incurred in distributing such payment on a pro rata basis amongst such persons shall be borne by the relevant director or supervisor and shall not be deducted from such payment.

LOANS TO DIRECTORS, SUPERVISORS AND OTHER OFFICERS

Our Company shall not directly or indirectly make a loan to or provide any guarantee in connection with the making of a loan to a director, supervisor, general manager and other senior management personnel of our Company and its controlling shareholder; and shall not indirectly make a loan to or provide any guarantee for any of their respective associates.

The foregoing prohibition shall not apply to the following circumstances:

- provision of a loan or guarantee for a loan by our Company to its subsidiary;

- the provision by our Company of a loan or a guarantee in connection with the making of a loan or other payment to its directors, supervisors, general manager and other senior management personnel to meet expenditure incurred or to be incurred by him for the purposes of our Company or for the purpose of enabling him to perform his duties properly, in accordance with the terms of service contracts approved by the shareholders in general meetings; and

- if the ordinary course of business of our Company includes providing loans or guarantees, our Company may make a loan to or provide a guarantee in connection with the making of a loan to a director, supervisor, general manager and other senior management personnel or his associates in the ordinary course of its business on normal commercial terms.

PROVISION OF FINANCIAL AID FOR ACQUIRING THE SHARES OF OUR COMPANY

Our Company and its subsidiaries shall not, at any time, provide any form of financial assistance to a person who is acquiring or is proposing to acquire shares in our Company. This includes any person who directly or indirectly incurs any obligations as a result of acquisition of shares in our Company.

Our Company and its subsidiaries shall not, at any time, provide any form of financial assistance for the purposes of reducing or discharging the obligations assumed by any person as a result of acquisition of shares in our Company. However, the following acts shall not be prohibited:

- the provision of financial assistance by our Company where the financial assistance is given in good faith and in the interests of our Company, and the principal purpose of which is not for the acquisition of shares in our Company, or the giving of the financial assistance is an incidental part of some larger purpose of our Company;

- the lawful distribution of our Company's assets as dividends;

- the distribution of dividends in the form of shares;

- a reduction of registered capital, a repurchase of shares of our Company or a reorganization of the shareholding structure of our Company effected in accordance with the Articles of Association;

- the provision of loans by our Company for its normal operations within its normal scope of business (provided that this does not reduce the net assets of our Company or that financial assistance is provided out of the distributable profits of our Company, if it does reduce the net assets of our Company); and

- contributions made by our Company to employee share schemes (provided that this does not reduce the net assets of our Company or that financial assistance is provided out of the distributable profits of our Company, if it does reduce the net assets of our Company).

In this regard:

"Financial assistance" includes, but not limited to:

- gifts;

- guarantee (including the assumption of obligations of another or provision of assets to secure the performance of obligations by another), compensation (other than compensation arising out of our Company's own fault) or release or waiver of any right;

- provision of a loan or the making of any other agreement under which the obligations of our Company are to be fulfilled before the obligations of another party, or the change in parties to, or the assignment of rights under, such loan or contract; and

- any other form of financial assistance given by our Company when our Company is unable to pay its debts, has no net assets or when its net assets would be reduced by a material extent.

"Assumption of obligations" by a person includes the assumption of obligations by way of contract or other arrangement (irrespective of whether such contract or arrangement is enforceable or not and irrespective of whether such obligations are borne jointly with other persons) or by any other means which results in a change in his financial position.

DISCLOSURE OF MATTERS RELATING TO THE CONTRACT RIGHTS OF OUR COMPANY

Where a director, supervisor, general manager and senior management personnel of our Company is in any way, directly or indirectly, materially interested in a contract, transaction or arrangement or proposed contract, transaction or arrangement with our Company, he/she shall declare the nature and extent of his interests to the Board at the earliest opportunity, whether or not the contract, transaction or arrangement or proposal therefore is otherwise subject to the approval of our Board.

Unless the interested director, supervisor, general manager and senior management personnel discloses his interests in accordance with the preceding sub-paragraph of this article and the contract, transaction or arrangement is approved by the Board at a meeting in which the director, supervisor, general manager or senior management personnel is not counted as part of the quorum and refrains from voting our Company shall have the right to cancel such contract, transaction or arrangement except as against a bona fide party who does not have notice of the breach of duty by the interested director, supervisor and senior management personnel.

A director, supervisor, general manager and senior management personnel of our Company is deemed to be interested in a contract, transaction or arrangement in which any of their associate is interested.

Where a director, supervisor and senior management personnel of our Company gives to our Board a notice in writing stating that, by reason of the facts specified in the notice, he is interested in contracts, transactions or arrangements which may subsequently be made by our Company, that notice shall be deemed for the purposes of the preceding article to be a sufficient disclosure of his/her interests, so far as the content stated in such notice is concerned, provided that such notice shall have been given before the date on which the question of entering into the relevant contract, transaction or arrangement is first taken into consideration by our Company.

REMUNERATION

As described in the paragraph headed "Remuneration and Indemnification or Compensation for Loss of Office" above, the remuneration of directors and supervisors is subject to approval by the shareholders at the general meeting.

RESIGNATION, APPOINTMENT AND DISMISSAL

Our Company shall establish a Board, which shall comprise of six to nine Directors. A Director is not required to hold any Shares. The Board shall have one chairman. Directors shall be elected or replaced by the general meeting and serve a term of office of three years. Except for independent non-executive Directors, who are limited to a maximum term of nine years, a Director may serve consecutive terms if re-elected upon the expiration of his/her term. Subject to the requirements of relevant laws and administrative regulations, the general meeting may remove any Directors by ordinary resolution (but without prejudice to any claims for damages under any contracts) prior to the expiration of the term of such Directors.

None of the following persons may serve as a Director, supervisor, general manager or other senior management of our Company:

- a person who does not have or who has limited capacity for civil conduct;
- a person who has been found guilty of for corruption, bribery, infringement of property or misappropriation of property or other crimes which disrupt the social economic order, and not more than five years have lapsed since the sentence was served or a person who has been deprived of his/her political rights and not more than five years have lapsed since the sentence was served;
- person who is a former director, factory manager or manager of a company or enterprise which has been dissolved or put into liquidation and who was personally liable for the winding up of such company or enterprise, where less than three years have elapsed since the date of completion of the insolvent liquidation of the company or enterprise;
- a person who is a former legal representative of a company or enterprise the business license of which was revoked due to violation of law and ordered to close and who are personally liable therefore, where less than three years have elapsed since the date of the cancellation of the business license;
- a person who has a relatively large amount of debts which have become due and outstanding;
- a person who is currently under investigation by the judicial authorities for violation of criminal law;
- a person who, according to laws and administrative regulations, cannot act as a management of an enterprise;
- a person other than a natural person;

- a person who has been adjudged by the competent authority for violation of relevant securities regulations and such conviction involves a finding that such person has acted fraudulently or dishonestly, where not more than five years have lapsed from the date of such conviction;

- the circumstances specified in the relevant laws and regulations in the place where our Company's shares are listed.

The validity of an act carried out by directors, general manager and other senior management personnel of our Company on behalf of our Company shall, as against a bona fide third party, not be affected by any irregularity in his office, election or any defect in his qualification.

Shareholder(s) severally or jointly holding more than 3% of the total outstanding issued voting shares of our Company may, by way of a written proposal, put forward to the general meeting about the candidates for Directors and Supervisors (not being staff representatives). However, the number of candidates proposed shall comply with the provisions of the Articles of Association, and shall not be more than the number to be elected.

There is no provision in the Articles of Association regarding retirement or non-retirement of Directors under an age limit.

DUTIES AND RESPONSIBILITIES

In addition to the obligations imposed by laws, administrative regulations or the listing rules of the stock exchange on which shares of our Company are listed, each of our Company's directors, supervisors, general manager and other senior management personnel owes a duty to each shareholder, in the exercise of the duties and powers which our Company has entrusted to him:

- not to procure our Company to do anything ultra vires to the scope of business as stipulated in its business license;

- to act honestly and in the best interests of our Company;

- not to expropriate our Company's property in any way, including, but not limited to, usurpation of opportunities which may benefit our Company;

- not to deprive of the individual interest of shareholders, including, but not limited to, rights to distribution and voting rights, save and except pursuant to a restructuring of our Company which has been submitted to the shareholders in general meeting for approval in accordance with the Articles of Association.

Each of our Company's directors, supervisors, general manager and other senior management personnel owes a duty, in the exercise of his/her powers or in the discharge of his/her duties, to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Each of our Company's directors, supervisors, general manager and other senior management personnel shall exercise his/her powers or perform his/her duties in accordance with the fiduciary principle, and shall not put himself in a position where his/her duty and his/her interest may conflict. This principle includes, but not limited to, discharging of the following obligations:

- to act bona fide in the best interests of our Company;
- to act within the scope of his/her powers and not to exceed such powers;
- to exercise the discretion vested in him/her personally and not to allow himself/herself to act under the control of another and, unless and to the extent permitted by laws, administrative regulations or with the informed consent of shareholders given in a general meeting, not to transfer the power to exercise his discretion to others;
- to treat shareholders of the same class equally and to treat shareholders of different classes fairly;
- unless otherwise provided for in the Articles of Association or except with the informed consent of the shareholders given in a general meeting, not to enter into any contract, transaction or arrangement with our Company;
- not to use our Company's property for his/her own benefit, without the informed consent of the shareholders given in a general meeting;
- not to abuse his/her position to accept bribes or other illegal income or expropriate our Company's property in any way, including, but not limited to, opportunities which benefit our Company;
- not to accept commissions in connection with our Company's transactions, without the informed consent of the shareholders given in a general meeting;
- to comply with the Articles of Association, to perform his duties faithfully, to protect our Company's interests and not to exploit his position and power in our Company to advance his/her own interests;
- not to compete with our Company in any way, save with the informed consent of the shareholders given in a general meeting;

- not to misappropriate our Company's funds, not to use our Company's assets or funds to set up deposit accounts in his own name or in the any other name; without the consent of the shareholder's general meeting or the Board, not to lend the funds of Company to others or use the properties of our Company to provide guarantee for the shareholders of our Company or other individuals in violation of the Articles of Association;

- not to divulge any confidential information relating to our Company which he/she has obtained during his/her term of office, without the informed consent of the shareholders in a general meeting; nor shall he use such information otherwise than for our Company's benefit, unless disclosure of such information to the court or other governmental authorities is made in the following circumstances:

  - disclosure is required by law;

  - public interests so require;

  - the interests of the relevant director, supervisor, general manager, or senior management personnel so require.

Each director, supervisor, general manager and other senior management personnel of our Company shall not direct the following persons or institutions ("associates") to act in a manner which a director, supervisor, general manager and other senior management personnel is prohibited from so acting:

(I) the spouse or minor children of the director, supervisor, general manager and other senior management personnel of our Company;

(II) the trustee of the director, supervisor, general manager and other senior management personnel or trustee of any person described in sub-paragraph (I) above;

(III) partners of directors, supervisors, general manager and other senior management personnel or any person referred to in sub-paragraphs (I) and (II);

(IV) a company in which a director, supervisor, general manager and other senior management personnel, whether alone or jointly with one or more of the persons referred to in sub-paragraphs (I), (II) and (III) of this article or other directors, supervisors, general manager and other senior management personnel, has de facto controlling interest; and

(V) the directors, supervisors, general manager and other senior management of a company which is being controlled in the manner set out in sub-paragraph (IV) above.

The duty of directors, supervisors, general manager and other senior management personnel to act in good faith does not necessarily terminate on the expiration of their term of office. His/her duty of confidentiality in respect of trade secrets of our Company survives the termination of his tenure. Other duties may continue for such period as the principle of fairness may require depending on the length of time which has lapsed between the termination and the act concerned and on the circumstances and the terms under which the relationship with our Company was terminated.

In addition to any rights and remedies provided by the laws and administrative regulations, where a director, supervisor, general manager and other senior management personnel of our Company breaches the duties which he owes to our Company, our Company has a right:

- to demand such director, supervisor, general manager and other senior management personnel to compensate our Company for its losses sustained as a result of such breach;

- to rescind any contract or transaction which has been entered into between our Company and such director, supervisor, general manager and other senior management personnel or entered into between our Company and a third party (where such third party knew or should have known that such director, supervisor, general manager and other senior management personnel representing our Company has breached his duties owed to our Company);

- to demand such director, supervisor, general manager and other senior management personnel to surrender the gains made as result of the breach of his obligations;

- to recover any monies which should have been received by our Company and which were received by such director, supervisor, general manager and other senior management personnel instead, including, but not limited to, commissions;

- to demand repayment of interest earned or which may have been earned by a director, supervisor, general manager and other senior management personnel on money that should have been paid to our Company; and

- to request for judgment through legal proceedings that the properties acquired by directors, supervisors, general manager and other senior management personnel through their breach of duties shall belong to our Company.

BORROWINGS POWER

The Articles of Association do not specifically provide for the manner in which borrowing powers may be exercised nor do they contain any specific provision in respect of the manner in which such borrowing powers may be amended, except for:

- provisions which authorize the Board to formulate proposals for the issuance of debentures and other securities by our Company;

- provisions which provide that the issuance of debentures and other securities shall be approved by the general meeting by a special resolution.

AMENDMENTS TO CONSTITUTIONS

Our Company may amend the Articles of Association in accordance with laws and the requirements of the Articles of Association.

An amendment to the Articles of Association in connection with the Mandatory Provisions shall be subject to approval of the company examination and approval authority authorized by the State Council; where amendment involves the registration of our Company, application shall be made for alteration of registration in accordance with the laws.

VARIATION TO THE EXISTING RIGHTS OF CLASS OF SHAREHOLDERS

Those shareholders who hold different classes of shares are class shareholders. Class shareholders shall enjoy rights and assume obligations in accordance with laws, administrative regulations and the Articles of Association and its appendices.

In addition to shareholders of other classes of shares, shareholders of domestic shares and overseas listed foreign shares shall be deemed as shareholders of different classes of shares.

Rights conferred on any class of shareholders ("class rights") may not be varied or cancelled save with the approval of a special resolution of shareholders in a general meeting and by holders of shares of that class at a separate meeting conducted in accordance with the Articles of Associations.

The following circumstances shall be deemed to be variation or cancellation of the rights attaching to a particular class of shares:

- to increase or decrease the number of shares of that class, or to increase or decrease the number of shares of a class having equal or better voting, distribution or other rights to those of shares of that class;

- to exchange all or part of the shares of that class for shares of another class or to exchange or to create a right to exchange all or part of the shares of another class for shares of that class;

- to remove or reduce rights to accrued dividends or to cumulative dividends attaching to shares of that class;

- to reduce or remove preferential rights attaching to shares of that class to receive dividends or to the distribution of assets in the event that our Company is liquidated;

- to add, remove or reduce conversion privileges, options, voting rights, transfer or pre-emptive rights, or rights to acquire securities of our Company attaching to shares of that class;

- to remove or reduce rights to receive payment from our Company in specific currencies attaching to shares of that class;

- to create a new class of shares having equal or better voting, distribution or other rights to those of the shares of that class;

- to impose or increase restrictions on the transfer or ownership of shares of that class;

- to issue rights to subscribe for, or to convert the existing shares into, shares in our Company of that class or another class;

- to increase the rights or privileges of shares of another class;

- to restructure our Company in such a way so as to result in the disproportionate distribution of obligations between the various classes of shareholders; and

- to vary or abrogate the provisions of this chapter.

Affected class shareholders have no right to vote at general meetings. Resolutions of a class of shareholders shall require the approval of shareholders present representing more than two thirds of the voting rights of that class voting in favor of such resolutions.

The time limit for issuing a written notice shall be the same as the written notice period for the non-class shareholders meeting to be convened on the same day of the general meeting of shareholders.

If a class meeting is to be convened by issuing a notice of the meeting, such notice shall be delivered only to the shareholders entitled to vote thereat.

Class meetings shall be conducted in the same manner as general meetings, to the extent possible. The provisions of the Articles of Association and its appendices relating to the manner for the conduct of general meetings are also applicable to class meetings.

Apart from the holders of other classes of shares, the holders of the Domestic Shares and holders of overseas listed foreign shares shall be deemed to be holders of different classes of shares. The special procedures for approval by a class of shareholders shall not apply in the following circumstances:

- where our Company issues, upon the approval by special resolution of its shareholders in a general meeting, either separately or concurrently once every 12 months, not more than 20% of each of its existing issued Domestic Shares and overseas listed foreign shares;

- where our Company's plan to issue Domestic Shares and overseas listed foreign shares at the time of its establishment is carried out within 15 months from the date of approval by State Council securities regulatory authority;

- where the Shares held by the Domestic Shareholders of our Company are transferred to overseas investors and become listed for trading overseas or to be listed in an overseas securities exchange with the approval by State Council securities regulatory authority.

For the purpose of class of the Shareholders, "interested shareholder(s)", as such term is used in the preceding paragraph, means:

- in the case of a repurchase of shares by way of a general offer to all shareholders of our Company or by way of an on-market repurchase in the Stock Exchange in accordance with the requirements under the Articles of Associations, an interested shareholder is a "controlling shareholder" within the meaning of the Articles of Associations;

- in the case of a repurchase of shares by an off-market agreement in accordance with the requirements under the Articles of Associations, a holder of the shares to which the proposed agreement relates;

- in the case of a restructuring of our Company, a shareholder who assumes a relatively lower proportion of obligations than the obligations imposed on shareholders of the same class under the proposed restructuring or who has an interest in the proposed restructuring different from the general interests of the shareholders of that class.

RESOLUTIONS ARE REQUIRED TO BE PASSED BY THE MAJORITY

Resolutions of a general meeting can be divided to ordinary resolutions or special resolutions.

An ordinary resolution of a general meeting shall be passed by an affirmative vote of more than half of the voting rights being held by the Shareholders who are present at the meeting (including proxies).

A special resolution of a general meeting shall be passed by an affirmative vote of more than two-thirds of the voting rights being held by the Shareholders who are present at the meeting (including proxies).

VOTING RIGHT

The shareholders (including their proxies) exercise voting power with the number of voting shares represented by them, and each share has one vote. However, the Shares of our Company held by a corporate do not have voting power, and such shares are not counted in the total number of shares that have voting power upon attendance at a general meeting.

The matters considered at the general meeting shall be voted by open ballot or other means permitted by the listing rules.

If the matter required to be voted by ballot is to elect chairman of a general meeting or adjourn meeting, voting by ballot shall be conducted immediately; for other matters required to be voted by ballot, the chairman will decide when to vote, the meeting can proceed to other matters, and the voting results will still be deemed as resolution adopted at the meeting.

During the voting by poll, shareholders (including their proxies) with two or more voting rights do not necessarily use all their voting rights to vote for or against a proposal or abstain from voting.

In the case of an equality of votes, the chairman of the meeting shall have a casting vote.

ANNUAL GENERAL MEETING

The annual general meeting shall be convened once a year, and shall take place within 6 months of the end of the previous accounting year.

ACCOUNT AND AUDIT

Our Company shall establish its financial and accounting systems in accordance with the laws and administrative regulations as well as the regulations formulated by the relevant departments of the State.

The Board of our Company shall place before the Shareholders at every annual general meeting such financial reports which the relevant laws, administrative regulations and directives promulgated by competent regional and central governmental authorities require a company to prepare.

The financial statements of our Company shall be prepared not only in accordance with the PRC accounting standards for business enterprises and relevant regulations but also in accordance with international accounting standards or the accounting standards of the place(s) outside the PRC where shares of our Company are listed. If there are major differences in the financial statements prepared in accordance with these two sets of accounting standards, such differences shall be stated in such financial statements.

Our Company's financial reports shall be made available for Shareholders' inspection at our Company twenty (20) days before the date of Shareholders' annual general meeting.

A copy of either the aforementioned financial report (including every document required by law to be annexed in the balance sheet) shall, at least 21 days before the date of the general meeting, be sent or mailed by prepaid post to every overseas listed foreign shareholder, and the address of addressee shall be subject to the address registered in the register of members.

Our Company published financial reports twice every fiscal year, i.e. publishing interim financial reports within 60 days at the end of the first 6 months of a fiscal year, publishing annual financial report within 120 days after the end of a fiscal year, and publishing quarterly financial report within a month as of the end of the first three months and first nine months of each fiscal year.

NOTICE OF MEETING AND PROPOSED MATTER

General meetings are divided into annual general meetings and extraordinary general meetings.

Extraordinary general meetings shall be convened as and when necessary. The Board shall convene an extraordinary general meeting within two (2) months after the occurrence of any one of the following circumstances:

- where the number of Directors is less than the number stipulated in PRC Company Law or less than two-thirds of the number required by the Articles of Association;

- where the accrued losses of our Company amount to one-third of its total share capital;

- where Shareholders holding ten (10) per cent. or more of our Company's issued shares make a request in writing to convene an extraordinary general meeting;

- where the Board considers necessary or proposed to convene by the Supervisory Board;

- where two or above independent non-executive Directors propose to convene;

- other circumstances stipulated by laws, administrative regulations, departmental rules and regulations, local listing rules of securities exchanges where our Company's shares are listed or the Articles of Association.

When our Company convenes a general meeting, shareholders individually or jointly holding 3% or more of the total voting shares of our Company shall be entitled to propose new resolutions in writing to our Company and submit to the convener 10 days prior to the convening of the general meeting. The convener of the general meeting shall issue a supplemental notice of general meeting to other shareholders within 2 days after the receipt of such proposal and incorporate the matters falling within the scope of duties of the general meeting into the agenda of such meeting. The new agenda shall be tabled to the general meeting for consideration.

Where the Company convenes a general meeting, a notice shall be given 20 working days before the meeting to notify each of the shareholders of the time and venue of the meeting and matters to be deliberated; the period of notification for extraordinary general meeting shall be 15 days or 10 working days before the meeting, whichever is longer.

The announcement referred to in the preceding paragraph shall be published in one or more newspapers designated by the State Council securities regulatory authority during 20 working days to 25 working days prior to the date of the meeting. Upon the publication of the announcement, all holders of domestic shares shall be deemed to have received the notice of the relevant general meeting.

The notice of a general meeting served on the holders of overseas-listed shares may be published through the websites of the Stock Exchange and our Company. Upon the publication of the announcement, all holders of overseas listed foreign shares shall be deemed to have received the notice of the relevant general meeting.

The accidental omission to give notice of a meeting to, or the non-receipt of notice of a meeting by, any person entitled to receive notice shall not invalidate the meeting and the resolutions passed at the meeting.

Notice of a general meeting shall:

- be in writing;
- specify the time, place and date of the meeting;
- set out the matters to be considered at the meeting;
- provide such information and explanation as are necessary for the shareholders to make informed decisions on the matters to be considered. This principle includes (but is not limited to), where a proposal is made to amalgamate our Company with another, to repurchase shares, to reorganize the share capital, or to restructure our Company in any other way, the terms of the proposed transaction must be provided in detail together with copies of the proposed contract (if any), and the cause and effect of such proposal shall be properly described;
- disclose the nature and extent of the material conflict of interest, if any, of any director, supervisor, general manager and other senior management in the matters to be considered; and provide an explanation of the differences, if any, between the way in which the matter to be considered would affect such director, supervisor, general manager and other senior management in his/her capacity as shareholders and the way in which such matter would affect other shareholders of the same class;
- set out the full text of any special resolution proposed to be passed at the meeting;
- contain conspicuously a statement that a shareholder entitled to attend and vote have the right to appoint one or more proxies to attend and vote on his behalf and that such proxy need not be a shareholder of our Company;
- specify the time and place for lodging proxy forms for the relevant meeting.

Our Company shall not, without the prior approval of the general meeting, enter into any contract with any party (other than the directors, supervisors, general manager and other senior management) pursuant to which such party shall be in charge of management of the whole or any substantial part of our Company's business.

The following matters shall be resolved by ordinary resolutions at a general meeting:

- work reports of the Board and the Board of Supervisors;
- plans formulated by the Board for distribution of profits and for making up losses;
- appointment or removal of members of the Board and the Board of Supervisors (except for staff representative supervisors), and their remuneration and manner of payment thereof;
- our Company's annual financial budgets and final accounts, balance sheets, income statements and other financial statements;
- matters other than those required by the laws, administrative regulations or the Articles of Association to be approved by special resolution.

The following matters shall be resolved by special resolutions at a general meeting:

- increase in or reduction of our Company's share capital, and issue of shares of any class, warrants and other similar securities;
- issue of corporate debentures of our Company;
- demerger, merger, dissolution and liquidation of our Company;
- change of corporate form of our Company;
- the purchase or disposal of material assets or provision of guarantee by our Company within a year of a value exceeding 30% of our Company's latest audited total assets;
- amendment to the Articles of Association;
- the share incentive plan to be considered and approved;
- repurchase of the Shares of our Company;
- any other matters prescribed by the laws, administrative regulations or the Articles of Association, and those approved as an ordinary resolution at a general meeting that may have material impact on our Company and are required to be approved by a special resolution;
- other matters required by the Listing Rules of the Stock Exchange to be adopted by special resolution.

TRANSFER OF THE SHARES

Upon the approval of the State Council securities regulatory authority, the Domestic Shareholders of our Company may transfer the Shares held by him/her to the overseas investors and become listed for trading overseas. When transferred shares are listed and traded on an overseas stock exchange, the shares are subject to the regulatory procedures, regulations and requirements of the overseas stock exchange. Our Company does not need to convene a class meeting to vote for the transferred shares traded in overseas stock exchange.

Unless otherwise provided by the PRC laws, administrative regulations and relevant requirements of the securities regulatory authorities in the place where our Company's shares are listed, fully paid shares of our Company are freely transferable and are not subject to any lien. Transfer of overseas listed shares listed in Hong Kong requires to be registered with the share registrar in Hong Kong entrusted by our Company. If fees are charged for such registration, such fees shall be no more than the maximum fee as stipulated from time to time by the Listing Rules of the Stock Exchange.

Alteration or rectification of each part of the register of shareholders shall be made in accordance with the laws of the place where that part of the register of shareholders is maintained.

No share transfer or exchange may be entered in the register of shareholders within 30 days prior to the date of a general meeting or within 5 days before the record date set by our Company for the purpose of distribution of dividends.

OUR COMPANY'S RIGHT TO REPURCHASE ITS SHARES

Our Company may, in accordance with the provisions set out in the laws, administrative regulations, the Listing Rules of the Stock Exchange, departmental rules and the Articles of Association and subject to the approval of the relevant governing authorities of the PRC, repurchase its outstanding shares under the following circumstances:

(I) cancellation of its shares for the purpose of reducing its registered capital;

(II) merging with another company which holds the shares of our Company;

(III) granting shares as incentive compensation to the staff of our Company;

(IV) acquiring the shares upon request by shareholders who vote against any resolution adopted at the general meeting on the merger or demerger of our Company;

(V) utilizing the Shares for conversion of convertible bonds issued by a listed company which are convertible into shares;

(VI) as required for maintenance of a listed company's value and shareholders' rights and interests;

(VII) any other circumstances permitted by the laws and administrative regulations and approved by the regulatory authorities.

Due to reasons of those mentioned in (I), (II) or (IV) above, our Company may, upon the approval of the relevant governing authorities of the PRC, repurchase its Shares in one of the following ways:

(I) making a pro rata general offer of repurchase to all its shareholders;

(II) repurchasing shares through public trading on a stock exchange;

(III) repurchasing by an off-market agreement outside a stock exchange;

(IV) any other circumstances permitted by the laws and administrative regulations and approved by the governing authorities.

Where our Company acquires its Shares pursuant to (III), (IV) and (VI) above, it shall be conducted through open centralized trading.

Our Company must obtain the prior approval of the general meeting, in the manner stipulated in the Articles of Association in prior to repurchase shares by means of an off-market agreement outside a stock exchange. Our Company may, by obtaining the prior approval of the general meeting in the same manner, release or vary, or waive its rights under, an agreement which has been so entered into.

An agreement for the repurchase of shares includes (without limitation) an agreement to become liable to repurchase shares or an agreement to have the right to repurchase shares. Our Company shall not assign a contract for the repurchase of its shares or any right contained in such agreement.

After cancelling the repurchased shares lawfully, our Company shall apply to the original companies registration authority for registration of the change of its registered capital and issue a relevant announcement accordingly.

The aggregate par value of the cancelled shares shall be deducted from our Company's registered capital.

Unless our Company is in the course of liquidation, it must comply with the following provisions in relation to repurchase of its outstanding shares:

- where our Company repurchases shares at par value, payment shall be made out of book surplus distributable profits of our Company or out of proceeds of a new issue of shares made for that purpose;

- where our Company repurchases shares of our Company at a premium to its par value, payment up to the par value may be made out of the book surplus of distributable profits of our Company, out of the proceeds of a new issue of shares made for that purpose. Payment of the portion in excess of the par value shall be effected as follows:

  - if the shares being repurchased were issued at par value, payment shall be made out of the book surplus of distributable profits of our Company;

  - if the shares being repurchased were issued at a premium to its par value, payment shall be made out of the book surplus of distributable profits of our Company or out of the proceeds of a new issue of shares made for that purpose, provided that the amount paid out of the proceeds of the new issue shall not exceed the aggregate amount of premiums received by our Company on the issue of the shares repurchased nor shall it exceed the amount of our Company's premium account (or the capital reserve account) at the time of the repurchase (including the premiums on the new Shares);

- our Company shall make the following payments out of our Company's distributable profits:

  - payment for the acquisition of the right to repurchase its own shares;

  - payment for variation of contract for the repurchase of its shares;

  - payment for the release of its obligations under contract for the repurchase.

- after our Company's registered capital has been reduced by the aggregate par value of the cancelled shares in accordance with the relevant provisions, the amount deducted from the distributable profits of our Company for payment of the par value of shares which have been repurchased shall be transferred to our Company's premium account (or capital reserve fund account).

  Where an issuer has the right to repurchase redeemable shares:

  - repurchases not made on-market or by tender shall be limited to a maximum price; and

  - if repurchases are made by tender, tenders shall be made to all shareholders alike.

POWER OF SUBSIDIARIES OF OUR COMPANY TO HOLD THE SHARES OF OUR COMPANY

There is no requirement to restrict any subsidiary of our Company to hold the Shares of our Company pursuant to the Articles of Associations.

DIVIDEND AND OTHER METHODS OF PROFIT DISTRIBUTION

Our Company may distribute dividends in the form of cash or share certificate (or a combination of both).

Our Company shall appoint a payment receiving agent in Hong Kong for holders of overseas listed foreign shares. The payment receiving agent shall receive on behalf of such shareholders any dividends and other amounts payable by our Company to them in respect of the overseas listed foreign shares, and such payment shall be kept by the payment receiving agent on such shareholders' behalf for any payment to them.

Any shareholder who is entitled to attend and vote at a general meeting shall be entitled to appoint one or more persons (whether or not a shareholder) as his proxy to attend and vote on his behalf. A proxy so appointed shall be entitled to exercise the following rights in accordance with the authorization from that shareholder:

- the shareholder's right to speak at the meeting;
- the right to demand, whether on his own or together with others, a poll;
- the right to vote by hand or on a poll, but a proxy of a shareholder who has appointed more than one proxy may only vote on a poll.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorized in writing, or if the appointor is a legal person, either under seal or under the hand of a director or attorney duly authorized. If the appointor is a legal person, its legal representative or any person authorized by the resolutions of the Board or other governing body shall attend the general meeting of our Company as the appointor's representative.

Where the general meeting is attended by proxy, he shall produce the identification proof and letter of authorization signed by the appointor or its legal representative, the board or other decision-making authorities which indicates the date of appointing. Where corporate shareholder appoints its legal representative to attend the meeting, the legal representative shall produce the identification proof and the copy of the notarized certified resolutions of the Board or other authorities of the legal person appointing the said legal representative or other certified copy permitted by our Company.

The proxy form shall contain the following: number of shares represented by and name of the proxy; whether voting power is granted to the proxy; whether the proxy is entitled to vote for the temporary resolution proposed at any general meeting; instruction of voting if voting power is granted; date of appointing a proxy and the effective period for such appointment. Where a shareholder appoints more than one proxy, he shall specify the number of shares represented by each proxy in the proxy form.

Any form issued to a shareholder by the Board of our Company for the purpose of appointing a proxy of shareholder shall be in such form which enables the shareholder, according to his free will, to instruct his proxy to vote in favor of or against the motions proposed and in respect of each individual matters to be voted on at the meeting. Such a form shall contain a statement that in the absence of instructions from the appointor, the proxy may vote as he thinks fit.

Where the appointor has deceased, incapacitated to act, withdrawn the appointment or the power of attorney or where the relevant shares have been transferred prior to the voting, a vote given by the proxy in accordance with the power of attorney shall remain valid provided that no written notice of such event has been received by our Company prior to the commencement of the relevant meeting.

CALLS ON SHARES AND FORFEITURE OF SHARES

Any amount paid up in advance of calls on any share may carry interest but shall not entitle the relevant shareholder to participate in respect thereof in a dividend subsequently declared.

Our Company has the power to sell, by means considered appropriate by the Board, the shares of a holder of the overseas-listed shares who is untraceable under the following circumstances:

- during a period of 12 years at least 3 dividends in respect of the shares in question have become payable and no dividend during that period has been claimed; and

- on expiry of the 12 years our Company gives notice of its intention to sell the shares by way of an announcement published in one or more newspapers in the place where our Company's shares are listed and notifies the Stock Exchange of such intention.

RIGHTS OF THE SHAREHOLDERS

Holders of ordinary shares of our Company shall have the following rights:

- the right to receive dividends and other distributions in proportion to the number of shares held;

- the right to request, convene, chair, attend and vote in person or appoint a proxy to attend and vote on his behalf at general meetings in proportion to the number of shares held in accordance with laws;

- the right to supervise and manage our Company's business operations, and to put forward proposals and raise inquiries;

- the right to transfer, give or pledge the shares held in accordance with laws, administrative regulations and the Articles of Association;

- the right to obtain relevant information in accordance with the provisions of the Articles of Association, including:

  1. a copy of the Articles of Association upon payment of a charge at cost;

  2. the right to inspect and copy, subject to payment of a reasonable charge:

     (1) all parts of the register of shareholders;

     (2) personal particulars of each of our directors, supervisors, general manager and other senior management, including:

        (a) present and former names and aliases;

        (b) principal address (place of residence);

        (c) nationality;

        (d) primary and all other part-time occupations and duties;

        (e) identification documents and numbers;

     (3) a report on the state of the issued share capital of our Company;

     (4) the latest audited financial statements of our Company, and the reports of directors, auditors and supervisors;

     (5) special resolutions of our Company;

     (6) reports showing the quantity and par value in respect of each class of shares repurchased by our Company since the end of the last financial year, the aggregate amount paid by our Company for this purpose, and the maximum and minimum prices paid in respect of each class of securities repurchased (with a breakdown between domestic shares and overseas-listed shares);

     (7) minutes of the general meetings (for shareholders' review only);

     (8) corporate bond counterfoils, special resolutions of the general meeting, resolutions of the Board meetings and resolutions of the Board of Supervisors meeting;

     (9) copy of the latest annual return submitted to the Administration for Industry and Commerce of the PRC or other competent authorities.

Our Company shall deposit the documents in clauses (1) to (9) above (other than clause (2)) and other applicable documents at its Hong Kong address as required by the Main Board Listing Rules available for free inspection of the public and the holders of overseas listed foreign shares.

Our Company may refuse any inspecting or copying request which involves commercial secrets and insider information on our Company and privacy of relevant personnel.

- in the event of the termination or liquidation of our Company, the right to participate in the distribution of the remaining assets of our Company according to the number of shares held;

- with respect to shareholders who vote against any resolution adopted at the general meeting on the merger or demerger of our Company, the right to demand our Company to acquire the shares held by them;

- shareholders individually or jointly holding 3% or more of our Company's shares can make a provisional motion in writing to the Board 10 days before the date of general meeting;

- any other rights conferred by laws, administrative regulations, departmental rules or the Articles of Association.

RIGHTS OF MINORITIES IN RELATION TO FRAUD OR OPPRESSION

In addition to obligations imposed by laws, administrative regulations or required by the listing rules of the stock exchange on which our Company's shares are listed, a controlling shareholder shall not exercise his voting rights in respect of the following matters in a manner prejudicial to the interests of all or part of the shareholders of our Company:

- to relieve a director or supervisor of his duty to act honestly in the best interests of our Company;

- to approve the directors or supervisors (for their own account or for the account of other parties) to deprive our Company of its assets in any manner, including, but not limited to, any opportunity favorable to our Company;

- to approve the directors or supervisors (for their own account or for the account of other parties) to deprive another shareholder of his personal interest, including, but not limited to, any allocation right and voting right, but excluding any corporate restructuring proposal submitted to the general meeting for approval in accordance with the Articles of Association.

For the purpose of the Articles of Association, a "controlling shareholder" means a shareholder who satisfies any one of the following conditions:

- any person acting on his/her own or in concert with other parties has the power to elect not less than half of the directors;

- any person acting on his/her own or in concert with other parties has the power to exercise or control the exercise of 30% or more of the voting rights of our Company;

- any person acting on his/her own or in concert with other parties holds 30% or more of the outstanding shares of our Company;

- any person acting on his/her own or in concert with other parties has actual control over our Company in any other manner.

The term of "acting in concert" referred to in this article represents an act that any of two or more persons obtain the voting right in our Company by way of their agreement thereon (whether in oral or in written form), so as to realize or reinforce their purpose of controlling our Company.

PROCEDURES FOR LIQUIDATION

In any of the following circumstances, our Company shall be dissolved:

- special resolution on dissolution is passed by shareholders at a general meeting;
- dissolution is necessary due to a merger or demerger of our Company;
- our Company's business license is revoked or it is ordered to close down or it is wound up according to laws;
- our Company is ordered to close down according to laws due to its violation of the laws and administrative regulations;
- where our Company's operations and management encounter serious difficulty, and its continuation will cause substantial loss to the interests of the shareholders and no solution can be found through any other channel, shareholders holding 10% or more of the total voting rights of our Company may make requisition to the people's court to dissolve our Company;
- insolvent is legally declared in accordance with the laws as a result of its inability to pay debts when due;
- the business term of our Company stipulated in the Articles of Association expires, or other events which triggers the dissolution of our Company occurs stipulated in the Articles of Associations.

In the event that the Board decides to liquidate our Company (except for liquidation as a result of the declaration of insolvency by our Company), it shall specify in the notice convening the general meeting for such purpose that the Board has made a full inquiry of the affairs of our Company and is of the opinion that our Company will be able to pay all its debts within 12 months upon commencement of liquidation.

Upon the passing of the liquidation resolution at the general meeting, the duties of the Board of our Company shall cease.

Upon the completion of the liquidation of our Company, the liquidation committee shall prepare a liquidation report, statement of income and expenditure and the financial accounts for the liquidation which, upon verification by an accountant registered in PRC, shall be submitted to the general meeting or the People's Court for confirmation.

IMPORTANT PROVISIONS TO OUR COMPANY OR THE SHAREHOLDERS

General provisions

Our Company is a perpetually existing joint stock limited company. From the effective date of the Articles of Association, the Articles of Association shall be a legally binding document which regulates the organization and acts of our Company, and defines the rights and obligations between our Company and its shareholders and among our Company's shareholders themselves.

Based on its operating and development needs, our Company may, pursuant to the laws, regulations and the Articles of Association and with the approval by special resolution in the general meeting, increase its capital in the following ways:

- offering new shares to non-specially-designated investors for subscription;
- placing new shares to its existing shareholders;
- distributing bonus shares to its existing shareholders;
- issuing new shares to specially-designated investors;
- conversion of capital reserve into share capital;
- any other means which are stipulated by laws and administrative regulations and approved by the relevant regulatory authority.

With the approval and procedures as required by the Articles of Associations, our Company shall increase the capital by way of issuing new shares in accordance with our procedures stipulated in the relevant laws and administrative regulations of the State.

Our Company may reduce its registered capital under the requirements of the Articles of Association. Reduction of registered capital shall be made in accordance with the requirements and the procedures set out in the Company Law of the PRC and the Articles of Association.

When our Company reduces its registered capital, it shall prepare a balance sheet and an inventory of assets.

Our Company shall notify its creditors within 10 days from the date on which the resolution for the reduction of registered capital has been passed and shall publish an announcement to that effect in a newspaper within 30 days thereof. The creditors who have received such notice shall, within 30 days thereafter, and those creditors who have not received such notice shall, within 45 days from the date the announcement, be entitled to require our Company to repay the debt or to provide appropriate alternative guarantees for the debt.

The registered capital of our Company after the reduction of capital shall not fall below the minimum amount required by relevant laws.

A holder of ordinary share(s) of our Company shall undertake the following obligations:

- to observe the laws, administrative regulations and the Articles of Association;
- to pay the subscription price in accordance with the number of shares subscribed for and in the manner of subscription;
- to fulfill its responsibility to our Company to the extent of Shares held by them;
- not to withdraw their fund contribution after approval and registration by our Company, except as provided in laws and administrative regulations;
- other obligations provided by the relevant laws, administrative regulations and the Articles of Association.

Shareholders shall not be liable to bear any further responsibilities beyond those agreed at the time of share subscription, such as future issuance of shares.

Secretary to the Board

Our Company shall have a secretary to the Board. The secretary to the Board is a senior management of our Company.

The principal duties of the secretary to the Board are:

- to ensure that our Company has complete organizational documents and records; to keep and manage shareholder's information; to assist the directors in addressing the routine tasks of the Board;
- to organize and arrange for the board meetings and general meetings, prepare meeting materials, handle relevant meeting affairs, be responsible for keeping minutes of the meetings and ensure their accuracy, keep meeting documents and minutes and take initiative to keep abreast of the implementation of relevant resolutions. Any important issues occurring during the implementation shall be reported and relevant proposals shall be put forward to the Board;
- as the contact person of our Company with the securities regulatory authorities, to be responsible for organizing the preparation and prompt submission of the reports and documents required by the regulatory authorities, and for accepting and organizing the implementation of any assignment from the regulatory authorities;

- to be responsible for coordinating and organizing our Company's disclosure of information, to establish and improve the information disclosure system, to participate in all of our Company's meetings involving the disclosure of information, and to keep informed of our Company's material operation decisions and related information in a timely manner;

- to ensure the proper maintenance of our Company's register of shareholders, and to ensure the persons who are entitled to obtain the relevant records and documents of our Company are able to obtain the same on a timely basis;

- to exercise other functions and powers as conferred by the Board, as well as other functions and powers as required by laws and regulations, and the stock exchange of the place where our Company's shares are listed.

Board of Supervisors

Our Company shall have a Board of Supervisors. The Board of Supervisors shall be composed of three supervisors, one of whom shall act as the chairman of the Board of Supervisors. The term of office of supervisors shall be three years, renewable upon re-election and re-appointment. Our Directors, general manager and other senior management of our Company shall not act concurrently as the Supervisors.

The Board of Supervisors is responsible to the general meeting and exercise the following duties and powers:

- to monitor any acts of directors, the general manager and other senior management in their performance of duties that violate the laws, administrative regulations and the Articles of Association, and to propose dismissal of any directors and senior management who violate the laws, administrative regulations, the Articles of Association or any resolutions of general meetings;

- to demand rectification from a director, general manager and other senior management officers when the acts of such persons prejudice our Company's interest;

- to examine our Company's financial affairs;

- to review financial information such as the financial reports, operation reports and profit distribution schemes to be submitted by the Board to the general meetings; if there is any doubt, to engage certified public accountants and practicing auditors in the name of our Company to assist their review;

- to propose to convene an extraordinary general meeting; and to convene and chair the general meeting in case the Board fails to fulfill the obligations prescribed by PRC Company Law to convene and chair the general meeting;

- to submit proposals to the general meeting;
- to represent our Company in negotiations with, or in bringing actions against, a director;
- to propose to convene an extraordinary meeting of the Board;
- to institute a suit to the directors or senior management officers according to PRC Company Law;
- to exercise other functions and powers specified in the laws, administrative regulations and the Articles of Association.

Supervisors shall attend the board meetings as non-voting participants.

General manager of our Company

The general manager shall be accountable to the Board and exercise the following functions and powers:

- to be in charge of our Company's production, operation and management and report to the Board;
- to organize the implementation of the resolutions of the Board, our Company's annual business plans and investment plans;
- to draft our Company's annual financial budget plans and final accounts, and to put forward the proposal to the Board;
- to draft our Company's basic management system and the plan for establishment of our Company's internal management organization;
- to formulate the specific rules and regulations of our Company;
- to propose to the Board for appointment of dismissal of other senior management such as vice general manager and chief financial officer pursuant to the Articles of Associations and the internal control system of our Company;
- to appoint and dismiss the responsible management personnel and general staff other than those to be employed and dismissed by the Board pursuant to the Articles of Associations and the internal control system of our Company;
- to propose to convene extraordinary board meetings;
- to decide our Company's other issues within the scope of the authority of the Board;

- to decide on projects such as investment, acquisition or disposal and financing which do not need to be decided by the Board or the general meeting;

- other functions and powers granted by the Articles of Association and the Board.

In the exercise of his powers, the general manager shall comply with the laws, administrative regulations and the Articles of Association, and fulfill his duties in good faith and diligence.

Board

The Board shall be accountable to the general meeting and shall have the following duties and powers:

- to convene the general meeting, to propose a proposal or resolution at the general meeting for proposing to the general meeting to approve the relevant matters and report its work to the general meeting;

- to implement the resolutions passed at the general meeting;

- to determine the business plans and investment proposals of our Company;

- to prepare the annual financial budget and final accounts of our Company;

- to prepare the plans for profit distribution and plans for making up losses of our Company;

- to formulate proposals for increases or reductions of our Company's registered capital, proposals for issue of shares and proposals for the issue of corporate debentures or other securities and listing;

- to formulate proposals for material asset acquisition or disposal, repurchase of our Company's shares, and merger, demerger, dissolution or change of corporate form of our Company;

- to determine the establishment of the internal management structure of our Company;

- to appoint or dismiss the general manager and the secretary to the Board of our Company and according to the nomination by the general manager, to appoint or dismiss other senior management such as the vice general manager and the chief financial officer of our Company;

- to determine matters relating to the remuneration of the above senior management;

- to establish the basic management system of our Company;
- to draw up proposals for the amendment of the Articles of Association;
- to propose at the general meetings the appointment or changes of accounting firm;
- to be informed of working reports of the general manager and other senior management of our Company and to examine the work of the general manager and other senior management of our Company;
- to determine the matters such as external investments and external guarantees of our Company within the scope of authorization by general meetings;
- to decide on matters such as investments, acquisition and disposal of assets, financing and connected transactions, etc. which require decisions to be made by the Board in accordance with the requirements of the Listing Rules of the Stock Exchange;
- to decide on other major affairs of our Company, save for matters to be resolved at general meetings as required by PRC Company Law and the Articles of Association;
- to perform other duties and powers as stipulated in the laws and regulations, the Listing Rules of the Stock Exchange, the Articles of Association and as authorized by general meetings.

Each Director shall have one vote.

The Board shall have three special committees, i.e. the Audit Committee, the Remuneration Committee and the Nomination Committee.

Appointment of accounting firm

Our Company shall appoint an independent accounting firm which is qualified according to the relevant requirements of the State for the purpose of auditing the annual financial report and reviewing other financial reports of our Company.

The first accounting firm of our Company may be appointed by the inaugural meeting of our Company before the first annual general meeting of shareholders and the accounting firm appointed shall hold office until the conclusion of the first annual general meeting. If the inaugural meeting fails to exercise its aforesaid powers, those powers shall be exercised by the Board.

The general meeting may by ordinary resolution remove an accounting firm prior to the expiration of its term of office notwithstanding anything contained in the contract entered into between the accounting firm and our Company but without prejudice to the right of the accounting firm to claim damages against our Company for such removal.

The decisions of our Company to appoint, dismiss or not to re-appoint an accounting firm shall be made by the general meeting and shall be put on file with the securities regulatory authority of the State Council.

Dispute resolutions

Whenever any disputes or claims relating to the affairs of our Company arise from the rights and obligations provided for in the Articles of Association, PRC Company Law and other relevant laws and administrative regulations, between the holders of overseas listed foreign shares and our Company, between the holders of overseas listed foreign shares and our Directors, Supervisors, general manager or other senior management of our Company, between the holders of overseas listed foreign shares and other shareholders, the parties involved shall refer such disputes or claims to arbitration.

The disputes or claims mentioned above which are referred to arbitration shall be the entire dispute and claim; all persons having a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of the disputes or claims, if they are, shareholders of our Company, Directors, Supervisors, the general manager and other senior management of our Company, shall submit themselves to such arbitration.

Disputes over who is a shareholder and over the register of shareholders need not be resolved through arbitration.

The party seeking arbitration may elect to have the dispute or claim arbitrated either by the China International Economic and Trade Arbitration Commission according to its arbitration rules or by the Hong Kong International Arbitration Centre according to its securities arbitration rules. Once the party seeking arbitration submits a dispute or claim to arbitration, the other party shall submit to the arbitral body selected by the party seeking arbitration.

If the party seeking arbitration elects to arbitrate at the Hong Kong International Arbitration Centre, either party may apply to have such arbitration conducted in Shenzhen in accordance with the securities arbitration rules of the Hong Kong International Arbitration Centre.

The laws of the PRC (excludes Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan) shall govern the arbitration of disputes or claims unless otherwise provided by the laws and administrative regulations.

The ruling of the arbitral body shall be final and binding on the parties thereto.

For any agreement including the rules of dispute resolutions in this article reached between our Directors, the senior management and our Company, and our Company which represents both itself and each of the shareholders.

Any arbitration submitted shall be deemed as authorizing the arbitration tribunal to conduct a public hearing and announce its verdict.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of Our Company

Our Company was established in the PRC on June 7, 2006 with an initial registered capital of RMB10 million. On October 26, 2015, our Company was converted to a joint stock company with limited liability under the PRC Company Law. Accordingly, our corporate structure and Articles of Association are subject to the relevant laws and regulations of the PRC. The relevant PRC laws and regulatory provisions and a summary of our Articles of Association are set out in Appendices IV and V to this prospectus, respectively.

Our registered place of business in Hong Kong is at 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong. We were registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on June 19, 2019. Ms. Leung Shui Bing of 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong has been appointed as our authorized representative 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 registered capital was RMB10,000,000, which was fully paid up on July 31, 2008. On October 26, 2015, our Company was converted into a joint stock company with limited liability. Our registered capital was RMB18,300,000 divided into 18,300,000 shares with a nominal value of RMB1.00 each.

The following alterations in the total issued share capital of our Company have taken place within the two years immediately preceding the date of this prospectus:

(a) On April 25, 2018, our Shareholders resolved to convert RMB22,400,000 in the capital reserve of our Company into Shares, and allot and issue such Shares to the then Shareholders on a pro rata basis. The total issued share capital was increased from RMB19,600,000 to RMB42,000,000 upon registration with the Shanghai Administration for Industry and Commerce (上海市工商行政管理局) on April 26, 2018;

(b) On December 6, 2018, our Company allotted and issued a total of 18,000,000 new Shares, including (i) 12,600,000 Shares to Ningbo Huaige Taiyi; (ii) 3,000,000 Shares to Ningbo Tongchuang Suwei; (iii) 1,200,000 Shares to Dr. Liang Dongke; and (iv) 1,200,000 Shares to Ningbo Int, all at a purchase price of RMB10 per Share for a total consideration of RMB180,000,000. The allotment and issuance of 18,000,000 new Shares was completed on December 11, 2018 and the total issued share capital of our Company increased from RMB42,000,000 to RMB60,000,000; and

(c) On April 20, 2019, our Shareholders resolved to convert RMB60,000,000 in the capital reserve of our Company into Shares and allot and issue such Shares to the then Shareholders on a pro rata basis. The total issued share capital of our Company increased from RMB60,000,000 to RMB120,000,000 upon registration with the Shanghai Municipal Market Supervision Administration (上海市市場監督管理局) on April 25, 2019.

Assuming the Over-allotment Option is not exercised, upon completion of the Global Offering, our issued share capital will increase to RMB160 million, made up of 120,000,000 unlisted Domestic Shares and 40,000,000 H Shares fully paid up or credited as fully paid up, representing 75% and 25% of our registered share capital, respectively.

For further details, please refer to the section headed "History and Corporate Structure" in this prospectus. Save as disclosed above, there has been no alteration in our share capital within two years immediately preceding the date of this prospectus.

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 prospectus.

Except for the increase in registered capital from RMB10 million to RMB20 million of Zhuhai Derui on September 11, 2018, there has been no alteration in the registered capital or share capital of our subsidiaries within the two years immediately preceding the date of this prospectus.

4. Resolutions of the Shareholders of our Company Passed on April 20, 2019

Pursuant to the resolutions passed at a duly convened general meeting of our Shareholders on April 20, 2019, the following resolutions were passed by the Shareholders:

(a) our H Shares to be listed on the Stock Exchange be issued;

(b) subject to the completion of the Global Offering, the Articles of Association have been approved and adopted, which shall become effective on the Listing Date, and the Board has been authorized to amend the Articles of Association in accordance with any comments from the Stock Exchange and the relevant PRC regulatory authorities; and

(c) authorizing our Board to handle all relevant matters relating to, among other things, the implementation of issuance of H Shares and the Listing.

5. Restrictions on Repurchase

Please refer to Appendices IV and V to this prospectus for 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 prospectus and are or may be material:

(a) an investment agreement (出資協議書) dated February 5, 2018 entered into between our Company and Chen Shufang (陳淑芳), with respect to capital contributions for the establishment of Shanghai Pukon Medical Instruments Co., Ltd. (上海璞康醫療器械有限公司) ("Shanghai Pukon"), pursuant to which, among others, (i) our Company agreed to contribute RMB17 million to acquire 85% equity interest in Shanghai Pukon; and (ii) Chen Shufang (陳淑芳) agreed to contribute RMB3 million to acquire 15% equity interest in Shanghai Pukon;

(b) an investment agreement (出資協議書) dated July 27, 2018 entered into among our Company, Chen Yanli (陳豔麗), Pang Qi (龐琦), Sun Peng (孫鵬), Li Ning (李寧), Zhang Yanhong (張延紅) and Li Jianping (李劍萍), with respect to capital contributions for the establishment of Shanghai Qimu Medical Instruments Co., Ltd. (上海七木醫療器械有限公司) ("Shanghai Qimu"), pursuant to which, among others, (i) our Company agreed to contribute RMB7 million to acquire 35% equity interest in Shanghai Qimu; (ii) Chen Yanli (陳豔麗) agreed to contribute RMB3.3 million to acquire 16.5% equity interest in Shanghai Qimu; (iii) Pang Qi (龐琦) agreed to contribute RMB2.8 million to acquire 14% equity interest in Shanghai Qimu; (iv) Sun Peng (孫鵬) agreed to contribute RMB2 million to acquire 10% equity interest in Shanghai Qimu; (v) Li Ning (李寧) agreed to contribute RMB1.9 million to acquire 9.5% equity interest in Shanghai Qimu; (vi) Zhang Yanhong (張延紅) agreed to contribute RMB1.6 million to acquire 8% equity interest in Shanghai Qimu; and (vii) Li Jianping (李劍萍) agreed to contribute RMB1.4 million to acquire 7% equity interest in Shanghai Qimu;

(c) a capital increase agreement (增資協議) dated August 8, 2018 entered into among our Company, KDL, Lin Sen (林森), Wang Ruiqin (王瑞琴), Liang Dongke (梁棟科), Chen Xing (陳星), Huang Chubin (黃楚彬), Wang Kai (王鍇), Ningbo Huaige Taiyi Equity Investment Partnership (Limited Partnership) (寧波懷格泰益股權投資合夥企業(有限合夥)), Ningbo Tongchuang Suwei Investment Partnership (Limited Partnership) (寧波同創速維投資合夥企業(有限合夥)) and Ningbo Int Investment Partnership (Limited Partnership) (寧波瑛泰投資合夥企業(有限合夥)), pursuant to which our Company allotted and issued certain new Shares as further described in the paragraph headed "History and Corporate Structure – Corporate Development – Subsequent Share Capital Increases and Share Transfer – Increase of Share Capital and Changes of Equity in 2018" in this prospectus;

(d) an investment agreement (出資協議書) dated August 31, 2018 entered into among our Company, Wang Xiting (王西亭), Chen Gang (陳剛), Chen Caizheng (陳才正) and Zhu Qiuli (朱秋麗), with respect to capital contributions for the establishment of Shanghai Puhui Medical Instruments Co., Ltd. (上海璞慧醫療器械有限公司)

("Shanghai Puhui"), pursuant to which, among others, (i) our Company agreed to contribute RMB9 million to acquire 45% equity interest in Shanghai Puhui; (ii) Wang Xiting (王西亭) agreed to contribute RMB3.5 million to acquire 17.5% equity interest in Shanghai Puhui; (iii) Chen Gang (陳剛) agreed to contribute RMB3.3 million to acquire 16.5% equity interest in Shanghai Puhui; (iv) Chen Caizheng (陳才正) agreed to contribute RMB2.8 million to acquire 14% equity interest in Shanghai Puhui; and (v) Zhu Qiuli (朱秋麗) agreed to contribute RMB1.4 million to acquire 7% equity interest in Shanghai Puhui;

(e) a supplementary capital increase agreement (增資協議之補充協議) dated October 12, 2018 entered into among our Company, KDL, Lin Sen (林森), Wang Ruiqin (王瑞琴), Liang Dongke (梁棟科), Chen Xing (陳星), Huang Chubin (黃楚彬), Wang Kai (王鍇), Ningbo Huaige Taiyi Equity Investment Partnership (Limited Partnership) (寧波懷格泰益股權投資合夥企業(有限合夥)), Ningbo Tongchuang Suwei Investment Partnership (Limited Partnership) (寧波同創速維投資合夥企業(有限合夥)) and Ningbo Int Investment Partnership (Limited Partnership) (寧波瑛泰投資合夥企業(有限合夥)) with respect to, among others, the composition and nomination of our Board of Directors and Board of Supervisors;

(f) an investment agreement (出資協議書) dated December 28, 2018 entered into among our Company, Chen Linling (陳臨淩) and Dai Gaoxu (代高旭), with respect to capital contributions for the establishment of Shanghai Healing Medical Instruments Co., Ltd. (上海翰淩醫療器械有限公司) ("Shanghai Healing"), pursuant to which, among others, (i) our Company agreed to contribute RMB13.8 million to acquire 69% equity interest in Shanghai Healing; (ii) Chen Linling (陳臨淩) agreed to contribute RMB6 million to acquire 30% equity interest in Shanghai Healing; and (iii) Dai Gaoxu (代高旭) agreed to contribute RMB200,000 to acquire 1% equity interest in Shanghai Healing;

(g) a strategic cooperation framework agreement (戰略合作框架協議) dated April 23, 2019 entered into between our Company and China National Medical Device Co., Ltd. (中國醫療器械有限公司) with respect to, among others, the purported cooperation on product distribution and delivery, as further described in the paragraph headed "Business – Our Strengths – Established marketing and distribution network covering major regions across China and around the world" in this prospectus;

(h) a non-competition undertaking (不競爭承諾書) dated April 25, 2019 entered into between our Company and KDL, as further described in the paragraph headed "Relationship with our Controlling Shareholders – Non-Competition Undertakings" in this prospectus;

(i) an asset transfer framework agreement (資產轉讓框架協議) dated July 31, 2019 entered into between KDL and our Company, with respect to the acquisition by our Company from KDL (i) the land use right of a plot of land in Jiading, Shanghai with a total area of 13,425 square meters and (ii) ownership in the buildings thereon, at

a consideration determined based on property valuation by property valuer and confirmed by both parties but shall be no more than RMB65.0 million, as further described in the paragraph headed "Business – Properties – Overview" in this prospectus;

(j) a non-competition undertaking (不競爭承諾書) dated October 14, 2019 entered into among our Company, Shanghai Kindly Holding Group Co., Ltd. (上海康德萊控股集團有限公司), Zheng Aiping (鄭愛平), Zhang Wei (張偉) and Zhang Xianmiao (張憲淼), as further described in the paragraph headed "Relationship with our Controlling Shareholders – Non-Competition Undertakings" in this prospectus;

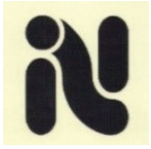
(k) a cornerstone investment agreement dated October 22, 2019 entered into among our Company, OrbiMed Partners Master Fund Limited, Worldwide Healthcare Trust PLC, BOCOM International Securities Limited (交銀國際證券有限公司), CMB International Capital Limited (招銀國際融資有限公司) and BOCOM International (Asia) Limited (交銀國際(亞洲)有限公司), pursuant to which OrbiMed Partners Master Fund Limited and Worldwide Healthcare Trust PLC have agreed to subscribe at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 200 H Shares) that may be purchased with US$10,300,870 and US$19,699,130, respectively; and

(l) the Hong Kong Underwriting Agreement.

2. Our Intellectual Property Rights

(a) Trademarks

As of the Latest Practicable Date, we had registered the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Place of registration	Registered owner	Registration number	Class	Expiry date
1.		PRC	Our Company	10117672	10	March 13, 2023
2.		PRC	Our Company	13387394	10	January 20, 2025
3.		PRC	Zhuhai Derui	19364174	10	April 27, 2027
4.		HK	Our Company	304868146	10	March 24, 2029

As of the Latest Practicable Date, we have the right to use the following licensed trademarks which we consider to be or may be material to our business:

No.	Trademark	Place of registration	Name of applicant	Application number	Class	License term
1.	康德萊	PRC	KDL	1219382	10	June 20, 2018 to October 27, 2028, the right to use will be automatically renewed upon extension of the trademark valid period until June 19, 2038
2.	康德萊	PRC	KDL	12710642	35	June 20, 2018 to December 13, 2024, the right to use will be automatically renewed upon extension of the trademark valid period until June 19, 2038
3.	KDL	PRC	KDL	994530	10	April 28, 2017 to April 27, 2027, the license term will be automatically renewed upon extension of the trademark valid period until June 19, 2038

(b) Patents

As of the Latest Practicable Date, we have registered the following patents which are material to our business:

No.	Patent	Type of patent	Place of registration	Name of patent holder	Registration no.	Application date	Issuance date
1	A type of bone cement stirrer (一種骨水泥攪拌器)	Patent for invention	PRC	Our Company	201010003050.7	January 4, 2010	December 5, 2012
2	A type of saccule for collecting waste blood (一種廢血收集球囊)	Patent for invention	PRC	Our Company	201010132915.X	March 26, 2010	January 4, 2012
3	A type of positive pressure needle-free medicine dosing connector (一種無針加藥正壓接頭)	Patent for invention	PRC	Our Company	201010223871.1	July 12, 2010	October 12, 2011
4	A type of hemostasis bandage (一種止血繃帶)	Patent for invention	PRC	Our Company	201110264984.0	September 8, 2011	January 29, 2014
5	A type of intestinal canal balloon catheter (一種腸道球囊導管)	Patent for invention	PRC	Our Company	201210237121.9	July 10, 2012	December 18, 2013
6	A type of precision flow regulating device (一種精密流量調節裝置)	Patent for invention	PRC	Our Company	201410067423.5	February 26, 2014	September 19, 2017
7	A type of thrombus aspiration system (一種血栓抽吸系統)	Patent for invention	PRC	Our Company and Wu Zhiqun	201410106789.9	March 21, 2014	July 20, 2016
8	A type of portable non-gravitational infusion (一種便攜式非重力輸液裝置)	Patent for invention	PRC	Our Company	201410612083.X	November 4, 2014	November 28, 2017
9	A type of positive pressure needle-free joint infusion dosing connector (一種無針加藥輸液正壓接頭)	Patent for invention	PRC	Our Company	201410686594.6	November 25, 2014	October 5, 2016
10	A type of electronic dosing pump (一種加藥電子泵)	Patent for invention	PRC	Our Company	201610489512.8	June 29, 2016	August 17, 2018
11	A type of needle-free dosing joint (一種無針加藥接頭)	Patent for utility model	PRC	Our Company	201020147966.5	March 31, 2010	November 24, 2010
12	A type of hemostasis bandage (一種止血繃帶)	Patent for utility model	PRC	Our Company	201020147967.X	March 31, 2010	November 24, 2010

No.	Patent	Type of patent	Place of registration	Name of patent holder	Registration no.	Application date	Issuance date
13	A type of bone cement infusion pump (一種骨水泥推注泵)	Patent for utility model	PRC	Our Company	201220049633.8	February 16, 2012	November 7, 2012
14	A type of pressurizing needle-free joint infusion dosing connector (一種無針加藥輸液正壓接頭)	Patent for utility model	PRC	Our Company	201320792613.4	December 3, 2013	July 2, 2014
15	A type of precise flow regulating device (一種精密流量調節裝置)	Patent for utility model	PRC	Our Company	201420082630.3	February 26, 2014	August 6, 2014
16	A type of safe syringe (一種安全注射器)	Patent for utility model	PRC	Our Company	201520253101.X	April 21, 2015	November 11, 2015
17	A type of disposable infusion pump (一種一次性使用輸注泵)	Patent for utility model	PRC	Our Company	201520249433.0	April 21, 2015	November 11, 2015
18	Disposable virginal dilator (一次性使用陰道擴張器)	Patent for utility model	PRC	Our Company	201520373579.6	June 3, 2015	October 28, 2015
19	A type of catheter with automatic pressure relief function (一種帶自動洩壓功能的導尿管)	Patent for utility model	PRC	Our Company	201520710398.8	September 15, 2015	March 2, 2016
20	A type of needleless medicine joint with one-way function (一種帶單向功能的無針加藥接頭)	Patent for utility model	PRC	Our Company	201620132052.9	February 22, 2016	September 21, 2016
21	A type of safe self-destructing syringe (一種安全自毀注射器)	Patent for utility model	PRC	Our Company	201620221697.X	March 22, 2016	September 21, 2016
22	A type of drug coating sacculus pipe (一種藥物塗層球囊導管)	Patent for utility model	PRC	Our Company	201620317340.1	April 15, 2016	November 23, 2016
23	Disposable infusion pump for centralized dosing (一次性使用中央加藥型輸注泵)	Patent for utility model	PRC	Our Company	201620405707.5	May 6, 2016	December 14, 2016
24	A type of electronic dosing pump (一種加藥電子泵)	Patent for utility model	PRC	Our Company	201620661761.6	June 29, 2016	December 21, 2016
25	A type of arteria femoralis tourniquet (一種股動脈止血帶)	Patent for utility model	PRC	Our Company	201620661764.X	June 29, 2016	March 22, 2017
26	A type of pump-type Y connector (一種按壓式Y型連接器)	Patent for utility model	PRC	Our Company	201620946151.0	August 26, 2016	May 31, 2017
27	A type of catheter sheath device (一種導管鞘裝置)	Patent for utility model	PRC	Our Company	201620960757.X	August 26, 2016	May 31, 2017

No.	Patent	Type of patent	Place of registration	Name of patent holder	Registration no.	Application date	Issuance date
28	A type of sacculus inflation device (一種按壓式球囊擴張壓力泵)	Patent for utility model	PRC	Our Company	201620946130.9	August 26, 2016	July 4, 2017
29	A type of joint intervening package (一種關節介入套裝)	Patent for utility model	PRC	Our Company	201621458352.2	December 28, 2016	December 26, 2017
30	A type of pressure pipe with a pair of inflation device for sacculus surgeries (一種對吻球囊手術專用壓力管)	Patent for utility model	PRC	Our Company	201621462872.0	December 29, 2016	December 26, 2017
31	A type of medical three-way cock (一種醫用三通旋塞)	Patent for utility model	PRC	Our Company	201820174372.X	February 1, 2018	February 26, 2019
32	A type of pump-type Y connector (一種按壓式Y型連接器)	Patent for utility model	PRC	Our Company	201820174414.X	February 1, 2018	February 26, 2019
33	A type of temporary heart pacing electrode (一種心臟臨時起搏電極)	Patent for utility model	PRC	Our Company	201721830724.4	December 25, 2017	March 22, 2019
34	A type of disposable contrast agent injector (一種一次性使用造影劑推入器)	Patent for utility model	PRC	Our Company	201820174375.3	February 1, 2018	July 19, 2019
35	A type of double saccule thrombolytic catheter (一種雙球囊溶栓導管)	Patent for utility model	PRC	Our Company	201820174453.X	February 1, 2018	July 19, 2019
36	A type of controllable bending guidewire (一種可控彎導絲)	Patent for utility model	PRC	Our Company	201820359010.8	March 16, 2018	July 19, 2019
37	A type of vascular interventional device (一種血管穿刺裝置)	Patent for utility model	PRC	Our Company	201820479624.X	March 30, 2018	July 19, 2019
38	A type of blood centrifuge device (一種血液離心分離機)	Patent for utility model	PRC	Our Company	201821725642.8	October 24, 2018	July 19, 2019
39	A type of automatic liquid discharge system for blood centrifuge device (一種用於血液離心分離機的自動出液系統)	Patent for utility model	PRC	Our Company	201821725656.X	October 24, 2018	July 19, 2019
40	A type of packaging device for infusion apparatuses (一種輸液器包裝機)	Patent for utility model	PRC	Shanghai KDL Research Center	201721620746.8	November 29, 2017	July 20, 2018

No.	Patent	Type of patent	Place of registration	Name of patent holder	Registration no.	Application date	Issuance date
41	A type of infusion set assembly machine (一種輸液器組裝機)	Patent for utility model	PRC	Shanghai KDL Research Center	201721620920.9	November 29, 2017	July 20, 2018
42	A type of regulator installation system for transfusion system kludge (一種用於輸液器組裝機的調節器安裝系統)	Patent for utility model	PRC	Shanghai KDL Research Center	201721620889.9	November 29, 2017	July 20, 2018
43	Disposable infusion pump (一次性使用輸注泵)	Patent for utility model	PRC	Zhuhai Derui	201320627321.5	October 11, 2013	April 2, 2014
44	A type of relieving valve (一種洩壓閥)	Patent for utility model	PRC	Zhuhai Derui	201520710419.6	September 15, 2015	February 17, 2016
45	Electronic umbilical cord clamps (電子臍帶夾)	Patent for utility model	PRC	Zhuhai Derui	201620948037.1	August 26, 2016	June 13, 2017
46	A type of double weaving angiography catheter (一種雙絲編織血管造影導管)	Patent for utility model	PRC	Zhuhai Derui	201720225882.0	March 9, 2017	March 27, 2018
47	A type of high pressure singly links tee bend (一種高壓單連三通)	Patent for utility model	PRC	Zhuhai Derui	201721776866.7	December 19, 2017	September 4, 2018
48	A type of revolving mechanism for printing of scales on bottle (一種用於輸液瓶刻度印刷的旋瓶機構)	Patent for utility model	PRC	Zhuhai Derui	201721856105.2	December 27, 2017	August 14, 2018
49	A type of printing mechanism for printing of scales on bottle (一種用於輸液瓶刻度印刷的印刷機構)	Patent for utility model	PRC	Zhuhai Derui	201721855935.3	December 27, 2017	August 14, 2018
50	A type of printing and revolving mechanism for printing of scales on bottle (一種用於輸液瓶刻度印刷的印刷旋瓶機構)	Patent for utility model	PRC	Zhuhai Derui	201721856104.8	December 27, 2017	August 14, 2018
51	A type of printing mechanism for printing of scales on bottle (一種輸液瓶刻度印刷系統)	Patent for utility model	PRC	Zhuhai Derui	201721856514.2	December 27, 2017	August 14, 2018
52	A type of disposable infusion pump (一種一次性輸注泵)	Patent for utility model	PRC	Zhuhai Derui	201721788309.7	December 20, 2017	March 1, 2019
53	A type of medical silicon tube processor (一種醫用矽膠管處理機)	Patent for utility model	PRC	Zhuhai Derui	201821213414.2	July 27, 2018	March 26, 2019

No.	Patent	Type of patent	Place of registration	Name of patent holder	Registration no.	Application date	Issuance date
54	A type of children's transfusion bottle (一種小兒吊瓶)	Patent for utility model	PRC	Zhuhai Derui	201721776835.1	December 19, 2017	July 19, 2019
55	A type of new aortic stent (一種新型主動脈瓣支架)	Patent for invention	PRC	Shanghai Healing	201511017536.5	December 31, 2015	December 22, 2017
56	A type of dicyclo-aortic stent (一種雙環主動脈瓣支架)	Patent for utility model	PRC	Shanghai Healing	201520325599.6	May 19, 2015	January 13, 2016
57	A type of magnetic valve with bidirectional self-lock (一種雙向自鎖的電磁閥)	Patent for utility model	PRC	Zhuhai Derui	201821213438.8	July 27, 2018	April 23, 2019
58	A type of multifunctional transfusion connector (一種多功能輸液接頭)	Patent for utility model	PRC	Zhuhai Derui	201721776918.0	December 19, 2017	April 23, 2019
59	A type of controllable curved conductor (一種可控彎導管)	Patent for utility model	PRC	Our Company	201820359026.9	March 16, 2018	May 3, 2019
60	A type of pressure extension tube (一種壓力延長管)	Patent for utility model	PRC	Zhuhai Derui	201721776916.1	December 19, 2017	August 9, 2019
61	A type of layered biodegradable polymer stent (一種分層可降解聚合物支架)	Patent for utility model	PRC	Shanghai Qimu	201822069983.0	December 11, 2018	September 10, 2019
62	A type of drug injection balloon catheter (一種藥物注入球囊導管)	Patent for utility model	PRC	Our Company	201821642997.0	October 10, 2018	September 17, 2019

Conditional upon the timely payment of an annual fee for the relevant patents, patents for utility model and patents for invention are valid for 10 years and 20 years, respectively.

(c) Domain Name

As of the Latest Practicable Date, we owned the following domain name which we consider to be material to be or may be material to our business:

No.	Domain name	Registrant	Filing date
1.	kdl-int.com	Our Company	August 29, 2019
2.	kdl-interv.com	Our Company	August 29, 2019

Save as aforesaid, as of the Latest Practicable Date, there were no other trade or service marks, patents, intellectual or industrial property rights which were material in relation to our business.

C. FURTHER INFORMATION ABOUT DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) Interests and short positions of our Directors, Supervisors and the 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 Global Offering (without taking into account the H Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option) in our 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 our Shares are listed:

Name of Director or chief executive	Nature of interest	Name of Company	Number of Shares	Approximate percentage of shareholding in the total share capital of our Company after the Global Offering (assuming no exercise of the Over-allotment Option)[(1)]	Approximate percentage of shareholding in the total share capital of our Company after the Global Offering (assuming the Over-allotment Option is fully exercised)[(2)]
Dr. Liang Dongke	Beneficial interest	Our Company	9,542,854	5.96%	5.75%

Notes:

(1) The calculation is based on the total number of 160,000,000 Shares in issue immediately after completion of the Global Offering (without taking into account the H Shares which may be issued upon the exercise of the Over-allotment Option).

(2) The calculation is based on the total number of 166,000,000 Shares in issue immediately after completion of the Global Offering (including such amount of H Shares to be issued assuming the exercise of Over-allotment Option in full).

(b) Interests of the substantial shareholders in the Shares

Save as disclosed in the section headed "Substantial Shareholders", immediately following the completion of the Global Offering and without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option, 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 our 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

As of the Latest Practicable Date, so far as our Directors are aware, the following persons (other than our Directors or chief executive of our Company) were 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 member of our Group:

Name of members of our Group	Name of Shareholder	Approximate percentage of shareholding
Shanghai Pukon	Jiang Xiannan	15%
Shanghai Healing	Chen Linling	30%
Shanghai Puhui	Chen Gang	15%
Shanghai Puhui	Chen Caizheng	25%
Shanghai Puhui	Cheng Songming	10%
Shanghai Qimu	Chen Yanli	16.5%
Shanghai Qimu	Pang Qi	14%
Shanghai Qimu	Sun Peng	10%

2. Particulars of Service Contracts

Pursuant to Rules 19A.54 and 19A.55 of the Listing Rules, we have entered into a contract with each of our Directors and Supervisors in respect of, among other things, compliance with relevant laws and regulations, observance of the Articles of Association and provisions on arbitration.

Save as disclosed in this prospectus, none of our Directors and Supervisors has or is proposed to have entered into any service contract with any member of our Group (excluding agreements expiring or determinable by any member of our Group within one year without payment of compensation other than statutory compensation).

3. Emoluments of Directors

The aggregate amount of emoluments which was paid to our Directors for the financial years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019 were RMB0.8 million, RMB1.3 million, RMB1.8 million and RMB0.6 million, respectively.

It is estimated that emoluments and benefits in kind equivalent to approximately RMB3.9 million in aggregate will be paid and granted to our Directors by us in respect of the financial year ending December 31, 2019 under arrangements in force at the date of this prospectus.

The aggregate amount of emoluments which was paid by our Group to our five highest paid individuals (including both employees and our Directors) for the financial years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019 were RMB2.3 million, RMB2.9 million, RMB3.5 million and RMB1.0 million, respectively.

None of our Directors or any past directors of any member of our Group has been paid any sum of money for each of the financial years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019 as (a) an inducement to join or upon joining our Company; or (b) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

Save for our non-executive Directors, our independent non-executive Directors and one of our Supervisors, namely Ms. Wang Li, who do not receive remuneration from our Company, there has been no arrangement under which a Director or Supervisor has waived or agreed to waive any emoluments for each of the financial years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019.

4. Disclaimers

Save as disclosed in this prospectus:

(a) none of our Directors, Supervisors or our chief executive has any interest or short position in our 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 our Directors of Listed Issuers once the H Shares are listed on the Stock Exchange;

(b) none of our Directors or Supervisors is aware of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Global Offering (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option), have an interest

or short position in our 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; and

(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 customers or the five largest suppliers of our Group.

D. OTHER INFORMATION

1. Estate duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries under the laws of the PRC.

2. Litigation

Except as disclosed in this prospectus, 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.

3. Preliminary expenses

As of the Latest Practicable Date, our Company has not incurred any preliminary expenses.

4. Promoters

Save as disclosed in this prospectus, within the two years preceding the date of this prospectus, 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 Global Offering and the related transactions described in this prospectus.

5. Taxation of Holders of H Shares

(1) Hong Kong

The sale, purchase and transfer of H Shares registered with our Hong Kong branch register of members will be subject to Hong Kong stamp duty. The current rate charged on each of the purchaser and seller is 0.1% of the consideration of or, if higher, of the fair value of our Shares being sold or transferred. For further details in relation to taxation, please refer to Appendix III to this prospectus.

(2) Consultation with professional advisers

Potential investors in the Global Offering 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 or dealing in our Shares (or exercising rights attached to them). None of us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, or any other person or party involved in the Global Offering 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.

6. Application for Listing

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the H Shares in issue and to be issued as mentioned in this prospectus. All necessary arrangements have been made to enable the securities to be admitted into CCASS.

7. No Material Adverse Change

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in the financial or trading position or prospect of our Group since April 30, 2019 (being the date to which the latest audited consolidated financial statements of our Group were prepared).

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 prospectus are as follows:

Name	Qualifications
BOCOM International (Asia) Limited	Licensed corporation under the SFO to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities
KPMG	Certified public accountants
Beijing DeHeng Law Offices	PRC legal adviser
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent industry consultant
Hogan Lovells	Legal adviser as to International Sanctions
Cushman & Wakefield Limited	Independent property valuer

As of the Latest Practicable Date, none of the experts named above had any shareholding interest in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

9. Consents

Each of the experts as referred to in the paragraph headed "8. Qualification of Experts" of this appendix has given and has not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their reports and/or letters (as the case may be) and the references to its name included in the form and context in which it respectively appears.

10. Sponsor's Independence

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

The Sole Sponsor's fees payable by us in respect of the Sole Sponsor's services as sponsor for the Listing are HK$5 million.

11. Binding Effect

This prospectus 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 insofar as applicable.

12. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

13. Miscellaneous

Save as otherwise disclosed in this prospectus:

(a) within the two years preceding the date of this Prospectus, our Company has not issued nor agreed to issue any share or loan capital fully or partly paid either for cash or for a consideration other than cash;

(b) no Share or loan capital of our Company, if any, is under option or is agreed conditionally or unconditionally to be put under option;

(c) our Company has not issued nor agreed to issue any founder shares, management shares or deferred shares;

(d) our Company has no outstanding convertible debt securities or debentures;

(e) within the two years immediately preceding the date of this Prospectus, no commission, discount, brokerage or other special term has been granted in connection with the issue or sale of any capital of our Company;

(f) there is no arrangement under which future dividends are waived or agreed to be waived;

(g) there has been no interruption in our business which may have or have had a significant effect on the financial position in the last 12 months;

(h) our Company is not presently listed on any stock exchange or traded on any trading system; and

(i) our Company currently does not intend to apply for the status of a sino-foreign investment joint stock limited company and does not expect to be subject to the Sino-Foreign Joint Venture Law of the PRC.

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

(a) copies of each of the **WHITE**, **YELLOW** and **GREEN** Application Forms;

(b) a copy of each of the material contracts referred to the paragraph headed "B. Further Information About The Business of Our Company – 1. Summary of Material Contracts" in Appendix VI to this prospectus; and

(c) the written consents referred to in the paragraph headed "D. Other Information – 9. Consents" in Appendix VI to this prospectus.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of O'Melveny & Myers at 31st Floor, 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 prospectus:

(a) our Articles of Association;

(b) the Accountants' Report for the three years ended December 31, 2018 and the four months ended April 30, 2019 issued by KPMG, and the report on the unaudited pro forma financial information prepared by KPMG, the texts of which are set out in Appendix I and Appendix II of this prospectus, respectively;

(c) the audited consolidated financial statements of our Company for the three years ended December 31, 2018 and the four months ended April 30, 2019;

(d) the legal opinion issued by our PRC Legal Adviser in respect of certain aspects of our Group;

(e) the legal memorandum issued by Hogan Lovells, International Sanctions Legal Adviser;

(f) the material contracts referred to the paragraph headed "B. Further Information About The Business of Our Company – 1. Summary of Material Contracts" in Appendix VI to this prospectus;

(g) the written consents referred to in the paragraph headed "D. Other Information – 9. Consents" in Appendix VI to this prospectus;

(h) service contracts entered into between our Company and each of our Directors and Supervisors;

(i) the Frost & Sullivan Report;

(j) the opinion letter issued by Cushman & Wakefield Limited in relation to the leases by the Group's connected persons to the Group; and

(k) copies of the following PRC laws, together with unofficial English translations thereof:

(i) the PRC Company Law;

(ii) the PRC Securities Law;

(iii) the Mandatory Provisions; and

(iv) the Special Regulations.

上海康德萊醫療器械股份有限公司
Shanghai Kindly Medical Instruments Co., Ltd.*