康基 KANGJI

康基医疗控股有限公司
Kangji Medical Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 9997

GLOBAL OFFERING

Joint Sponsors, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Goldman Sachs

CITIC SECURITIES

BofA SECURITIES

IMPORTANT

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

Kangji Medical Holdings Limited
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(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	**:**	**225,397,500 Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	**:**	**22,540,000 Shares (subject to adjustment)**
Number of International Offer Shares	**:**	**202,857,500 Shares (subject to adjustment and the Over-allotment Option)**
Maximum Offer Price	**:**	**HK$13.88 per 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)**
Par Value	**:**	**US$0.00001 per Share**
Stock Code	**:**	**9997**

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CITIC SECURITIES

BofA SECURITIES

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in "Appendix V — Documents Delivered to the Registrar of Companies and Available for Inspection — Documents Delivered to the Registrar of Companies in Hong Kong," 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 and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any of the other documents referred to above.

Our Company is incorporated in the Cayman Islands and substantially all of our businesses are located in the PRC. Potential investors should be aware of the differences in legal, economic and financial systems between the Cayman Islands, the PRC and Hong Kong and that there are different risk factors relating to the investment in our Company. Potential investors should also be aware that the regulatory frameworks in the Cayman Islands and the PRC are different from the regulatory framework in Hong Kong and should take into consideration the different market nature of our Shares. Such differences and risk factors are set out in "Risk Factors" and "Regulations."

The Offer Price is expected to be determined by agreement between the Joint Global Coordinators (on behalf of the Underwriters), the Selling Shareholder and us on the Price Determination Date. The Price Determination Date is expected to be on or around Friday, June 19, 2020 (Hong Kong time) and, in any event, not later than Saturday, June 20, 2020 (Hong Kong time). The Offer Price will be not more than HK$13.88 per Offer Share and is currently expected to be not less than HK$12.36 per Offer Share. If, for any reason, the Offer Price is not agreed by Saturday, June 20, 2020 (Hong Kong time), or such other date as agreed between the parties, between the Joint Global Coordinators (on behalf of the Underwriters), the Selling Shareholder and us, the Global Offering will not proceed and will lapse.

Applicants for Hong Kong Offer Shares are required to pay, on application, the maximum Offer Price of HK$13.88 for each Hong Kong Offer Share together with brokerage fee of 1.0%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price as finally determined is less than HK$13.88.

The Joint Global Coordinators (on behalf of the Underwriters), and with the consent of our Company, may, where considered appropriate, reduce the number of Hong Kong Offer Shares and/or the indicative Offer Price range below that is stated in this prospectus (which is HK$12.36 to HK$13.88) at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such case, notices of the reduction in the number of Hong Kong Offer Shares and/or the indicative Offer Price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notices will also be available on the website of our Company at www.kangjimedical.com and on the website of the Stock Exchange at www.hkexnews.hk. Further details are set forth in "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus. If applications for Hong Kong Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offering, in the event that the number of Offer Shares and/or the indicative Offer Price range is so reduced, such applications can subsequently be withdrawn.

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

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure applicants for the subscription for, the Hong Kong Offer Shares, are subject to termination by the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the day that trading in the Shares commences on the Stock Exchange. Such grounds are set out in "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination" in 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, 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 in the United States only to QIBs in reliance on Rule 144A or another available exemption from registration under the U.S. Securities Act and outside the United States in offshore transactions in accordance with Regulation S.

Tuesday, June 16, 2020

Public offer commences and **WHITE** and **YELLOW** Application Forms available from	9:00 a.m. on Tuesday, June 16, 2020
Latest time to complete electronic applications under the **White Form eIPO** service through the designated website at **www.eipo.com.hk** *(note 2)*	11:30 a.m. on Friday, June 19, 2020
Application lists for the Hong Kong Public Offering open *(note 3)*	11:45 a.m. on Friday, June 19, 2020
Latest time for lodging **WHITE** and **YELLOW** Application Forms and giving **electronic application instructions** to HKSCC *(note 4)*	12:00 noon on Friday, June 19, 2020
Latest time to complete payment of **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Friday, June 19, 2020
Application lists for the Hong Kong Public Offering close *(note 3)*	12:00 noon on Friday, June 19, 2020
Expected Price Determination Date *(note 5)*	Friday, June 19, 2020
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 and the basis of allocation of the Hong Kong Offer Shares to be published in the South China Morning Post (in English) and the Hong Kong Economic Time (in Chinese) and on the websites of the Stock Exchange at **www.hkexnews.hk** and our Company at **www.kangjimedical.com** on or before *(note 6)*	Friday, June 26, 2020
Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels (See "How to Apply for Hong Kong Offer Shares — 11. Publication of Results") from	Friday, June 26, 2020

Results of allocations for the Hong Kong Public Offering will be available **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	Friday, June 26, 2020
Share certificates (if applicable) in respect of wholly or partially successful applications to be despatched on or before	Friday, June 26, 2020
White Form eIPO e-Refund payment instructions/Refund cheques in respect of wholly or partially successful applications if the Offer Price is less than the price payable on application (if applicable) or wholly or partially unsuccessful applications to be despatched on or before *(note 7)*	Friday, June 26, 2020
Dealings in Shares on the Stock Exchange to commence at 9:00 a.m. on	Monday, June 29, 2020

Notes:

(1) All times refer to Hong Kong local time. Details of the structure of the Global Offering, including its conditions, are set out in "Structure of the Global Offering."

(2) You will not be permitted to submit your application 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 tropical cyclone warning signal number 8 or above, or a "black" rainstorm warning signal or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, June 19, 2020, the application lists will not open on that day. Further information is set out in "How to Apply for Hong Kong Offer Shares — 10. Effect of Bad Weather on the Opening of the Application Lists."

(4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to "How to Apply for Hong Kong Offer Shares — 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS" for details.

(5) The Offer Price is expected to be determined by Friday, June 19, 2020, but in any event, the expected time for determination of the Offer Price will not be later than Saturday, June 20, 2020. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators, on behalf of the Underwriters, the Selling Shareholder and our Company by Saturday, June 20, 2020, the Global Offering will not proceed.

(6) If the Offer Price is determined on Friday, June 19, 2020, the 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 and the basis of allocation of the Hong Kong Offer Shares and the successful applicants' identification document numbers will be published on or before Friday, June 26, 2020.

(7) Applicants who apply for 1,000,000 Hong Kong Offer Shares or more under the Hong Kong Public Offering and have indicated on their Application Forms that they wish to collect any refund cheque(s) (if applicable) and/or Share certificate(s) (if applicable) in person from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, may do so in person from 9:00 a.m. to 1:00 p.m. on Friday, June 26, 2020. Applicants being individuals who are applying for 1,000,000 Hong Kong Offer Shares or more and are eligible for personal collection must not authorize any other person to make collection on their behalf. Applicants being corporations who are applying for 1,000,000 Hong Kong Offer Shares or more and are eligible for personal collection must attend by their authorized representatives bearing letters of authorization from their corporations stamped with the corporations' chop. Identification and (where applicable) authorization documents acceptable to our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, must be produced at the time of collection. Uncollected Share certificates and refund cheques will be despatched by ordinary post at the applicants' own risk to the addresses specified on the relevant Application Forms. Further details are set out in "14. Despatch/Collection of Share Certificates and Refund Monies" in "How to Apply for Hong Kong Offer Shares."

Share certificates for the Hong Kong Offer Shares will only become valid certificates of title at 8:00 a.m. on the Listing Date, provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination" has not been exercised. Investors who trade Shares on the basis of publicly available allocation details before the receipt of Share certificates and before they become valid do so entirely at their own risk.

For details of the structure of the Global Offering, including the conditions thereof, see "Structure of the Global Offering."

The above expected timetable is a summary only. You should refer to "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" for details of the structure of the Global Offering, including the conditions of the Global Offering, and the procedures for application for the Hong Kong Offer Shares.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by us 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 offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of making, and does not constitute, an offer or a solicitation of an offer to subscribe for or buy, any security 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. The distribution of this prospectus 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.

*You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We and the Selling Shareholder have 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 must not be relied on by you as having been authorized by us, the Selling Shareholder, the Joint Sponsors, Joint Global Coordinators, Joint Bookrunners, Joint Lead Managers and any of the Underwriters, any of our or their respective directors, officers or representatives, or any other person or party involved in the Global Offering. Information contained in our website, located at **www.kangjimedical.com**, does not form part of this prospectus.*

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This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by and should be read in conjunction with, the full prospectus. You should read this prospectus in its entirety before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set forth in "Risk Factors" of this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are the largest domestic minimally invasive surgical instruments and accessories (MISIA) platform in China. Our mission is to enable physicians and improve health and wellness of patients through providing high performing and accessible products and services. We ranked first among all domestic players and fourth among all players (including international and domestic players) in China's RMB18.5 billion MISIA market in 2019 by sales revenue[(1)], with a 2.7% market share, according to CIC. We also ranked first in multiple sub-segments of China's MISIA market, including disposable trocars, polymer ligation clips, Class III disposable electrocoagulation forceps, and reusable trocar and forceps by 2019 sales volume, according to CIC.

We take a demand-oriented approach to product development, with a focus on products with high market potential and that provide benefits in clinical practice. We offer a comprehensive product portfolio to provide physicians and hospitals one-stop and tailored surgical solutions primarily for four major surgical specialties (i.e. obstetrics and gynecology, or OBGYN), general surgery, urology and thoracic surgery). We believe our comprehensive and solution-oriented product portfolio can improve surgical efficiency and clinical outcomes for patients. Our broad product mix also helps us build brand loyalty with physicians and hospitals, realize synergies among our R&D, manufacturing and commercialization activities, and achieve economies of scale.

We engage with key opinion leaders (KOLs), physicians, hospitals and medical associations as a part of our academic promotion and marketing strategy, which enables us to establish a quality end-user base, especially with Grade IIIA hospitals with MIS capabilities. In line with industry practice, we primarily sell products to an extensive network of distributors covering all provinces, municipalities and autonomous regions in China. With our effective and extensive sales and marketing activities, hospitals in China purchasing our products through distributors increased from over 2,300 in 2017 to over 3,400 in 2019, among which Grade IIIA hospitals increased from approximately 770 to over 1,000. During the same period, our revenue derived from domestic distributors increased from RMB213.8 million in 2017 to RMB307.9 million in 2018, and further to RMB450.9 million in 2019 at a CAGR of 45.2%.

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1 Unless otherwise indicated, the industry data related to market size by sales revenue in this prospectus is based on ex-factory prices.

OUR INDUSTRY AND MARKET GROWTH OPPORTUNITIES

Minimally invasive surgeries (MIS) remain significantly under-penetrated in China. According to CIC, in 2019, the number of MIS performed per million people and the penetration rate of MIS[(2)] were 8,514 and 38.1% in China, respectively, as compared to 16,877 and 80.1% in the U.S., respectively. Driven by the increasing number of surgeries, increasing substitution of open surgeries with MIS and improving accessibility of MIS in China, the number of MIS per million people and penetration rate of MIS in China are expected to increase to 18,242 and 49.0% in 2024, respectively. As a result, China's MISIA market is expected to experience tremendous growth, reaching RMB40.8 billion in 2024 at a CAGR of 17.2% from 2019. According to CIC, China's MISIA market is currently dominated by international players in terms of sales revenue. As the largest domestic MISIA platform in China, we believe we are well positioned to leverage favorable MISIA market trends such as the increasing usage of disposable products, growing acceptance of domestic products, product upgrades and innovation and market consolidation, and gain market share from our competitors, including international brands, in China's large and fast-growing MISIA market.

OUR PRODUCT PORTFOLIO

We design, develop, manufacture and sell a comprehensive suite of MISIA that are focused on the surgical specialities of OBGYN, urology, general surgery and thoracic surgery. As of the Latest Practicable Date, we registered 41 Class I, 13 Class II and eight Class III medical devices in China. We offer both disposable and reusable products, and a substantial majority of our revenue during the Track Record Period was derived from disposable products. The following table sets forth a summary of our current products.

Product Type	Description
Disposable products	
Disposable trocars	Disposable trocars are used to create an access port for endoscopes or other surgical instruments during the MIS. Our disposable trocars are available in various types and specification
Polymer ligation clips	We are the first domestic company to obtain NMPA approval for polymer ligation clips, which are used to quickly occlude vessels and other tubular tissue structures in surgeries including MIS. Our polymer ligation clips have high biocompatibility and stability, and are radiolucent and available in different sizes
Disposable electrocoagulation forceps	We are the first company to obtain NMPA approval for Class III disposable electrocoagulation forceps, which utilize high-frequency electric current to quickly achieve hemostasis at bleeding sites, or dissect or cut tissues using different forceps tips, such as scissors, graspers or blades
Other disposable products	Other disposable products primarily include disposable suction and irrigation sets, and retrieval bags, among others
Reusable products	Reusable products primarily include reusable trocars, reusable forceps and other reusable products

2 The penetration rate of MIS refers to the percentage of the number of MIS out of the total number of surgeries performed in general surgery, OBGYN (excluding abortion), urology, thoracic surgery and orthopedics.

The following table sets forth a breakdown of our revenue by product type for the periods indicated.

	For the year ended December 31,					
	2017		2018		2019	
	Amount	% of total	Amount	% of total	Amount	% of total
	RMB'000 (except percentages)					
Disposable products						
Disposable trocars	123,760	50.0%	182,515	51.6%	251,398	49.9%
Polymer ligation clips	54,916	22.2	81,832	23.1	141,638	28.1
Disposable electrocoagulation forceps	15,959	6.4	25,207	7.1	32,501	6.5
Other disposable products	3,985	1.6	6,489	1.8	8,213	1.6
Sub-total	*198,620*	*80.2*	*296,043*	*83.7*	*433,750*	*86.2*
Reusable products	48,886	19.8	57,627	16.3	69,717	13.8
Total	247,506	100.0%	353,670	100.0%	503,467	100.0%

Our revenue from sales of disposable products increased at a CAGR of 47.8% from 2017 to 2019, which was the primary driver for our overall revenue growth. Among our disposable products, sales of our disposable trocars and polymer ligation clips during the Track Record Period increased significantly, which was primarily due to an increase in sales volume as a result of the increase in average sales to our major distributors, growth of China's MISIA market and increased demand for such products.

The following table sets forth the breakdown of gross profit and gross profit margin by product type for the periods indicated.

	For the year ended December 31,					
	2017		2018		2019	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000 (except percentages)					
Disposable products	169,307	85.2%	252,849	85.4%	378,182	87.2%
Reusable products	30,398	62.2	36,448	63.2	44,993	64.5
Total gross profit/overall gross profit margin	199,705	80.7%	289,297	81.8%	423,175	84.1%

Our gross profit increased from RMB199.7 million in 2017 to RMB289.3 million in 2018 and further to RMB423.2 million in 2019, primarily due to the increase in sales volume while we were able to maintain stable ex-factory prices for each product specification under the same packaging for all major product types. Our gross profit margin increased from 80.7% in 2017 to 81.8% in 2018 and further to 84.1% in 2019, primarily because disposable products, which generally have a higher profit margin compared to reusable products, accounted for a larger proportion of our total sales during the Track Record Period. Generally, the gross profit margin of disposable products is higher than that of reusable products, primarily because the per unit cost of disposable products is generally lower than that of reusable products due to the different manufacturing process and raw materials used, and because we are able to achieve better economies of scale for disposable products due to larger production volumes and more streamlined and standardized manufacturing processes.

Product Pipeline

We focus on research and development of MISIA (i) that have vast unmet market demand; (ii) for which we have R&D capabilities to quickly develop from concept to approved products; and (iii) that can gain market share at faster ramp up speed. In particular, we plan to continue to focus on products used in the OBGYN, general surgery, urology and thoracic surgery specialties. As of the Latest Practicable Date, we had four product candidates in the registration process and five candidates in the product design and development stage. From 2020 to 2021, we plan to launch six products, including disposable ultrasonic scalpels, absorbable ligation clips and laparoscopic staplers. We believe that our pipeline products can further supplement and upgrade our existing product portfolio to support a more extensive range of surgical procedures.

SALES AND DISTRIBUTION

Sales Model

We have an extensive sales network primarily consisting of sales to domestic distributors, which then sell our products to hospitals and/or other end-customers. To a lesser extent, we also sell to hospitals and other customers (primarily including trading companies that sell our products to overseas ODM customers) in China, as well as to overseas distributors and ODM customers. In 2019, through our extensive sales network, our products were ultimately sold to over 3,400 hospitals, including over 1,000 Grade IIIA hospitals, covering all provinces, municipalities and autonomous regions in China and 42 other countries. The following table sets forth our revenue by geographic market and sales channel for the periods indicated.

	For the year ended December 31,					
	2017		2018		2019	
	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue
	RMB'000 (except percentages)					
Domestic						
Distributors	213,828	86.4%	307,949	87.1%	450,908	89.6%
Hospitals and other customers	7,036	2.8	12,236	3.5	16,736	3.3
Sub-total	*220,864*	*89.2*	*320,185*	*90.6*	*467,644*	*92.9*
Overseas[(1)]						
ODM customers	24,281	9.8	30,844	8.7	33,074	6.6
Distributors	2,361	1.0	2,641	0.7	2,749	0.5
Sub-total	*26,642*	*10.8*	*33,485*	*9.4*	*35,823*	*7.1*
Total	247,506	100.0%	353,670	100.0%	503,467	100.0%

(1) During the Track Record Period, our overseas sales were primarily made to Brazil, the United Kingdom, France, Turkey, Mexico, Austria and Spain.

We have established a nationwide network of over 200 distributors as of December 31, 2019. During the Track Record Period, to the best of our Directors' knowledge, all of our distributors were Independent Third Parties, and none were controlled by our current or former employees. The majority of these distributors are relatively small- to medium-scale Independent Third Party distributors engaged in the medical device distribution business. Among our top 40 distributors by revenue contribution each year during the Track Record Period, the majority have a registered capital ranging from RMB1 million to RMB10 million and an operational history of more than six years. All of our domestic distributors are required to obtain licenses or record-filing proof, such as the Business Operation License of Medical

Devices (醫療器械經營許可證), to sell Class II and Class III medical device products to hospitals and other end customers in the PRC, which requires them to satisfy the relevant conditions of engaging in the operation of medical devices, such as suitable business premises and storage conditions, as well as a quality control department or personnel. During the Track Record Period, we generally maintained long-term and stable business relationships with our major distributors. The following table sets forth the change in numbers of our distributors that purchased our products in the periods indicated.

	For the year ended December 31,		
	2017	**2018**	**2019**
Domestic			
Domestic distributors of previous year	215	202	211
Increase in domestic distributors[(1)]	75	84	69
Decrease in domestic distributors[(2)]	88	75	74
Domestic distributors of current year	202	211	206
Overseas			
Overseas distributors of previous year	4	8	9
Increase in overseas distributors[(1)]	4	1	3
Decrease in overseas distributors[(2)]	–	–	–
Overseas distributors of current year	8	9	12

(1) The increase in the number of distributors represents those distributors that made purchases from us for the year indicated but did not purchase from us for the year immediately preceding the year indicated.

(2) The decrease in the number of distributors represents those distributors that made purchases from us for the year immediately preceding the year indicated but did not purchase from us for the year indicated.

During the Track Record Period, the new distributors we had each year were in part due to the growth of our business and expansion of our sales network. Of the 79, 85 and 72 increase in the number of distributors in 2017, 2018 and 2019, respectively, 79, 83 and 69 were new distributors that had not purchased from us since December 31, 2015. Moreover, fluctuations in distributors during the Track Record Period were also in relation to (i) changes in distributors that make infrequent or low volume purchases from us on an *ad hoc* basis; and (ii) consolidation among distributors.

During the Track Record Period, a majority of our revenue was attributed to a stable group of major distributors. Generally, these major distributors ranked top 40 among our domestic distributors by revenue contribution each year during the Track Record Period. In 2017, 2018 and 2019, our revenue generated from sales to our top 40 domestic distributors amounted to RMB190.5 million, RMB275.8 million and RMB392.8 million, respectively, accounting for 89.1%, 89.6% and 87.1%, respectively, of our total revenue from domestic distributors for the same year. For the same years, our revenue generated from sales to our top 40 domestic distributors accounted for 77.0%, 78.0% and 78.0%, respectively, of our total revenue for the same year. Of our top 40 domestic distributors in each year during the Track Record Period, 36 were our distributors in all three years. Our revenue generated from these 36 distributors amounted to RMB159.0 million, RMB247.7 million and RMB318.1 million in 2017, 2018 and 2019, respectively, accounting for 64.3%, 70.0% and 63.2%, respectively, of our total revenue for the same year. In addition, the number of our overseas distributors increased from four to eight in 2017 and from eight to 12 during the Track Record Period, as we expanded our overseas sales network.

The goals of our management of distributors are to ensure a healthy and orderly market for our products, to maintain high visibility and to accurately understand the sales performance of our distributors and demand for our products and to build and protect our product and brand reputation. To that end, we primarily focus on prevention of cannibalization of sales among our distributors, and inventory management and control. We primarily rely on distribution agreements and policies and measures we have in place to manage and control our distributors. For details, see "Business — Sales and Distribution."

In 2017, 2018 and 2019, the aggregated sales revenue derived from our five largest customers, all of whom are distributors, amounted to RMB100.9 million, RMB158.2 million and RMB212.2 million, respectively, representing 40.8%, 44.7% and 42.2% of our total revenue. In 2017, 2018 and 2019, the sales revenue derived from our largest customer was RMB59.6 million, RMB100.4 million and RMB122.9 million, respectively, representing 24.1%, 28.4% and 24.4% of our total revenue, respectively. See "Risk Factors — Risks Relating to Our Business and the Industry — We rely on a limited number of major customers and are exposed to risks of losing these customers."

Pricing

In China, a majority of our sales are made to public hospitals and other not-for-profit medical institutions through public tender processes under the centralized procurement regimes established within their respective regions. We are responsible for participating in such public tender processes to secure the right to sell our products to the public hospitals and other not-for-profit medical institutions within a particular region, and our distributors only assist us in certain documentation work and limited procedural and pricing matters in such processes based on their local experiences. If our products win the bids, such products would be qualified for future procurement by public hospitals and not-for-profit medical institutions in that particular region, and our bidding prices generally determine our maximum retail prices. We generally sell our products at uniform ex-factory prices to our distributors in China. We take into account a number of factors in determining our ex-factory prices, which primarily include our costs and expenses, different product specifications and packaging within each major product type, our market share and the competitive landscape. During the Track Record Period, we were able to maintain stable ex-factory prices for each product specification under the same packaging for all major product types. In regions where the "two-invoice system" is adopted, our ex-factory prices for distributors may be higher than those in other areas because of the mandatory limits on product pricing margins. For details, see "Regulations — Laws and Regulations Relating to Medical Devices — Two-invoice System." We do not provide volume-based discounts to distributors and generally do not adjust our ex-factory prices on a case-by-case basis based on different retail prices across regions. For our overseas ODM sales, we determine prices through commercial negotiations with customers based on a number of factors, primarily including the specific market conditions of each overseas market, product specifications, the scale and potential of overseas customers, our relationships with them and their purchase amounts. For details, see "Business — Sales and Distribution — Pricing."

RESEARCH AND DEVELOPMENT

We implement a clinical demand-oriented and highly responsive R&D strategy. We often seek input from physicians and hospitals on the design and potential uses of new products and solicit feedback from them for our existing products. Leveraging our extensive network of KOLs, physicians, hospitals and medical associations, we have built various interaction channels with a large number of physicians, their affiliated hospitals and medical associations, including a five-member advisory board, an OBGYN research workstation, medical conferences and training programs.

We adopt a two-pronged R&D approach that values both in-house R&D and co-development with KOLs, physicians, hospitals and academic institutions. As of the Latest Practicable Date, our internal R&D team consisted of 78 members, many of whom specialized in mechanical engineering, electrical engineering, mechanics or material sciences. We also engage in joint R&D activities with KOLs, physicians, hospitals and academic institutions, and have entered into several collaborative development agreements with them. In 2017, 2018 and 2019, our total research and development expenses amounted to RMB10.5 million, RMB14.9 million and RMB17.4 million, respectively.

MANUFACTURING

We produce and assemble our products at our manufacturing facilities in Tonglu, Zhejiang province. Our manufacturing facilities have a total GFA of 28,699 square meters, of which 17,835 square meters were new facilities completed in the first half of 2019. The following table sets forth the production capacity, actual production volume, and utilization rate of our manufacturing facilities by major disposable product type during the Track Record Period.

	For the year ended December 31,								
	2017			2018			2019		
	Production capacity	Production volume	Utilization rate	Production capacity	Production volume	Utilization rate	Production capacity	Production volume	Utilization rate
	(in thousands)	*(in thousands)*		*(in thousands)*	*(in thousands)*		*(in thousands)*	*(in thousands)*	
Disposable products									
Disposable trocars	2,531	2,193	86.6%	2,700	2,781	103.0%[(1)]	3,259	3,568	109.5%[(1)]
Polymer ligation clips	4,340	3,751	86.4%	5,989	5,085	84.9%	7,448	7,748	104.0%[(1)]
Disposable electrocoagulation forceps	197	172	87.3%	311	279	89.7%	341	310	90.9%
Other disposable products	54	46	85.2%	76	78	102.6%[(1)]	76	72	94.7%

(1) The utilization rates for production of disposable trocars and other disposable products in 2018 and for production of disposable trocars and polymer ligation clips in 2019 exceeded 100.0% due to increasing demand for our products, which resulted in our production workers working overtime from time to time.

For details, see "Business — Manufacturing — Manufacturing Facilities and Production Capacity."

RAW MATERIAL AND SUPPLIERS

The principal raw materials for our products include polycarbonate particles, medical-grade stainless steel, sealing materials and packaging materials. We purchased all of our raw materials in China during the Track Record Period. We have maintained stable and long-term relationships with most of our major raw material suppliers, ranging from three to eight years. In 2017, 2018 and 2019, our purchases from our five largest raw material suppliers amounted to RMB10.1 million, RMB13.3 million, and RMB15.7 million, respectively, representing 35.3%, 33.9%, and 38.9% of our total purchase of raw materials for the same year, respectively. In 2017, 2018 and 2019, purchases from our largest raw material supplier amounted to RMB3.1 million, RMB4.5 million and RMB5.0 million, respectively, representing 10.8%, 11.3%, and 12.4% of our total purchase of raw materials for the same year, respectively.

COMPETITIVE STRENGTHS AND BUSINESS STRATEGY

We believe that the following are our competitive strengths and investment highlights: (i) the largest domestic MISIA platform in the large and fast-growing MISIA market in China; (ii) comprehensive and high quality product portfolio; (iii) demand-oriented product development backed by strong R&D capabilities; (iv) extensive network of distributors supported by academic promotion in our targeted surgical specialties; (v) solid and scalable manufacturing capabilities supported by stringent quality control system; and (vi) experienced, dedicated and visionary senior management team with strong support from our advisory board and Pre-IPO Investors.

We intend to implement a business strategy with the following key components: (i) continue to grow product sales by increasing sales and marketing efforts and commercializing new products; (ii) further enhance our R&D capabilities and expand our product pipeline; (iii) expand our production capacity to support future growth; (iv) expand our global footprint by increasing product registrations and broadening sales channels overseas; and (v) selectively pursue strategic investments and acquisitions.

SUMMARY OF KEY FINANCIAL INFORMATION

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

Summary of Combined Statements of Profit or Loss and Other Comprehensive Income Items

	For the year ended December 31,					
	2017		2018		2019	
	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue
	RMB'000 (except percentages)					
Revenue[(1)]	247,506	100%	353,670	100%	503,467	100%
Cost of sales	(47,801)	(19.3)	(64,373)	(18.2)	(80,292)	(15.9)
Gross profit[(1)]	199,705	80.7	289,297	81.8	423,175	84.1
Profit before tax	162,172	65.5	261,159	73.8	391,194	77.7
Profit and total comprehensive income for the year	138,477	55.9%	223,793	63.3%	326,735	64.9%

(1) See "— Our Product Portfolio" and "Financial Information — Description of Certain Combined Statements of Profit or Loss and Other Comprehensive Income Items" for an analysis of our revenue and gross profit during the Track Record Period.

Summary of Combined Statements of Financial Position

	As of December 31,		
	2017	2018	2019
		RMB'000	
Non-current assets	65,598	72,836	75,517
Current assets	230,604	462,394	717,265
Current liabilities	32,233	48,125	267,372
Net current assets	198,371	414,269	449,893
Non-current liabilities	3,837	3,180	9,950
Net assets	260,132	483,925	515,460

Our net current assets increased from RMB198.4 million as of December 31, 2017 to RMB414.3 million as of December 31, 2018 primarily because our current assets increased from RMB230.6 million as of December 31, 2017 to RMB462.4 million as of December 31, 2018, mainly due to an increase of RMB178.7 million in cash and cash equivalents. Our net current assets increased further to RMB449.9 million primarily because (i) our current assets increased from RMB462.4 million as of December 31, 2018 to RMB717.3 million as of December 31, 2019, mainly due to an increase of RMB212.4 million in cash and cash equivalents, partially offset by an increase in our current liabilities from RMB48.1 million as of December 31, 2018 to RMB267.4 million as of December 31, 2019 primarily because we had dividend payable of RMB188.9 million as of December 31, 2019, which represented the amounts payable in relation to the RMB295.2 million dividend that Hangzhou Kangji declared in October 2019. See "Financial Information — Description of Certain Combined Statements of Financial Position Items."

Summary of Combined Statements of Cash Flow

	For the year ended December 31,		
	2017	2018	2019
		RMB'000	
Operating cash flows before movements in working capital	167,310	259,212	381,285
Changes in working capital	(1,964)	(18,360)	(11,477)
Interest received	162	146	99
Income tax paid	(22,793)	(36,261)	(44,065)
Net cash flows from operating activities	142,715	204,737	325,842
Net cash flows from/(used in) investing activities	(39,642)	(255,728)	183,135
Net cash flows used in financing activities	(32)	(33)	(106,293)
Net increase/(decrease) in cash and cash equivalents	103,041	(51,024)	402,684
Cash and cash equivalents at beginning of year	11,188	110,809	64,580
Effect of foreign exchange rate changes, net	(3,420)	4,795	2,072
Cash and cash equivalents at end of year	110,809	64,580	469,336

Key Financial Ratios

	As of/for the year ended December 31,		
	2017	2018	2019
Gross profit margin	80.7%	81.8%	84.1%
Net profit margin	55.9%	63.3%	64.9%
Return on average equity	72.5%	60.2%	65.4%
Return on average asset	62.0%	53.8%	49.2%
Current ratio	7.15	9.61	2.68
Quick ratio	6.34	8.84	2.54

For details, see "Financial Information — Key Financial Ratios."

OUR CONTROLLING SHAREHOLDERS

The founders of our Group are Mr. Zhong and Ms. Shentu, who are spouses. Immediately following the completion of the Capitalization Issue and the Global Offering (assuming that the Over-allotment Option and the share options granted under the Pre-IPO Share Option Plan are not exercised), Mr. Zhong (through Fortune Spring ZM B Limited) and Ms. Shentu (through Fortune Spring YG B Limited) will be jointly beneficially interested in an aggregate of 51.11% of the total issued share capital of our Company. Accordingly, Mr. Zhong, Ms. Shentu, Fortune Spring ZM B Limited and Fortune Spring YG B Limited will be a group of Controlling Shareholders of the Company. For details, see "Relationship with Controlling Shareholders."

PREVIOUS LISTING ATTEMPTS, PRE-IPO INVESTMENTS AND REORGANIZATION

Hangzhou Kangji made application to the CSRC for the listing of its shares on the Shanghai Stock Exchange in March 2017 and June 2019, respectively. Both listing attempts were not proceeded due to voluntary withdrawal by Hangzhou Kangji. For details of our previous listing attempts, see "History, Reorganization and Corporate Structure — Our Principal Subsidiaries — Hangzhou Kangji — Previous listing attempts."

We received financings and investments from various investors since our establishment, especially the investment by LYFE Capital in June 2016 and the investment by TPG Success in December 2017. In preparation for the Listing and as part of the Reorganization, in March 2020, TPG Keyhole and LYFE Entities subscribed for 25,000 and 11,000 Preferred Shares of our Company. The consideration for such share subscription was the entire equity interests of TPG Success and LYFE Capital held by TPG Keyhole and LYFE Entities, respectively. For details of our Pre-IPO Investments and the Reorganization, see "History, Reorganization and Corporate Structure — Pre-IPO Investments" and "— Reorganization."

PRE-IPO SHARE OPTION PLAN AND RSU PLAN

In recognition of the contributions of our Directors, senior management and employees and to incentivize them to further promote our development, the Company adopted the Pre-IPO Share Option Plan and the RSU Plan on May 6, 2020. A platform has been established for holding the incentive Shares to be awarded to the grantees under the RSU Plan. Pursuant to the terms of the Pre-IPO Share Option Plan and the RSU Plan, no grantees may exercise the options or obtain the RSUs prior to the Global Offering. For key terms of the two plans, see "Appendix IV — Statutory and General Information — A. Further Information about Our Group — 5. Pre-IPO Share Option Plan and RSU Plan."

GLOBAL OFFERING STATISTICS

The statistics in the following table are based on the assumptions that the Capitalization Issue and the Global Offering are completed, 1,252,207,500 shares are issued in the Global Offering and without taking into account any Shares to be issued upon the exercise of share options granted under the Pre-IPO Share Option Plan.

	Based on an Offer price of HK$12.36 per Share	**Based on an Offer price of HK$13.88 per Share**
Market capitalization of our Shares[(1)]	HK$15,477 million	HK$17,381 million
Unaudited pro forma adjusted net tangible assets attributable to owners of the Company per Share[(2)]	HK$2.38	HK$2.65

(1) The calculation of market capitalization is based on 1,252,207,500 Shares expected to be in issue immediately upon completion of the Global Offering.

(2) The unaudited pro forma adjusted combined net tangible assets attributable to owners of the Company per Share is calculated after making adjustments referred to in "Appendix II — Unaudited Pro Forma Financial Information" to this prospectus. The unaudited pro forma adjusted combined net tangible assets attributable to owners of the Company have not taken into account the dividend of RMB65.7 million declared on April 8, 2020. Had the dividend been taken into account, the unaudited pro forma adjusted combined net tangible assets attributable to owners of the Company per Share would be HK$2.33 per Share (based on the Offer Price of HK$12.36 per Share) or HK$2.59 per Share (based on the Offer Price of HK$13.88 per Share).

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK$2,791.1 million, after deducting underwriting commissions, fees and estimated expenses payable by us in connection with the Global Offering, and assuming an Offer Price of HK$13.12 per Share, which is the mid-point of the indicative Offer Price range stated in this prospectus. We currently intend to apply these net proceeds for the following purposes: (i) approximately 20.0%, or HK$558.2 million, will be used to expand our production capacity and strengthen our manufacturing capabilities; (ii) approximately 25.0%, or HK$697.8 million, will be used to fund our R&D activities; (iii) approximately 20.0%, or HK$558.2 million, will be invested in our sales and marketing activities; (iv) approximately 25.0%, or HK$697.8 million, will be used to fund potential strategic investment and acquisitions. As of the Latest Practicable Date, we had not identified any specific acquisition targets, formed any specific acquisition plans or entered into any agreements with potential targets; and (v) approximately 10.0%, or HK$279.1 million, will be used for our working capital and general corporate purposes. See "Future Plans and Use of Proceeds" for details.

DIVIDEND POLICY

Hangzhou Kangji declared dividends of RMB295.2 million in October 2019. As of December 31, 2019, we had dividend payable of RMB188.9 million, of which RMB20.0 million was paid in January 2020 and the remaining will be paid prior to the Listing with our internal resources. On April 8, 2020, the Company passed a Board resolution, declaring a dividend of RMB65.7 million. The dividend amount was based on the undistributed profits of Hangzhou Kangji as of December 31, 2019, and will be paid after the Listing with our internal resources. We do not have a specific dividend policy or a predetermined dividend payout ratio. The determination to pay dividends in the future will be made at the direction of our Board and will be based on our profits, cash flows, financial condition, capital requirements and other conditions that our Board deems relevant. The payment of dividends may be limited by other legal restrictions and agreements that we may enter into in the future.

LISTING EXPENSES

Listing expenses to be borne by us are estimated to be approximately HK$166.1 million (including underwriting commission and other expenses), assuming an Offer Price of HK$13.12 per Share, which is the mid-point of the indicative Offer Price range stated in this prospectus. Approximately HK$37.7 million is expected to be charged to our consolidated statements of profit or loss and other comprehensive income, and approximately HK$128.4 million is expected to be accounted for as a deduction from equity upon the Listing. For the year ended December 31, 2019, we incurred listing expenses of nil. The listing expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

In response to the recent outbreak of a novel coronavirus named COVID-19 in China and overseas, the PRC government has implemented widespread disease containment and treatment measures, including but not limited to extending Chinese New Year holidays, restricting on-site office work, traffic control, travel bans, mobilizing medical resources nationwide to support treatment in the disease epicenter of Wuhan and surrounding cities in Hubei province, and requiring hospitals to manage and control staff and services to avoid patient crowding and cross-infections.

We had normal operations before Chinese New Year holidays starting from January 24, 2020. We temporarily suspended operations for approximately two weeks from the end of Chinese New Year holidays in early February 2020 to February 17, 2020 to protect our employees. We officially resumed normal on-site operations on February 18, 2020, including production and sales. In February and March 2020, the COVID-19 outbreak had a material impact on our results of operations because we suspended production temporarily and many hospitals had lower demand for our products, as many MIS were rescheduled to avoid cross-infections and hospital resources were redirected to support COVID-19 treatment during this period. For the first quarter of 2020, due to the impact of the COVID-19 outbreak, our unaudited revenue decreased by approximately 31.4% to RMB61.1 million from RMB89.1 million for the same period of 2019, and our unaudited gross profit decreased by approximately 31.0% to RMB50.7 million from RMB73.5 million for the same period of 2019. Our unaudited revenue for the first quarter of 2019 accounted for approximately 17.7% of our total revenue for the year of 2019. Our gross profit margin for the first quarter of 2020 was approximately 83.0%, which increased slightly by 0.5% compared to that of the same period of 2019.

For the first four months ended April 30, 2020, our unaudited revenue decreased by approximately 18.6% to RMB105.7 million from RMB129.9 million for the same period in 2019, our unaudited gross profit decreased by approximately 18.2% to RMB88.1 million from RMB107.6 million for the same period in 2019, and our gross profit margin increased by 0.5% to 83.3% compared to that for the same period in 2019. However, based on the unaudited revenue for the first quarter and the first four months of 2019 and 2020, our unaudited revenue for the month of April 2020 was approximately RMB44.6 million, representing an increase of approximately 9.2% compared to RMB40.8 million for April 2019. This was due to the recovery of market demand since mid-March 2020 as surgery volume of MIS started to bounce back. The unaudited revenue and gross profit for the first quarter of 2020 and the first four months of 2020 disclosed above are extracted from our unaudited interim condensed consolidated financial information as of and for the three months ended March 31, 2020 and the four months ended April 30, 2020, which have been reviewed by our reporting accountants in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Hong Kong Institute of Certified Public Accountants. We expect the effect of the COVID-19 outbreak on our business to be relatively limited for the rest of 2020, considering that:

(i) according to CIC, (a) the number of daily new infections and suspected COVID-19 cases in China has declined substantially since mid-February. On April 8, 2020, the mass lockdown measures in Wuhan, the outbreak epicentre in China, were lifted; (b) starting from mid-March 2020, medical teams deployed to Hubei province from other regions in China have gradually returned home, hospitals have gradually resumed full services and the volume of minimally invasive surgery has gradually recovered. CIC expects that the volume of MIS performed by hospitals outside of Hubei province to return to 2019 historical levels around July 2020; (c) CIC estimates that the number of MIS performed in the first four months of 2020 to be approximately 2.3 million to 2.5 million. As of May 31, 2020, over 90% of hospitals in China have resumed normal operations in accordance with applicable disease containment requirements, and the MIS volumes of these hospitals have reached 70% to 80% of their historical levels in 2019 and have continued to increase; and (d) assuming that the COVID-19 situation in China does not deteriorate, the unmet medical needs accumulated due to the outbreak is expected to be gradually addressed in the second half of 2020, and CIC expects China's total MIS volume in 2020 to be higher than that of 2019 due to strong market demand, which is expected to result in an anticipated increase in demand for our products;

(ii) traditionally, we experience seasonality in our business with relatively lower sales levels in the first quarter due to Chinese New Year holidays when generally fewer surgeries are scheduled. The COVID-19 outbreak is expected to have the most impact in the first quarter, when our sales are usually relatively low;

(iii) As of April 30, 2020, we had capital resources of RMB226.3 million, consisting of cash and cash equivalents of RMB69.6 million, financial products we purchased of RMB156.3 million and pledged deposits of RMB0.4 million. Assuming that there will be no other sources of funding except for capital resources on hand, net cash flows from operating activities and 10% of the net proceeds at the low end of the Offer Price range to be used for working capital and general corporate purposes, and that we will progress with our operations, including sales and marketing, manufacturing, new product development and commercialization, pursue our business strategy as currently contemplated, and pay dividend payables as of the date of this prospectus, we expect to have sufficient working capital for at least the next 24 months from the date of this prospectus;

(iv) our inventory levels for finished goods and raw materials before Chinese New Year holidays were sufficient to support our operations in February and March. All of our major raw material suppliers have resumed operations by March 2020, and have been able to deliver raw materials in a timely manner. Therefore, as of the Latest Practicable Date, we did not experience any disruption in our supply chain;

(v) substantially all of our major distributors have resumed business operations. As of the Latest Practicable Date, we did not experience any significant delay or default in the recovery of trade receivables from distributors;

(vi) we believe our revenue from sales to distributors that sell our products in Hubei province was not significant during the Track Record Period; Even if Hubei were subject to a longer period of disease containment measures, we expect that the impact on our 2020 financial results would be very limited; and

(vii) we achieved positive period-to-period growth for our overseas sales for the first four months of 2020. However, we currently expect that the COVID-19 pandemic will have a material impact on our overseas sales for the rest of 2020, considering that Europe, South America and other Asian countries have been affected, where our overseas customers are primarily located. Orders from these regions are expected to significantly decline and international logistics to these regions are being significantly affected. As a result, we expect our overseas sales to decrease in the second and third quarters of 2020 as compared with the same period in 2019, and may be affected in the fourth quarter of 2020 depending on the situation of these regions. However, because the sales revenue derived from overseas market only accounted for 10.8%, 9.4% and 7.1% of our revenue for the year ended December 31, 2017, 2018 and 2019, respectively, even if our overseas sales would significantly decline for the remainder of the year of 2020, the impact of the pandemic outside of China will have limited impact on our 2020 financial results.

We have adopted measures to mitigate the impact of the COVID-19 outbreak on our business operations, financial results and prospects, and maintain a safe and hygienic working environment in our offices and manufacturing facilities. Soon after the COVID-19 outbreak was declared a public health emergency of international concern by the WHO, we established a committee to handle COVID-19-related contingencies. The committee is headed by Mr. Zhong, our executive Director, Chairman of the Board and chief executive officer, and comprises six members of the Board and senior management, and 10 department heads. The committee promptly formulated a company-wide COVID-19 emergency response plan, including but not limited to procuring sanitation supplies, assigning specific personnel to monitor COVID-19 related information, closely working with our suppliers to ensure supply of raw materials and periodically communicating with our customers to obtain timely updates of their operations and sales performance.

After we resumed on-site operations, we have taken the following precautionary measures:

- providing surgical masks, sanitation supplies and basic medical equipment such as thermometers on our premises daily;
- requiring all staff to measure their body temperatures before allowing them to enter our premises;
- requiring relevant staff to self-quarantine for two weeks after they returned from Chinese New Year holidays or traveling in outbreak areas;
- requiring all employees and visitors to wear a face mask on our premises;
- sterilizing our premises every day and improving ventilation by halting central heating and air conditioning and using fresh air ventilation instead;
- continually monitoring the health conditions of each employee;
- conducting meetings by telephone or video conference to the extent possible and limiting in-person meetings and non-essential travel; and
- imposing various restrictions on site-visits to our premises.

We cannot foresee when the COVID-19 outbreak will become completely under control or whether COVID-19 will have a material and adverse impact on our business if the situation deteriorates going forward. See "Risk Factors — Risks Relating to Our Operations — Natural disasters, epidemics, acts of war or terrorism or other factors beyond our control in the future may have a material adverse effect on our business, financial condition and results of operations." We are constantly monitoring the COVID-19 situation as well as various

regulatory and administrative measures adopted by local governments to prevent and control the epidemic. We will continue to evaluate the impact of this outbreak on us and adjust our precautionary measures according to latest developments of the outbreak.

As of April 30, 2020, we had capital resources of RMB226.3 million, consisting of cash and cash equivalents of RMB69.6 million, financial products we purchased of RMB156.3 million and pledged deposits of RMB0.4 million. Assuming that there will be no other sources of funding except for capital resources on hand, net cash flows from operating activities and 10% of the net proceeds at the low end of the Offer Price range to be used for working capital and general corporate purposes, and that we will progress with our operations, including sales and marketing, manufacturing, new product development and commercialization, pursue our business strategy as currently contemplated, and pay dividend payables as of the date of this prospectus, we expect to have sufficient working capital for at least the next 24 months from the date of this prospectus.

Our Directors confirm that, save as disclosed above and save for the dividends approved by the Board's resolution on April 8, 2020, the Listing expenses to be charged to our consolidated statements of profits or loss and other comprehensive income for the year ending December 31, 2020 of HK$37.7 million (assuming an Offer Price of HK$13.12 per Share, which is the mid-point of the indicative Offer Price range stated in the prospectus) and the share-based compensation expenses in relation to the RSU Plan and the Pre-IPO Share Option Plan for the year ending December 31, 2020 of HK$19.7 million, as far as they are aware, there had been no material adverse change in our financial, trading position or prospects since December 31, 2019, being the latest date of our combined financial statements as set out in "Appendix I — Accountants' Report" of this prospectus, up to the date of this prospectus.

RISK FACTORS

There are certain risks in our operations and in connection with the Global Offering, many of which are beyond our control. We believe the most significant risks we face include but not limit to: (i) we may be unable to obtain, maintain or renew the regulatory filings and registration certificates needed to commercialize our products in a timely manner, or at all; (ii) we may not be able to maintain or renew all the permits, licenses and certificates required for our business and operations; (iii) we may be unable to develop or successfully market new or commercially viable products and technologies or improve our existing products and technologies in a timely manner, or at all; (iv) we are subject to intense competition from domestic and international competitors, and we may be unable to maintain or enhance our market share in this industry for a variety of reasons; (v) we rely on relationships with KOLs, physicians, hospitals and medical associations in the development and marketing of our products; (vi) we may fail to maintain or renew relationships with distributors, or further expand our network of distributors; and (vii) we may fail to effectively manage our network of distributors. Actions taken by our distributors in violation of the distribution agreements or taken by the distributors with whom we have not entered into distribution agreements could materially and adversely affect our business, prospects and reputation. These risks are not the only significant risks that may affect the value of our Shares. See "Risk Factors" for details of risks and uncertainties related to us.

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

"Accountants' Report"	the Accountants' Report for the years ended December 31, 2017, 2018 and 2019 prepared by Ernst & Young, the text of which is set out in Appendix I to this prospectus
"Application Form(s)"	**WHITE** Application Form(s), **YELLOW** Application Form(s) and **GREEN** Application Form(s), or where the context so requires, any of them, relating to the Hong Kong Public Offering
"Articles of Association" or "Articles"	articles of association of our Company conditionally adopted on June 8, 2020 to take effect on the Listing Date, a summary of which is set out in "Appendix III — Summary of Our Constitution and Cayman Islands Company Law", as amended from time to time
"associates"	has the meaning ascribed to it under the Listing Rules
"Board" or "Board of Directors"	the board of directors of our Company
"Business Day"	a day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"BVI"	the British Virgin Islands
"CAGR"	compounded annual growth rate, which is calculated by dividing the amount at the end of the period by the amount of the beginning of that period, raising the result to an exponent of one divided by the number of years in the period, and subtracting one from the subsequent result
"Capitalization Issue"	the issue of 666,743,319 Shares and 359,964,000 Preferred Shares to be made upon capitalization of part of the sum standing to the credit of the share premium account of our Company, details of which are set out in "History, Reorganization and Corporate Structure — Capitalization Issue"

"Cayman Islands"	the Cayman Islands
"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", "PRC" or "State"	People's Republic of China, but for the purpose of this prospectus and for geographical reference only and except where the context requires otherwise, references in this prospectus to "China" and the "PRC" do not apply to Hong Kong, Macau and Taiwan
"CIC"	China Insights Industry Consultancy Limited, a global market research and consulting company and our industry consultant, which is an Independent Third Party
"Circular 37"	the Circular on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Overseas Investment and Financing and Inbound Investment via Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) promulgated by SAFE with effect from July 4, 2014
"close associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Companies Law" or "Cayman Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time

"Companies Ordinance"	the Companies Ordinance, Chapter 622 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Company" or "our Company"	Kangji Medical Holdings Limited, a company incorporated under the laws of the Cayman Islands with limited liability on February 12, 2020, and, except where the context otherwise requires, all of its subsidiaries
"connected person"	has the meaning ascribed to it under the Listing Rules
"connected transaction"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed thereto in the Listing Rules and unless the context requires otherwise, refers to Mr. Zhong, Ms. Shentu, Fortune Spring ZM B Limited and Fortune Spring YG B Limited
"COVID-19"	novel coronavirus, a coronavirus identified as the cause of an outbreak of respiratory illness that was first reported in Wuhan, China
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"Director(s)" or "our Director(s)"	the director(s) of our Company, including all executive, non-executive and independent non-executive directors
"EIT Law"	the PRC Enterprise Income Tax Law (中華人民共和國企業所得税法), as enacted by the NPC on March 16, 2007 and effective on January 1, 2008 and last amended on December 29, 2018 by the Standing Committee of the NPC, as amended, supplemented or otherwise modified from time to time
"EU"	the European Union
"Extreme Conditions"	extreme conditions caused by a super typhoon as announced by the Government of Hong Kong

"Fortune Spring ZM Trust"	an irrevocable discretionary trust settled by Mr. Zhong as the settlor pursuant to a trust deed dated May 21, 2020 under the laws of Singapore for his succession planning, and pursuant to the aforesaid trust deed, the beneficiaries are Mr. Zhong and persons appointed by him by instrument during his lifetime and while he is not incapacitated
"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
"Group" or "our Group"	our Company and all of our subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, the businesses operated by such subsidiaries or their predecessors (as the case may be)
"Hangzhou Kangji"	Hangzhou Kangji Medical Instrument Ltd. (杭州康基醫療器械有限公司), a limited liability company established in the PRC on August 24, 2004
"HK$" or "Hong Kong Dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"HKFRS"	Hong Kong Financial Reporting Standards
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Offer Shares"	the 22,540,000 Shares being initially offered by our Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering (subject to reallocation as described in "Structure of the Global Offering — Allocation — Reallocation" in this prospectus)

"Hong Kong Public Offering"	the offer for subscription of the Hong Kong Offer Shares to the public in Hong Kong at the Offer Price, subject to and in accordance with the terms and conditions set out in this prospectus and the Application Forms
"Hong Kong Share Registrar"	Computershare Hong Kong Investor Services Limited
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering whose names are set out in "Underwriting — Hong Kong Underwriters" in this prospectus
"Hong Kong Underwriting Agreement"	the underwriting agreement dated June 14, 2020 relating to the Hong Kong Public Offering entered into by, among other parties, our Company, the Joint Global Coordinators, Joint Lead Managers, Joint Bookrunners and the Hong Kong Underwriters
"Independent Third Party(ies)"	party or parties that, to the best of our Directors' knowledge, information and believe, having made all reasonable enquiries, is or are not a connected person or connected persons of the Company within the meaning of the Listing Rules
"International Offer Shares"	the 202,857,500 Shares initially offered pursuant to the International Offering together with, where relevant, any additional Shares which may be sold by the Selling Shareholder pursuant to the exercise of the Over-allotment Option, subject to reallocation as described in "Structure of the Global Offering — Allocation — Reallocation" in this prospectus
"International Offering"	the offer of the International Offer Shares in the United States only to QIBs in reliance on Rule 144A or another available exemption from registration under the U.S. Securities Act and outside the United States in offshore transactions in accordance with Regulation S, as further described in "Structure of the Global Offering — The International Offering" in this prospectus
"International Underwriters"	the group of international underwriters expected to enter into the International Underwriting Agreement relating to the International Offering

"International Underwriting Agreement"	the international underwriting agreement relating to the International Offering to be entered into by, among other parties, our Company, the Selling Shareholder, the Joint Global Coordinators, Joint Lead Managers, Joint Bookrunners and the International Underwriters on or about the Price Determination Date
"Jiangxi Kanghuan"	Jiangxi Kanghuan Medical Instrument Co., Ltd. (江西省康歡醫療器械有限公司), a limited liability company established in the PRC on May 22, 2017
"Joint Bookrunners"	the joint bookrunners as named in "Directors and Parties Involved in the Global Offering" of this prospectus
"Joint Global Coordinators"	the joint global coordinators as named in "Directors and Parties Involved in the Global Offering" of this prospectus
"Joint Lead Managers"	the joint lead managers as named in "Directors and Parties Involved in the Global Offering"of this prospectus
"Joint Sponsors"	the joint sponsors as named in "Directors and Parties Involved in the Global Offering"of this prospectus
"Kangji Hong Kong"	Kangji Medical (Hong Kong) Limited (康基醫療(香港)有限公司), formerly known as LYFE Capital Blue Arch (Hong Kong) Limited, the name of which was changed on April 21, 2020
"Latest Practicable Date"	June 8, 2020, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
"Listing"	the listing of our Shares on the Main Board
"Listing Committee"	the listing sub-committee of the board of directors of the Stock Exchange
"Listing Date"	the date, expected to be on or about Monday, June 29, 2020, on which dealings in our Shares first commence on the Main Board

"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
"LYFE Capital"	LYFE Capital Blue Arch (Hong Kong) Limited, a company with limited liability incorporated in Hong Kong on December 21, 2015, which became a wholly-owned subsidiary of the Company upon completion of the Reorganization and changed its name to Kangji Medical (Hong Kong) Limited (康基醫療(香港)有限公司) on April 21, 2020
"LYFE Entities"	The previous shareholders of LYFE Capital prior to the Reorganization and became direct Shareholders of the Company upon the completion of the Reorganization, including LYFE Capital Fund, L.P., LYFE Capital Fund-A, L.P., Axiom Asia IV, L.P. and ARDIAN DIRECT ASIA III L.P.
"M&A Rules"	Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors (關於外國投資者併購境內企業的規定), which were jointly promulgated by MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, the STA, the SAIC, the CSRC, and the SAFE on August 8, 2006, and came into effect on September 8, 2006 and subsequently amended by MOFCOM on June 22, 2009, as amended, supplemented or otherwise modified 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. For the avoidance of doubt, the Main Board excludes the Growth Enterprise Market
"MEDICA"	one of the world's largest trade fairs for medical technology, electromedical equipment, laboratory equipment, diagnostics and pharmaceuticals
"Memorandum of Association"	memorandum of association of our Company conditionally adopted on June 8, 2020 to take effect on the Listing Date, as amended from time to time

"MOFCOM" or "Ministry of Commerce"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"Mr. Zhong"	Mr. ZHONG Ming (鐘鳴), one of our founders and the spouse of Ms. Shentu, the Chairman of the Board, executive Director, chief executive officer of the Company, one of our Controlling Shareholders
"Ms. Shentu"	Ms. SHENTU Yinguang (申屠銀光), one of our founders and the spouse of Mr. Zhong, executive Director of the Company, one of our Controlling Shareholders
"NDRC"	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"NMPA"	National Medical Products Administration (國家藥品監督管理局) and its predecessor, the China Food and Drug Administration (國家食品藥品監督管理總局) from 2013 to 2018 and the State Food and Drug Administration (國家食品藥品監督管理局) from 2003 to 2013
"Non-PRC Resident Enterprise"	as defined under the EIT Law, means companies established pursuant to a non-PRC law with their de facto management conducted outside the PRC, but which have established organizations or premises in the PRC, or which have generated income within the PRC without having established organizations or premises in the PRC
"NPC"	the National People's Congress of the PRC (中華人民共和國全國人民代表大會)
"Offer Price"	the final offer price per Offer Share (exclusive of brokerage fee of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) of not more than HK$13.88 and expected to be not less than HK$12.36, such price to be agreed upon by our Company and the Joint Global Coordinators (on behalf of the Underwriters) on or before the Price Determination Date
"Offer Shares"	the Hong Kong Offer Shares and the International Offer Shares

"Over-allotment Option"	the option to be granted by the Selling Shareholder to and exercisable by the Joint Global Coordinators, pursuant to which the Selling Shareholder may be required to sell up to an aggregate of 33,809,500 Sale Shares (representing approximately 15% of our Shares initially being offered under the Global Offering) to cover over-allocations in the International Offering, details of which are described in "Structure of the Global Offering — Over-allotment Option" in this prospectus
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"PRC Legal Advisors"	Tian Yuan Law Firm, our legal advisor as to PRC laws
"Preferred Shares"	preferred shares in the share capital of our Company of US$0.00001 each
"Pre-IPO Investment(s)"	the pre-IPO investment(s) in our Company, the details of which are set out in "History, Reorganization and Corporate Structure — Pre-IPO Investments"
"Pre-IPO Investor(s)"	the pre-IPO investor(s) of our Company, the details of which are set out in "History, Reorganization and Corporate Structure — Pre-IPO Investments"
"Pre-IPO Share Option Plan"	the employees' share incentive plan of the Company as adopted on May 6, 2020, a summary of the principal terms of which is set forth in "Appendix IV — Statutory and General Information — A. Further Information about Our Group — 5. Pre-IPO Share Option Plan and RSU Plan — A. Pre-IPO Share Option Plan"
"Price Determination Agreement"	the agreement to be entered into by us, the Selling Shareholder and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on the Price Determination Date to record and fix the pricing of the Offer Shares
"Price Determination Date"	the date, expected to be on or about Friday, June 19, 2020, on which the Offer Price is to be fixed by agreement between us, the Selling Shareholder and the Joint Global Coordinators (on behalf of the Underwriters)

"QIB"	a qualified institutional buyer within the meaning of Rule 144A
"Regulation S"	Regulation S under the U.S. Securities Act
"Renminbi" or "RMB"	the lawful currency of the PRC
"Reorganization"	the reorganization steps underwent by our Company to streamline our shareholding structure in preparation for the Listing, particulars of which are set out in "History, Reorganization and Corporate Structure — Reorganization"
"RSU Plan"	the restricted share unit plan of the Company as adopted on May 6, 2020, a summary of the principal terms of which is set forth in "Appendix IV — Statutory and General Information — A. Further Information about Our Group — 5. Pre-IPO Share Option Plan and RSU Plan — B. RSU Plan"
"Rule 144A"	Rule 144A under the U.S. Securities Act
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAIC"	the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局), currently known as State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局)
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO" or "Securities and Futures Ordinance"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Sale Share(s)"	the Shares to be sold by the Selling Shareholder at the Offer Price upon exercise of the Over-allotment Option
"Selling Shareholder"	Keyhole Holding Limited, particulars of which are set out in the section headed "Appendix IV – Statutory and General Information – D. Other Information – 11. Particulars of the Selling Shareholder" in this prospectus

"Share(s)"	ordinary shares in the share capital of our Company of US$0.00001 each
"Shareholder(s)"	holder(s) of our Share(s) of our Company
"STA"	the State Taxation Administration of the PRC (中華人民共和國國家税務總局)
"Stabilizing Manager"	Goldman Sachs (Asia) L.L.C.
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"Stock Borrowing Agreement"	the stock borrowing agreement to be entered into between the Stabilizing Manager or its affiliate and Fortune Spring ZM B Limited on or around the Price Determination Date
"Stock Exchange" or "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"subsidiary(ies)"	has the meaning ascribed to it in section 15 of the Companies Ordinance
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
"The YG Trust"	an irrevocable discretionary trust settled by Ms. Shentu as the settlor pursuant to a trust deed dated May 20, 2020 under the laws of Singapore for her succession planning, and pursuant to the aforesaid trust deed, the beneficiary is Ms. Shentu
"TPG Keyhole"	Keyhole Holding Limited, an exempted company incorporated under the laws of the Cayman Islands on December 29, 2017, which was the sole shareholder of TPG Success prior to the Reorganization and became a direct Shareholder of the Company upon the completion of the Reorganization

"TPG Success"	TPG Keyhole Success Holding Pte. Ltd., a company with limited liability incorporated under the laws of Singapore on January 8, 2018, which became a wholly-owned subsidiary of the Company upon completion of the Reorganization
"Track Record Period"	the period comprising the three financial years ended December 31, 2017, 2018 and 2019
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. dollars" or "US$"	United States dollars, the lawful currency of the United States
"U.S. persons"	U.S. persons as defined in Regulation S
"U.S. Securities Act"	the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"VAT"	value-added tax
"we", "us" or "our"	the Company or the Group, as the context requires
"**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/applicants' own name
"**WHITE Form eIPO**"	the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of **White Form eIPO** Service Provider
"**White Form eIPO** Service Provider"	Computershare Hong Kong Investor Services Limited

"**YELLOW** Application Form(s)"	the application form(s) for the Hong Kong Offer Shares for use by the public who require(s) such Hong Kong Offer Shares to be deposited directly into CCASS

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.

The English translation and/or transliteration of the names of PRC nationals, entities, enterprises, government authorities, departments, facilities, certificates, titles, laws and regulations included in this prospectus is provided for identification purposes only. In the event of any inconsistency between the English translation and/or transliteration and the Chinese versions, the Chinese versions shall prevail.

The following is a glossary of certain terms used in this prospectus in connection with us and/or our business. As such, these terms and their meanings may not correspond to standard industry meanings or usage of these terms.

"cannula"	a component of a trocar which is typically a hollow tube with sealed structure
"CRO(s)"	a contract research organization that provides support to the pharmaceutical, biotechnology, and medical device industries in the form of research services outsourced on a contract basis
"electrocoagulation forceps"	a medical device intended to deliver high-frequency electric current from a high-frequency electrosurgical system directly to tissues for cutting, coagulation and/or ablation during MIS
"first inspection pass rate"	the number of product units passing quality inspections without any rework or scrap divided by the total number of product units going into the quality inspection process over a specified period of time
"general surgery"	a surgical specialty that focuses on abdominal contents including esophagus, stomach, small intestine, large intestine, liver, pancreas, gallbladder, appendix and bile ducts, and often the thyroid gland, as well as diseases involving the skin, breast, soft tissue, trauma, peripheral vascular disease and hernias, and involves the performance of endoscopic procedures
"GFA"	gross floor area
"Grade IIIA hospitals"	a top-level hospital in China, as hospitals in China are divided into three classes by National Health Commission of the PRC (中華人民共和國國家衛生健康委員會), among which, Class III hospitals are at the highest level, typically having more than 500 beds, providing high-level specialist medical and healthcare services to several regions and performing advanced teaching and research tasks. Class III hospitals are divided into Special, A, B, and C grades

"gynecology"	a surgical specialty that focuses on diseases and routine physical care of the reproductive system of women
"IT system"	information technology system
"KOL(s)"	key opinion leaders, being physicians with influence on their peers' medical practice, such as prescribing behavior, surgical procedures preference and residency training focus
"ligation clip"	a medical device designed to be implanted around a blood vessel or a tubular tissue structure for occlusion in a surgery, including a MIS
"minimally invasive surgery", or "MIS"	a sub-segment of the generalized concept of minimally invasive operation, which is generally for the treatment purpose and performed through small incisions. MIS is widely used in surgical specialties of general surgery, OBGYN, urology, thoracic surgery and orthopedics, among others
"MISIA"	minimally invasive surgical instrument(s) and accessory(ies)
"OBGYN"	acronym of obstetrics and gynecology
"obstetrics"	a surgical specialty focused on the childbirth and midwifery
"obturator"	a component of a trocar which is a pen-shaped shaft used inside the cannula with a penetration point for insertion
"trocar"	a medical device intended to be percutaneously inserted through the abdominal wall or the chest to create an access port for endoscopes or other surgical instruments during the MIS
"urology"	a surgical specialty focused on the function and disorder of the urinary system

We have included in this prospectus forward-looking statements. Statements that are not historical facts, including statements about our intentions, beliefs, expectations or predictions for the future, are forward-looking statements.

This prospectus contains certain forward-looking statements and information relating to us and our subsidiaries 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," "expect," "going forward," "intend," "may," "might," "ought to," "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 other 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 our company 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 strategies, plans, objectives and goals and our ability to successfully implement these strategies, plans, objectives and goals;
- our ability to advance product development and obtain regulatory approvals for our pipeline products;
- general economic, political and business conditions in the markets in which we operate and future developments in relation to the COVID-19 outbreak in China and globally;
- changes to regulatory and operating conditions in the industry and markets in which we operate;
- our ability to manage our sales network;
- our ability to continue to maintain strong relationships with KOLs, physicians, hospitals and medical associations;
- the approval, pricing and reimbursement of our products;

- our ability to maintain an effective quality control system;
- our ability to continue to maintain our leadership position in the industry;
- our ability to control or reduce costs;
- our ability to identify and integrate suitable acquisition targets;
- our dividend policy;
- our capital expenditure plans;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- our future debt levels and capital needs;
- the competitive environment of the industry and markets in which we operate;
- the actions and developments of our competitors;
- certain statements in "Business" and "Financial Information" in this prospectus with respect to trends in prices, operations, margins, overall market trends, and risk management;
- change of volatility in interest rates, equity prices, volumes, operations, margins, risk management and overall market trends; and
- other statements in this prospectus that are not historical facts.

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, you should not place undue reliance on any forward-looking information. 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 our 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 of the information set out in this prospectus, including the risks and uncertainties described below, before making an investment in our Shares. Our business, financial condition and results of operations could be materially and adversely affected by any of these risks and uncertainties. The trading price of our Shares could decline due to any of these risks, and you may lose all or part of your investment. Additional risks and uncertainties not presently known to us, or not expressed or implied below, or that we deem immaterial, could also harm our business, financial condition and results of operations.

RISKS RELATING TO OUR BUSINESS AND THE INDUSTRY

We may be unable to obtain, maintain or renew the regulatory filings and registration certificates needed to commercialize our products in a timely manner, or at all.

We need to complete regulatory filings or obtain registration certificates for our products from the NMPA or its local branches at the provincial or prefectural city level or from the competent regulatory authorities in other jurisdictions where we sell our "KANG JI" products. In China, medical devices are classified into 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. Class I medical devices need to be filed with the local branches at the prefectural city level of the NMPA before they can be commercialized. Class II and Class III medical devices are examined by the provincial branches of the NMPA and the NMPA, respectively, and are required to apply for registration certificates from competent authorities for commercialization. In order to obtain such registration certificates, Class II and Class III medical devices are required to undergo product registration testing and clinical trials, unless they are exempted from clinical trials under the catalogue published by the NMPA. For certain high risk Class III medical devices, NMPA approvals are required before clinical trials can be carried out. See "Regulations — Laws and Regulations Relating to Medical Devices — The Classification, Registration and Filling of Medical Devices." For risks relating to clinical trials, see "— We may not be able to successfully complete product registration testing or clinical trials in a timely manner and at acceptable costs, or at all." The filing and registration process is unpredictable, and may be lengthy and costly, and depends on numerous factors, some of which are beyond our control, including the discretion of regulatory authorities. Regulatory authorities outside of China, such as the U.S. Food and Drug Administration and the European Medicines Agency, also have requirements for approval of medical devices that we must comply with to sell our products in those areas. These requirements may vary from country to country, and can involve additional testing, validation and administrative review processes, which could be costly and time consuming. Even if we are able to obtain the registration certificates for our products, if we or others later identify safety issues with our products, we may be forced to suspend sales and marketing, and regulatory authorities may cancel the registration certificates for such products.

Moreover, registration certificates for medical devices have a five-year term and must be renewed by filing renewal applications with the NMPA or its provincial branches at least six months prior to the expiry of the certificate. As of the Latest Practicable Date, we had 41 Class I medical devices, 13 Class II medical devices and eight Class III medical devices, all of which had been filed or registered with the NMPA or its local branches at provincial or prefectural city level. See "Business — Licenses, Permits and Approvals." The renewal process normally takes two to five months. When deciding whether or not to grant renewal, the NMPA or its provincial branches usually focuses on, among other things, whether the product conforms to latest applicable standards or quality requirements, and whether the product was involved in any adverse event during the past five years. If the NMPA or its provincial branches decide not to grant the renewal of our registration certificates, we will not be able to continue to manufacture and sell the relevant products, which would have a material and adverse effect on our business, financial condition and results of operations.

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

Major aspects of our operations, including product registration or filing, manufacturing, packaging, sales and distribution, pricing, environmental protection, among other things, are regulated by comprehensive local, regional and national regulatory regimes. For example, in China, in addition to the registration certificates, companies engaging in manufacturing of Class II and Class III medical devices are required to obtain and maintain the Manufacture License for Medical Devices (醫療器械生產許可證) and companies engaging in the operation and sale of Class III medical devices are also required to obtain and maintain the Business Operation License of Medical Devices (醫療器械經營許可證). See "Regulations — Laws and Regulations Relating to Medical Devices — Laws and Regulations Relating to Medical Devices Operation." Such permits, licenses and certificates are subject to periodic reviews and renewals by relevant government authorities, and the standards of such reviews and renewals may change from time to time. There can be no assurance that authorities will approve the application for such permits, licenses and certificates or their renewal in the future. Failure to comply with relevant regulations or obtain or renew any permits, licenses and certificates necessary for our operations may result in penalties, fines, governmental sanctions, proceedings and/or suspension or revocation of our permits, licenses or certificates necessary to conduct our business, and may also result in being ordered to suspend or cease operations and being subject to confiscation of income derived from non-compliant activities.

In addition, the regulatory framework for the medical device industry in China is constantly evolving, and we expect it will continue to evolve. In recent years, the healthcare regulatory framework in China has undergone significant changes, including, with respect to quality control, supply, pricing and tender process for medical devices. We cannot predict the likelihood, nature or extent of regulatory changes that may arise from existing or future legislation in China. Furthermore, if the interpretation or implementation of existing laws and regulations changes or new regulations come into effect, we may be required to obtain any additional permits, licenses or certificates. There is no assurance that we will respond

successfully and timely to such changes. Such changes may also result in increased compliance costs or prevent our successful development, manufacture or commercialization of products in China, which would adversely affect our business, financial condition and results of operations.

We may fail to maintain or renew relationships with distributors, or further expand our network of distributors.

We primarily sell our products to our distributors, who then on-sell our products. As of December 31, 2019, we had more than 200 distributors nationwide. The performance of our distributors and the ability of our distributors to on-sell our products, uphold our brand, expand their businesses and their sales network are crucial to the growth of our business and may directly affect our sales volume and profitability. Due to our dependence on our distributors for the sale and distribution of our products, any reduction, delay or cancellation of orders from our distributors, or our failure to renew distribution agreements, maintain good relationships with existing distributors, or timely identify and engage additional or replacement distributors upon the loss of one or more of our distributors, may cause material fluctuations or declines in our revenue or the sustainability of our growth and have a material and adverse effect on our business, financial condition and results of operations. In addition, a decline in our distributors' performance could lead to a decline in the productivity of our network of distributors and could have a negative impact on our results of operations.

We review the performance of our distributors from time to time, and seek to retain and engage more competent distributors to maintain and expand our overall network of distributors. We may experience challenges when developing our network of distributors, especially in regions where we have relatively low or no presence, such as unfamiliarity with local business and market practices and local laws and regulations, as well as fierce competition with local or overseas competing brands. The competition for distributors is intense in our industry. We may not be able to offer the most favorable arrangements to our distributors as compared to competitors who may be larger and have better-funded sales and marketing campaigns. Competitors may require their distributors to sign exclusive distribution agreements that prohibit such distributors from selling our products. In addition, the implementation of the "two-invoice system" or similar systems in the medical device industry may require us to adjust our sales model. See "Regulations — Laws and Regulations Relating to Medical Devices — Two-invoice System." As the implementation of the "two-invoice system" is still at an early stage, and the interpretation and enforcement of such system in the medical device industry are evolving and subject to uncertainty, we cannot predict how the implementation and enforcement will evolve in different provinces in China, or whether and how that will affect our business and results of operations in the future.

We may fail to effectively manage our network of distributors. Actions taken by our distributors in violation of the distribution agreements or taken by the distributors with whom we have not entered into distribution agreements could materially and adversely affect our business, prospects and reputation.

We have limited control over the operations and actions of our distributors, all of whom, to the best of our Directors' knowledge, are Independent Third Parties during the Track Record Period. We rely on the distribution agreements and the policies and measures we have in place to manage our distributors, including their compliance with laws, rules, regulations and our policies. See "Business — Sales and Distribution — Management of Distributors." We cannot guarantee that we will be able to effectively manage our distributors, or that our distributors would not breach our agreements and policies. If our distributors take one or more of the following actions, our business, results of operations, prospects and reputation may be adversely affected:

- breaching the distribution agreements or our policies and measures, including by selling competing products, by selling products outside their designated territories or by selling "KANG JI" products that they are not authorized to sell;
- failing to adequately promote our products;
- failing to provide proper training and after-sales services to our end-users;
- failing to maintain the requisite licenses, permits or approvals, or failure to comply with applicable regulatory requirements when selling our products; or
- violating anti-corruption, anti-bribery, competition or other laws and regulations of China or other jurisdictions.

Any violation or alleged violation by our distributors of the distribution agreements, our policies or any applicable laws and regulations could result in the erosion of our goodwill, a decrease in the market value of our brand and an unfavorable public perception about the quality of our products, resulting in a material adverse effect on our business, financial condition, results of operations and prospects.

During the Track Record Period, we did not enter into written distribution agreement, which would set forth various terms and restrictions, such as geographical restrictions and product range restrictions, with every distributor we worked with. As a result, their legal obligations to us and our legal recourse against them are limited, and we may not be able to effectively manage and control their activities.

Moreover, some of our distributors engage sub-distributors to distribute our products. Historically, we did not require our distributors to seek our approval before engaging such sub-distributors. We do not engage these sub-distributors directly or maintain contractual relationships with them, and mainly rely on our distributors to manage and control their

sub-distributors in accordance with regulatory requirements, the terms of the distribution agreements we entered into with our distributors and our policies and measures that our distributors agree to comply with. As a result, we have a more limited control over these sub-distributors. There is no assurance that the sub-distributors will comply with the geographical restrictions we have agreed with our distributors, distribute only to authorized hospitals or other medical institutions or comply with other distribution requirements under our distribution agreements and policies. Furthermore, we cannot assure you that we will be able to identify or correct all the sub-distributors' practices that are detrimental to our business in a timely manner or at all, which may adversely affect our results of operations and reputation. As there is no contractual relationship between us and these sub-distributors, we have no direct legal recourse against them if their activities cause harm to our business or reputation.

We may be unable to develop or successfully market new or commercially viable products and technologies or improve our existing products and technologies in a timely manner, or at all.

Our ability to continue to develop and launch new products and expand our product portfolio is crucial to our continued success. We cannot guarantee that we will be successful in developing new products or that we will be able to identify promising product development opportunities. Development of new products and technologies and improvements of existing products and technologies require substantial technical, financial and human resources. We conduct extensive in-house research and development and pursue collaborations with third parties in developing pipeline products, see "Business — Our Product Portfolio — Product Pipeline" and "Business — Research and Development," but we cannot assure you that such efforts will be able to deliver the intended results.

Even if we are able to develop new products and obtain the necessary registration certificates to commercialize such products, we cannot guarantee that our new products will be commercially successful or that such products will yield the anticipated returns to cover our investment. Medical technology is a fast-developing field with new breakthroughs being made and new treatments and technologies being developed frequently. We cannot assure you that we will always be able to respond to emerging market trends and introduce new products in a timely and effective manner. For example, our success relies in part on the increasing number of MIS, substitution of open surgeries with MIS and increasing use of disposable products. We have focused our product portfolio on medical instruments and accessories for MIS, such as disposable trocars, ligation clips and disposable electrocoagulation forceps. We cannot guarantee that MIS using our products, especially in the OBGYN, general surgery, urology and thoracic surgery specialties on which we heavily focus our business and product pipeline, will not be replaced by the introduction of more advanced or disruptive treatments or technologies. Moreover, if imported medical instruments and accessories continue to dominate certain major sub-segments of China's MISIA market in which we operate, such as the markets of ligation clips, laparoscopic staplers or disposable ultrasonic scalpels, or our competitors consolidate the market faster than we do by introducing more advanced products to the end-customers, our business may not continue to grow as we expected. All of the above could dampen the demand for our products or cause our products to become obsolete, and we may not be able to respond

and adapt to the introduction of new treatments, products or technologies or develop products that continue to be in demand, in which case our business, results of operations and prospects will be materially and adversely affected.

In addition, our products may not receive market recognition from physicians or hospitals. Our competitors may launch new and competing products earlier than us or market such products in a more effective manner, or our end customers may prefer their products, which may have a negative impact on the pricing, market share or demand for our products. We may focus our efforts and resources on pipeline products or other potential technologies that ultimately prove to be unsuccessful, and our business, financial condition and results of operations may be materially and adversely affected as a result.

There may be quality defects in our products, which may cause safety issues and expose us to potential product liability claims.

Our products are designed to be used in surgeries, which are life-critical, and any quality defect may result in serious clinical incidents and product liability claims. Product liability claims against our products may include allegations of defects in design and manufacturing, improper handling or transportation of products, negligence, strict liability and a breach of warranties. We may be subject to product liability claims if our products have latent quality issues that were undetected during our inspections and quality control. Even if our products do not have latent defects, other factors that are out of our control, such as the quality and skill of physicians using our products, the surgery methodology and the choice of products used during surgery, may affect the safety and outcome of the surgery. Patients may still initiate legal proceedings against us, and the hospitals and physicians may claim, with or without merit, that our products have latent defects. Regardless of the merits or eventual outcome, liability claims may result in:

- decreased demand for our products;
- damage to our reputation;
- withdrawal of clinical trial participants;
- costs to defend the related litigation;
- a diversion of management's time and our resources;
- substantial monetary compensation to trial participants or patients;
- product recalls, withdrawals or marketing or promotion restrictions;
- loss of revenue;

- the inability to commercialize our pipeline products; and
- a decline in our Share price.

Furthermore, as we do not maintain product liability insurance, we will not be able to seek compensation under any insurance policy for losses that we sustain as a result of product liability claims. We may also be unable to acquire such insurance at a reasonable cost or in an amount adequate to satisfy any liability that may arise. In any such event, our business, financial condition and results of operations would be adversely and materially affected.

We are subject to intense competition from domestic and international competitors, and we may be unable to maintain or enhance our market share in this industry for a variety of reasons.

The MISIA industry is highly competitive and fragmented. We face competition from both domestic and international competitors across most of our product lines based on safety and functionality, the timing and scope of the regulatory approvals, prices, sales and marketing capabilities, the availability and cost of supply, patent position and other factors. In general, we face pricing competition from domestic competitors, and competition on product quality and brand recognition from international competitors. In particular, some of our domestic competitors may have, among other things, greater pricing flexibility and more robust sales networks, which may enable them to offer products with similar functions but lower prices to the end users. We may not be able to successfully compete with our competitors and cannot ensure you that we will be able to demonstrate compelling advantages in quality, functionality, convenience and/or safety to overcome price competition and to be commercially successful.

In addition, some of our competitors may have, among other things:

- greater financial and other resources;
- a greater variety of products;
- brands and products that are better recognized by physicians who recommend products to patients;
- more extensive R&D and technical capabilities and human resources;
- stronger manufacturing capabilities;
- more extensive sales networks; or
- better support in terms of technical training provided.

We may not be successful in the public tender process, and lower bidding prices of our competitors and volume-based discounts and/or lower ex-factory prices offered by these competitors may undermine our position in the public tender process and in turn adversely impact our sales performance.

In 2007, China started to adopt a centralized procurement regime in an effort to regulate prices of medical devices through group procurement at the provincial level. A majority of our sales are made to public hospitals and other not-for-profit medical institutions through public tender processes under the centralized procurement regimes established within their respective regions. We are responsible for participating in such public tender processes to secure the right to sell our products to the public hospitals and other not-for-profit medical institutions within a particular region. After the completion of such processes, if our products win the bids, such products would be qualified for future procurement by public hospitals and not-for-profit medical institutions in that particular region, and our bidding prices generally determine our maximum retail prices. See "Regulations — Laws and Regulations Relating to Medical Devices — Tender Processes for Medical Devices." The public tender process requirements, such as those relating to volume-based procurement, may negatively impact our sales and hinder our ability to expand our overall sales network, and in turn, materially and adversely affect our business and results of operations.

Our bids during the public tender process may not be successful and our products may not be chosen for a number of reasons, including among other things:

- our prices are not competitive. For example, our competitors may have lower bidding prices. In addition, as we do not provide volume-based discounts to our distributors and we endeavor to maintain stable ex-factory prices, we face pressure to set competitive bidding prices compared to competitors that offer volume-based discounts and/or lower ex-factory prices to their distributors, which may undermine our position on pricing in the public tender process and in turn may negatively impact our sales performance;

- our products fail to meet the technical or quality requirements imposed by the hospitals or are less clinically effective than competing products;

- our product quality or any other aspect of our operation fails to meet the relevant requirements;

- even if our products win the bids and are qualified for procurement by public hospitals and other not-for-profit medical institutions in a particular region, there is no guarantee that such entities would purchase our products, as they have the sole discretion to select between our products and other qualified competing products; or

- our reputation is adversely affected by unforeseeable events.

Our products might not be eligible for coverage under reimbursement schemes or other national or regional pricing guidelines and may be subject to price controls.

Demand for, prices of, and our ability to sell, our MISIA products depend largely on whether and the extent of which our products and related treatments are covered by reimbursement schemes and national or regional pricing guidelines, which control the prices charged by hospitals for medical devices. We may strategically develop and position our products taking into consideration these schemes and standards. However, if the reimbursement status of our products and coverage under the pricing guidelines is not favorable, we may not be able to successfully commercialize our products. Moreover, China's healthcare system is undergoing reform. We cannot assure you that the PRC government will not amend the pricing guidelines or change, reduce or eliminate the government insurance coverage and reimbursement level currently available for treatments using our products, which may lower demand for our products.

In addition, a key policy objective in the healthcare industry is cost containment. There have been and may continue to be proposals from legislators, regulators and third party payors to lower medical costs. Legislators, regulators, and third-party payors have attempted and may continue to attempt to control costs by limiting the scope of reimbursement schemes and/or the amount of reimbursement for medical devices, including MISIA. Moreover, third-party payors are increasingly requiring that companies provide them with predetermined discounts from list prices and are challenging the prices charged for medical products. Such continuing efforts to contain or reduce medical costs could restrict our end-users' ability to obtain adequate coverage and reimbursement and therefore harm our business and results of operations by adversely affecting the demand for our products or the price at which we can sell our products.

We rely on relationships with KOLs, physicians, hospitals and medical associations in the development and marketing of our products.

Our relationships with KOLs, physicians, hospitals and medical associations play an important role in our R&D and sales and marketing activities. We implement a clinical demand-oriented and highly responsive R&D strategy by establishing extensive interaction channels with KOLs, physicians, hospitals and medical associations to gain first-hand knowledge of unmet clinical needs, surgeons' preferences and clinical practice trends, which is critical to our ability to develop new market-responsive products and improve our existing products. In addition, we engage with KOLs, physicians, hospitals and medical associations as a part of our academic promotion and marketing strategy, which enables us to establish a quality end-user base, especially with Grade IIIA hospitals with MIS capabilities. See "Business — Competitive Strengths" and "Business — Sales and Distribution — Marketing."

We cannot assure you that we will be able to maintain or strengthen our relationships with these industry participants, or that our efforts to maintain or strengthen such relationships will yield the successful development of new products or increased sales. These industry participants may leave their roles, change their business or practice focus, choose to no longer cooperate with us or cooperate with our competitors instead. Even if they continue to cooperate with us, their market insights and perceptions, which we take into account in our research and

development process, may be inaccurate and lead us to develop products that do not have significant market potential. Even if their insights and perceptions are correct, we may fail to develop commercially viable products. Moreover, we cannot assure you that our academic promotion and marketing strategy will continue to serve as an effective marketing strategy. Industry participants, particularly in the surgical specialties of OBGYN, general surgery, urology and thoracic surgery, may no longer want to collaborate with us or attend our conferences, and our marketing strategy may no longer be able to yield larger hospital coverage or increased sales commensurate to our efforts spent. In addition, the KOLs, physicians and hospitals that we focus on may not continue to have a significant demand for MISIA products covered by our product lines. If we are unable to develop new products or generate returns from our relationships with industry participants as anticipated, or at all, our business, financial condition and results of operations may be materially and adversely affected.

We may not be able to successfully complete product registration testing or clinical trials in a timely manner and at acceptable costs, or at all.

As of the Latest Practicable Date, we had nine pipeline products, all of which are Class II or Class III medical devices. In order to obtain the registration certificates for medical devices, our products are required to go through product registration testing to demonstrate the safety and effectiveness of these products. Such testing is conducted by third party testing institutions recognized by the NMPA. The product registration testing schedule of these testing institutions are beyond our control, and we cannot assure you that our pipeline products will pass these tests in a timely manner, or at all.

After the product registration testing is completed, when reviewing the data provided by us, the NMPA may further request us to conduct, at our own expense, adequate and well-controlled clinical trials for our pipeline products, unless such products fall under the exempted catalogue published by the NMPA. Clinical trials may be expensive and the duration of a clinical trial generally varies substantially with the type, complexity, novelty and intended use of the product. We generally engage CROs to manage, conduct and support our clinical trials. In our experience, clinical trials for our products generally span one to two years, but could take longer. Delays or failures may occur in our clinical trials for many reasons, including but not limited to:

- failure of us or the CROs to begin or complete clinical trials due to disagreements with regulatory authorities;
- disagreement on our interpretation of data from clinical trials;
- failure of clinical trial results to meet the level of statistical significance required for approval; or
- CROs, clinical sites or other participants in our clinical trials deviating from a trial protocol or failing to conduct the trial in accordance with regulatory requirements, or dropping out of a trial.

We cannot guarantee that clinical trials will show safety and effectiveness results as expected. Success in testing procedures does not guarantee success in clinical trials. Negative or inconclusive results or safety issues caused by our pipeline products could cause us or regulatory authorities to interrupt, delay, suspend or terminate clinical trials or result in the delay or denial of regulatory approval by the NMPA. Failure in product registration testing and clinical trials or any other failure to adequately demonstrate the safety and effectiveness of any of our pipeline products would prevent receipt of regulatory approvals in a timely manner or at all and, ultimately, the commercialization of those pipeline products. In addition, if we experience delays in any other non-clinical development stage of any of our pipeline products, the commercial prospects of that product may also be harmed, the product development and approval process may be slowed down, our cost may be increased, and our ability to generate sales revenue from any of these products will be jeopardized.

We rely on a limited number of major customers and are exposed to risks of losing these customers.

For the years ended December 31, 2017, 2018 and 2019, sales to our largest customer amounted to RMB59.6 million, RMB100.4 million and RMB122.9 million, respectively, accounting for 24.1%, 28.4%, and 24.4% of our total revenue, respectively. See "Business — Our Customers." For the same periods, the aggregated sales to our five largest customers accounted for 40.8%, 44.7% and 42.2% of our total revenue, respectively. As such, we may be subject to concentration and counter-party risks from these customers. All of these customers are our distributors, with most of whom we have built amicable and long-term business relationships of three to six years. However, there is no assurance that we will be able to maintain strong relationships with these customers, or that these customers will continue to work with us or renew their distribution agreements with us on similar or commercially reasonable terms in the future. Moreover, we cannot guarantee that our major customers will not have a change in business scope or business model, will not cease to operate, will operate in compliance with applicable laws, will be able to maintain their sales network and appropriate licenses and approvals for their operations or will not experience operational or financial difficulties. Any material adverse change to the business, operations and financial condition of these customers may have a significant adverse impact on us, and if we are unable to find new customers on comparable commercial terms within a reasonable period of time, our business, financial condition and results of operations may be adversely affected.

Counterfeits of our products may reduce demand for our products and harm our reputation and business.

Certain medical instruments and accessories manufactured, distributed or sold under our brand names in our target markets may be without our proper license or authorization, or are mislabeled with respect to their actual usage or manufacturers. These products are generally referred to as counterfeit products. The regulatory control and law enforcement system in relation to the counterfeit products, particularly in developing markets such as China, may be inadequate to discourage or eliminate the manufacturing and sales of counterfeit products imitating our products. Since counterfeit products in many cases have very similar appearances

compared with the authentic products but are generally sold at lower prices, counterfeits of our products can quickly erode the demand for our products. In addition, those that use counterfeit products may be at risk due to a number of serious quality and safety issues, which would harm our reputation, business and prospects. In the past, there were situations where counterfeits of our products were sold in the market. We were able to handle such instances so that they had limited impact on our business. However, we cannot guarantee that there will not be any counterfeits of our products in the future, or that we will be able to identify and handle counterfeit issues effectively and in a timely manner, or at all, in which case our business and reputation may be materially and adversely affected.

RISKS RELATING TO OUR FINANCIAL PERFORMANCE

Our historical operating results may not be representative of future performance.

Our revenue increased from RMB247.5 million in 2017 to RMB353.7 million in 2018 and further to RMB503.5 million in 2019, representing a CAGR of 42.6%. Our gross profit increased from RMB199.7 million in 2017 to RMB289.3 million in 2018 and further to RMB423.2 million in 2019, representing a CAGR of 45.6%. Our gross profit margin increased from 80.7% in 2017 to 81.8% in 2018 and further to 84.1% in 2019. Our net profit increased from RMB138.5 million in 2017 to RMB223.8 million in 2018 and further to RMB326.7 million in 2019. Our net profit margin increased from 55.9% in 2017 to 63.3% in 2018 and further to 64.9% in 2019. We cannot assure you that our historical operating results, such as our revenue, gross profit, net profit, gross profit margin and net profit margin, will be indicative of future performance for various reasons, including uncertainties of the success of our existing and new products, and in the market and the regulatory environment, as well as our ability to expand production capacity and improve manufacturing capabilities as planned, and manage our sales network and intensified competition in the MISIA market in China. Investors should not rely on our historical results as an indication of our future financial or operating performance.

We have historically received government grants and we may not receive such grants in the future.

We have historically received government grants, primarily representing subsidies received from the local governments for the purposes of compensation for expenses arising from research and development activities, reward for financial contribution and capital expenditure incurred on certain projects. For the years ended December 31, 2017, 2018 and 2019, we recognized government grants of RMB8.6 million, RMB22.7 million and RMB34.5 million in profit or loss, respectively. See "Financial Information — Description of Certain Combined Statements of Profit or Loss and Other Comprehensive Income Items — Other Income and Gains." Our eligibility for government grants is dependent on a variety of factors, including the assessment of our R&D process, our improvement on existing technologies, relevant government policies, the availability of funding at different granting authorities. In

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

We are subject to credit risk of our distributors, and our inability to collect on our trade receivables from our distributors may have a material adverse effect on our cash flows and operations.

We sell our products primarily to third-party distributors across China. We generally grant our distributors a credit term of one month, and we typically only grant longer credit terms to major distributors on a case-by-case basis based on our assessment. As of December 31, 2017, 2018 and 2019, we had trade receivables of RMB29.0 million, RMB47.8 million and RMB73.0 million, respectively. For the years ended December 31, 2017, 2018 and 2019, our trade receivable turnover days were 44 days, 41 days and 45 days, respectively. Our sales and marketing employees monitor and manage our distributors and are responsible for collecting amounts due from distributors. We cannot assure you that our distributors could settle trade receivables in a timely manner, or at all, or that we can properly assess and respond in a timely manner to changes in their credit profile and financial condition. Adverse changes in their financial conditions may negatively affect the length of time that it will take us to collect associated trade receivables or impact the likelihood of ultimate collection, which would in turn have an adverse and material effect on our business, financial condition and results of operations. Moreover, as we continue to grow our business, the amount of trade receivables we record may increase, which may have a negative impact on our cash flow.

The discontinuation of any of the preferential tax treatments currently available to us could reduce our profitability.

In 2014, Hangzhou Kangji qualified as a High and New Technology Enterprise (高新技術企業) and extended its High and New Technology Enterprise certificate in 2017 for a period of three years to 2020. As a High and New Technology Enterprise, Hangzhou Kangji enjoys a lower EIT rate of 15%, instead of the standard EIT rate of 25%. Jiangxi Kanghuan qualified as a Small and Micro Enterprise and was entitled to a preferential tax rate of 10% and 5% for the years ended December 31, 2017 and 2019, respectively. Continued eligibility to these preferential tax treatment is subject to review and evaluation by the relevant government authorities in the PRC, for example, the qualification as a High and New Technology Enterprise is subject to review by the relevant Chinese authorities every three years. We cannot assure you that we will continue to receive such preferential tax treatment at historical levels, or at all. In the event that any of the preferential tax treatment currently enjoyed by us is reduced, discontinued or withdrawn by the government authorities, and the affected subsidiaries fail to obtain any alternative preferential tax treatment, our results of operations and growth prospects may be materially and adversely affected.

Fair value changes for our financial assets at fair value through profit or loss (FVTPL) may materially and adversely affect our financial condition and results of operations.

As of December 31, 2017, 2018 and 2019, we recorded financial assets at fair value through profit or loss of nil, RMB20.0 million and RMB34.9 million, respectively. Our financial assets at FVTPL represent financial products we purchased from commercial banks in the PRC, which mainly included structured deposits and low-risk wealth management products during the Track Record Period. According to applicable accounting policies, financial assets at FVTPL are recorded in the combined statements of financial position at fair value with net changes in fair value recognized in the combined statements of profit or loss and other comprehensive income. Such treatment of gain or loss may cause significant volatility in, or materially and adversely affect, our period-to-period earnings, financial condition and results of operations.

We may need to seek additional financing for our future operation and expansion, which may not be available at favorable terms, or at all.

Our operations require significant capital investment. Historically, we have financed our business activities primarily through cash generated from our operations. If our current sources are insufficient to satisfy our cash requirements, we may seek additional debt or equity financing or obtain a credit facility. The issuance of additional equity securities or convertible debt securities could result in dilution to our Shareholders. The incurrence of indebtedness could result in increased debt service obligations, increased finance costs and operating and financing covenants that would restrict our operations and liquidity and negatively impact our financial performance.

Our ability to obtain additional capital on acceptable terms is subject to, among other things, investors' perception of and demand for our securities, our financial performance and gearing ratio, and the economic, market, political and regulatory conditions in the PRC. Any failure by us to raise additional funds that are necessary for our operations on terms favorable to us could have a material adverse effect on our liquidity and financial condition.

RISKS RELATING TO INTELLECTUAL PROPERTY RIGHTS

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

Our success depends in large part on our ability to protect our proprietary technologies by obtaining intellectual property rights, including patent rights. We primarily focus on protecting our intellectual property rights in China. We also seek to protect trade secrets, proprietary know-how and other non-patentable technology through confidentiality and non-competition agreements with our senior management and certain key members of our research and development team. In addition, we include a confidentiality clause in our standard employment contract with employees and agreements with our partners in joint R&D activities and other third parties who may have access to our proprietary information. See "Business — Intellectual Property." We cannot assure you that these agreements will not be breached, or that

our employees or other third parties have not disclosed, or will not disclose, any of our trade secrets, proprietary know-how or other non-patentable technology to our competitors or others. We may not have adequate remedies for any breach, and cannot assure you that our trade secrets, proprietary know-how and other non-patentable technology will not otherwise become known to, or be independently developed by, our competitors.

Filing, prosecuting, maintaining and defending patents on our products and pipeline products in all other countries throughout the world could be prohibitively expensive for us. The intellectual property rights in other countries can have a different scope and strength compared to those in China. In addition, the laws of certain countries may not protect intellectual property rights to the same extent as PRC laws. Many companies have encountered problems in protecting and defending intellectual property rights in other countries. The legal system in other countries could make it difficult for us to stop the infringement, misappropriation or other violation of our patents or other intellectual property rights, or to prevent the marketing of competing products in violation of our proprietary rights in these countries.

Proceedings to enforce our intellectual property and proprietary rights could result in substantial costs and divert our efforts and attention from other aspects of our business, could put our patents at risk of being invalidated or interpreted narrowly, could put our patent applications at risk of not issuing, and could provoke third parties to assert claims against us. We may not prevail in any lawsuits that we initiate, and the damages or other remedies awarded, if any, may not be commercially meaningful. Accordingly, our efforts to enforce our intellectual property rights may be inadequate to obtain a significant commercial advantage from the intellectual property that we develop or license.

Consequently, we may not be able to prevent third parties from using our patents in all other countries outside China, or from selling or importing products made using our patents in and into China or other jurisdictions. Competitors may use our technologies in jurisdictions where we have not obtained patent protection to develop their own products and further, may export otherwise infringing products to jurisdictions where we have patent protection, but where enforcement rights are not strong. These products may compete with our products or pipeline products and our patent rights or other intellectual property rights may not be effective or adequate to prevent them from competing.

China and other countries have compulsory licensing laws under which a patent owner may be compelled to grant licenses to third parties. In China, the patent owner may have limited remedies, which could materially diminish the value of such patent. If we are forced to grant a license to third parties with respect to any patents relevant to our business, our competitive position may be impaired, and our business, financial condition, results of operations, and prospects may be adversely affected.

We may be unable to obtain and maintain effective patent and other intellectual property rights for our products and pipeline products, and the scope of such intellectual property rights obtained may not be sufficiently broad.

Our success depends in large part on our ability to protect our proprietary technologies. Effective protection of our intellectual property is critical to maintaining our competitive position. As of the Latest Practicable Date, we had registered 15 invention patents, 93 utility patents and 28 design patents in China, which we believe are material to our business. In addition, a number of patent applications were in the process of registration as of the Latest Practicable Date. However, due to the complexity of patent application, the issuance of a patent may not be conclusive as to its inventorship, scope, validity or enforceability, and our patent applications may be challenged in courts or patent offices. Consequently, we do not know whether any of our technologies or products will be protectable or remain protected by valid and enforceable patents. If we are unable to obtain patent protection with respect to our technologies and products, third parties could develop and commercialize technologies and products similar or identical to ours and compete directly against us. Our ability to successfully commercialize any technology or product may be adversely affected, and our business, financial condition, results of operations and prospects could be materially harmed.

The scope of patent protection in various jurisdictions is uncertain. Changes in either the patent laws or their interpretation in China or other countries may diminish our ability to protect our inventions, obtain, maintain, defend, and enforce our intellectual property rights and, more generally, could affect the value of our intellectual property or narrow the scope of our patent rights. We cannot predict whether the patent applications we are currently pursuing and may pursue in the future will issue as patents in any particular jurisdiction or whether the claims of any future granted patents will provide sufficient protection from competitors.

The coverage claimed in a patent application can be significantly reduced before the patent is issued, and its scope can be reinterpreted after issuance. Even if patent applications we own currently or in the future issue as patents, they may not issue in a form that will provide us with any meaningful protection, prevent competitors or other third parties from competing with us, or otherwise provide us with any competitive advantage.

Furthermore, although various extensions may be available, the life of a patent, and the protection it affords, is limited. Even if we successfully obtain patent protection for an approved product, it may face competition from other MISIA providers once the patent has expired.

Our patent rights relating to our products and technologies may be found to be invalid or unenforceable.

Despite measures we take to obtain patent protection with respect to our major products and technologies, any of our granted patents could be challenged or invalidated. For example, if we were to initiate legal proceedings against a third party to enforce a patent covering one of our products, the defendant could counterclaim that our patent is invalid and/or

unenforceable. Although we believe that we have conducted our patent prosecution in accordance with the duty of candor and in good faith, the outcome following legal assertions of invalidity and unenforceability during patent litigation is unpredictable. If a defendant were to prevail on a legal assertion of invalidity and/or unenforceability, we would lose at least part, or perhaps all, of the patent protection on a product or technology. Even if a defendant does not prevail on a legal assertion of invalidity and/or unenforceability, our patent claims may be construed in a manner that would limit our ability to enforce such claims against the defendant and others. Any loss of patent protection could have a material adverse impact on one or more of our major products and technologies and our business.

We may infringe upon the intellectual property rights of third parties.

Our commercial success depends upon our ability to develop, manufacture, market and sell our products. We cannot guarantee that our products or any uses of our products do not and will not in the future infringe third-party patents or other intellectual property rights. For example, we design and manufacture products that are labeled with customers' own brands and trademarks in our overseas ODM sales. We may not be able to verify or guarantee that these customers legally own or have the right to use such brands or trademarks, and we may be unknowingly infringing upon third party intellectual property rights by manufacturing the ODM products. Third parties might allege that we are infringing their patent rights or that we have misappropriated their trade secrets, or that we are otherwise violating their intellectual property rights, whether with respect to the manner in which we have conducted our research, or use or manufacture the medical instruments or accessories we have developed or are developing. Such third parties might resort to litigation against us or other parties we have agreed to indemnify, which litigation could be based on either existing intellectual property or intellectual property that arises in the future.

If third parties successfully assert their intellectual property rights against us or in order to avoid or settle potential claims, we might be barred from using certain aspects of our technology, or barred from developing and commercializing certain products. Prohibitions against using certain technologies, or prohibitions against commercializing certain products, could be imposed by a court or by a settlement agreement between us and a plaintiff. In addition, if we are unsuccessful in defending against allegations that we have infringed, misappropriated or otherwise violated patent or other intellectual property rights of others, we may be forced to pay substantial damage awards to the plaintiff. There is uncertainty in any litigation, including intellectual property litigation. There can be no assurance that we would prevail in any intellectual property litigation, even if the case against us is weak or flawed. If litigation leads to an outcome unfavorable to us, we may be required to obtain a license from the intellectual property owner in order to continue our research and development programs or to market any resulting product. It is possible that the necessary license will not be available to us on commercially acceptable terms, or at all. Alternatively, we may be required to modify or redesign our products in order to avoid infringing or otherwise violating third-party intellectual property rights. This may not be technically or commercially feasible, may render

our products less competitive, or may delay or prevent the entry of our products to the market. Any of the foregoing could limit our research and development activities, our ability to commercialize one or more pipeline products, or both.

Defending against claims of patent infringement, misappropriation of trade secrets or other violations of intellectual property rights could be costly and time consuming, regardless of the outcome. Thus, even if we were to ultimately prevail, or to settle at an early stage, such litigation could burden us with substantial unanticipated costs. Some of our competitors are larger than we are and have substantially greater resources. They may be able to sustain the costs of complex intellectual property litigation longer than we could.

Moreover, during intellectual property litigation, there could be public announcements of the results of hearings, rulings on motions, and other interim proceedings in the litigation. If securities analysts or investors regard these announcements as negative, the perceived value of our products, programs or intellectual property could be diminished. Accordingly, the market price of our Shares may decline. Such announcements could also harm our reputation or the market for our future products, which could have a material adverse effect on our business.

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

Periodic maintenance fees, renewal fees, annual fees and various other governmental fees on patents and patent applications are due to be paid to the CNIPA and other patent agencies in several stages over the lifetime of a patent. The CNIPA and other governmental patent agencies require compliance with a number of procedural, documentary, fee payment and other provisions during the patent application process.

Although an inadvertent lapse can in many cases be cured by payment of a late fee or by other means in accordance with the applicable rules, there are situations in which non-compliance can result in abandonment or lapse of the patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. Non-compliance events that could result in abandonment or lapse of a patent or patent application include failure to respond to official actions within prescribed time limits, non-payment of fees, and failure to properly legalize and submit formal documents. In any such event, our competitors might be able to enter the market, which would have a material adverse effect on our business.

We may not be able to continue to use the patents licensed from third parties.

As of the Latest Practicable Date, we entered into certain in-licensing agreements with Independent Third Parties, under which we were granted world-wide and exclusive licenses to utilize specified patents owned by such Independent Third Parties to manufacture and commercialize products until the relevant patents expire. See "Business — Intellectual Property." If the patents we licensed from others are found invalid or unenforceable, or the

scope of such patents cannot offer sufficient protection to the relevant products, these products may not have adequate patent protection and may be imitated by competitors, in which case our business and results of operations would be adversely affected. Moreover, if such patents are challenged by other third parties, or are found to have infringed the proprietary rights of other third parties, we may be involved in lengthy and costly legal proceedings, be barred from using such patents for relevant products and may even be subject to fines and penalties. Also, there is no assurance that the licensing agreement will not be terminated, or that we will successfully renew the agreement upon its expiry on commercially acceptable terms. If relevant products are successful, the patent owners may raise loyalties and impose other rigorous terms, which may render our manufacture and sale of such products less profitable. In the case of these events, our business, financial condition and results of operations may be materially and adversely affected.

If our trademarks, trade names and other proprietary rights are not adequately protected, we may not be able to build name recognition in our markets of interest and our business may be adversely affected.

We own a number of trademarks in China for our brand name "KANG JI." As of the Latest Practicable Date, we have registered 17 trademarks in China and have filed four trademark applications in Hong Kong, which we believe are material to our business. See "Business — Intellectual Property." Other than our ODM products, all of our products are offered to the market under our "KANG JI" brand. Our registered or trade names may be challenged, infringed, circumvented or declared generic or determined to be infringing on other marks. We may not be able to protect our rights to these trademarks and trade names, which we need to build name recognition among potential partners or customers in our markets of interest. During the Track Record Period, some of our distributors used our trademarks and brand name when conducting sales and marketing activities on our behalf or promoting our products. We may not be able to prevent unauthorized use of our trademarks and trade names by distributors, which may harm our brand and reputation. At times, competitors may adopt trade names or trademarks similar to ours, thereby impeding our ability to build brand identity and possibly leading to market confusion. In addition, there could be potential trade name or trademark infringement claims brought by owners of other registered trademarks or trademarks that incorporate variations of our registered or unregistered trademarks or trade names. Over the long term, if we are unable to establish name recognition based on our trademarks and trade names, then we may not be able to compete effectively and our business may be adversely affected. Moreover, we cannot assure you that our trademarks will not be imitated, or there will be no counterfeits sold to our customers under our trademarks. End users may suffer from safety incidents caused by counterfeit products, which may subject us to costly investigations and counterfeit crack downs, and materially and adversely affect our business and reputation. Our efforts to enforce or protect our proprietary rights related to trademarks, trade secrets, domain names, copyrights or other intellectual property may be ineffective and could result in substantial costs and diversion of resources and could adversely affect our competitive position, business, financial condition, results of operations, and prospects.

RISKS RELATING TO OTHER PARTIES

We have relied on and expect to continue to rely on third parties to supply raw materials to manufacture our products, and our business could be harmed if we are unable to obtain such raw materials in sufficient quantities or at acceptable quality or prices.

The principal raw materials for our products include polycarbonate particles, medical-grade stainless steel, sealing materials and packaging materials. During the Track Record Period, we procured all of our raw materials in China. See "Business — Raw Material and Suppliers — Our Raw Materials." Any disruption in production or inability of our suppliers to produce adequate quantities to meet our needs could impair our ability to manufacture products as scheduled and to operate our business on a day-to-day basis. Moreover, we expect our demand for such raw materials to increase as we expand our business scale and commercialize our products, and we cannot guarantee that current suppliers have the capacity to meet our demand. We are also exposed to the possibility of increased costs, which we may not be able to pass on to customers, and as a result, lower our profitability. In addition, although we have implemented quality inspection procedures on such materials before they are used in our manufacturing process and require our suppliers to maintain high quality standards, we cannot guarantee that we will be able to detect all quality issues in the supplies we use. We also cannot assure you that these third parties will be able to maintain and renew all licenses, permits and approvals necessary for their operations or comply with all applicable laws and regulations. Failure to do so by them may lead to interruption in their business operations, which in turn may result in shortage of the raw materials supplied to us. If we are unable to do so and the quality of our products suffers as a result, we may have to delay manufacturing and sales, recall our products, be subject to product liability claims, fail to comply with continuing regulatory requirements and incur significant costs to rectify such issue, which may have a material and adverse effect on our business, financial condition and results of operations.

Delivery delays and poor handling by third-party logistics service providers may adversely affect our business, financial condition and results of operations.

We rely on our third-party logistics service providers for the transportation of most of our products. The services provided by these logistics service providers may be suspended and cause interruption to the supply of our products due to unforeseen events. Delivery delays may occur for various reasons beyond our control, including poor handling by our logistics companies, labor disputes or strikes, acts of war or terrorism, health epidemics, earthquakes and other natural disasters, and could lead to delayed or lost deliveries. Poor handling of our products could also result in product contamination or damage, which may in turn lead to product recalls, product returns or exchanges, product liability, increased costs and damage to our reputation, thereby adversely affect our business, financial condition and results of operations.

Our employees, distributors or sub-distributors, customers, suppliers or other parties we cooperate with may engage in bribery or corrupt practices or other illegal or unethical conduct.

We may be exposed to fraud, bribery or other misconduct committed by our employees, distributors, sub-distributors, customers, suppliers or other parties we cooperate with in China or other jurisdictions. Any actual or alleged wrongdoing or misconduct, over which we may not have full control, could subject us to financial losses, sanctions imposed by governmental authorities and negative publicity, which may adversely affect our reputation and prospects. During the Track Record Period and up to the Latest Practicable Date, we were not aware of any instances of fraud, bribery, or other misconduct involving employees or other third parties that had any material and adverse impact on our business and results of operations. However, we cannot assure you that there will not be any such instances in future. Although we consider our internal control policies and procedures to be adequate, we may be unable to prevent, detect or deter all such instances of misconduct. Any such misconduct committed against our interests, which may include past acts that have gone undetected or future acts, may have a material adverse effect on our business and results of operations.

Our business and reputation may be adversely affected by negative publicity involving us, our Shareholders, Directors, officers, employees, distributors, sub-distributors, suppliers, KOLs or other parties we cooperate with, or by general negative publicity in the industry.

We, our Shareholders, Directors, officers, employees, distributors, sub-distributors, suppliers, KOLs or other parties we cooperate with may be subject to negative media coverage and publicity from time to time. Such negative coverage in the media and publicity could threaten the perception of our reputation. In addition, to the extent our employees, distributors, sub-distributors, suppliers, KOLs or other parties we cooperate with were non-compliant with any laws or regulations, we may also suffer negative publicity or harm to our reputation. Given our specialized industry, any negative publicity regarding our industry could also affect our reputation and confidence in our brand and products. As a result, we may be required to spend significant time and incur substantial costs in response to allegations and negative publicity, and may not be able to diffuse them to the satisfaction of our investors, customers, hospitals and physicians.

RISKS RELATING TO OUR OPERATIONS

We may not be successful in implementing our business strategy.

Our business objectives and strategies as set out in this prospectus are based on our existing plans and intentions. However, our objectives and strategies are based on prevailing circumstances and the development trends of our industry currently known to our Directors, the bases and assumptions that certain circumstances will or will not occur, as well as the risks and uncertainties inherent in various stages of development. There are significant challenges and uncertainties involved in our strategic plans, including whether (i) we will be able to complete these plans, such as expansion of our production capacity, product portfolio and sales and

marketing capabilities, on schedule and within the anticipated budget, or at all; (ii) we will be able to generate anticipated revenues and profits from these plans to cover our indebtedness, costs or contingent liabilities associated with such plans; and (iii) these plans will be in line with the market demand and national and local policies in the future. Our future prospects should be considered in light of the risks, expenses and difficulties which may be encountered by us in our various stages of development of business. We cannot assure you that we will be successful in implementing our strategies or that our strategies, even if implemented, will lead to successful achievement of our objectives. If we are not able to implement our strategies effectively, our business, financial condition and results of operations may be adversely affected.

Natural disasters, epidemics, acts of war or terrorism or other factors beyond our control in the future may have a material adverse effect on our business, financial condition and results of operations.

Our business is primarily subject to general economic and social conditions in China. Natural disasters, epidemics and other acts of God which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in China. Our business could also be under the threat of flood, earthquake, sandstorm, snowstorm, fire, drought, or epidemics such as the Severe Acute Respiratory Syndrome, or SARS, the H5N1 avian flu, the human swine flu, also known as Influenza A (H1N1), or, most recently, the novel COVID-19 outbreak in China in January 2020. In response to the COVID-19 outbreak, the PRC government has introduced a series of disease containment and treatment measures, as a result of which business activities and hospital services in China have been temporarily disrupted. To protect our employees, we temporarily suspended operations for approximately two weeks from the end of Chinese New Year holidays in early February to February 17, 2020. Although we have resumed operations, the COVID-19 outbreak negatively impacted our business and financial performance in February and March 2020 because we suspended production temporarily and many hospitals in China rescheduled their MIS during this period in order to avoid cross-infections and to redirect resources to support COVID-19 treatment. Many businesses and government agencies are still temporarily closed or working under flexible hours, which may affect our ability to carry out our operations as planned. Moreover, the COVID-19 outbreak may have a negative impact on the local, national and global economy and financial and market conditions. We cannot predict when the COVID-19 outbreak will become completely under control and we cannot guarantee that the COVID-19 outbreak will not worsen. Having considered that the past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the national and local economies in China, the COVID-19 outbreak and any other public health crisis in China especially in the cities where we have presence, may result in material disruptions to our operations, which in turn may materially and adversely affect our financial condition and results of operations.

Future acquisitions of and investments in businesses may subject us to risks and uncertainties.

We plan to actively seek strategic opportunities for acquisitions or investments to grow our business, expand our product portfolio, strengthen our R&D and enhance our market position. See "Business — Our Business Strategy" for details. Such endeavors may involve significant risks and uncertainties, including distraction of management from current operations, the inability to generate sufficient revenue to offset the costs and expenses of acquisitions and risks relating to market acceptance, loss of key acquired personnel, difficulties in integrating diverse corporate cultures, and increased costs to integrate managerial, operational, financial, and administrative systems. In addition, we may be unable to manage an acquired entity profitably or successfully integrate its operations with our own. These factors could harm our ability to achieve anticipated levels of profitability at operations we have acquired or invested in, or realize other anticipated benefits of an acquisition or investment, and could adversely affect our business, financial condition and results of operations. Any acquisition or investment may also cause us to assume liabilities, increase our expenses and working capital requirements, or subject us to litigation, which would reduce our return on invested capital. Failure to manage the acquisitions and investments we make could materially harm our business and operating results.

We are subject to the risks of doing business globally.

In 2017, 2018 and 2019, approximately 10.8%, 9.4% and 7.1% of our revenue was derived from overseas sales. We expect to continue to expand our global presence. Accordingly, our business and financial results in the future could be adversely affected due to a variety of factors, including but not limited to:

- changes in a specific country's or region's political and cultural climate or economic condition;
- unexpected changes in or difficulties or failure to comply with laws and regulatory requirements in local jurisdictions;
- difficulty of effective enforcement of contractual provisions in local jurisdictions;
- potential disputes with foreign parties we work with;
- exposure to litigation or third-party claims outside of China;
- concerns of local governments and regulators on our research and products and on the relevant management arrangements;
- inadequate intellectual property protection in certain countries;

- economic sanctions, trade restrictions, discrimination, protectionism or unfavorable policies against PRC companies;
- enforcement of anti-corruption and anti-bribery laws, such as the FCPA;
- the effects of applicable local tax regimes, royalties and other payment obligations owed to local governments, and potentially adverse tax consequences; and
- significant adverse changes in local currency exchange rates.

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

As part of our business strategy, we plan to explore distributorships and partnerships with entities in foreign countries and regions as well as register our products in other jurisdictions. Our business may therefore be subject to constantly changing international economic, regulatory, social and political conditions, and local conditions in those foreign countries and regions. As a result, China's relationships with those foreign countries and regions may affect the prospects of maintaining existing or establishing new distributorships and partnerships, expanding our team, making investments, registering our products, conducting clinical trials, commercializing and importing/exporting in these countries and regions.

For example, in 2019, the United States and China have imposed new or higher tariffs on goods imported from each other. Though the United States and PRC governments have recently reached an agreement for the phase one trade deal, it remains unclear what additional actions, if any, the United States and PRC governments will take in respect of their bilateral trade, and what the timing may be of any such actions. Any future tariffs, new regulations or other burdens on international trade, may continue to cause escalating response through the use of local regulations, tariffs or other requirements on exports and imports. We are not able to predict future trade policy of the United States or of China or the terms of any renegotiated trade agreements, or their impact on our business. We may be subject to higher taxes, tariffs and duties and may be affected by deteriorating trade and economic relationships, trade disputes and changing foreign policies, laws and regulations. Moreover, there can be no assurance that our potential business partners will not alter their perception of us or their preferences as a result of adverse changes to the relationships between China and foreign countries or regions where they are located. Any tensions and political concerns between China and such foreign countries or regions may adversely affect our business, financial condition, results of operations, cash flows and prospects.

Failure to pass regulatory inspections and any other disruption or suspension of manufacturing activities may affect our business and results of operations.

We manufacture, assemble and test our products at our manufacturing facilities located at our headquarters in Tonglu, Zhejiang province. Our manufacturing facilities are subject to regular inspections by the relevant government authorities as part of the process of maintaining or renewing the permits, licenses and certificates required for our business and operations.

Such inspections require us to comply with, among other things, GMP regulations. We cannot guarantee that we will be able to adequately follow and document our adherence to such GMP regulations or other regulatory requirements. When inspecting our manufacturing facilities, the NMPA or other comparable regulatory authorities may cite GMP deficiencies. Remediating deficiencies can be laborious, time consuming and costly. Moreover, the NMPA or other comparable regulatory authorities will generally re-inspect the facility to determine whether the deficiency was remediated to its satisfaction, and may note further deficiencies during re-inspection. We may be required to delay, suspend or cease manufacturing activities if we fail to pass these regulatory inspections, which will affect our ability to fulfill product orders and sell our products, and in turn, have a material and adverse effect on our business, financial condition and results of operations.

We may also encounter problems with maintaining consistent and acceptable production costs, experience shortages of qualified personnel and raw materials, unexpected damage to our facilities and equipment malfunction. Furthermore, if contaminants are discovered in our raw materials, products or in the manufacturing facilities, our manufacturing facilities may need to be closed for an extended period of time to investigate and remedy the contamination. In these cases, we may be required to delay, suspend or cease manufacturing activities. We may be unable to secure temporary, alternative manufacturers for our products with the terms, quality and costs acceptable to us, or at all. Moreover, we may spend significant time and costs to remedy these deficiencies before we can continue production at our manufacturing facilities.

Our future success depends on our ability to retain members of our management team and other key personnel and to attract, retain and motivate qualified personnel.

Our future success depends on the continued service of the key members of our senior management. In particular, Mr. Zhong, our executive Director, Chairman of the Board and chief executive officer, has over 18 years of experience in the medical device industry. Ms. Shentu, our executive Director and vice general manager, has over 15 years of experience in the medical device industry. The expertise, industry experience and contributions of our executive Directors and other members of our senior management are crucial to our success. If we lose any of our key management members and are unable to recruit and retain replacement personnel with equivalent qualifications or talents in a timely manner, the growth of our business could be adversely affected.

Our success also depends on our ability to attract and retain qualified and skilled management, technical, research and development, sales and marketing, production and other personnel. We cannot assure you that we will be able to attract, hire and retain sufficient personnel for our business. Our Company also cannot guarantee that any shortages in qualified and skilled personnel will not increase our staff costs as the competition for these individuals could cause us to offer higher compensation and other benefits in order to attract and retain them and consequently materially and adversely affect our financial condition and results of operations.

We may experience labor shortages or increases in labor costs.

Our success depends in part upon our ability to attract, motivate and retain a sufficient number of qualified employees. Increasing market competition may cause market demand and competition for qualified employees to intensify. If we face labor shortages or significant increases in labor costs caused by the intense competition, higher employee turnover rates, increases in wages or other employee benefit costs or changes to labor laws and regulations, our operating costs could increase significantly, which could materially and adversely affect our results of operations.

We cannot assure you that labor disputes will not occur between us and our employees in the future. If such incidents do occur, we may be subject to fines by relevant governmental authorities and may incur settlement costs in order to resolve labor disputes. In addition, we may become subject to higher labor costs in the future when recruiting new employees due to the reputational damage caused by labor disputes. Such potential incidents could disrupt our operations, harm our reputation and divert our management's attention, which may have a material and adverse effect on our business, financial condition and results of operations.

Failure to maintain and predict inventory levels in line with demand for our products could cause us to lose sales or face excess inventory risks and holding costs.

We maintain an inventory level based on anticipated product demand and production schedule. For the years ended December 31, 2017, 2018 and 2019, our inventory turnover days were 177 days, 187 days, and 175 days, respectively. We cannot guarantee that we will be able to maintain proper inventory levels for our products and raw materials. Inventory levels in excess of product demand may result in inventory write-downs, expiration of products and increase in inventory holding costs. Conversely, we may experience inventory shortages if we underestimate demand for our products, which may result in unfilled orders and have a negative impact on our relationship with distributors, hospitals and doctors. To manage our inventory level, we implemented certain measures. See "Business — Raw Material and Suppliers — Inventory Control Measures." However, we cannot assure you that these measures will be effective and our inventory level will decrease in the future. If our inventory level increases further in the future, our financial condition and cash flow could be materially and adversely affected.

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

We may from time to time become subject to various litigation, legal or contractual disputes, investigations or administrative proceedings arising in the ordinary course of our business, including but not limited to various disputes with or claims from our suppliers, customers, contractors, business partners and other third parties that we engage for our business operations. On-going or threatened litigation, legal or contractual disputes, investigations or administrative proceedings may divert our management's attention and

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

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

We are subject to numerous environmental, health and safety laws and regulations, including those governing laboratory procedures and the handling, use, storage, treatment and disposal of waste. Our manufacturing process may produce hazardous waste. We may not be able to eliminate the risks of contamination or personal injury from these waste. We maintain workers' statutory compensation insurance to cover costs and expenses we may incur due to injuries to our employees resulting from the use of hazardous materials. This insurance may not provide adequate coverage against potential liabilities. We outsource the disposal of relevant hazardous waste to qualified Independent Third Parties. In the event of contamination or personal injury resulting from our exposure to or third parties' disposal of hazardous materials, we could be held liable for any resulting damages, and any liability could exceed our resources. We also could incur significant costs associated with civil or criminal fines and penalties. We may incur substantial costs in order to comply with current or future environmental, health and safety laws and regulations. These current or future laws and regulations may impair our research, development or production activities. Failure to comply with these laws and regulations also may result in substantial fines, penalties or other sanctions.

Our insurance coverage may be inadequate to protect us from the liabilities we may incur.

We maintain insurance policies that are required under PRC laws and regulations as well as based on our assessment of our operational needs and industry practice. We maintain different types of insurance policies, including social insurance for our employees, property insurance and vehicle insurance. See "Business — Insurance." In line with industry practice in the PRC, we have elected not to maintain certain types of insurances, such as product liability insurance, business interruption insurance and key man insurance. Our insurance coverage may be insufficient to cover any claim for product liability, damage to our fixed assets or employee injuries. Any liability or damage to, or caused by, our facilities or our personnel beyond our insurance coverage may result in our incurring substantial costs and a diversion of resources.

Failure of our information technology systems could disrupt our operations.

Our information technology systems play a significant part in our operations. We rely on our information technology systems to effectively manage accounting and financial functions, product orders, inventory, and our research and development data. We also rely on our information technology systems to collect and store data and information we obtain in the ordinary course of our business. Our information technology systems are vulnerable to (i) damage or interruptions from earthquakes, fire, flood and other natural disasters; (ii) attacks from computer viruses or hackers, power loss; and (iii) computer system, Internet, telecommunications or data network failure. We could be subject to risks caused by misappropriation, misuse, leakage, falsification or intentional or accidental release or loss of information maintained in our information systems. If a material breach of our information technology systems occurs, market perception of the effectiveness of our security measures could be harmed and our reputation and credibility could be damaged. We could be required to expend significant amounts of money and other resources to repair or replace information systems and be subject to regulatory actions and/or claims involving privacy issues related to data collection and use practices and other data privacy laws and regulations. The failure of our information technology systems to perform as we anticipate could disrupt our business and product development and could result in decreased sales and increased overhead costs, all of which could materially and adversely affect our business, financial condition and results of operations.

We may be subject to risks in relation to our properties.

As of the Latest Practicable Date, we had not obtained real property ownership certificates for four temporary buildings, which we used as ancillary facilities. Given that we have obtained a written confirmation from the competent government authority confirming that these temporary buildings will not be demolished or be subject to administrative penalties, our PRC Legal Advisors have advised us that the risk of being demolished or being subject to administrative penalties is remote. However, if we are forced to demolish such buildings and fail to find suitable replacement, our business will be adversely affected.

Historically, we obtained the land use rights for three parcels of land, namely, Parcel No. 36, Parcel No. 36-1 and Parcel No. 36-2, located in the Tonglu Economic Development Zone, which designated the commencement and completion of construction of facilities for industrial use. During the construction process, due to various reasons, including government planning adjustments, there were delays in the commencement and completion of construction on each parcel of land. Our PRC Legal Advisors have advised us that the risk that such delays in construction may be found as constituting idle land under PRC laws and regulations, or that we will be required to pay liquidated damages due to such delays, is remote, considering that we have already obtained the real property ownership certificates for the buildings constructed on the three parcels of land from competent government authorities. Furthermore, for Parcel No. 36-1, we have obtained a confirmation from the relevant government authority confirming that we were allowed to delay the construction. For Parcel No. 36-2, we have obtained a confirmation from the relevant government authority confirming that we will not be required

to pay any liquidated damages for the late construction. Although we have obtained the relevant ownership certificates and have obtained confirmations from the relevant local governments, we cannot guarantee that we will not be subject to breach of contract claims and be required to pay any liquidated damages.

RISKS RELATING TO CONDUCTING BUSINESS IN CHINA

China's political, economic and social conditions could affect our business, financial condition, results of operations and prospects, and adverse developments in China's economy or an economic slowdown in China may reduce the demand for our products and services and have a material adverse effect on our business, financial condition, results of operations and prospects.

We conduct most of our business in China, and substantially all of our assets and operations are located, and substantially all of our revenue is derived from our operations, in China. Accordingly, our business, financial position, results of operations and prospects are subject to the political, economic and legal developments in China. The Chinese economy differs from the economies of most developed countries in many respects, including government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. We believe the PRC government has indicated its commitment to the continued reform of the economic system as well as the structure of the government. The PRC government's reform policies have emphasized the independence of enterprises and the use of market mechanisms. However, the PRC government continues to play a significant role in regulating industrial development, allocation of natural and other resources, production, pricing and management of currency, and there can be no assurance that the PRC government will continue to pursue a policy of economic reform or that the direction of reform will continue to be market friendly.

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 6.8% in 2017 to 6.4% in 2019, 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. Any changes in the political, economic or social conditions in China may materially and adversely affect our business, financial condition and results of operations.

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

A large portion of our operations are conducted in China through our PRC subsidiaries, and are governed by PRC laws, rules and regulations. Our PRC subsidiaries are subject to laws, rules and regulations applicable to foreign investment in China. The PRC legal system is a civil law system based on written statutes with prior court decisions and judgements having limited precedential value.

In the late 1970s, the PRC government began to promulgate a comprehensive system of laws, rules and regulations governing economic matters in general and protection of foreign investments. However, China has not developed a fully-integrated legal system, and recently enacted laws, rules and regulations may not sufficiently cover all aspects of economic activities in China or may be subject to significant degrees of interpretation by PRC regulatory agencies. Different national, provincial or local government authorities may interpret and enforce laws, rules and regulations, such as those related to social insurance and housing provident funds, tax, healthcare, among others, differently and inconsistently. Moreover, their interpretation and enforcement may be subject to change, as a result of changes in political environments, regulatory system reforms or other reasons. In particular, because these laws, rules and regulations, including those related to social insurance and housing provident funds, tax and healthcare, among others, may give the relevant regulators at different administration levels and from different regions significant discretion in how to interpret and enforce them, and because of the limited number of published decisions and the nonbinding nature of such decisions, the interpretation and enforcement of these laws, rules and regulations involve uncertainties and can be inconsistent and unpredictable. Their interpretations and enforcement may be subject to change, as a result of changes in political environments, regulatory system reforms or other reasons, and may subject us to higher compliance and operating costs and divert our management's attention. In addition, the PRC legal system is based in part on government policies and internal rules, some of which are not published on a timely basis or at all, and which may have a retroactive effect. As a result, we may not be aware of our violation of these policies and rules until after the occurrence of the violation.

Government control of currency conversion could have a material adverse effect on our business, results of operations, financial condition and prospects.

The Renminbi is not presently a freely convertible currency, and conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. A substantial majority of our revenue and future income is expected to be denominated in Renminbi and we will need to convert Renminbi into foreign currencies for the payment of dividends, if any, to holders of our Shares. There is no assurance that, under a certain exchange rate, we will have sufficient foreign currencies to meet our foreign exchange requirements.

Under the current PRC foreign exchange control system, we are required to present documentary evidence of foreign exchange transactions under the current account conducted by us, including the payment of dividends following completion of the Global Offering, and conduct such transactions at designated foreign exchange banks within China that have the requisite licenses to carry out foreign exchange business. In addition, foreign exchange transactions under the capital account conducted by us are subject to limitations and are required to obtain approvals from, or register with SAFE or other relevant PRC governmental authorities. There is no assurance that we will be able to receive these approvals or complete required registrations in time, or at all. The existing foreign regulations allow us, following completion of the Global Offering, to pay dividends in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. However, there is no assurance that the PRC government will continue to adopt this policy going forward. The

PRC government may also restrict our access to foreign currencies for current account transactions at its discretion. Any insufficiency of foreign currencies may impair our ability to obtain sufficient foreign currencies for dividend payments to our Shareholders or to satisfy any other foreign exchange requirements.

Fluctuation in the value of the Renminbi may result in foreign currency exchange losses.

We are subject to foreign exchange fluctuations. Substantially all of our revenues and costs are denominated in Renminbi. We also sell our products overseas, and such overseas sales are typically settled in US dollars. 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. In addition, the PBOC regularly intervenes in the foreign exchange market to limit fluctuations in Renminbi exchange rates and achieve policy goals.

There remains significant international pressure on the PRC government to adopt a more flexible currency policy, which, together with domestic policy considerations, could result in a significant appreciation of Renminbi against the U.S. dollar, the Hong Kong dollar or other foreign currencies.

Our proceeds from the Global Offering will be denominated in Hong Kong dollars. As a result, any appreciation of the Renminbi against the U.S. dollar, the Hong Kong dollar or any other foreign currencies may result in a decrease in the value of our foreign currency-denominated assets and our proceeds from the Global Offering. Conversely, any depreciation of the Renminbi may adversely affect the value of, and any dividends payable on our Shares in foreign currencies. There are limited instruments available for us to reduce our foreign currency risk exposure at reasonable cost in China, and we have not utilized, and may not in the future utilize, any such instrument.

All 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.

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 are located in China and substantially all of our executive Directors and senior management reside in China. Therefore, it may not be possible to effect service of process within Hong Kong or elsewhere outside of China upon us or our Directors or senior management. Moreover, China has not entered into treaties for the reciprocal

recognition and enforcement of court judgments with Japan, the United Kingdom, the United States and many other countries. As a result, recognition and enforcement in China of a court judgment obtained in other jurisdictions may be difficult or impossible.

In addition, on July 14, 2006, China and Hong Kong signed 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**"). Pursuant to the Arrangement, a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in China. Similarly, a party with a final judgment rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong or PRC 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 do not agree to enter into a choice of court agreement in writing.

On January 18, 2019, China and Hong Kong signed 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 (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the "**New Arrangement**"), which seeks to establish a bilateral legal mechanism with greater clarity and certainty for recognition and enforcement of judgments in wider range of civil and commercial matters between the two places. The New Arrangement will be implemented by local legislation in Hong Kong. It will take effect after both China and Hong Kong have completed the necessary procedures to enable implementation and will apply to judgments made on or after the commencement date. The Arrangement will be abolished upon the effectiveness of the New Arrangement. However, it is unclear as to when the implementations of the New Arrangement in both places will be completed. As the Arrangement is still in force, it remains difficult or impossible for investors to enforce a Hong Kong court judgment against our assets or our Directors or senior management in China.

We may be deemed to be a PRC resident enterprise under the Enterprise Income Tax Law and our global income may be subject to Chinese corporate withholding tax under the Enterprise Income Tax Law.

Pursuant to the EIT Law, which came into effect on January 1, 2008 and was amended on February 24, 2017 and December 29, 2018, an enterprise established outside of China whose "de facto management body" is located in China is considered a "PRC resident enterprise" and will generally be subject to the uniform EIT rate of 25% on its global income. The Regulation on the Implementation of 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》) defines "de facto management body" as the organization body that effectively exercises management and control over aspects such as the business operations, personnel, accounting and properties of the enterprise.

On April 22, 2009, the STA released the Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》) ("**Circular 82**"), as amended on January 29, 2014 and December 29, 2017, which sets out the standards and procedures for determining whether the "de facto management body" of an enterprise registered outside of China and controlled by PRC enterprises or PRC enterprise groups is located within China. Under Circular 82, a foreign enterprise controlled by a PRC enterprise or PRC enterprise group is considered a PRC resident enterprise if all of the following apply: (i) the senior management and core management departments in charge of daily operations are located mainly within China; (ii) financial and human resources decisions are subject to determination or approval by persons or bodies in China; (iii) major assets, accounting books, company seals and minutes and files of board and shareholders' meetings are located or kept within China; and (iv) at least half of the enterprise's directors with voting rights or senior management reside within China. Further to Circular 82, the STA issued Chinese-Controlled Offshore Incorporated Resident Enterprises Income Tax Regulation (《境外註冊中資控股居民企業所得税管理辦法(試行)》) ("**Bulletin 45**"), which took effect on September 1, 2011 and was most recently amended on June 15, 2018, to provide more guidance on the implementation of Circular 82 and clarify the reporting and filing obligations of such "Chinese controlled offshore incorporated resident enterprises." Bulletin 45 provides procedures and administrative details for the determination of resident status and administration of post-determination matters. Although Circular 82 and Bulletin 45 explicitly provide that the above standards apply to enterprises which are registered outside of China and controlled by PRC enterprises or PRC enterprise groups, Circular 82 may reflect STA's criteria for determining the tax residence of foreign enterprises in general. If our global income were to be taxed under the EIT Law, our financial condition and results of operations may be materially and adversely affected.

Failure by the Shareholders or beneficial owners who are PRC residents to make any required applications and filings pursuant to regulations relating to offshore investment activities by PRC residents may prevent us from distributing profits and could expose us and our PRC resident Shareholders to liability under the PRC laws.

Circular 37 was promulgated by SAFE and became effective on July 14, 2014, which requires a PRC resident, including a PRC resident natural person or a PRC legal person, to register with the local branch of the SAFE before it contributes its assets or equity interest into a special purpose vehicle for the purpose of investment and financing. Following the initial registration, when the special purpose vehicle undergoes change of basic information, such as change in PRC resident natural person shareholder, name or operating period, or occurrence of a material event, such as change in share capital of a PRC resident natural person, performance of merger or split, the PRC resident shall register such change with the local branch of the

SAFE in a timely manner. Failure to comply with the registration procedures of Circular 37 may result in penalties, including the imposition of restrictions on the ability of the Offshore SPV's Chinese subsidiary to distribute dividends to its overseas parent.

Circular 37 remains unclear how this regulation and any future related legislation will be interpreted, amended and implemented by the relevant Chinese government authorities. As of the Latest Practicable Date, to the best of our knowledge, our individual beneficial owners, Mr. Zhong and Ms. Shentu, who are PRC resident Shareholders of the Company have duly completed the foreign exchange registrations with the SAFE in accordance with the Circular 37. However, we may not at all times be fully informed of the identities of all our Shareholders who are PRC residents and we do not have control over our Shareholders. As such, we cannot assure you that all of our PRC resident beneficial owners will comply with SAFE's regulations. Any failure by our PRC resident Shareholders to register with SAFE or update SAFE's records, or the failure of future Shareholders who are PRC residents to comply with the registration requirements may result in penalties and the prohibition of payments to offshore parents from capital reductions, share transfers or liquidations of our Chinese subsidiaries and could materially adversely affect our ownership structure, acquisition strategy, business operations and ability to make dividend payments to the Shareholders.

Dividends payable by us to our foreign investors and gains on the sale of our Shares may become subject to withholding taxes under Chinese tax laws.

We intend to take the position that we, as legal entities organized outside the PRC, are not deemed a Chinese resident enterprise. However, under the EIT Law, we may be deemed a Chinese resident enterprise by the Chinese tax authorities for tax purposes. As such, we may be required to withhold Chinese income tax on capital gains realized from sales of our Shares and dividends distributed to Shareholders, as such income may be regarded as income from "sources within China." In this case, our foreign corporate Shareholders who are not deemed Chinese resident enterprises may become subject to a 10% withholding income tax under the EIT Law, unless any such foreign corporate Shareholder is qualified for a preferential withholding rate under a tax treaty. Any non-resident taxpayer meeting conditions for enjoying the treaty benefits may be entitled to the treaty benefits itself 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 Measures for the Administration of Non-Resident Taxpayers' Enjoyment of Treaty Benefits (《非居民納税人享受協定待遇管理辦法》) effective from 1 January 2020. If a competent tax authority, in the course of subsequent administration, finds out that a non-resident taxpayer enjoys treaty benefits without meeting the conditions thereof and underpays or fails to pay them at all, it may instruct the non-resident taxpayer to pay the overdue taxes within a prescribed period. With respect to dividends, the beneficial ownership tests under the Circular on Interpretation and Determination of Beneficial Owner under Tax Treaties (《關於如何理解和認定税收協定中"受益所有人"的通知》) issued by the STA ("**Circular 601**") will also apply. If determined to be ineligible for treaty benefits, such a Shareholder would become subject to higher Chinese tax rates on dividends of our Shares. In such circumstances, the value of such foreign Shareholders' investment in our Shares sold in the Global Offering may be materially and adversely affected.

On February 3, 2015, the STA issued the Public Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) ("**Circular 7**"), which replaced certain provisions in the Notice on Strengthening the Administration of Enterprise Income Tax on Non-Resident Enterprises (《關於加強非居民企業股權轉讓企業所得稅管理的通知》). Circular 7 provided comprehensive guidelines relating to, and also heightened the Chinese tax authorities' scrutiny over, indirect transfers by a non-resident enterprise of assets (including equity interests) of a Chinese resident enterprise (the "**Chinese Taxable Assets**").

For example, Circular 7 provides that where a non-resident enterprise transfers Chinese Taxable Assets indirectly by disposing of equity interests in an overseas holding company directly or indirectly holding such Chinese Taxable Assets, Chinese tax authorities may disregard the existence of the overseas holding company and re-characterize the nature of the indirect transfer of Chinese Taxable Assets as a direct transfer of Chinese Taxable Assets, if such transfer is deemed to have been conducted for the purposes of avoiding Chinese EIT and without any other bona fide commercial purpose.

Except as provided in Circular 7, transfers of Chinese Taxable Assets under the following circumstances will be automatically deemed as having no bona fide commercial purpose, and are subject to Chinese enterprise income tax: (i) more than 75% of the value of the overseas enterprise is derived directly or indirectly from Chinese Taxable Assets; (ii) more than 90% of the total assets (cash excluded) of the overseas enterprise are directly or indirectly composed of investment in China at any time during the year prior to the indirect transfer of the Chinese Taxable Assets, or more than 90% of the income of the overseas enterprise is directly or indirectly from China during the year prior to the indirect transfer of the Chinese Taxable Assets; (iii) the overseas enterprise and its subsidiaries directly or indirectly hold the Chinese Taxable Assets and have registered with the relevant authorities in the host countries (regions) in order to meet the local legal requirements in relation to organization forms, yet prove to be inadequate in their ability to perform their intended functions and withstand risks as their alleged organization forms suggest; or (iv) the tax from the indirect transfer of Chinese Taxable Assets payable abroad is lower than the tax in China that may be imposed on the direct transfer of such Chinese Taxable Assets.

Although Circular 7 contains certain exemptions, it is unclear whether any exemptions under Circular 7 will be applicable to the transfer of our Shares or to any future acquisition by us outside of China involving Chinese Taxable Assets, or whether the Chinese tax authorities will reclassify such transaction by applying Circular 7. Therefore, the Chinese tax authorities may deem any transfer of our Shares by our Shareholders that are non-resident enterprises, or any future acquisition by us outside of China involving Chinese Taxable Assets, to be subject to the foregoing regulations, which may subject our Shareholders or us to additional Chinese tax reporting obligations or tax liabilities.

During the Track Record Period, we have taken some corporate restructuring steps in preparation for the Listing. See "History, Reorganization and Corporate Structure — Reorganization." These corporate restructuring steps taken by us may be subject to Circular 7. In particular, there is a risk that the relevant transfer of equity may be considered by the relevant Chinese tax authority as having no "reasonable commercial purpose" and thus subject to the EIT Law. It is currently unclear how the relevant Chinese tax authorities will implement or enforce Circular 7.

RISKS RELATING TO THE GLOBAL OFFERING AND OUR SHARES

There has been no existing public market for our Shares and their liquidity and market price may fluctuate.

Prior to the Global Offering, there has been no public market for our Shares. The initial Offer Price for our Shares was the result of negotiations between us, the Selling Shareholder 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 the Global Offering. We have applied for listing of and permission to deal in our Shares on the Stock Exchange. There is no assurance that the Global Offering will result in the development of an active, liquid public trading market for our Shares. 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 Shares will be traded.

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

- our financial results;
- stability of Hong Kong's economy and financial markets, particularly in light of the recent political unrest in the city and the COVID-19 outbreak;
- 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.

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

Immediately following the completion of the Global Offering and the Capitalization Issue and without taking into account any shares that may be issued pursuant to share options granted under the Pre-IPO Share Option Plan, our Controlling Shareholders will be entitled to exercise voting rights of 51.11% of the total issued share capital of our Company. The interests of our Controlling Shareholders may differ from the interests of our other Shareholders. Our Controlling Shareholders could have significant influence in determining the outcome of any corporate transaction or other matters submitted to our Shareholders for approval. This concentration of ownership, as a result, may discourage, delay or prevent a change in control of our Company, which could deprive our Shareholders of an opportunity to receive a premium for their Shares in a sale of our Company or may reduce the market price of our Shares. In addition, to the extent the interests of our Controlling Shareholders conflict with the interest of our other Shareholders, the interests of our other Shareholders may be disadvantaged or harmed.

Future issuances or sales, or perceived issuances or sales, of substantial amounts of our Shares in the public market could materially and adversely affect the prevailing market price of our Shares and our ability to raise capital in the future.

Sales of substantial amounts of Shares in the public market after the completion of the Global Offering, or the perception that these sales could occur, could adversely affect the market price of our Shares. Although our Controlling Shareholders are subject to restrictions on their sales of Shares within 12 months from the Listing Date as described in "Underwriting" in this prospectus, future sales of a significant number of our Shares by our Controlling Shareholders in the public market after the Global Offering, or the perception that these sales could occur, could cause the market price of our Shares to decline and could materially impair our future ability to raise capital through offerings of our Shares. We cannot assure you that our Controlling Shareholders will not dispose of Shares held by it or that we will not issue Shares pursuant to the general mandate to issue shares granted to our Directors as described in "Appendix IV — Statutory and General Information" or otherwise, upon the expiration of restrictions set out above. We cannot predict the effect, if any, that any future sales of Shares

by our Controlling Shareholders, or the availability of Shares for sale by our Controlling Shareholders, or the issuance of Shares by our Company may have on the market price of the Shares. Sale or issuance of a substantial amount of Shares by our Controlling Shareholders or us, or the market perception that such sale or issuance may occur, could materially and adversely affect the prevailing market price of the Shares.

Since there will be a gap of several days between pricing and trading of our Shares, holders of our Shares are subject to the risk that the price of our Shares could fall during the period before trading of our Shares begins.

The Offer Price of our Offer Shares is expected to be determined on the Price Determination Date. However, our Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be several business days after the pricing date. As a result, investors may not be able to sell or deal in our Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of our Shares could fall before trading begins as a result of adverse market conditions or other adverse developments, that could occur between the time of sale and the time trading begins.

Future financing may cause a dilution in your shareholding or place restrictions on our operations.

We may raise additional funds in the future to finance the expansion of our capacity, the enhancement of our research and development capabilities, the development of our operations, acquisitions or strategic partnerships. If additional funds are raised through the issuance of our new equity or equity-linked securities other than on a pro rata basis to existing Shareholders, the percentage ownership of such Shareholders in us may be reduced, and such new securities may confer rights and privileges that may take priority over those conferred by the Shares. Alternatively, if we meet such funding requirements by way of additional debt financing, we may have restrictions placed on us through such debt financing arrangements which may:

- limit our ability to pay dividends or require us to seek consent for the payment of dividends;
- increase our vulnerability to general adverse economic and industry conditions;
- require us to dedicate a substantial portion of our cash flows from operations to service our debt, thereby reducing the availability of our cash flow to fund capital expenditure, working capital requirements and other general corporate needs; and
- limit our flexibility in planning for, or reacting to, changes in our business and our industry.

Potential investors will experience immediate and substantial dilution as a result of the Global Offering.

Potential investors will pay a price per Share in the Global Offering that substantially exceeds the per Share value of our tangible assets after subtracting our total liabilities as of December 31, 2019. Therefore, purchasers of our Shares in the Global Offering will experience a substantial immediate dilution in pro forma net tangible assets, and our existing Shareholders will receive an increase in the pro forma adjusted net tangible assets per Share on their Shares. As a result, if we were to distribute our net tangible assets to the Shareholders immediately following the Global Offering, potential investors would receive less than the amount they paid for their Shares. See "Appendix II — Unaudited Pro Forma Financial Information."

Shareholders' interest may be diluted in the future if additional Shares are issued upon the exercise of share options granted under the Pre-IPO Share Option Plan.

The Company adopted the Pre-IPO Share Option Plan on May 6, 2020, pursuant to which an aggregate of 4,120,000 Shares with a par value of US$0.00001 (assuming the Capitalization Issue has been completed) will be issued upon full exercise of the share options that have been granted under the Pre-IPO Share Option Plan, representing approximately 0.33% of the total issued share capital of our Company immediately upon completion of the Capitalization Issue and the Global Offering but without taking into account any shares that may be issued pursuant to share options granted under the Pre-IPO Share Option Plan. The exercise price for the share options granted under the Pre-IPO Share Option Plan is RMB6.7870 (equivalent to approximately HK$7.4208) per Share, assuming the Capitalization Issue has been completed.

Based on the number of Shares in issue immediately upon completion of the Global Offering, assuming the share options granted under the Pre-IPO Share Option Plan have been exercised in full, there will be a dilutive effect on (a) the shareholding of the Shareholders by approximately 0.33%, and (b) earnings per Share by approximately 0.33%.

The ability of the Company to grant further share options under the Pre-IPO Share Option Plan will cease upon the Listing. For details of the Pre-IPO Share Option Plan, see "Statutory and General Information — A. Further Information about Our Group — 5. Pre-IPO Share Option Plan and RSU Plan" in Appendix IV to this prospectus.

We cannot assure you that we will declare and distribute any amount of dividends in the future and dividends distributed in the past may not be indicative of our dividend policy in the future.

Our ability to declare future dividends will depend on the availability of dividends, if any, received from our operating subsidiaries. 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 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. Accordingly, since we derive all of our earnings and cash flows from dividends paid by our operating subsidiaries, we may not have sufficient distributable profit to pay dividends to our Shareholders. In addition, any future dividend declaration and distribution 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 Cayman Islands laws, including, where required, the approvals from our Shareholders and/or 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. In any event, no dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium. As a result, we cannot assure you that we will make any dividend payments on our Shares in the future.

We have discretion as to how we will use the net proceeds of the Global Offering, and you may not necessarily agree with how we use them.

Our management may spend the net proceeds from the Global Offering in ways you may not agree with or that do not yield a favorable return. For details of our intended use of proceeds, see "Future Plans and Use of Proceeds." However, our management will have discretion as to the actual application of our net proceeds. You are entrusting your funds to our management, upon whose judgment you must depend, for the specific uses we will make of the net proceeds from this Global Offering.

We cannot guarantee the accuracy of facts, forecasts and other statistics obtained from official governmental sources or other sources contained in this prospectus.

Certain facts, statistics and data contained in this prospectus relating to China, Hong Kong, the MISIA industry have been derived from various official government publications or other third party reports we generally believe to be reliable. 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 and have no reason to believe that such

information is false or misleading or that any fact has been omitted that would render such information false or misleading. However, we cannot guarantee the quality or reliability of such source materials. They have not been prepared or independently verified by us, the Selling Shareholder, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any of their respective affiliates or advisors 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 China and Hong Kong. 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. Furthermore, we cannot assure you 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, you should give due consideration as to how much weight or importance they should attach to or place on such facts.

You should read the entire prospectus carefully, and we strongly caution you not to place any reliance on any information contained in press articles and/or other media regarding us, our business, our industry or the Global Offering.

There may have been prior to the publication of this prospectus, and there may be subsequent to the date of this prospectus but prior to the completion of the Global Offering, press and/or media regarding us, our business, our industries and the Global Offering. None of us, the Selling Shareholder, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any other person involved in the Global Offering has authorized the disclosure of information about the Global Offering in any press or media and none of these parties accepts any responsibility for the accuracy or completeness of any such information or the fairness or appropriateness of any forecasts, views or opinions expressed by the press and/or other media regarding our Shares, the Global Offering, our business, our industry or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information, forecasts, views or opinions expressed in any such publications. To the extent that such statements, forecasts, views or opinions are inconsistent or conflict with the information contained in this prospectus, we disclaim them. Accordingly, you are cautioned to make your investment decisions on the basis of the information contained in this prospectus only and should not rely on any other information.

In preparation for the Global Offering, we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules:

MANAGEMENT PRESENCE IN HONG KONG

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

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

(a) we have appointed two authorized 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 authorized representatives appointed are Mr. Zhong, the chairman and an executive Director of the Company, and Mr. YIN Zixin, a joint company secretary of the Company, to be the principal communication channel at all times between the Stock Exchange and our Company. 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;

(b) 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;

(c) although our executive Directors and non-executive Directors 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;

(d) we have appointed Somerley Capital Limited as our compliance advisor, 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

(e) 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, the Directors and/or the compliance advisor in accordance with the Listing Rules.

JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, the company secretary must be an individual who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of the company secretary. The Stock Exchange considers the following academic or professional qualifications to be acceptable: (i) a member of The Hong Kong Institute of Chartered Secretaries; (ii) a solicitor or barrister (as defined in the Legal Practitioners Ordinance); and (iii) a certified public accountant (as defined in the Professional Accountants Ordinance).

In assessing "relevant experience", the Stock Exchange will consider the individual's: (i) length of employment with the issuer and other listed companies and the roles he/she played, (ii) familiarity with the Listing Rules and other relevant law and regulations including the Securities and Futures Ordinance, Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code, (iii) relevant training taken and/or to be taken in addition to the minimum requirement of taking not less than fifteen hours of relevant professional training in each financial year under Rule 3.29 of the Listing Rules, and (iv) professional qualifications in other jurisdictions.

We have appointed Mr. YIN Zixin and Ms. LEUNG Shui Bing as our joint company secretaries. Mr. Yin is currently the secretary to the Board. Mr. Yin's biographical information is set out in "Directors and Senior Management" in the prospectus. Since Mr. Yin does not possess a qualification stipulated in Rule 3.28 of the Listing Rules, he is not able to solely fulfill the requirements as a company secretary of a listed issuer stipulated under Rules 3.28 and 8.17 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules in relation to the appointment of Mr. Yin as our joint company secretary. In order to provide support to Mr. Yin, we have appointed Ms. Leung, an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom which meets the requirements under Rule 3.28 and 8.17, as a joint company secretary to provide assistance to Mr. Yin, for a three-year period from the Listing Date so as to enable him to acquire the relevant experience (as required under Rule 3.28(2) of the Listing Rules) to duly discharge his duties.

Such waiver will be revoked immediately if and when Ms. Leung ceases to provide such assistance. We will liaise with the Stock Exchange before the end of the three-year period to enable it to assess whether Mr. Yin, having had the benefit of Ms. Leung's assistance for three years and will have acquired relevant experience within the meaning of Rule 3.28 of the Listing Rules so that a further waiver will not be necessary.

DIRECTORS' RESPONSIBILITY STATEMENT

This prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to us. The 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 matters the omission of which would make any statement herein or this prospectus misleading.

UNDERTAKING AND INFORMATION ON THE GLOBAL OFFERING

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering.

The Hong Kong Public Offer Shares are offered solely on the basis of the information contained in this prospectus and the Application Forms and on the terms and subject to conditions set out herein and wherein. We and the Selling Shareholder have 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 must not be relied on by you as having been authorized by us, the Selling Shareholder, any of the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Joint Sponsors, the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering. Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

The Listing is sponsored by the Joint Sponsors and the Global Offering is managed by the Joint Global Coordinators. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to us, the Selling Shareholder and the Joint Global Coordinators (on behalf of the Underwriters) agreeing on the Offer Price. An International Underwriting Agreement relating to the International Offering is expected to be entered into on or around Price Determination Date, subject to the Offer Price being agreed.

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which will be determined by us, the Selling Shareholder and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on or around Friday, June 19, 2020 or such other date as agreed between parties, and in any event no later than Saturday, June 20, 2020.

If, for any reason, the Offer Price is not agreed among us, the Selling Shareholder and the Joint Global Coordinators (on behalf of the Underwriters) on or before Saturday, June 20, 2020, the Global Offering will not proceed and will lapse.

SELLING SHAREHOLDER

As part of the Global Offering, the Selling Shareholder may sell up to 33,809,500 Sale Shares pursuant to the exercise of the Over-allotment Option. Assuming the full exercise of the Over-allotment Option and an Offer Price of HK$13.12 per Share, which represents the mid-point of the indicative Offer Price range, we estimate that the net proceeds to the Selling Shareholder from the Sale Shares (after deduction of proportional underwriting commissions and fees payable by the Selling Shareholder) will be approximately HK$425.4 million. We will not receive any of the proceeds from Sale Shares to be sold by the Selling Shareholder. See "Appendix IV – D. Other Information – 11. Particulars of the Selling Shareholder" for details.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in "Structure of the Global Offering."

PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedures for applying for our Shares are set out in "How to Apply for Hong Kong Offer Shares" and in the Application Forms.

OVER-ALLOTMENT OPTION AND STABILIZATION

Details of the arrangements relating to the Over-allotment Option and stabilization are set forth in "Structure of the Global Offering."

COMMENCEMENT OF DEALING IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence on Monday, June 29, 2020. The Shares will be traded in board lots of 500 Shares each. The stock code of the Shares will be 9997.

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, or be deemed by his acquisition of Offer Shares to, confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus.

No action has been taken to permit a public offering of the Offer Shares or the general distribution of this prospectus and/or the Application Forms in any jurisdiction other than in Hong Kong. Accordingly, this prospectus may not be used for the purposes 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 the offering 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 and pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, the Shares (i) in issue; (ii) to be issued under the Capitalization Issue; (iii) to be issued upon conversion of the Preferred Shares; (iv) to be issued pursuant to the Global Offering (including any Shares which may be sold by the Selling Shareholder pursuant to the exercise of the Over-allotment Option); and (v) which may be issued upon exercise of any share option granted under the Pre-IPO Share Option Plan.

No part of our Company's share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought on the Stock Exchange or any other stock exchange as of the date of this prospectus. All the Offer Shares will be registered on the Hong Kong Share Registrar of our Company in order to enable them to be traded on the Stock Exchange.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by or on behalf of the Stock Exchange.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on the Hong Kong Stock Exchange and compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or on any other date as determined by HKSCC.

Settlement of transactions between participants of the Hong Kong 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.

All necessary arrangements have been made for the Shares to be admitted into CCASS. Investors should seek the advice of their stockbroker or other professional advisor for details of those settlement arrangements and how such arrangements will affect their rights and interests.

SHARE REGISTER AND HONG KONG STAMP DUTY

Our principal register of members will be maintained by its principal share registrar, Maples Fund Services (Cayman) Limited, in the Cayman Islands, and our Hong Kong register of members will be maintained by Computershare Hong Kong Investor Services Limited in Hong Kong. All Offer Shares will be registered on the Company's register of members in Hong Kong.

Dealings in the Shares will be subject to Hong Kong stamp duty. For further details of Hong Kong stamp duty, please seek professional tax advice.

PROFESSIONAL TAX ADVICE RECOMMENDED

You should consult your professional advisors if you are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, or dealing in, the Shares or exercising any rights attaching to the Shares. We emphasize that none of our Company, the Selling Shareholder, any of the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Joint Sponsors, the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering accepts responsibility for any tax effects or liabilities resulting from your subscription, purchase, holding or disposing of, or dealing in, the Shares or your exercise of any rights attaching to the Shares.

EXCHANGE RATE CONVERSION

Solely for convenience purposes, this prospectus includes translations among certain amounts denominated in Renminbi, Hong Kong dollars and U.S. dollars. No representation is made that the Renminbi amounts could actually be converted into another currency at the rates indicated, or at all. Unless otherwise indicated, (i) the translation between Renminbi and Hong Kong dollars was made at the rate of HK$1.00 to RMB0.91459, the exchange rate prevailing on June 8, 2020 published by the PBOC for foreign exchange transactions and (ii) the translation between Renminbi and U.S. dollars was made at the rate of RMB7.0882 to US$1.00, the exchange rate prevailing on June 8, 2020 published by the PBOC for foreign exchange transactions.

ROUNDING

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.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail unless otherwise stated. However, the translated English names of the PRC and foreign national, entities, departments, facilities, certificates, titles, laws, regulations (including certain of our subsidiaries) and the like included in this prospectus and for which no official English translation exists are unofficial translations for your reference only. If there is any inconsistency, the names in their original languages shall prevail.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. ZHONG Ming (鐘鳴)	Room 1102, Unit 5, Building 1 Chuyangyuan, Lucheng Guihuayuan 767 Baiyunyuan Road Tonglu County Hangzhou Zhejiang Province PRC	Chinese
Ms. SHENTU Yinguang (申屠銀光)	Room 1102, Unit 5, Building 1 Chuyangyuan, Lucheng Guihuayuan 767 Baiyunyuan Road Tonglu County Hangzhou Zhejiang Province PRC	Chinese
Non-executive Directors		
Ms. CAI Li (蔡俐)	Room 3306, 28 Floor Building 4, No. 6 Chaoyangmen Outer Street Chaoyang District Beijing PRC	Chinese
Mr. CHEN Gang (陳剛)	Room 201, No. 11 Lane 2466, Jinxiu Road Pudong New District Shanghai PRC	Chinese

Name	Address	Nationality
Independent non-executive Directors		
Mr. JIANG Feng (姜峰)	No. 601, Gate 7, Building 11 Fenglin Lvzhou Science Park Nanli Chaoyang District Beijing PRC	Chinese
Mr. GUO Jian (郭建)	Room 3701, Building 7 333 Linping Road Hongkou District Shanghai PRC	Chinese
Mr. CHEN Weibo (陳衛波)	Room 602, Unit 1 Building 6, Houchao Apartment Houchao Road Shangcheng District Hangzhou Zhejiang Province PRC	Chinese

See "Directors and Senior Management" for further details of our Directors.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors	**Goldman Sachs (Asia) L.L.C.** 68/F, Cheung Kong Center 2 Queen's Road Central Hong Kong **CLSA Capital Markets Limited** 18/F, One Pacific Place 88 Queensway Hong Kong **Merrill Lynch Far East Limited** 55/F, Cheung Kong Center 2 Queen's Road Central Hong Kong
Joint Global Coordinators	**Goldman Sachs (Asia) L.L.C.** 68/F, Cheung Kong Center 2 Queen's Road Central Hong Kong **CLSA Limited** 18/F, One Pacific Place 88 Queensway Hong Kong **Merrill Lynch (Asia Pacific) Limited** 55/F, Cheung Kong Center 2 Queen's Road Central Hong Kong

Joint Bookrunners and Joint Lead Managers

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

CLSA Limited
18/F, One Pacific Place
88 Queensway
Hong Kong

Merrill Lynch (Asia Pacific) Limited
55/F, Cheung Kong Center
2 Queen's Road Central
Hong Kong

Legal advisors to our Company

As to Hong Kong and United States laws:

Sidley Austin
39/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong

As to PRC laws:

Tian Yuan Law Firm
10/F, CPIC Plaza B
No. 28 Fengsheng Lane
Xicheng District
Beijing
PRC

As to Cayman Islands laws:

Maples and Calder (Hong Kong) LLP
26th Floor, Central Plaza
18 Harbour Road
Wanchai
Hong Kong

Legal advisors to the Joint Sponsors and the Underwriters	*As to Hong Kong and United States laws:* **Sullivan & Cromwell (Hong Kong) LLP** 28th Floor, Nine Queen's Road Central Hong Kong *As to PRC laws:* **King & Wood Mallesons** 17th Floor, One ICC Shanghai ICC 999 Huai Hai Road (M) Shanghai PRC
Reporting Accountants and Independent Auditor	**Ernst & Young** *Certified Public Accountants* 22/F, CITIC Tower 1 Tim Mei Avenue Central Hong Kong
Industry Consultant	**China Insights Industry Consultancy Limited** 10F, Block B Jing'an International Center 88 Puji Road Jing'an District Shanghai PRC
Compliance Adviser	**Somerley Capital Limited** 20/F, China Building 29 Queen's Road Central Hong Kong
Receiving Bank	**Bank of China (Hong Kong) Limited** 1 Garden Road Hong Kong

Registered Office	**Maples Corporate Services Limited** P.O. Box 309 Ugland House Grand Cayman KY1-1104 Cayman Islands
Head Office and Principal Place of Business in the PRC	No. 1668 Chunjiang East Road Tonglu Economic Development Zone Hangzhou Zhejiang Province PRC
Principal Place of Business in Hong Kong	31/F, Tower Two, Times Square 1 Matheson Street, Causeway Bay Hong Kong
Company's Website	**www.kangjimedical.com** *(information on this website does not form part of this prospectus)*
Joint Company Secretaries	Mr. YIN Zixin (尹自鑫) Room 1101, Unit 2 Building 5, Lijun Garden Yunqi Middle Road Tonglu County Zhejiang Province PRC Ms. LEUNG Shui Bing (梁瑞冰) *(ACIS; ACS)* TMF Hong Kong Limited 31/F, Tower Two, Times Square 1 Matheson Street, Causeway Bay Hong Kong
Authorized Representatives	Mr. ZHONG Ming Room 1102, Unit 5, Building 1 Chuyangyuan, Lucheng Guihuayuan 767 Baiyunyuan Road Tonglu County Hangzhou Zhejiang Province PRC Mr. YIN Zixin Room 1101, Unit 2 Building 5, Lijun Garden Yunqi Middle Road Tonglu County Zhejiang Province PRC

Audit Committee	Mr. CHEN Weibo *(Chairman)* Mr. JIANG Feng Ms. CAI Li
Remuneration Committee	Mr. CHEN Weibo *(Chairman)* Ms. SHENTU Yinguang Mr. GUO Jian
Nomination Committee	Mr. ZHONG Ming *(Chairman)* Mr. JIANG Feng Mr. GUO Jian
Principal Share Registrar and Transfer Office	**Maples Fund Services (Cayman) Limited** PO Box 1093, Boundary Hall Cricket Square, Grand Cayman KY1-1102, Cayman Islands
Hong Kong Share Registrar	**Computershare Hong Kong Investor Services Limited** Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Principal Bank	**Bank of China, Tonglu Branch** 269 Yingchun South Road Tonglu County Hangzhou Zhejiang Province PRC

This section contains certain information and statistics relating to our industry which is derived from official government sources. In addition, this section and elsewhere in the prospectus contain information extracted from a report prepared by CIC, or the CIC Report[(1)], commissioned by us for purposes of this prospectus. We believe that the sources of the information in this Industry Overview section are appropriate sources for such information, and we 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. Our Directors and the Joint Sponsors confirm that, after taking reasonable care, they are not aware of any adverse change in market information since the date of the CIC Report which may qualify, contradict or have an adverse impact on the quality of information in this section. However, the information has not been independently verified by us, the Selling Shareholder, the Joint Sponsors or any other party, other than CIC involved in the Global Offering and no representation is given as to its accuracy. Except as otherwise noted, all the data and forecast in this section are derived from the CIC Report.

MEDICAL DEVICE MARKET IN CHINA

The medical device market in China is a large and fast-growing market, growing from RMB312.6 billion in 2015 to RMB664.2 billion in 2019[(2)], representing a CAGR of 20.7%. However, China's medical device market is still underdeveloped compared to that of developed countries. As illustrated in the following chart, China had a per capita expenditure on medical devices of only US$69.0, less than one third of the per capita expenditure on drugs. In comparison, the per capita expenditure of the U.S. on medical devices was US$494.8, nearly half of that on drugs:

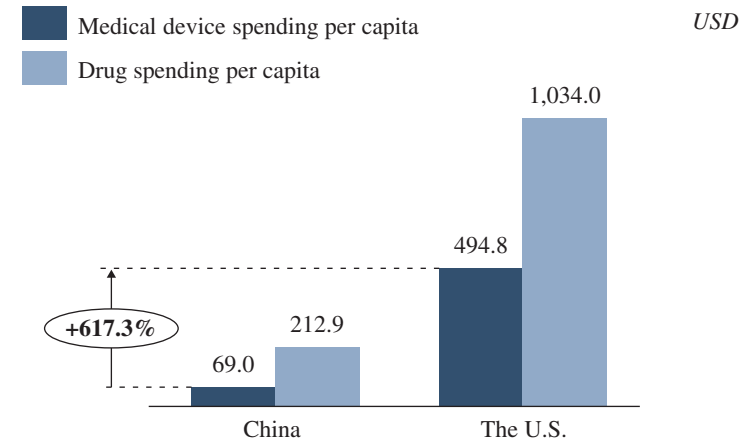
1 We commissioned CIC, a market research and consulting company and an Independent Third Party, to conduct research and analysis of, and to produce a report on the MISIA market in China for the period from 2015 to 2024 (the "CIC Report"). The CIC Report has been prepared by CIC independent of the influence of our Group and other interested parties. We have agreed to pay CIC a total fee of US$80,000 for the preparation and use of the CIC Report, and we believe that such fees are consistent with the market rate. CIC is a consulting firm founded in Hong Kong and provides professional industry consulting services across multiple industries. CIC's services include industry consultancy services, commercial due diligence and strategic consulting.

In compiling and preparing the report, CIC conducted both primary and secondary research using a variety of resources. Primary research involved interviewing key industry experts and leading industry participants. Secondary research involved analyzing data from various publicly available data sources, including but not limited to the National Bureau of Statistics, National Medical Products Administration, Food and Drug Association, National Health Commission of the PRC, the International Monetary Fund, World Health Organization. The market projections in the CIC report are based on the following key assumptions: (i) the overall social, economic and political environment in China is expected to remain stable during the forecast period; (ii) China's economic and industrial development is likely to maintain a steady growth trend over the next decade; (iii) related key industry drivers are likely to continue driving the growth of the MISIA market in China during the forecast period, such as the increasing number of surgeries, increasing substitution of open surgeries with MIS, increasing usage of disposable products, growing acceptance of domestic products, supportive government programs and policies, increasing amount of research and development expenditures, increasing patient affordability; (iv) the negative impact caused by COVID-19 outbreak in 2020 on the industry is expected to be limited, taking into account the impact of the COVID-19 outbreak and estimating market growth for 2020 in a conservative manner based on the industry and economic recovery in China since the second quarter of 2020; and (v) there is no extreme force majeure or industry regulation in which the market may be affected dramatically or fundamentally.

Except as otherwise noted, all data and forecasts in this section come from the CIC Report. Our Directors confirm that, after taking reasonable care, there has been no adverse change in the market information presented in the CIC Report since the date of its issuance which may qualify, contradict or impact the information in this section.

2 On the basis of hospital procurement prices.

Per Capita Expenditure on Medical Devices and Drugs, China versus the U.S., 2019



Source: CIC Report

As a part of the recent medical reforms in China, the PRC government has implemented various policies to support the development and innovation of medical devices, especially domestically developed and manufactured medical devices, such as "Made in China (2025)," "Healthy China 2030," "13th Five-Year National Science and Technology Innovation Planning" and "13th Five-Year Special Plan for Medical Device Technology Innovations." Driven by the aging population, growing incidence of chronic disease, continued increase in the numbers of hospitals and physicians, improved affordability, as well as favorable government policies, it is expected that the medical device market in China will reach RMB1,391.9 billion by 2024 at a CAGR of 15.9% from 2019.

MINIMALLY INVASIVE SURGICAL INSTRUMENTS AND ACCESSORIES (MISIA) MARKET IN CHINA

Overview of the MISIA Market in China

Minimally invasive operation in China is a general concept for all medical operations using tiny cuts or no cut at all, which contains three distinctive sub-segments, including:

- ***Minimally invasive surgeries (MIS),*** which are generally for treatment purposes and performed through small incisions in the patient. MIS mainly consist of laparoscopic, thoracoscopic, hysteroscopic and arthroscopic surgeries. MIS are widely used in surgical specialties of general surgery, obstetrics and gynecology (OBGYN), urology, thoracic surgery and orthopedics, among others, where all the surgeries are MIS-suitable except for abortion and surgeries in which the patients are not eligible for MIS due to physical conditions or specific lesion sites. In 2019, approximately 90% of the MIS in China were performed in the first four specialties;

- ***Minimally invasive procedures (MIP)***, which are generally for diagnosis and observation purposes and do not require incisions. MIP mainly consist of colonoscopy, gastroscopy, laryngoscopy and hysteroscopy procedures. MIP are widely used in the surgical specialties of gastroenterology, OBGYN, and ear, nose and throat (ENT); and

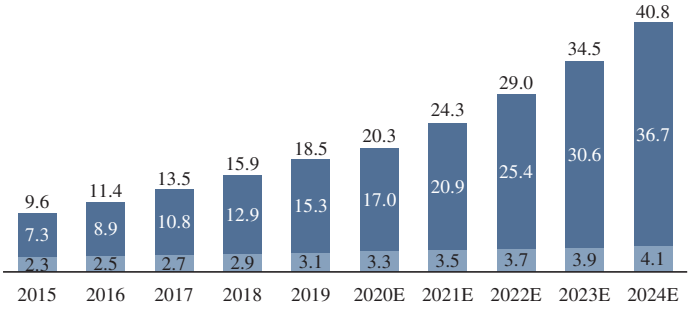
- ***Other minimally invasive operations,*** which mainly includes angioplasty, focused ultrasound, percutaneous laser disc decompression and laser treatment.

Minimally invasive surgical instruments and accessories (MISIA) are major medical devices used in MIS excluding endoscopes. The sales revenue of China's MISIA market increased from RMB9.6 billion in 2015 to RMB18.5 billion in 2019 at a CAGR of 17.8%, and is expected to reach RMB40.8 billion in 2024, representing a CAGR of 17.2% from 2019, as illustrated in the following chart. In particular, the sales revenue derived from the surgical specialties of general surgery, OBGYN, urology and thoracic surgery accounted for 88.1% and 89.3% of China's MISIA market in 2015 and 2019, respectively, and is expected to account for 90.5% in 2024. Based on whether a product is for single use, the MISIA market can be generally categorized into the disposable MISIA market and the reusable MISIA market. Due to lower infection risk for patients and sterilization

burden on hospitals of disposable products, the disposable MISIA market has been and will continue to be the major segment of the overall MISIA market. See "— Market Drivers and Trends of MISIA Market in China." The following chart sets forth a breakdown of the MISIA market in China attributable to disposable and reusable products in terms of sales revenue.

China MISIA market[1], 2015-2024E

CAGR	2015-2019	2019-2024E	2020E-2024E	*RMB billions*
Disposable MISIA[2]	20.2%	19.1%	21.2%	
Reusable MISIA	8.6%	5.5%	5.8%	
Total	17.8%	17.2%	19.1%	



(1) By sales revenue, on the basis of ex-factory prices.

(2) Ligation clips, ultrasonic scalpels, laparoscopy staplers, medical suture and certain other consumables are only for single use.

Source: CIC Report

Market Drivers and Trends of MISIA Market in China

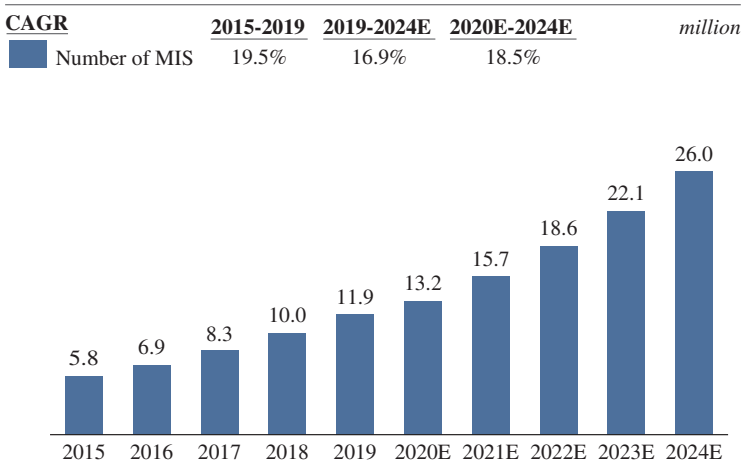
Key growth drivers and trends of the MISIA market in China include the following:

- *Increasing number of surgeries.* Due to the aging population, rising per capita disposable income and the improved medical reimbursement system, there will be an increase in surgical demand. From 2019 to 2024, the number of surgeries performed in the specialties of general surgery, OBGYN, urology, thoracic surgery and orthopedics in China is expected to increase from approximately 31.3 million to approximately 53.1 million, of which the percentage of surgeries performed in the first four specialties is expected to increase from 87.6% to 89.6%.

- *Increasing substitution of open surgeries with MIS.* Compared to traditional open surgeries that require large cuts in the skin, MIS can be performed with reduced incision size, reducing associated pain, scarring and complications, lowering risk of infection and shortening hospital stays and recovery time. Due to these advantages, MIS are gaining popularity among physicians and patients. In 2019, the number of MIS performed per million people and the penetration rate of MIS[3] in China were 8,514 and 38.1%, respectively, up from 4,248 and 28.5% in 2015, respectively. However, MIS remain significantly under-penetrated in China as compared to U.S. In 2019, the number of MIS performed per million people and the penetration rate of MIS in the U.S. were 16,877 and 80.1%, respectively. With improved affordability, growing physician awareness and acceptance of MIS, and increasing hospitals and physicians capable of performing MIS, it is expected that the number of MIS per million people and penetration rate of MIS in China will increase to 18,242 and 49.0% in 2024, respectively. The following chart sets forth the historical and projected number of MIS in China for the periods indicated.

(3) The penetration rate of MIS refers to the percentage of the number of MIS out of the total number of surgeries performed in general surgery, OBGYN (excluding abortion), urology, thoracic surgery and orthopedics.

Number of MIS in China, 2015-2024E



Source: CIC Report

- *Improving accessibility of MIS.* MIS has certain requirements on operation techniques, surgical hardware and conditions, and personnel configuration, which in turn increase the medical costs of hospitals and patients. In China, there were 23,735 hospitals by the end of 2019, out of which only approximately 4,400 (18.5%) hospitals, including approximately 1,400 (5.9%) Grade IIIA hospitals and 3,000 (12.6%) other hospitals, were able to perform MIS. However, in the U.S., there were 6,146 hospitals in 2019, of which 71.0% were able to perform MIS. Therefore, MIS are still under-penetrated in China's hospitals, especially in non-Grade IIIA hospitals, indicating a great growth potential. With continuing physician education, improving clinical competency of hospitals, establishment of new hospitals, and increasing patients' affordability and reimbursement coverage, MIS will become increasingly accessible in China. It is expected that the number of hospitals capable of performing MIS will increase to 8,850 in 2024 at a CAGR of 15.0% from 2019, including 1,874 Grade IIIA hospitals and 6,976 other hospitals.

- *Increasing usage of disposable products.* Disposable products reduce the infection risk for patients and sterilization burden on hospitals. Along with increasing safety awareness and improved affordability of patients, the market share of disposable trocars reached 44.8% of the trocar market in China in 2019 from 28.1% in 2015 by surgery volume, and is expected to continue to increase to 63.2% in 2024. Such a high-speed growth also indicates the increasing potential of other disposable products, such as disposable electrocoagulation forceps and disposable ultrasonic scalpels, which currently have relatively low penetration rate in hospitals in China.

- *Growing acceptance of domestic products.* As domestic players increase their investment and gain more expertise in R&D and manufacturing, high quality and cost-effective domestic MISIA have gained increasing recognition and growing competitiveness against imported products in physicians and hospitals in China, including Grade IIIA hospitals that have been historically dominated by international brands. For instance, the market share of domestic products in the disposable trocar, polymer ligation clip and disposable electrocoagulation forcep sub-segments reached 87.6%, 62.5% and 62.4% by 2019, respectively. From 2015 to 2019, the penetration rate of domestic disposable trocars, polymer ligation clip and disposable electrocoagulation forceps in China's Grade IIIA hospitals increased by 25.0%, 40.0% and 30.0%, respectively. Furthermore, the PRC government has instituted policies to encourage the domestically developed and manufactured medical devices. In addition, the Measures for

Management of Medical Consumables in Medical Institutions (Trial Implementation) (醫療機構醫用耗材管理辦法(試行)) released by National Health Commission of the PRC and National Administration of Traditional Chinese Medicine became effective since September 2019 and requires medical institutions to give sufficient consideration of the cost of medical consumables and take pricing as an important reference factor in their procurement process. All these factors will help domestic brands to gain more market share.

- *Product upgrades and innovation.* Advancements in mechanical engineering, material, manufacturing processes and clinical practices drive innovations of new MISIA as well as upgrades and improvements of existing MISIA, which would address unmet clinical demand and expand MIS application areas, and in turn drive the MISIA market growth. In addition, innovative or upgraded MISIA are generally high-end products with higher prices, which also further contributes the market growth.

- *Market consolidation.* China's MISIA market has undergone consolidation with the aggregate market share of top 10 players reaching 72.2% in 2019. With a strong end-user base, economies of scale and high risk tolerance, large market players will continue to consolidate the market with increasing market shares.

Competition and Entry Barriers

Competitive Landscape

We ranked first among all domestic players and fourth among all players (including international and domestic players) in the MISIA market in China with a 2.7% market share by 2019 sales revenue. The next largest domestic player ranked eighth among all players in the market with a market share of 1.0%. In addition, we were also the best-selling domestic player in Grade IIIA hospitals with MIS capabilities in China by sales revenue in 2019. The following chart sets forth the top five players in China's MISIA market by sales revenue in 2019.

Top Five Players in China's MISIA Market, 2019

Company[1]	Type of brand	Sales revenue[2] (RMB billions)	Market share[2]
Company A	International	~7.6	41.2%
Company B	International	~3.0	16.2%
Company C	International	~0.6	3.2%
Our Group	Domestic	~0.5	2.7%
Company D	International	~0.4	1.9%
Others	-		34.8%

(1) Company A is a NYSE-listed company based in the U.S. that primarily engages in development, manufacturing and sales of medical devices, pharmaceutical products and consumer packaged products. Company B is a NYSE-listed company based in Ireland that primarily engages in development, manufacturing and sales of medical technology, services, and solutions. Company C is a private company based in Germany that primarily offers infusion therapy and pain management, and development, manufacturing and sales of innovative medical products and services. Company D is a NYSE-listed company based in the U.S. that primarily engages in development and manufacturing of medical devices used in critical care and surgeries.

(2) On the basis of ex-factory prices.

Source: CIC Report

The following chart sets forth the top five domestic players in China's MISIA market by sales revenue in 2019.

Top Five Domestic Players in China's MISIA Market, 2019

Company[1]	Type of Brand	Sales Revenue[2] (RMB billions)	Market Share[2]
Our Group	Domestic	~0.5	2.7%
Company T	Domestic	~0.2	1.0%
Company N	Domestic	~0.1	0.5%
Company J	Domestic	~0.1	0.4%
Company M	Domestic	~0.1	0.4%

(1) Company T is an A-share listed company that primarily engages in development, manufacturing and sales of medical devices with a focus on staplers. Company N is a China-based private company that primarily engages in manufacturing and sales of disposable ultrasonic scalpels and other medical devices. Company J is a China-based private company that primarily engages in development, manufacturing and sales of absorbable medical consumables for MIS and medical skincare products. Company M is a China-based private company that primarily engages in development, manufacturing and sales of medical devices and surgical equipment.

(2) On the basis of ex-factory prices.

By sales revenue, China's MISIA market is currently dominated by international players primarily because (i) international brands have traditionally dominated the market for higher end MISIA products, namely, products with higher average selling prices, such as disposable ultrasonic scalpels and laparoscopic staplers; and (ii) across all product categories, international brands generally have higher product prices that can be two to four times that of domestic brands. This is mainly because international players generally have more advanced technologies, higher operation costs including R&D expenses, and a longer track record, and therefore have enjoyed first-mover advantages over PRC domestic companies for many products in the MISIA market. Leveraging these advantages and considering the higher costs and taxes in cross-border sales, international brands tend to have higher ex-factory prices. However, in recent years, domestic players have gained increasing market share from international competitors, with technology development and increasing R&D investment that have enabled them to offer high quality products at competitive prices. See "— Market Drivers and Trends of MISIA Market in China."

Entry Barriers

Entry barriers to the MISIA market in China includes the following:

- *Product development capabilities.* The development of MISIA require multi-disciplinary expertise in material and mechanical engineering, product design and manufacturing. Established market participants have accumulated years of technology and know-how, industry experience and in-depth understanding of clinical demand across different product lines and markets, enabling them to more successfully capture market opportunities and launch new or upgraded products, which is difficult for new entrants to match.
- *Registration and regulatory requirements.* MISIA are subject to stringent registration standards on safety and effectiveness in China and Class II/III MISIA generally require product registration testing and clinical trials unless they are exempted from clinical trials under the catalogue published by the NMPA. The entire registration process may span 1.5 to 3 years for Class II MISIA and three to five years for Class III MISIA. The registration certificates are also generally subject to renewal every five years. In addition, MISIA developers need to commit significant time and effort to obtain and maintain manufacturing licenses, and to comply with GMP requirements and other various regulations in China.
- *Manufacturing and quality management capabilities*. Medical device manufacturing is a complex process, and therefore having experienced technicians with high productivity, advanced and highly automated facilities as well as scalable production capacity remain

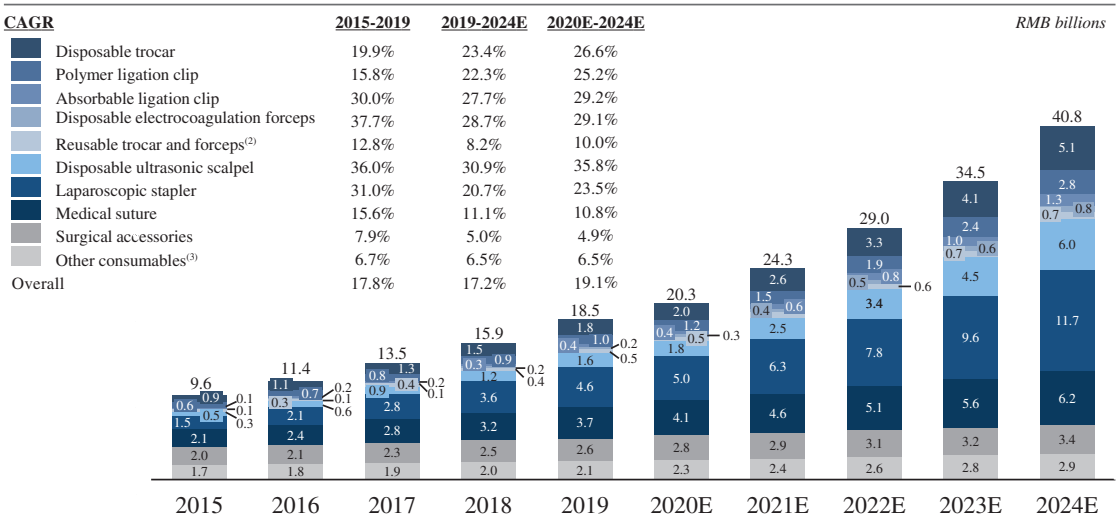
as a major entry barrier. In addition, to ensure product safety and effectiveness, a strict quality management system is a must. New entrants may lack the required resources and funds for manufacturing MISIA, and may fail to establish an effective quality management system.

- *Distribution channel.* Players in the MISIA market rely significantly on the distributorship sales model. For example, to sell Class II and Class III MISIA, distributors must obtain licenses or record-filing proof from regulatory authorities (e.g. business operation license of medical devices), gain recognition from target hospitals and be able to provide specialized after-sales services to hospitals in China. New entrants need a significant amount of time and investment to establish a network of qualified distributors.
- *End-user recognition.* Physicians and hospitals are more willing to use MISIA from familiar brands that have been proven safe and effective. A well-known brand with deep engagement in the physicians and hospitals especially KOLs and top-tier hospitals may take years of effort and investment to build.
- *Product portfolio and solutions.* MISIA have various types and specifications to respond to the needs of different surgical specialties and different MIS procedures. A comprehensive product portfolio can offer physicians and hospitals one-stop and tailor-made solutions without compatibility concerns, and in turn can achieve synergies of R&D, manufacturing and commercialization activities, and growing economies of scale in line with the expansion of the portfolio, which are difficult for new entrants to compete with.

MAIN PRODUCT CATEGORIES OF MISIA

Major product categories of MISIA include disposable trocars, polymer ligation clips, absorbable ligation clips, disposable electrocoagulation forceps, laparoscopic staplers, disposable ultrasonic scalpels, and reusable trocars and forceps, among others. The following chart sets forth a breakdown of the sales revenue of the MISIA market in China by product category.

China's MISIA Market[(1)], 2015-2024E



(1) By sales revenue, on the basis of ex-factory prices.

(2) Includes reusable veress needles and uterine manipulators, which are generally used together with reusable trocars and forceps, and have and are expected to account for only a small portion of the reusable trocars and forceps market by sales revenue.

(3) Primarily includes titanium ligation clips, cotton pieces, medical gauze and medical adhesives.

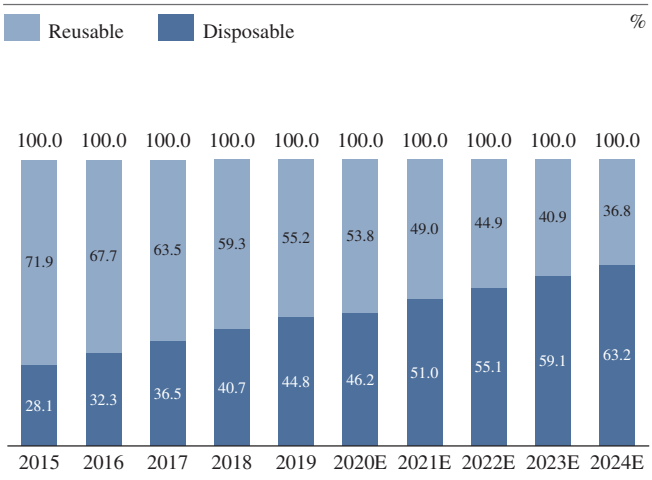
Source: CIC Report

Disposable Trocars

Overview

A trocar is a pen-shaped medical device that is percutaneously inserted through the abdominal wall or the chest to create an access port for endoscopes or other surgical instruments during the MIS. Generally, three to four trocars are used per surgery. Trocars can be categorized into disposable trocars and reusable trocars. Disposable trocars significantly reduce the infection risk for patients and the burden on sterilization for hospitals, and are used increasingly in place of reusable trocars, as illustrated in the following chart.

Comparison of Disposable Trocar and Reusable Trocar Penetration[4] in MIS, 2015-2024E

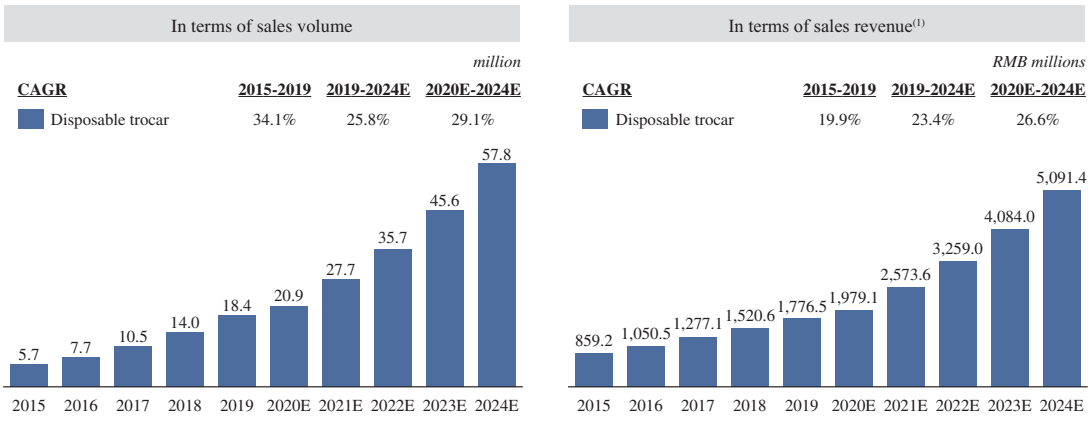


Source: *CIC Report*

Market Size

The following charts set forth the historical and projected sales revenue and sales volume of China's disposable trocar market for the periods indicated.

Market Size of China's Disposable Trocar Market, 2015-2024E



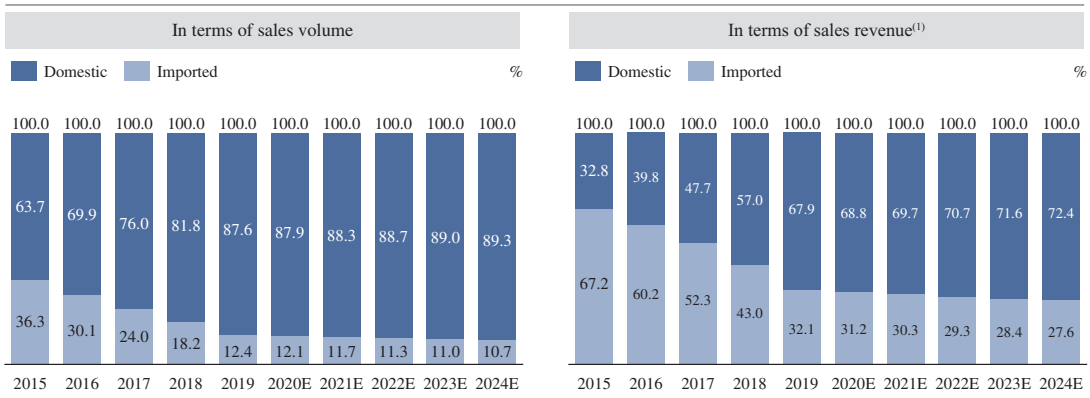
(1) On the basis of ex-factory prices.

Source: *CIC Report*

(4) The penetration rate refers to the number of MIS using each trocar type divided by the total number of MIS using at least one of the trocar types. Multiple disposable trocars used in one surgery are counted as one for this calculation.

A majority of trocars sold in China have been domestic products, which is expected to further increase in the future, as illustrated in the following charts.

Market Share of Domestic and Imported Disposable Trocars, 2015-2024E



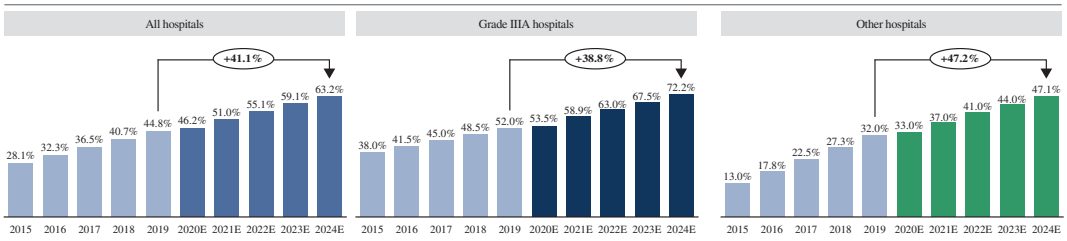
(1) On the basis of ex-factory prices.

Source: CIC Report

Penetration Rate

The penetration rate[(5)] of disposable trocars in China in 2019 reached 44.8% and 52.0% in all hospitals and Grade IIIA hospitals, respectively, significantly lower than the 90% penetration rate in the U.S. in all hospitals. The penetration rate is expected to experience robust growth, especially in lower-tier hospitals, as illustrated in the following charts.

Penetration Rate of Disposable Trocars in China's Hospitals, 2015-2024E



Source: CIC Report

Competitive Landscape

In terms of 2019 sales volume in China, we were the largest player in China's disposable trocar market with a market share of 19.1%. Our ability to lead the market with a significantly higher sales volume than international brands is primarily due to the following reasons: (i) we are one of the first-movers in domestically produced disposable trocars with over a decade of market experience, during which our track record of high product quality has been well-recognized by hospitals and physicians and are widely considered to be comparable to that of international products; (ii) we offer competitive pricing for high-quality products, and therefore our products have high performance-to-cost ratios; (iii) as compared with relatively standardized products of international brands, we constantly improve and modify our products to accommodate various MIS types, patients, operation needs and physicians' operation habits in China, which provides physicians with more customized options and convenience; and (iv) we have benefited from favorable PRC policies that encourage the development and purchase of domestically-produced medical devices and price control of pharmaceutical products. In terms of 2019 sales revenue, we

(5) The penetration rate of a specific product type in a specific class of hospitals refers to the total number of MIS using such products in the specified class divided by the total number of MIS performed in this class.

were the largest domestic player and third largest player among all players in China's disposable trocar market with a market share of 13.4%. The following tables set forth the top five players in China's disposable trocar market in terms of sales volume and sales revenue in 2019.

Top Five Players in China's Disposable Trocar Market, 2019

Ranking	Company[1]	Type of brand	Sales volume (thousand)	Market share by sales volume
1	**Our Group**	Domestic	3,507	19.1%
2	**Company A**	International	1,201	6.5%
3	**Company B**	International	1,040	5.7%
4	**Company E**	Domestic	980	5.3%
5	**Company F**	Domestic	740	4.0%
	Subtotal	/		40.7%

Ranking	Company[1]	Type of brand	Sales revenue[2] (RMB millions)	Market share by sales revenue
1	**Company A**	International	~312	17.6%
2	**Company B**	International	~260	14.6%
3	**Our Group**	Domestic	~239	13.4%
4	**Company E**	Domestic	~69	3.9%
5	**Company F**	Domestic	~50	2.8%
	Subtotal	/		52.3%

(1) Company E is a China-based private company that primarily engages in manufacturing and sales of medical catheters. Company F is a China-based private company that primarily engages in development, manufacturing, and sales of disposable laparoscopic surgical instruments.

(2) On the basis of ex-factory prices.

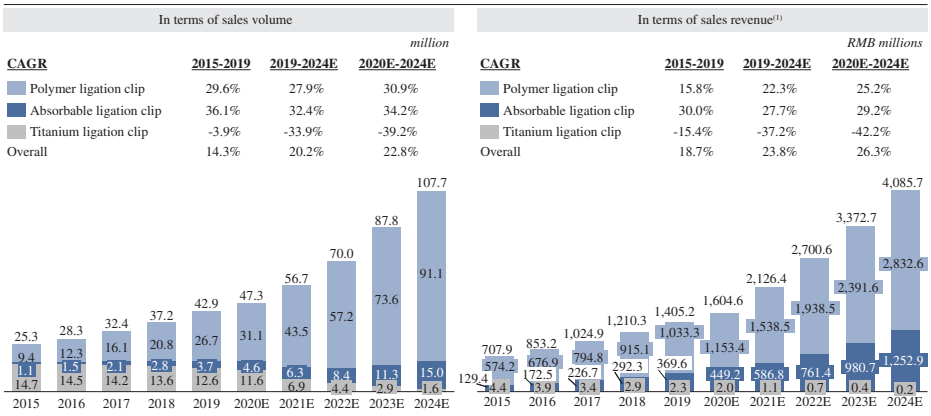
Source: CIC Report

Ligation Clips

Overview

Ligation clips are implantable disposable medical instruments used for fast occlusion of blood vessels and other tubular tissue structures in surgeries including MIS. The number of ligation clips used in a surgery ranges from two to 15. There are three types of ligation clips, namely, titanium ligation clips, polymer ligation clips and absorbable ligation clips. Titanium ligation clips are made of titanium metal and have a much lower price point than the other types of ligation clips. However, such clips may interfere with medical examinations such as CT, MRI, or X-ray diagnostics, and tend to loosen over time. Polymer ligation clips are radiolucent and have a mid-range price point. Absorbable ligation clips are made from biodegradable materials and can degrade and be absorbed in the body, and have the highest price point compared to the other types of ligation clips. The usage of each type of ligation clips is based on physician preference and clinical demand. The following charts set forth the historical and projected sales revenue and sales volume of China's ligation clip market for the periods indicated.

Market Size of China's Ligation Clip Market, 2015-2024E



(1) On the basis of ex-factory prices.
Source: CIC Report

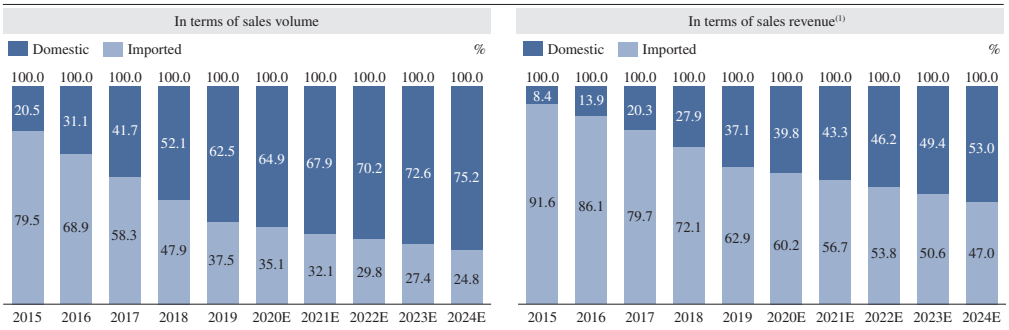
Polymer Ligation Clips

Market Size

Polymer ligation clips have been and will continue to be the largest segment of the ligation clip market, accounting for 62.2% and 73.5% of the ligation clip market in China by sales volume and sales revenue in 2019, respectively, and are expected to account for 84.6% and 69.3% of the ligation clip market in 2024 by sales volume and sales revenue, respectively.

In terms of sales volume, a majority of the polymer ligation clips sold in China have been domestic products since 2018, and the market share of domestic products by sales revenue would reach 53.0% in 2024, as illustrated in the following charts.

Market Share of Domestic and Imported Polymer Ligation Clips, 2015-2024E

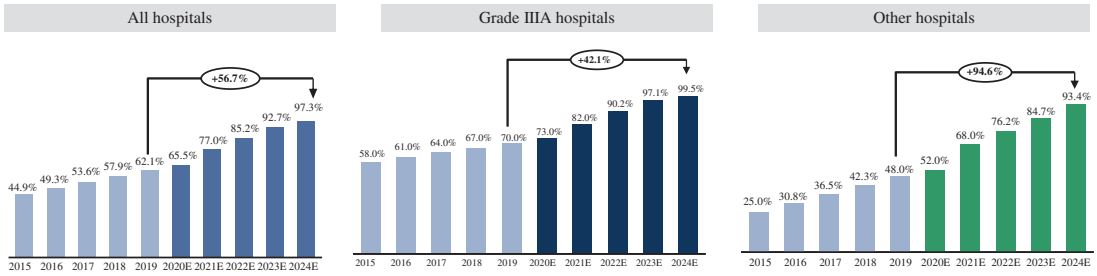


(1) On the basis of ex-factory prices.
Source: CIC Report

Penetration Rate

The penetration rate of polymer ligation clips in all hospitals and Grade IIIA hospitals in China reached 62.1% and 70.0% in 2019, respectively. However, the rate was only 48.0% in non-Grade IIIA hospitals in 2019, which is expected to grow to 93.4% in 2024, as illustrated in the following charts.

Penetration Rate of Polymer Ligation Clips in China's Hospitals, 2015-2024E



Source: CIC Report

Competitive Landscape

In terms of 2019 sales volume in China, we were the largest player in China's polymer ligation clip market with a market share of 27.7%. In terms of 2019 sales revenue, we were the largest domestic player and second largest player among all players in China's polymer ligation clip market with a market share of 13.0%. The following tables set forth the top five players in China's polymer ligation clip market in terms of sales volume and sales revenue in 2019.

Top Five Players in China's Polymer Ligation Clip Market, 2019

Ranking	Company[1]	Type of brand	Sales volume (thousand)	Market share by sales volume
1	**Our Group**	Domestic	7,376	27.7%
2	**Company D**	International	6,800	25.5%
3	**Company G**	Domestic	2,600	9.8%
4	**Company H**	Domestic	2,100	7.9%
5	**Company I**	Domestic	800	3.0%
	Subtotal	/		73.9%

Ranking	Company[1]	Type of brand	Sales revenue[2] (RMB millions)	Market share by sales revenue
1	**Company D**	International	~340	32.9%
2	**Our Group**	Domestic	~135	13.0%
3	**Company G**	Domestic	~44	4.3%
4	**Company H**	Domestic	~40	3.9%
5	**Company I**	Domestic	~16	1.5%
	Subtotal	/		55.6%

(1) Company G is a China-based private company that primarily engages in development, manufacturing, and sales of medical devices. Company H is a China-based private company that primarily engages in development, manufacturing, and sales of surgical instruments. Company I is a China-based private company that primarily engages in development, manufacturing and sales of minimally invasive surgical instruments and endoscopic equipment.

(2) On the basis of ex-factory prices.

Source: CIC Report

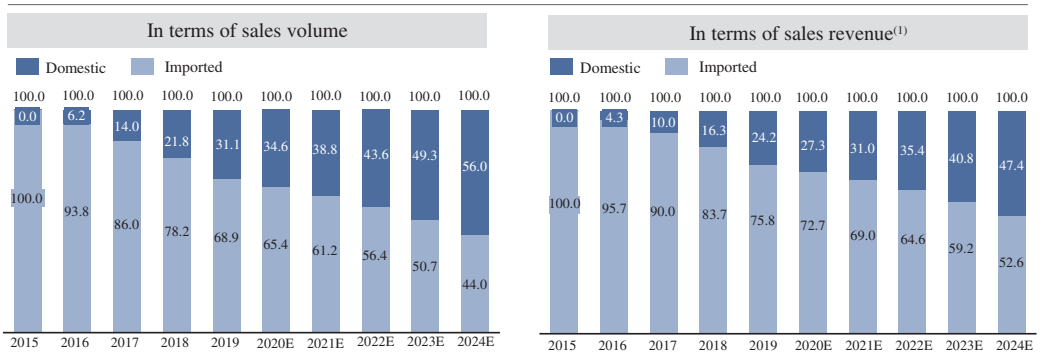
Absorbable Ligation Clips

Addressable Market Size

We expect to launch our absorbable ligation clips in 2021. In China, the absorbable ligation clips have been and will continue to be the fastest-growing segment of the ligation clip market by sales revenue, accounting for 8.6% and 26.3% of the overall ligation clip market in China by sales volume and sales revenue in 2019, respectively, and are expected to account for 13.9% and 30.7% of the market in 2024 by sales volume and sales revenue, respectively.

31.1% and 24.2% of absorbable ligation clips sold in China in 2019 were domestic products by sales volume and sales revenue, respectively, and such percentages are expected to further increase to 56.0% and 47.4% in 2024, respectively, as illustrated in the following charts.

Market Share of Domestic and Imported Absorbable Ligation Clips, 2015-2024E



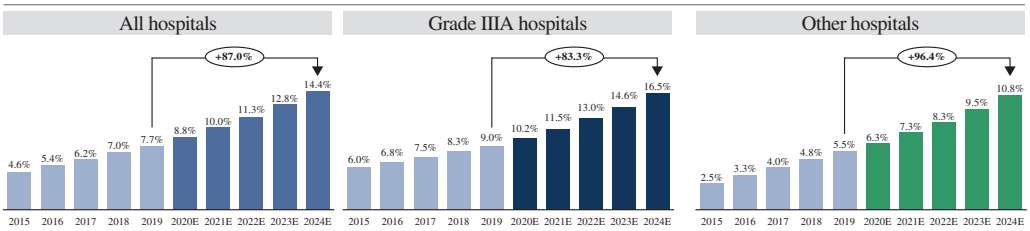
(1) On the basis of ex-factory prices.

Source: CIC Report

Penetration Rate

As absorbable ligation clips are relatively new to the market compared with the other types of ligation clips, and have relatively higher pricing, the penetration rate of absorbable ligation clips was only 7.7% in all hospitals in China in 2019, which is significantly lower than 40.0% in the U.S. In 2024, the penetration rate in all hospitals is expected to grow to 14.4%. The rate in Grade IIIA hospitals is expected to be even higher, reaching 16.5% in 2024.

Penetration Rate of Absorbable Ligation Clips in China's Hospitals, 2015-2024E



Source: CIC Report

Potential Competitors

The following tables set forth the top three players in China's absorbable ligation clip market in terms of sales volume and sales revenue in 2019.

Top Three Players in China's Absorbable Ligation Clip Market, 2019

Ranking	Company	Type of Brand	Sales Volume (thousand)	Market Share by Sales Volume
1	**Company B**	International	2,150	58.2%
2	**Company J**	Domestic	1,147	31.1%
3	**Company A**	International	397	10.7%
	Total	-		100.0%

Ranking	Company	Type of brand	Sales revenue[1] (RMB millions)	Market share by sales revenue
1	**Company B**	International	~237	64.0%
2	**Company J**	Domestic	~89	24.2%
3	**Company A**	International	~44	11.8%
	Subtotal	/		100.0%

(1) On the basis of ex-factory prices.

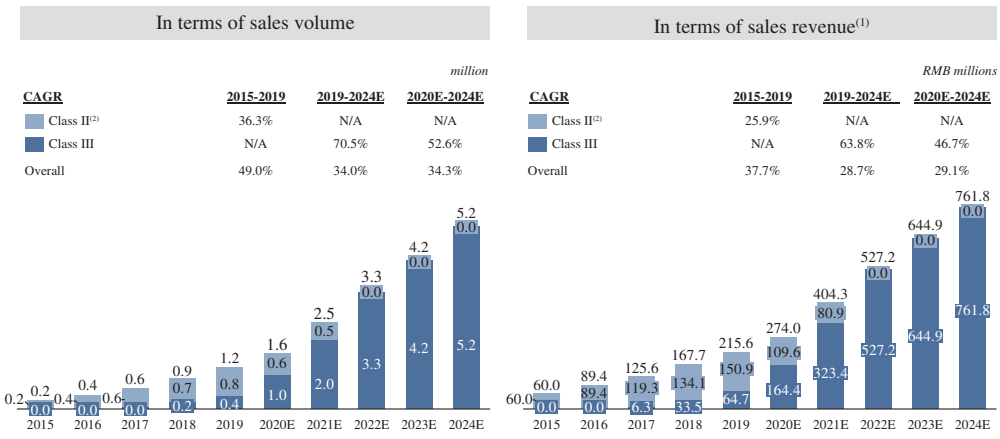
Source: CIC Report

Disposable Electrocoagulation Forceps

Market Size

Disposable electrocoagulation forceps for MIS utilize high-frequency electric current to quickly seal blood vessels and effectively prevent bleeding. With different forceps tips, such instruments can be used for dissecting, grasping or cutting. Currently, there are Class II and Class III disposable electrocoagulation forceps. Due to the increasingly strict regulatory requirements and product upgrades, as registration certificates for Class II disposable electrocoagulation forceps reach expiration, all disposable electrocoagulation forceps will be Class III from 2022. The following charts set forth the historical and projected sales volume and sales revenue of disposable electrocoagulation forceps market in China for the periods indicated.

Market Size of China's Electrocoagulation Forceps Market, 2015-2024E



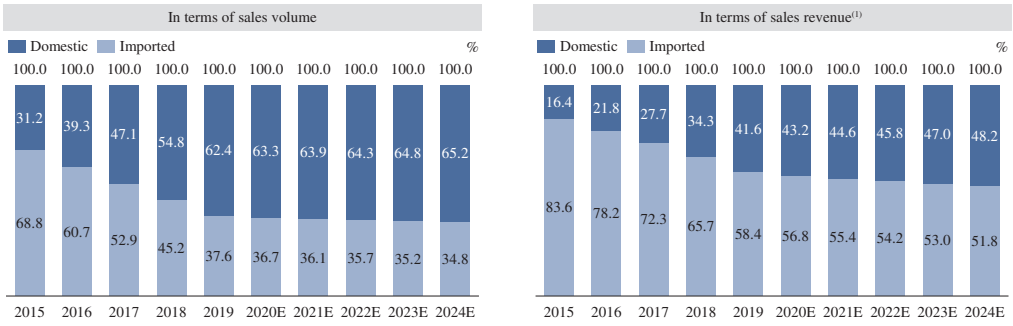
(1) On the basis of ex-factory prices.

(2) According to the Guidelines for Technical Review of Surgical Electrode Registration (《手術電極註冊技術審查指導原則》) released by the NMPA in 2017, high-frequency MISIA, such as disposable electrocoagulation forceps, will be required to be registered as Class III medical devices from March 10, 2017.

Source: CIC Report

62.4% and 41.6% of disposable electrocoagulation forceps sold in China in 2019 were domestic products by sales volume and sales revenue, respectively, up from 31.2% and 16.4% in 2015, respectively, and such percentages are expected to further increase to 65.2% and 48.2% in 2024, respectively, as illustrated in the following charts.

Market Share of Domestic and Imported Disposable Electrocoagulation Forceps, 2015-2024E



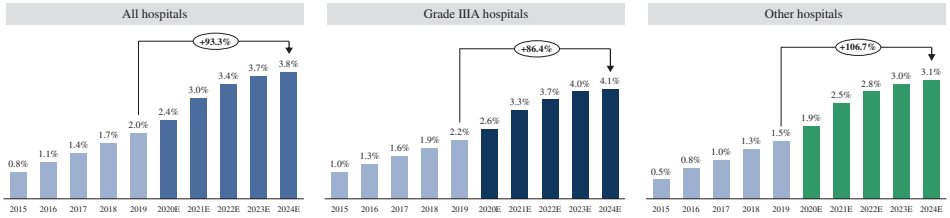
(1) On the basis of ex-factory prices.

Source: CIC Report

Penetration Rate

The penetration rate of disposable electrocoagulation forceps was less than 2.5% in China in 2019, even in Grade IIIA hospitals. Due to the increasing preference for disposable electrocoagulation forceps especially considering the high cross-infection risks, it is expected such rate will grow to 4.1% in Grade IIIA hospitals and 3.8% in all hospitals in 2024.

Penetration Rate of Disposable Electrocoagulation Forceps in China's Hospitals, 2015-2024E



Source: CIC Report

Competitive Landscape

In terms of both sales volume and sales revenue in 2019 in China, we were the largest player in China's Class III disposable electrocoagulation forceps market, as illustrated in the following tables. As the first company in China to obtain the registration certificate for Class III disposable electrocoagulation forceps in March 2015 from the NMPA, we are able to achieve significantly higher sales volume and sales revenue than that of international brands by quickly capturing the market with a strong first-mover advantage over other competitors. In addition, our high product quality, competitive pricing, clinical-driven product improvement and favourable policies, have also contributed to our dominant market share in 2019. For details of these additional factors, see "— Disposable Trocars — Competitive Landscape."

Top Five Players in China's Class III Disposable Electrocoagulation Forceps Market, 2019

Ranking	Company[1]	Type of Brand	Sales Volume (thousand)	Market Share by Sales Volume
1	**Our Group**	Domestic	271	75.5%
2	**Company B**	International	39	10.8%
3	**Company K**	International	26	7.1%
4	**Company C**	International	15	4.3%
5	**Company L**	International	6	1.7%
	Subtotal	/		99.4%

Ranking	Company[1]	Type of brand	Sales revenue[2] (RMB millions)	Market share by sales revenue
1	**Our Group**	Domestic	~31	48.3%
2	**Company B**	International	~14	22.3%
3	**Company K**	International	~9	14.6%
4	**Company C**	International	~6	8.8%
5	**Company L**	International	~2	3.5%
	Subtotal	/		97.6%

(1) Company K is a private company based in Germany that primarily engages in R&D, manufacturing and sales of medical devices. Company L is a TYO-listed company based in Japan that primarily engages in R&D, manufacturing and sales of diagnostic and therapeutic instruments.

(2) On the basis of ex-factory prices.

Source: CIC Report

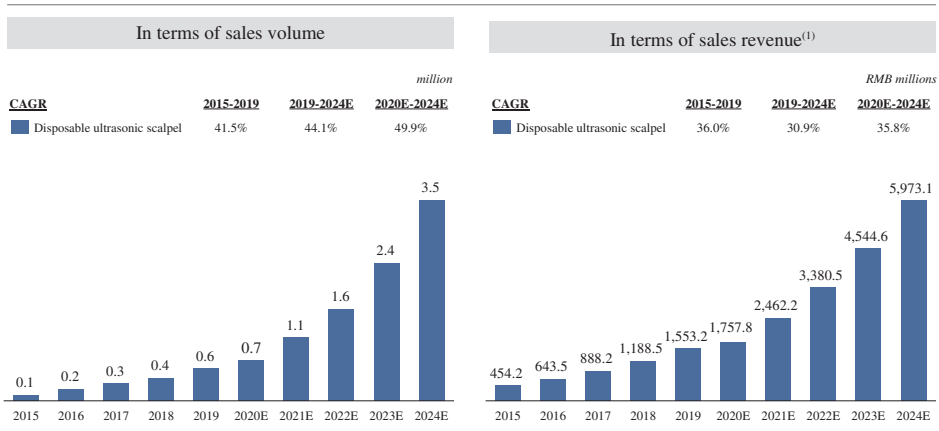
Disposable Ultrasonic Scalpels

Addressable Market Size

Disposable ultrasonic scalpels are used to cut and cauterize tissues simultaneously by utilizing ultrasonic vibrations. We expect to launch our disposable ultrasonic scalpels in 2020. As an advanced and high-value MISIA, sales of disposable ultrasonic scalpels are expected to experience

robust growth and account for an increasing portion of the overall MISIA market. Notably, there is a growing trend for sales of disposable ultrasonic scalpels adopt the razor and blade model, under which market players often sell disposable ultrasonic scalpel systems at a low price in order to increase the sales of disposable ultrasonic scalpels, which is a complementary and disposable product. This sales model is expected to further fuel market growth for disposable ultrasonic scalpels. The following charts set forth the historical and projected sales volume and sales revenue of China's disposable ultrasonic scalpel market for periods indicated.

Market Size of China's Disposable Ultrasonic Scalpel Market, 2015-2024E

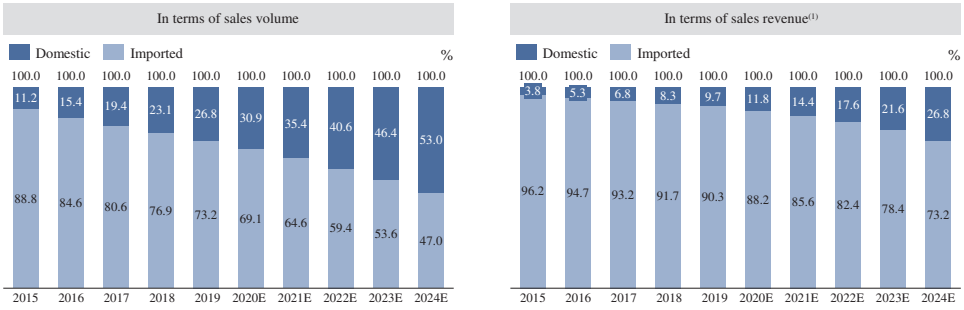


(1) On the basis of ex-factory prices.

Source: CIC Report

International brands are early entrants in China's disposable ultrasonic scalpel market and domestic players have been catching up in recent years. 26.8% and 9.7% of disposable ultrasonic scalpels sold in China in 2019 were domestic products by sales volume and sales revenue, respectively, up from 11.2% and 3.8% in 2015, respectively, and such percentages are expected to further increase to 53.0% and 26.8% in 2024, respectively, as illustrated in the following charts.

Market Share of Domestic and Imported Disposable Ultrasonic Scalpels, 2015-2024E



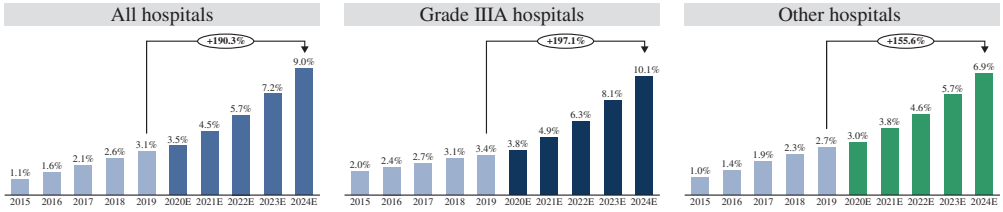
(1) On the basis of ex-factory prices.

Source: CIC Report

Penetration Rate

The penetration rate of disposable ultrasonic scalpels was less than 5.0% in China in 2019, even in Grade IIIA hospitals, where such rate reached 25.0% in the U.S. Due to improvements in affordability of patients and operative capabilities of hospitals, it is expected that such penetration rate will grow significantly over 100% in all hospitals, Grade IIIA hospitals and other hospitals in China from 2019 to 2024.

Penetration Rate of Disposable Ultrasonic Scalpels in China's Hospitals, 2015-2024E



Source: CIC Report

Potential Competitors

The following tables set forth the top five players in China's disposable ultrasonic scalpel market in terms of sales volume and sales revenue in 2019.

Top Five Players in China's Disposable Ultrasonic Scalpel Market, 2019

Ranking	Company[(1)]	Type of Brand	Sales Volume (thousand)	Market Share by Sales Volume
1	**Company A**	International	350	62.1%
2	**Company N**	Domestic	37	6.5%
3	**Company O**	Domestic	30	5.3%
4	**Company L**	International	29	5.1%
5	**Company Q**	Domestic	27	4.7%
	Subtotal	/		83.7%

Ranking	Company[(1)]	Type of brand	Sales revenue[(2)] (RMB millions)	Market share by sales revenue
1	**Company A**	International	~1,208	77.7%
2	**Company L**	International	~94	6.1%
3	**Company B**	International	~78	5.0%
4	**Company N**	Domestic	~37	2.4%
5	**Company O**	Domestic	~27	1.7%
	Subtotal	/		92.9%

(1) Company O is a China-based private company that engages in development, manufacturing and sales of medical devices with a focus on disposable ultrasonic scalpels. Company Q is a China-based private company that primarily engages in product development, manufacturing and sales of medical devices with a focus on ultrasonic system and scalpels.

(2) On the basis of ex-factory prices.

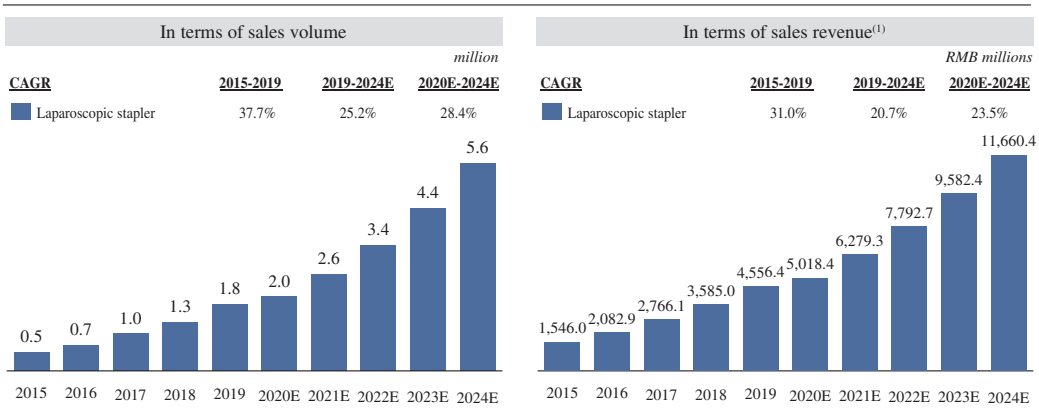
Source: CIC Report

Laparoscopic Staplers

Addressable Market Size

Laparoscopic staplers are used to close incisions in laparoscopic surgeries. We expect to launch our laparoscopic staplers in 2021. Similar to disposable ultrasonic scalpels, laparoscopic staplers are also a type of advanced and high-value MISIA. The following charts set forth the historical and projected sales volume and sales revenue of China's laparoscopic stapler market for the periods indicated.

Market Size of China's Laparoscopic Stapler Market, 2015-2024E

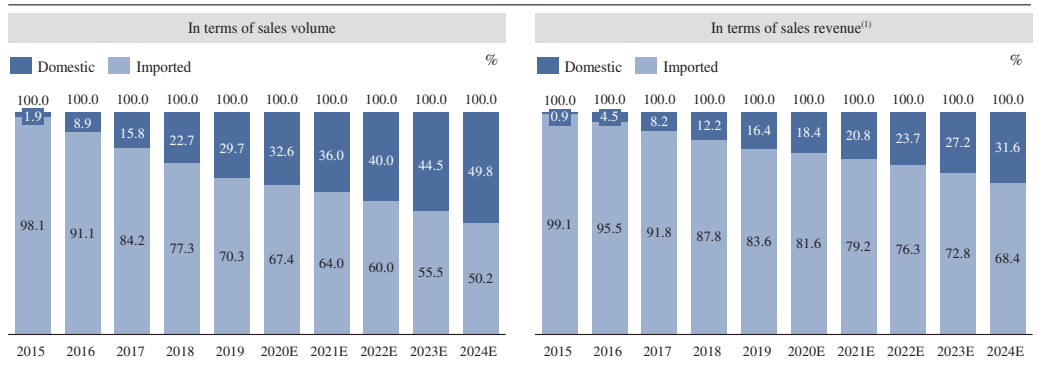


(1) On the basis of ex-factory prices.

Source: CIC Report

Imported products have dominated China's laparoscopic stapler market as earlier entrants, however, the market share of domestic products has been and is expected to increase, reaching 49.8% and 31.6% in 2024 by sales volume and sales revenue, respectively, as illustrated in the following charts.

Market Share of Domestic and Imported Laparoscopic Staplers, 2015-2024E



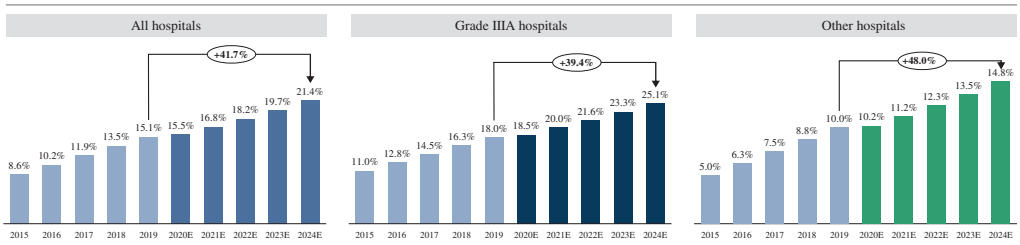
(1) On the basis of ex-factory prices.

Source: CIC Report

Penetration Rate

In the U.S., laparoscopic staplers have been the primary instruments for suturing in MIS with an penetration rate of 40.0% in 2019, whereas in China, the penetration rate of laparoscopic staplers was relatively lower at 15.1% in all hospitals and 18.0% in Grade IIIA hospitals due to its high price point, which will grow to 21.4% and 25.1% in 2024, respectively.

Penetration Rate of Laparoscopic Staplers in China's Hospitals, 2015-2024E



Source: CIC Report

Potential Competitors

The following tables set forth the top five players in China's laparoscopic stapler market in terms of sales volume and sales revenue in 2019.

Top Five Players in China's Laparoscopic Stapler Market, 2019

Ranking	Company[1]	Type of Brand	Sales Volume (thousand)	Market Share by Sales Volume
1	**Company A**	International	825	45.7%
2	**Company B**	International	380	21.1%
3	**Company T**	Domestic	160	8.9%
4	**Company M**	Domestic	155	8.6%
5	**Company R**	Domestic	150	8.3%
	Subtotal	/		92.6%

Ranking	Company[1]	Type of brand	Sales revenue[2] (RMB millions)	Market share by sales revenue
1	**Company A**	International	~2,558	56.1%
2	**Company B**	International	~1,140	25.0%
3	**Company T**	Domestic	~176	3.9%
4	**Company M**	Domestic	~171	3.7%
5	**Company R**	Domestic	~158	3.5%
	Subtotal	/		92.2%

(1) Company R is a China-based private company that primarily engages in development, manufacturing and sales of high-end medical equipment of MIS for cancers.

(2) On the basis of ex-factory prices.

Source: CIC Report

Reusable Trocars and Forceps

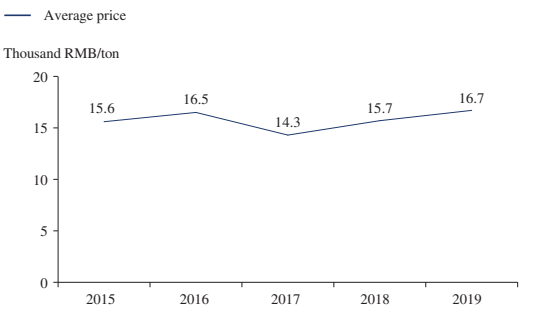
Reusable trocars and forceps in MIS provide a cost-saving alternative of disposable products and have a higher adoption rate in non-Grade IIIA hospitals as compared to Grade IIIA hospitals. From 2019 to 2024, the reusable trocar and forceps market in China[(6)] is expected to grow at a stable pace from RMB502.5 million to RMB744.1 million at a CAGR of 8.2% in terms of sales revenue, with the total sales volume growing from 1.5 million to 2.4 million at a CAGR of 10.6%. We were the largest reusable trocar and forceps player in China with a market share of 14.8% in 2019 in terms of sales volume, leading the second largest player, an international brand, by 3.2%.

HISTORICAL PRICES OF MAJOR RAW MATERIALS

Major raw materials used in MISIA include polycarbonate particles and medical-grade stainless steel. Fluctuations in prices of raw materials may affect the cost structure, product pricing and profitability of MISIA market players. The average price of polycarbonate particles and medical-grade stainless steel fluctuated slightly from 2015 to 2019 but generally remained stable. The following charts set forth the historical average prices of polycarbonate particles per kilogram and medical-grade stainless steel per ton for the periods indicated.

Annual Average Price of Polycarbonate Particles in China, 2015-2019

Annual Average Price of Medical-grade Stainless Steel in China, 2015-2019



Source: CIC Report

(6) Includes reusable veress needles and uterine manipulators, which are generally used together with reusable trocars and forceps, and have and are expected to account for only a small portion of the reusable trocars and forceps market by both sales revenue and sales volume.

OVERVIEW

Our business in the PRC is subject to a large number of laws and regulations and extensive government supervision. This section sets out a summary of the major relevant laws, regulations, rules and policies which may have material impact on our business, particularly in relation to: (i) the manufacturing and sales of medical devices; (ii) production safety and liability; (iii) environment protection; (iv) foreign investment in the PRC; (v) employment and social security; (vi) taxation; (vii) foreign exchange control; and (viii) M&A and overseas listing. Principal regulatory authorities of the industry are the NMPA and its local regulatory branches.

LAWS AND REGULATIONS RELATING TO MEDICAL DEVICES

The Classification, Registration and Filing of Medical Devices

Regulations on the Supervision and Administration of Medical Devices

Pursuant to the Regulations on the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》) amended and came into effect on May 4, 2017, the Food and Drug Supervision and Administration of the State Council (now known as NMPA) is in charge of the national supervision and administration of medical devices. The relevant departments under the State Council shall be responsible for the supervision of medical devices within their respective scope of authorities. The food and drug supervision and administration departments of the local governments at the county level and above are responsible for the supervision and administration of medical devices within their own administrative districts. The relevant departments of the people's governments at the county level and above are responsible for the supervision of medical devices within their respective scope of duties.

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

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

The Administrative Measures for the Registration of Medical Devices

According to the Administrative Measures for the Registration of Medical Devices (《醫療器械註冊管理辦法》) promulgated on July 30, 2014 and came into effect on October 1, 2014, for the filings of the domestic Class I medical devices, the parties undergoing the filings of medical devices shall submit the filing materials to the local branches at the prefectural city level of the NMPA. In case of any amendment to matters stated in the filings, such amendment shall be filed with the original filing department. The Class II and Class III medical devices

shall be subject to the product registration administration. Domestic Class II medical devices shall be examined by the provincial branches of the NMPA and domestic Class III medical devices shall be examined by the NMPA, and a Medical Device Registration Certificate (醫療器械註冊證) for such medical device shall be issued upon approval. In case of any substantial change of the designs, raw materials, production technologies, scopes of application and application methods, etc., of the registered Class II or Class III medical devices, which may affect the safety and effectiveness of such medical devices, the registrants shall apply to the original registration departments for changing registration. The Medical Device Registration Certificate is valid for five years and the registrant shall apply to the food and drug supervision and administration departments for renewal at least six months prior to its expiration date.

We have obtained the Class II and Class III medical device registration certificates and the filings of the Class I medical devices, as appropriate, for our existing products in China, which are within the validity term.

Clinical trials are not required for the filing of the Class I medical devices, but necessary for the application for the registration of the Class II and Class III medical devices. However, medical devices may be exempt from clinical trials under any of the following circumstances:

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

(ii) The safety and effectiveness of such medical device can be proved through non-clinical evaluation; or

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

The medical device catalog of clinical trial exemption shall be formulated, amended and promulgated by the NMPA, such as the Notice of the Newly Revised Catalogue of Medical Devices Exempted from Clinical Trials (《關於公佈新修訂免於進行臨床試驗醫療器械目錄的通告》) promulgated by the NMPA on September 28, 2018 and the Notice of New and Revised Catalogue of Medical Devices Exempted from Clinical Trials (《關於公佈新增和修訂的免於進行臨床試驗醫療器械的通告》) promulgated by the NMPA on December 13, 2019. Medical device products that are not included in the exemption catalog shall be analyzed and evaluated through the data obtained from the clinical trials or clinical application of the same categories of medical devices. As for certain high risk Class III medical devices, the NMPA's approvals are required before clinical trials can be carried out. Under such requirement, the NMPA promulgated the Notice of Publication of the List of Class III Medical Devices Requiring Clinical Trial Approval (《關於發佈需進行臨床試驗審批的第三類醫療器械目錄的通告》) on August 25, 2014, which came into effect on October 1, 2014. Where the safety and effectiveness of such medical devices can be proved, the applicant may specify in the course of registration application and submit relevant proofing materials.

Besides, the Administrative Measures for the Registration of Medical Devices stipulates the technical specifications for product registration testing, clinical evaluation (which includes clinical trials if required by applicable laws and regulations), product registration application and acceptance, inspection and approval as required by the NMPA for product registration.

Production and Quality Management of Medical Devices

Regulations of Medical Devices and the Administrative Measures on the Production of Medical Devices

The Regulations of Medical Devices and the Administrative Measures on the Production of Medical Devices (《醫療器械生產監督管理辦法》) (the "**Regulations on Production of Medical Devices**"), promulgated on July 30, 2014, amended and came into effect on November 17, 2017, stipulates the following conditions which a manufacturer of medical devices shall satisfy:

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

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

(iii) formulating a management system which ensures the quality of such medical device;

(iv) having capability of after-sale services that is suitable for such medical device produced; and

(v) satisfying the requirements as prescribed in production R&D and production technique documents.

The enterprises engaging in the production of Class I medical devices shall make filings for such Class I medical devices with the local branches at the prefectural city level of the NMPA and submit proofing materials of qualification to engage in the production of such medical devices. The enterprises engaging in the production of Class II and Class III medical devices shall apply for Manufacture License for Medical Devices (醫療器械生產許可證) to the provincial branches of the NMPA, and submit proofing materials of qualification to engage in the production of such medical devices and registration certificates for such medical devices produced. The Manufacture License for Medical Devices for a medical device is valid for five years and the registrant shall apply to the original departments that issued such permit for renewal at least six months prior to its expiration date.

We have obtained the Manufacture License for Class II and Class III Medical Devices (第二類和第三類醫療器械生產許可證) and the Record-filing Certificate for Production of Class I Medical Devices (第一類醫療器械生產備案憑證) for our existing products in China, which are within the validity term.

Production Measures and the Standards on Production and Quality Management of Medical Devices

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

The Notice of Four Guidelines including On-site Inspection Guidelines for the Standards on Production and Quality Management of Medical Devices

Pursuant to The Notice of Four Guidelines including On-site Inspection Guidelines for the Standards on Production and Quality Management of Medical Devices (《關於印發<醫療器械生產質量管理規範現場檢查指導原則>等四個指導原則的通知》) promulgated on September 25, 2015 and came into effect on September 25, 2015, during the course of on-site verification of the registration of medical devices and on-site inspection of production permit (including changing production permit), the inspection team shall, in accordance with the guidelines, issue recommended conclusions for on-site inspections, which shall be divided into "Passed," "Failed" or "Reassessment after rectification." During the supervision and inspection, if it is found that the requirements of the key items or ordinary items that may have direct impact on product quality are not satisfied, the enterprise shall suspend production and go through rectification. If it is found that the requirements of the ordinary items are not satisfied, and it does not directly affect product quality, the enterprise shall rectify in a prescribed time. The regulatory authorities shall examine and verify the recommended conclusions and on-site inspection materials submitted by the inspection group and issue the final inspection results.

Good Clinical Practice for Medical Devices Trials

On March 1, 2016, the NMPA and the National Health and Family Planning Commission jointly promulgated the Good Clinical Practice for Medical Devices Trials (《醫療器械臨床試驗質量管理規範》), which became effective on June 1, 2016. The regulation includes full

procedures of clinical trial of medical devices, including, among others, the protocol design, conduct, monitoring, verification, inspection, and data collection, recording, analysis and conclusion and reporting procedure of a clinical trial. For conducting clinical trials of medical devices, an applicant shall organize to formulate scientific and reasonable clinical trial protocols based on the categories, risks and intended use of the medical devices for the clinical study. The applicant shall be responsible for (i) organizing to develop and revise the researcher's manual, clinical trial protocols, informed consent form, case report form, relevant standard operating procedures and other relevant documents, and (ii) organizing necessary training for the clinical trials. The applicant shall select the clinical trial institutions and its researchers from the qualified medical device clinical trial institutions according to the characteristics of the medical devices to be used in the clinical study. An applicant for clinical trials of medical devices shall be responsible for initiating, applying, organizing and monitoring such clinical trials, and shall be responsible for the authenticity and reliability of the clinical trials. For new products that are not approved for marketing inside and outside the PRC and are not medically proven in safety and performance, a feasibility trial on a small sample size shall be conducted first when designing a protocol. Upon preliminary confirmation of safety, subsequent clinical trials shall be conducted on the statistical sample sizes required.

Laws and Regulations Relating to Medical Devices Operation

Measures for the Supervision and Administration of Medical Devices Operation

Pursuant to the Measures for the Supervision and Administration of Medical Devices Operation (《醫療器械經營監督管理辦法》), promulgated on July 30, 2014 and amended on November 17, 2017, an enterprise engaging in the operation of medical devices shall have business premises and storage conditions suitable for the operation scale and scope, and shall have a quality control department or personnel suitable for the medical devices it operates. An enterprise engaged in the operation of Class II medical devices shall file with the municipal level food and drug supervision and administration department and provide proofing materials for satisfying the relevant conditions of engaging in the operation of medical devices, while an enterprise engaged in the operation of Class III medical devices shall apply for a Business Operation License of Medical Devices (醫療器械經營許可證) to the municipal level food and drug supervision and administration department and provide proofing materials for satisfying the relevant conditions of engaging in the operation of such medical devices.

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

We have obtained the Business Operation License for Class III Medical Devices (第三類醫療器械經營許可證) and the Record-filing Certificate for Operation of Class II Medical Devices (第二類醫療器械經營備案憑證) for our existing products in China, which are within the validity term.

Opinions on Deepening the Reform of the Evaluation and Approval Systems and Encouraging Innovation on Drugs and Medical Devices

On October 8, 2017, the General Office of the CPC Central Committee and the General Office of the State Council jointly issued the Opinions on Deepening the Reform of the Evaluation and Approval Systems and Encouraging Innovation on Drugs and Medical Devices (《關於深化審評審批制度改革鼓勵藥品醫療器械創新的意見》) (the "**Innovation Opinions**"), which aims to encourage the innovation for medical devices. Pursuant to the Innovation Opinions, the priority review and approval will be applicable to innovative medical devices supported by the National Science and Technology Major Projects and the National Key R&D Program (國家科技重大專項和國家重點研發計劃支持項目) of the PRC, and the clinical trials of which have been conducted by the National Clinical Research Center, and approved by the management department of the National Clinical Research Center.

Special Procedures for Examination and Approval of Innovative Medical Devices

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

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

(ii) The applicant has developed the prototype product and completed the preliminary research under a true and controllable process that generated complete and traceable data;

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

The Center for Medical Device Evaluation of the NMPA (國家藥品監督管理局醫療器械技術審評中心) shall give priority to the innovative medical devices in their technical review upon receiving the registration application, after which the NMPA shall give priority to the product in their administrative approval.

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 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.

Pursuant 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 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 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 on December 17, 2012, the online centralized procurement (the "**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.

On July 19, 2019, the General Office of the State Council issued the Circular on Reform Plan on Managing High Value Medical Consumables (《關於印發<治理高值醫用耗材改革方案>的通知》) (the "**Circular on High Value Medical Consumables**"). According to the Circular on High Value Medical Consumables, high value medical consumables are defined as medical consumables directly used on human, with strict requirement on safety, in great demand clinically, relatively highly-priced, and that can pose heavy burdens on patients. The Circular on High Value Medical Consumables releases several reform initiatives aiming at managing high value medical consumables, including: (i) the classification and codes of high value medical consumables in the national medical insurance system will be unified gradually, and rules on unique device identification in full life cycle of the high value medical consumables, including but not limited to registration, procurement and usage, will be implemented by the National Healthcare Security Administration, the National Medical Products Administration, and the National Health Commission of the PRC by the end of 2020; (ii) the mechanism for including high value medical consumables in basic medical insurance shall be built, and a list of high value medical consumables shall be compiled, to strengthen the dynamic adjustment mechanism. The access regulations shall be promulgated by the National Health Commission and the Ministry of Finance (the "**MOF**") by the end of June 2020; (iii) the price markups placed on medical consumables at public hospitals will be abolished, and all medical consumables, including high value medical consumables will be sold at procurement price at all public hospitals by the end of 2019; and (iv) the medical insurance payment policy shall be formulated and implemented by the National Healthcare Security Administration, the MOF and the National Health Commission of the PRC. Meanwhile, the medical insurance payment standards on high value medical consumables will be formulated and the dynamic adjustment mechanism will be established. The medical insurance funds and patients will share the cost of high value medical consumables according to the medical insurance payment standards, and medical institutions shall further reduce procurement prices under the guidance of the Circular on High Value Medical Consumables.

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, 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, 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.

On July 19, 2019, the General Office of the State Council released the Notice of the General Office of the State Council on Promulgation of the Reform Plan for the Control of High-value Medical Consumables (《國務院辦公廳關於印發<治理高值醫用耗材改革方案>的通知》), encourages the local authorities to reduce the circulation steps of high-value medical consumables through the "two-invoice system" and other ways in light of the actual situation, so as to promote the openness and transparency of purchases and sales. This task is expected to be completed by the end of 2020.

Currently, some provinces in the PRC have formulated relevant rules and regulations to implement the "two-invoice system" in the field of medical consumables, for instance, the Notice on the Sharing of Transparent Procurement Results of Medical Devices (Medical Consumables) across the Province (《關於開展醫療器械(醫用耗材)陽光採購結果全省共享工作的通知》) promulgated by the Fujian Provincial Medical Security Management Committee Office (福建省醫療保障管理委員會辦公室) in July 2018, the Notice on Further Promoting the "Two Invoice System" on Medicines and Medical Consumables (《關於進一步推進藥品和醫用耗材"兩票制"的通知》) issued by eight local government departments of Shaanxi Province including Deepen Medical and Healthcare System Reform Leading Group Office of Shaanxi Province (陝西省深化醫療衛生體制改革領導小組辦公室) in July 2018, and the Opinions on Implementation of the "Two Invoice System" in Medical Consumables Procurement by Public Medical Institutions in Anhui Province (for Trial Implementation) (《安徽省公立醫療機構醫用耗材採購"兩票制"實施意見(試行)》) issued by five local government departments of Anhui Province including Food and Drug Administration of Anhui Province (安徽省食藥監局) in November 2017, Implementation Rules of the "two-invoice system" for Purchasing Medical Consumables for Public Medical Institutions in Taiyuan (for Trial Implementation) (《太原市公立醫療機構藥品、醫用耗材採購"兩票制"實施細則(試行)》), issued by seven local government departments of Taiyuan, in Shanxi Province, including Taiyuan Food and Drug Administration (太原市食品藥品監督管理局) in March 2017, and the Implementation Plan of Government Transparency in 2017 by the Health and Family Planning Commission of Changzhi City (《長治市衛生和計劃生育委員會2017年政務公開工作實施方案》), issued by the Health and Family Planning Commission of Changzhi City (長治市衛生和計劃生育委員會) in Shanxi Province, in April 2018. The "two-invoice system" aims at restricting the utilization of multi-layer distribution structures, however, we generally operate a single-layer distribution system. In addition, our extensive network of distributors covers all provinces, municipalities and autonomous regions in China, while, as set forth above, only a very limited number of provinces have implemented the "two-invoice system" with respect to medical consumables.

Pursuant to the Reply of the National Healthcare Security Administration to Recommendation No.1209 of the Second Session of the 13th National People's Congress (《國家醫療保障局對十三屆全國人大二次會議第1209號建議的答覆》) issued by National Healthcare Security Administration on July 23, 2019, "two-invoice system" for high-value consumables needs to be further discussed given the huge differences between high-value consumables and pharmaceuticals and the complexity of clinical use and after-sales service.

Regulations Relating to Advertisements of Medical Devices

The State Administration for Market Regulation promulgated the Interim Measures for the Administration of the Examination and Administration of Drugs, Medical Devices, Health Foods, and Formula Foods for Special Medical Purposes (《藥品、醫療器械、保健食品、特殊醫學用途配方食品廣告審查管理暫行辦法》) (the "**Examination Interim Measures**") on December 24, 2019, which came into effect on March 1, 2020. The Examination Interim Measures stipulates that the advertisements for medical devices shall not be released without being reviewed and the contents of a medical device advertisement shall be based on the contents of the registration certificate or filing certificate approved by the drug administrations, or the registered or filed product instructions. Where the medical device advertisement involves the name, scope of application, functional mechanism or structure or composition, etc. of the medical device, the scopes of the registration certificate or filing certificate, or registered or filed product instruction shall not be exceeded. The validity period of the advertisement approval number for drugs, medical devices, health food and formula food for special medical purposes shall be consistent with the shortest validity period of the product registration certificate, filing certificate or production license. If no valid period is prescribed in the product registration certificate, filing certificate or production license, the valid period of the advertisement approval number shall be two years.

Medical Device Product Export Registration

According to Regulations on Production of Medical Devices, 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.

According to the Regulations on Application for Export Certificate of Medical Devices (《醫療器械產品出口證明申辦規定》) promulgated on January 6, 1996, the State Administration of Medicine (now known as the NMPA) shall examine the safety and legality of medical device products produced by domestic enterprises, and issue export certificates in accordance with international practice to prove that the products have obtained lawful production licenses within the territory of China.

Pursuant to the Regulations on the Administration of Export Sales Certificates of Medical Devices (《醫療器械產品出口銷售證明管理規定》) promulgated on June 1, 2015 and came into effect on September 1, 2015, if the registration certificate for a medical device and

production permit for a medical device have been obtained in China, or the medical device registration and production filing have been completed, the food and drug supervision and administration department may issue a Medical Device Product Export Sales Certificate (醫療器械產品出口銷售證明) to the relevant manufacturing enterprise. The validity term of the Medical Device Product Export Sales Certificate should not exceed the earliest deadline for the various documents submitted by the enterprise in the application materials, and the maximum validity term shall also not exceed two years.

We have obtained the Medical Device Product Export Sales Certificate (醫療器械產品出口銷售證明) for the products we export overseas, which is within the validity term.

Medical Device Recalls

Pursuant to the Administrative Measures for Medical Device Recalls (《醫療器械召回管理辦法》), which was promulgated on January 25, 2017 and came into effect on May 1, 2017, in light of the severity harm, medical device recalls are divided into: (i) Class I recall where the circumstances leading to the recall may cause or have caused serious health hazards; (ii) Class II recall where the circumstances leading to the recall may cause or have caused temporary or reversible health hazards; or (iii) Class III recall where the circumstances leading to the recall are not likely to cause harm.

Medical device manufacturers shall determine the recall class based on the specific situation and properly design and implement the recall plan based on the recall class and the sale and use of the medical devices. In terms of Class I recall, the recall notice shall be published on the NMPA website and major media. In terms of Class II and Class III recalls, the recall notice shall be published on the website of the food and drug administrative authority of the provinces, autonomous regions or municipalities.

LAWS AND REGULATIONS ON ANTI-UNFAIR COMPETITION

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》) ("**Anti-Unfair Competition Law**"), which was passed by the Standing Committee of the National People's Congress (the "**SCNPC**") on September 2, 1993, became effective as of December 1, 1993 and was most recently amended on April 23, 2019, unfair competition refers to that the operator disrupts the market competition order and damages the legitimate rights and interests of other operators or consumers in violation of the provisions of the Anti-unfair Competition Law in the production and operating activities. Pursuant to the Anti-unfair Competition Law, operators shall abide by the principle of voluntariness, equality, impartiality, integrity, and adhere to laws and business ethics during market transactions. Operators in violation of the Anti-unfair Competition Law shall bear corresponding civil, administrative or criminal liabilities depending on the specific circumstances.

According to the Interim Provisions on the Prohibition of Commercial Bribery (《國家工商行政管理局關於禁止商業賄賂行為的暫行規定》) ("**Prohibition Commercial Bribery Provisions**"), which was promulgated by SAIC on November 15, 1996, commercial bribery refers to an act of offering money or property or using other means by an operator to the other entity or individual for the purposes of selling or buying goods, among which "other means" refer to the means used to provide any types of benefits other than money or property, such as offering overseas or domestic travel. According to the Anti-Unfair Competition Law and the Prohibition Commercial Bribery Provisions, regulatory authorities may impose fines depending on the seriousness of the cases and if there is any illegal income, such income shall be confiscated.

CUSTOMS REGULATIONS

According to the Customs Law of the PRC (《中華人民共和國海關法》) ("**Customs Law**") which was passed by the SCNPC on January 22, 1987 and last amended on 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 and 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. Where a consignee or consignor of import or export goods or a Customs clearing enterprise handles Customs declaration procedures, they shall be subject to registration by Customs in accordance with law. Customs clearing personnel shall obtain the occupational qualifications for Customs clearances in accordance with law. Where an enterprise has not been registered by Customs in accordance with law, and where personnel have not obtained their professional qualifications for Customs clearances in accordance with law, they must not engage in Customs declarations.

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.

PRODUCTION SAFETY AND LIABILITY

Production Safety Law of the PRC

Pursuant to the Production Safety Law of the PRC (《中華人民共和國安全生產法》) amended on August 31, 2014 and coming into effect on December 1, 2014, an enterprise shall (i) provide production safety conditions as stipulated in this law and other relevant laws, administrative regulations, national and industry standards, (ii) establish a comprehensive production safety accountability system and production safety rules, and (iii) develop production safety standards to ensure production safety. Any entity that fails to provide required production safety conditions is prohibited from engaging in production activities.

The person-in-charge of an enterprise shall be fully responsible for the safety of production of the enterprise. An enterprise having more than 100 employees shall establish a department or engage in personnel managing production safety specifically. Personnel who is responsible for managing production safety shall inspect the safety of production regularly based on the characteristics of production of the enterprise and shall deal with any safety issue identified during the inspection in a timely manner. Any unsolved issue shall be reported to the person-in-charge in a timely manner and the person-in-charge shall solve such issue immediately. The inspection and measures taken shall be duly recorded. Enterprises and institutions shall provide their employees with training on production safety and shall truthfully inform their employees of any potential risks in relation to the workplace and duties, preventive measures and emergency measures. In addition, an enterprise shall provide its employees with protective equipment that meet the national or industry standards and supervise and train them to use such equipment.

Product Quality Law of the PRC

Pursuant to the Product Quality Law of the PRC (《中華人民共和國產品質量法》) was promulgated by the SCNPC on February 22, 1993, and amended and came into effect on December 29, 2018, producers and sellers shall have their own proper regulations for the management of product quality, rigorously implementing post-oriented quality regulations, quality liabilities and relevant measures for their assessment. Producers and sellers are responsible for the product quality according to the provisions of the laws.

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

Quality of products shall pass standard examinations and it is not allowed to pass off sub-standard products as standard ones. Industrial products which may be hazardous to the health of the people and the safety of lives and property shall conform to the State and trade standards for ensuring the health of the people and safety of lives and property. In absence of such State or trade standards, the products shall conform to the minimum requirements for

ensuring the health of the people and the safety of lives and property. It shall be prohibited to produce or sell industrial products that do not meet the requirements and demands for physical health and safety of body and property. Producers or sellers shall be responsible for any compensation arising from their unlawful acts such as production or sales of defective, eliminated or ineffective products, faking the place of origin or quality marks, mixing or adulterating products or passing off imitations as genuine, substandard products as quality ones or non-conforming products as conforming. Proceeds from the sales may be confiscated, the business license may be revoked and penalties may be imposed. If the case is serious, criminal responsibilities shall be investigated. Producers or sellers shall be liable for any damage to any person or property due to the defects of products resulting from the default of the producers or sellers.

Tort Law of the PRC

Pursuant to the Tort Law of the PRC (《中華人民共和國侵權責任法》) promulgated on December 26, 2009 and coming into effect on July 1, 2010, a patient may make a claim against a medical institution or producer for any damage arising from defects of a medical device. In respect of any claim made by a patient, the medical institution is entitled to make a claim against the producer after the settlement of the compensation paid to the patient. On May 28, 2020, the Civil Code of the PRC (《中華人民共和國民法典》) was adopted by the third session of the 13th NPC, which will become effective on January 1, 2021 and simultaneously replace the current effective Tort Law of the PRC. The Civil Code of the PRC does not make material changes on the substance of aforementioned provisions of the Tort Law of the PRC.

ENVIRONMENTAL PROTECTION

Pursuant to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) promulgated on December 26, 1989 and became effective on the same day, last amended on April 24, 2014 and became effective on January 1, 2015, the waste discharge licensing system has been implemented in the PRC and entities that discharge medical sewage to water bodies directly or indirectly shall obtain a waste discharge license. Furthermore, installations for the prevention and control of pollution at a construction project must be designed, built and commissioned together with the principal part of the project.

We have obtained the Waste Discharge License (污染物排放許可證), which is within the validity term.

Pursuant to the Environmental Impact Assessment Law of the PRC (《中華人民共和國環境影響評價法》) promulgated on October 28, 2002, became effective on September 1, 2003 and last amended on December 29, 2018, the State implements administration by classification on the environmental impact of construction projects according to the level of impact on the environment. The construction unit shall prepare an environmental impact report, or an environmental impact form or complete an environmental impact registration form (the "**Environmental Impact Assessment Documents**") for reporting and filing purpose. If the

Environmental Impact Assessment Documents of a construction project have not been reviewed by the approving authority in accordance with the law or have not been granted approval after the review, the construction unit is prohibited from commencing construction works.

Pursuant to the Regulations on Administration of Environmental Protection for Acceptance Examination Upon Completion of Construction Projects (《建設項目竣工環境保護驗收管理辦法》) which was promulgated on December 27, 2001, came into effect on February 1, 2002 and amended on December 22, 2010, upon completion of a construction project, the construction unit shall apply for acceptance inspection of the environmental protection for the completion of the construction project by the approving authority.

Pursuant to Law of the PRC on Prevention and Control of Environmental Pollution Caused by Solid Wastes (《中華人民共和國固體廢物污染環境防治法》), promulgated on October 30, 1995, became effective on April 1, 1996 and last amended on November 7, 2016 (which was further amended recently on April 29, 2020 and will take effect on September 1, 2020), the construction of projects which discharge solid waste and the construction of project for storage, use and treatment of solid waste shall be carried out upon the appraisal regarding their effects on environment and in compliance with the relevant state regulations concerning the management of environmental protection in respect of construction projects. The necessary supporting facilities for the prevention and control of environmental pollution caused by solid wastes as specified in the environmental impact assessment documents of the construction project shall be designed, constructed and put into operation simultaneously with the major construction works of the construction project. No construction projects shall be permitted to be put into operation or to use before its facilities for the prevention and control of environmental pollution caused by solid wastes have been inspected and accepted by the competent department of environmental protection that examined and accepted the environmental impact assessment documents.

Pursuant to the Law of the PRC on Prevention and Treatment of Water Pollution (《中華人民共和國水污染防治法》) promulgated on May 11, 1984, last amended on June 27, 2017, and came into effect on January 1, 2018, the environmental impact assessment shall be conducted on new construction, reconstruction and construction expansion projects or other installations on water which directly or indirectly discharge pollutants into the water according to law. The water pollution prevention and treatment facilities of a construction project must be designed, constructed and put into operation simultaneously with the major construction works of the said construction project. The water pollution prevention and treatment facilities shall comply with the requirements of approved or filed environmental impact assessment documents.

Pursuant to the Law of the PRC on Prevention and Treatment of Atmospheric Pollution (《中華人民共和國大氣污染防治法》) promulgated on September 5, 1987 and last amended on October 26, 2018 and came into effect on the same date, entities undertaking construction projects which have an impact on atmospheric environment shall conduct the environmental impact assessment and disclose the environmental impact assessment documents. The

pollutants discharged into the air shall comply with relevant discharge standards and be within the limits under the volume control target requirements of key atmospheric pollutants. The competent department of environmental protection under the State Council or the people's governments of provinces, autonomous regions and municipalities formulate the atmospheric environmental quality standards.

REGULATIONS ON INTELLECTUAL PROPERTY RIGHTS

Trademark Law of the PRC and its Implementing Rules

Trademarks are protected by the Trademark Law of the PRC (《中華人民共和國商標法》) which was promulgated on August 23, 1982 and last amended on April 23, 2019 and took effect on November 1, 2019 as well as the Implementation Regulation of the PRC Trademark Law (《中華人民共和國商標法實施條例》) adopted by the State Council on August 3, 2002 and revised on April 29, 2014. In the PRC, registered trademarks include commodity trademarks, service trademarks, collective marks and certification marks. The Trademark Office of National Intellectual Property Administration handles trademark registrations and grants a term of 10 years to registered trademarks, renewable every 10 years where a registered trademark needs to be used after the expiration of its validity term.

Patent Law of the PRC and its Implementing Rules

According to the Patent Law of the PRC (《中華人民共和國專利法》), promulgated by the SCNPC on March 12, 1984 and further amended on September 4, 1992, August 25, 2000, December 27, 2008 and came into effect on October 1, 2009 and the Implementing Rules of the Patent Law of the PRC (《中華人民共和國專利法實施細則》), promulgated by the China Patent Bureau Council on January 19, 1985, and last amended on January 9, 2010 and came into effect on February 1, 2010, the term "invention-creations" refers to inventions, utility models and designs. 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 10 years, both commencing from the filing date. In the event that a dispute arises due to a patent being exploited without the prior authorization of the patentee, that is to say an infringement upon the patent right of the patentee.

According to the Patent Law of the PRC, any entity or individual that seeks to exploit a patent owned by another party shall enter into a patent license contract with the patent owner concerned and pay patent royalties to the patent owner. The licensee does not have the right to allow any entity or individual not specified in the contract to exploit such patent.

Pursuant to the Measures for the Filling of Patent Licensing Contracts (《專利實施許可合同備案辦法》) promulgated by the State Intellectual Property Office on June 27, 2011 and became effective on August 1, 2011, the State Intellectual Property Office shall be responsible for filing of patent licensing contracts nationwide and the parties concerned shall complete filing formalities within three months from the effective date of a patent licensing contract.

Administrative Measures for Internet Domain Names

The Administrative Measures for Internet Domain Names (《互聯網域名管理辦法》), which was promulgated by the Ministry of Industry and Information Technology (the "**MIIT**") on August 24, 2017 and became effective on November 1, 2017, regulates the ".CN" and the ".zhongguo (in Chinese character)" shall be China's national top level domains. Any party that engages in internet information services shall use its domain name in compliance with laws and regulations and in line with relevant provisions of the telecommunications authority, but shall not use its domain name to commit any violation.

REGULATIONS ON FOREIGN INVESTMENT IN THE PRC

Company Law of the People's Republic of China

The Company Law of the People's Republic of China (《中華人民共和國公司法》) (the "**Company Law**"), which was promulgated on December 29, 1993 and came into effective on July 1, 1994, last amended on October 26, 2018 and came into effective on the same day, provides that companies established in China may take the form of limited liability company or joint stock company with limited liability. Each company has the status of a legal person and owns the assets itself. The Company Law applies to foreign-invested companies unless relevant laws provide otherwise.

Special Administrative Measures for the Access of Foreign Investment (Negative List) (2019 Version) and the Catalogue of Industries for Encouraging Foreign Investment (2019 Version)

Foreign investment in the PRC was subject to the Catalogue for the Guidance of Foreign Investment Industries (2017 Revision) (外商投資產業指導目錄(2017年修訂)) issued on June 28, 2017 and effective from July 28, 2017, and the Special Administrative Measures for the Access of Foreign Investment (Negative List) (2018 Version) (外商投資准入特別管理措施(負面清單)(2018年版)) issued on June 28, 2018 and effective from July 28, 2018, which together comprised the encouraged foreign-invested industries catalogue and the special administrative measures for the access of foreign investments to the restricted or the prohibited foreign invested industries. The Catalogue of Industries for Encouraging Foreign Investment (2019 Version) (《鼓勵外商投資產業目錄(2019年版)》) (the "**Encouraging List 2019**"), and the Special Administrative Measures for the Access of Foreign Investment (Negative List) (2019 Version) (《外商投資准入特別管理措施(負面清單)(2019年版)》) (the "**Negative List 2019**"), which were issued on June 30, 2019 and effective from July 30, 2019, further reduced restrictions on the foreign investment and replaced the Catalogue for the Guidance of Foreign Investment Industries (2017 Revision) and the Special Administrative Measures for the Access of Foreign Investment (Negative List) (2018 Version). Industries that do not fall within the Negative List 2019 and the Encouraging List 2019 are industries permitted for foreign investment.

Foreign Investment Law of the People's Republic of China

On March 15, 2019, the 2nd meeting of the 13th SCNPC approved the Foreign Investment Law of the People's Republic of China (《中華人民共和國外商投資法》) (the "**FIL**"), which became effective on January 1, 2020. According to the FIL, the "foreign investment" refers to investment activities carried out directly or indirectly by foreign natural persons, enterprises or other organizations (the "**Foreign Investors**"), including the following: (i) Foreign Investors establishing foreign-invested enterprises in China alone or collectively with other investors; (ii) Foreign Investors acquiring shares, equities, properties or other similar rights of Chinese domestic enterprises; (iii) Foreign Investors investing in new projects in China alone or collectively with other investors; and (iv) Foreign Investors investing through other ways prescribed by laws and regulations or the State Council. The State adopts the management system of pre-establishment national treatment and negative list for foreign investment. The pre-establishment national treatment refers to granting to foreign investors and their investments, in the stage of investment access, the treatment no less favorable than that granted to domestic investors and their investments; the negative list refers to special administrative measures for access of foreign investment in specific fields as stipulated by the State. The State will give national treatment to foreign investments outside the negative list. The negative list will be released by or upon approval by the State Council. After the FIL came into effect, the FIL replaced the Law of the People's Republic of China on Sino-Foreign Equity Joint Ventures (《中華人民共和國中外合資經營企業法》), the Law of the People's Republic of China on Sino-Foreign Cooperative Joint Ventures (《中華人民共和國中外合作經營企業法》) and the Wholly Foreign-Owned Enterprise Law of the People's Republic of China (《中華人民共和國外資企業法》), became the legal foundation for foreign Investment in the PRC.

On December 26, 2019, the State Council promulgated the Implementing Rules of the Foreign Investment Law (《外商投資法實施條例》) (the "**Implementing Rules**"), which became effective on January 1, 2020 and replaced the Implementing Rules of the Laws on Sino-Foreign Equity Joint Ventures (《中外合資經營企業法實施條例》), the Implementing Rules of the Laws on Sino-Foreign Cooperative Joint Ventures (《中外合作經營企業法實施細則》) and the Implementing Rules of the Wholly Foreign-Owned Enterprise Law (《外資企業法實施細則》). The Implementation Rules restates certain principles of the FIL and further provides, among others, if a foreign-invested enterprise established prior to the effective date of the FIL fails to adjust its legal form or the governing structure to comply with the provisions of the Company Law or the PRC Partnership Enterprise Law, as applicable, and complete the amendment registration accordingly before January 1, 2025, the enterprise registration authority will not process other registration matters of such foreign-invested enterprise and publicize such non-compliance issues thereafter.

Measures on Reporting of Foreign Investment Information

On December 30, 2019, the MOFCOM and the State Administration for Market Regulation jointly promulgated the Measures on Reporting of Foreign Investment Information (《外商投資信息報告辦法》), which took effective on January 1, 2020 and replaced the Interim Measures for the Administration of Record-filing on the Incorporation and Changes in

Foreign-invested Enterprises (《外商投資企業設立及變更備案管理暫行辦法》). Foreign investors carrying out investment activities in the PRC or foreign-invested enterprises shall submit investment information to the commerce administrative authorities through the Enterprise Registration System (企業登記系統) and the National Enterprise Credit Information Publicity System (國家企業信用信息公示系統) pursuant to the Measures on Reporting of Foreign Investment Information.

REGULATIONS ON EMPLOYMENT AND SOCIAL SECURITY

Labor Law of PRC

The Labor Law of PRC (《中華人民共和國勞動法》), which was promulgated by the SCNPC on July 5, 1994, came into effect on January 1, 1995, and was amended on August 27, 2009 and December 29, 2018, provides that an employer shall develop and improve its rules and regulations to safeguard the rights of its workers. Labor safety and health facilities must comply with relevant national standards. Workers engaged in special operations shall have received specialized training and obtained the pertinent qualifications.

Labor Contract Law of PRC and its Implementation Regulations

The Labor Contract Law of PRC (《中華人民共和國勞動合同法》), which was promulgated by the SCNPC on June 29, 2007, came into effect on January 1, 2008, and was amended on December 28, 2012, and came into effect on 1 July 2013, and the Implementation Regulations on Labor Contract Law (《中華人民共和國勞動合同法實施條例》) which was promulgated and came into effect on September 18, 2008 by the State Council, regulate the relations of employer and the employee, and contain specific provisions involving the terms of the labor contract.

Regulations on Supervision over the Social Security and Housing Funds

According to the Provisional Regulations on the Collection and Payment of Social Insurance Premium (《社會保險費徵繳暫行條例》), the Regulations on Work Injury Insurance (《工傷保險條例》), the Regulations on Unemployment Insurance (《失業保險條例》) and the Trial Measures on Employee Maternity Insurance of Enterprises (《企業職工生育保險試行辦法》), enterprises in China must provide benefit plans for their employees, which include basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and medical insurance. An enterprise must provide social insurance by processing social insurance registration with local social insurance agencies, and must pay or withhold relevant social insurance premiums for or on behalf of employees.

The Law on Social Insurance (《中華人民共和國社會保險法》), which was promulgated on October 28, 2010 and came into effect on July 1, 2011, and was amended on December 29, 2018 regulates basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and medical insurance, and has elaborated in detail the legal obligations and liabilities of employers who do not comply with relevant laws and regulations on social insurance.

The Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》), which was promulgated on April 3, 1999 and came into effective on the same date, and was amended on March 24, 2002 and March 24, 2019, stipulates that housing provident fund contributions paid by an individual employee and housing provident fund contributions paid by his or her employer shall all belong to the individual employee.

National Medical Insurance Program

The national medical insurance program was adopted pursuant to the Decision of the State Council on the Establishment of the Urban Employee Basic Medical Insurance Program (《關於建立城鎮職工基本醫療保險制度的決定》) issued by the State Council on December 14, 1998, under which all employers in urban cities are required to enroll their employees in the Urban Employee Basic Medical Insurance Program and the insurance premium is jointly contributed by the employers and employees. Pursuant to the Opinions on the Establishment of the New Rural Cooperative Medical System (《關於建立新型農村合作醫療制度意見的通知》) forwarded by the General Office of the State Council on January 16, 2003, China launched the New Rural Cooperative Medical System to provide medical insurance for rural residents in selected areas which has spread to the whole nation thereafter. The State Council promulgated the Guiding Opinions of the State Council about the Pilot Urban Resident Basic Medical Insurance (《國務院關於開展城鎮居民基本醫療保險試點的指導意見》) on July 10, 2007, under which urban residents of the pilot district, rather than urban employees, may voluntarily join Urban Resident Basic Medical Insurance. In 2015, the PRC government announced the Outline for the Planning of the National Medical and Health Service System (2015-2020) (《全國醫療衛生服務體系規劃綱要(2015-2020年)》) which aims to establish a basic medical and health care system that covers both rural and urban citizens by 2020.

On January 3, 2016, the State Council issued the Opinions on Integrating the Basic Medical Insurance Systems for Urban and Rural Residents (《國務院關於整合城鄉居民基本醫療保險制度的意見》) to integrate the Urban Resident Basic Medical Insurance and the New Rural Cooperative Medical System and the establishment of a unified Basic Medical Insurance for Urban and Rural Residents, which will cover all urban and rural non-working residents except for rural migrant workers and persons in flexible employment arrangements who participate in the basic medical insurance for urban employees.

With regard to reimbursement for medical devices and diagnostic tests, the Notice of Opinion on the Diagnosis and Treatment Management, Scope and Payment Standards of Medical Service Facilities Covered by the National Urban Employees Basic Medical Insurance Scheme (《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》) prescribes the coverage of diagnostic and treatment devices and diagnostic tests where part of the fees are paid through the basic medical insurance scheme. It also includes a negative list that precludes certain devices and medical services from governmental reimbursement. Detailed reimbursement coverage and rate for medical devices and medical services (including diagnostic tests and kits) are subject to each province's local policies.

REGULATIONS ON TAXATION

Enterprise Income Tax

According to the EIT Law, which was promulgated on March 16, 2007, came into effect on January 1, 2008 and amended by the SCNPC on February 24, 2017 and December 29, 2018, and the Implementation Regulations on the EIT Law (《中華人民共和國企業所得税法實施條例》) (the "**EIT Regulations**"), which was promulgated by the State Council on December 6, 2007 and came into effect on January 1, 2008, and amended by the State Council on April 23, 2019 and came into effect on the same date, a uniform income tax rate of 25% will be applied to domestic enterprises, foreign-invested enterprises and foreign enterprises that have established production and operation facilities in China. These enterprises are classified as either resident enterprises or non-resident enterprises. Resident enterprises refer to enterprises that are established in accordance with PRC laws, or that are established in accordance with the laws of foreign countries but whose actual or de facto control is administered from within the PRC. Non-resident enterprises refer to enterprises that are set up in accordance with the laws of foreign countries and whose actual administration is conducted outside the PRC, but who (whether or not through the establishment of institutions in the PRC) derive income from the PRC. Under the EIT Law and EIT Regulations, a uniform corporate income tax rate of 25% is applicable. However, if non-resident enterprises have not established institutions or places in the PRC, or if they have established institutions or places in the PRC but there is no actual relationship between the relevant income derived in the PRC and the institutions or places set up by them, enterprise income tax is set at the rate of 10%.

According to the EIT Law and the EIT Regulations, an enterprise certified as a high and new technology enterprise was subject to a preferential EIT of 15%. In accordance with the Measures for Administration of Recognition of High and New Technology Enterprise (《高新技術企業認定管理辦法》) effective from 1 January 2008 and amended on 29 January 2016, an enterprise certified as a high and new technology enterprise is subject to review by the relevant PRC authorities and shall submit the information about the relevant intellectual property, scientific and technical personnel, research and development expense, operating revenue of previous year and other annual status on the required official website.

Value-added Tax

The Provisional Regulations on Value-added Tax (《增值税暫行條例》), which was promulgated on December 13, 1993, came into effect on January 1, 1994, and last amended on November 19, 2017, and the Detailed Implementing Rules of the Provisional Regulations on Value-added Tax (《增值税暫行條例實施細則》), which was promulgated on December 25,

1993 and came into effective on the same date, and was amended on December 15, 2008 and October 28, 2011, came into effect on November 1, 2011 set out that all taxpayers selling goods or providing processing, repairing or replacement services, sales of services, intangible assets and immovable assets and importing goods in China shall pay a value-added tax. A tax rate of 17% shall be levied on general taxpayers selling goods and services, leasing of tangible movable assets or importing goods whereas the applicable rate for the export of goods by taxpayers shall be nil, unless otherwise stipulated. According to the Notice of the Ministry of Finance and the State Administration of Taxation on Adjusting Value added Tax Rates (《財政部、國家稅務總局關於調整增值稅稅率的通知》) issued on April 4, 2018 and became effective on May 1, 2018, the deduction rates of 17% and 11% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 16% and 10%, respectively. According to the Notice of the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs on Relevant Policies for Deepening Value Added Tax Reform (《關於深化增值稅改革有關政策的公告》) issued on March 20, 2019 and became effective on April 1, 2019, the value added tax rate was reduced to 13% and 9%, respectively.

On November 16, 2011, the MOF and the STA promulgated the Trial Scheme for the Conversion of Business Tax to Value-added Tax (《營業稅改徵增值稅試點方案》), pursuant to the government launched gradual taxation reforms from January 1, 2012, where a value-added tax is imposed in lieu of business tax on a trial basis in regions and industries showing strong economic performance, such as transportation and certain modern service industries.

The Notice on Overall Implementation of the Pilot Program of Replacing Business Tax with Value-added Tax (《財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知》), which was promulgated by the MOF and the STA on March 23, 2016 and came into effective on May 1, 2016, amended on July 1, 2017, December 25, 2017 and March 20, 2019 and became effective on April 1, 2019, all business tax payers in the consumer service industry shall pay value-added tax instead of business tax from May 1, 2016. If the taxpayer of the pilot project has already enjoyed tax incentives of business tax according to relevant policies and regulations before the application of the pilot collection of value-added tax in lieu of business tax, he/she may, in the remaining period of tax incentives, enjoy tax incentives of value-added tax in accordance with the relevant provisions.

Withholding Tax and International Tax Treaties

According to the Arrangement on the Avoidance of Double Taxation and Tax Evasion between Mainland and Hong Kong Special Administrative Region (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) entered into between Mainland China and the Hong Kong Special Administrative Region on August 21, 2006, if the non-PRC parent company of a PRC enterprise is a Hong Kong resident which beneficially owns 25% or more interest in the PRC enterprise and is determined by the competent PRC tax authority to have satisfied the relevant conditions and requirements under applicable PRC laws, the 10% withholding tax rate applicable under the EIT Law may be lowered to 5% for dividends and 7% for interest payments once approvals have been obtained from the relevant tax authorities.

According to the Treaty on the Avoidance of Double Taxation and Tax Evasion between the Government of People's Republic of China and the Government of Republic of Singapore (《中華人民共和國政府和新加坡共和國政府關於對所得避免雙重徵税和防止偷漏税的協定》) entered into between the government of the PRC and the government of the Republic of Singapore on July 11, 2007 and came effective on September 18, 2007, if the non-PRC parent company of a PRC enterprise (except for the partnership enterprise) is a Singapore resident which beneficially owns 25% or more interest in the PRC enterprise and is determined by the competent PRC tax authority to have satisfied the relevant conditions and requirements under applicable PRC laws, the 10% withholding tax rate applicable under the EIT Law may be lowered to 5% for dividends.

The Notice on the Several Issues of the Implementation of Tax Treaty (《國家税務總局關於執行税收協定股息條款有關問題的通知》), which was promulgated by the STA on February 20, 2009 and came into effect on the same date, stipulates that the non-resident taxpayer or the withholding agent is required to obtain and keep sufficient documentary evidence proving that the recipient of the dividends meets the relevant requirements for enjoying a lower withholding tax rate under a tax treaty if the main purpose of an offshore transaction or arrangement is to obtain a preferential tax treatment.

According to the Administrative Measures on Non-resident Taxpayers to Enjoy the Treatment under Tax Treaties (《非居民納税人享受協定待遇管理辦法》) promulgated by the STA on October 14, 2019 and came into effect on January 1, 2020, where a non-resident taxpayer self-assesses and concludes that it satisfies the criteria for claiming treaty benefits, it may enjoy treaty benefits at the time of tax declaration or at the time of withholding through the withholding agent, simultaneously gather and retain the relevant materials for future inspection, and accept follow-up administration by the tax authorities.

The Announcement of the State Administration of Taxation on Issues Relating to "Beneficial Owner" in Tax Treaties (《國家税務總局關於税收協定中"受益所有人"有關問題的公告》) (the "**Announcement of Beneficial Owner**") issued by the STA on February 3, 2018 and came into effect on April 1, 2018. The Announcement of Beneficial Owner provided that the "beneficial owner" shall mean a person who has ownership and control over the income and the rights and property from which the income is derived. When an individual who is a resident of the treaty counterparty derive dividend income from China, the individual may be determined as a "beneficial owner." The Announcement of Beneficial Owner also specifies that if the business activities carried out by the applicant do not constitute substantive business activities, it will be treated unfavorably in determining whether an applicant has the status as a "beneficial owner."

REGULATIONS ON FOREIGN EXCHANGE CONTROL

The Regulations on the Control of Foreign Exchange of the PRC (《中華人民共和國外匯管理條例》), which were promulgated by the State Council on January 29, 1996, came into effect on April 1, 1996, and amended on January 14, 1997 and August 5, 2008, set out that foreign exchange receipts of domestic institutions or individuals may be transferred to China

or deposited abroad and that the SAFE shall specify the conditions for transfer to China or overseas and other requirements in accordance with the international receipts, payments status and requirements of foreign exchange control. Foreign exchange receipts for current account transactions may be retained or sold to financial institutions engaged in the settlement or sale of foreign exchange. Domestic institutions or individuals that make direct investments abroad, are engaged in the distribution, sale of valuable securities or derivative products overseas should register according to SAFE regulations. Such institutions or individuals subject to prior approval or record-filing with relevant authorities shall complete the required approval or record-filing prior to foreign exchange registration. The exchange rate for RMB follows a managed floating exchange rate system based on market demand and supply.

The Circular 37, which has replaced the Circular on Issues relating to Foreign Exchange Administration for Financing and Round-trip Investments by Domestic Residents through Overseas Special-purpose Companies 《國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》), states that (i) a PRC resident, including a PRC resident natural person or a PRC legal person, shall register with the local branch of the SAFE before it contributes its assets or equity interest into a special purpose vehicle for the purpose of investment and financing and (ii) when the special purpose vehicle undergoes change of basic information, such as change in PRC resident natural person shareholder, name or operating period, or occurrence of a material event, such as change in share capital of a PRC resident natural person, performance of merger or split, the PRC resident shall register such change with the local branch of the SAFE in a timely manner.

According to Circular of SAFE on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (《關於進一步簡化和改進直接投資外匯管理政策的通知》) (the "**Circular 13**") which became effective on June 1, 2015, banks are required to review and carry out foreign exchange registration under offshore direct investment directly. The SAFE and its branches shall implement indirect supervision over foreign exchange registration of direct investment via the banks.

The Circular on Reforming the Management Approach regarding the Settlement of Foreign Capital of Foreign-invested Enterprise (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) (the "**Circular 19**"), promulgated on March 5, 2018 and amended on December 30, 2019, allows foreign-invested enterprises to make equity investments by using RMB fund converted from foreign exchange capital. Under the Circular 19, the foreign exchange capital in the capital account of foreign-invested enterprises upon the confirmation of rights and interests of monetary contribution by the local foreign exchange bureau (or the book-entry registration of monetary contribution by the banks) can be settled at the banks based on the actual operation needs of the enterprises. The proportion of discretionary settlement of foreign exchange capital of foreign-invested enterprises is currently 100%. SAFE can adjust such proportion in due time based on the circumstances of the international balance of payments. However, Circular 19 and the Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (the "**Circular 16**") continues to prohibit foreign-invested enterprises from, among other things, using RMB fund

converted from its foreign exchange capitals for expenditure beyond its business scope, investment and financing (except for security investment or guarantee products issued by banks), providing loans to non-affiliated enterprises or constructing or purchasing real estate not for self-use.

On October 23, 2019, the SAFE released the Circular on Further Promoting Cross-border Trade and Investment Facilitation (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》) (the "**Circular 28**") which was implemented on the same date. Under Circular 28, besides foreign-invested enterprises engaged in investment business, non-investment foreign-invested enterprises are also permitted to make domestic equity investments with their capital funds under the condition that the Negative List 2019 are not violated and the relevant domestic investment projects are true and compliant.

According to the Circular on Optimizing Administration of Foreign Exchange to Support the Development of Foreign-related Business (《國家外匯管理局關於優化外匯管理支持涉外業務發展的通知》) issued by the SAFE on April 10, 2020, eligible enterprises are allowed to make domestic payments by using their capital, foreign credits and the income under capital accounts of overseas listing, without the need to provide the evidential materials concerning authenticity of such capital for banks in advance, provided that their utilized capital shall be authentic and in line with provisions, and conform to the prevailing administrative regulations on the use of income under capital accounts. The concerned bank shall conduct spot checks in accordance with the relevant requirements.

LAWS AND REGULATIONS RELATING TO M&A AND OVERSEAS LISTING

The M&A Rules was jointly promulgated by six PRC governmental authorities, namely the MOFCOM, the STA, the SAFE, the SAIC, the State-owned Assets Supervision and Administration Commission of the State Council and the CSRC on August 8, 2006, came into effect on September 8, 2006 and was subsequently amended and promulgated by MOFCOM on June 22, 2009. Foreign investors must comply with the M&A Rules when they purchase equity interests of a domestic non-foreign invested enterprise or subscribe the increased capital of a domestic non-foreign invested enterprise, and thus changing of the nature of the domestic non-foreign invested enterprise into a foreign-invested enterprise; or when the foreign investors establish a foreign-invested enterprise in China, purchase the assets of a domestic non-foreign invested enterprise and operate the asset; or when the foreign investors purchase the assets of a domestic non-foreign invested enterprise by agreement, establish a foreign-invested enterprise by injecting such assets, and operate the assets. The M&A Rules requires, among other things, offshore special purpose vehicles formed for overseas listing purposes through acquisitions of PRC domestic companies and controlled by the PRC companies or individuals to obtain the approval of the CSRC prior to publicly listing their securities on an overseas stock exchange.

OUR HISTORY

Overview

We are the largest domestic MIS instrument and accessory (MISIA) platform in China. Our founders, Mr. Zhong and Ms. Shentu established Hangzhou Kangji in August 2004, through which we commenced our business operations. For further details of the background and relevant experience of our founders, see "Directors and Senior Management."

With the development of Hangzhou Kangji, we underwent certain shareholding changes and attracted some high-quality investors. Our Company was incorporated in the Cayman Islands on February 12, 2020 as an exempted company with limited liability. For details of our historical financing and corporate restructuring, see "— Pre-IPO Investments" and "— Reorganization" in this section.

Milestones

The following table summarizes various key milestones in our development:

Month/Year	Milestone
August 2004	Hangzhou Kangji was founded.
December 2007	Our R&D center was set up in Hangzhou.
October 2008	We have been certified the quality management system according to EN ISO 9001 and EN ISO 13485 by the TüV Rheinland, and obtained EC certificate.
December 2008	We were recognized as a Hangzhou High and New Technology Enterprise (杭州市高新技術企業) by Science and Technology bureau of Hangzhou (杭州市科學技術局).
December 2008	We were recognized as a state-supported High and New Technology Enterprise (高新技術企業) by Zhejiang Provincial Department of Science and Technology (浙江省科學技術廳), Zhejiang Provincial Department of Finance (浙江省財政廳), Zhejiang Municipal Office of State Administration of Taxation (浙江省國家税務局) and Zhejiang Local Taxation Bureau (浙江省地方税務局).

Month/Year	Milestone
December 2009	Our disposable trocars received marketing approval from the NMPA.
September 2012	We were awarded as "Zhejiang Province High and New Technology Enterprise Research and Development Center (浙江省企業高新技術研發中心)" by Zhejiang Provincial Department of Science and Technology (浙江省科學技術廳).
March 2013	Our OBGYN research workstation was established.
June 2013	Our polymer ligation clips received marketing approval from the NMPA.
March 2015	Our Class III disposable electrocoagulation forceps received marketing approval from the NMPA.
December 2016	Our products were awarded "Famous Branded Products of Zhejiang Province" (浙江名牌產品) by Zhejiang Bureau of Quality and Technical Supervision (浙江省質量技術監督局).

Our Company

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on February 12, 2020. Upon incorporation, our authorized share capital was US$50,000 divided into 5,000,000,000 Shares with par value of US$0.00001 each. Immediately after incorporation, one Share was issued to an initial subscriber and later transferred to Fortune Spring ZM B Limited ("**ZM B**"), a company incorporated in the BVI on October 1, 2019 which is wholly owned by Mr. Zhong. On February 22, 2020, 38,849 and 25,150 Shares were allotted and issued to ZM B and Fortune Spring YG B Limited ("**YG B**"), a company incorporated in the BVI on October 4, 2019 which is wholly owned by Ms. Shentu, respectively.

On March 13, 2020, as a major step in the Reorganization, 25,000 Preferred Shares, 6,578 Preferred Shares, 1,097 Preferred Shares, 2,046 Preferred Shares and 1,279 Preferred Shares were allotted and issued to TPG Keyhole, LYFE Capital Fund, L.P., LYFE Capital Fund-A, L.P., Axiom Asia IV, L.P. and ARDIAN DIRECT ASIA III L.P., respectively, in exchange of the entire equity interests of TPG Success and LYFE Capital, which were the then shareholders of Hangzhou Kangji prior to the Reorganization, and became directly wholly-owned subsidiaries of the Company upon completion of such share exchange.

For detailed information of shareholding changes of our Company and subsidiaries, see "— Pre-IPO Investments" and "— Reorganization" in this section and "Appendix IV — Statutory and General Information — A. Further Information about Our Group — 2. Changes in Share Capital of Our Company" and "— 3. Changes in Share Capital of Our Subsidiaries."

Our Principal Subsidiaries

We conduct out business mainly through our two subsidiaries in the PRC and their respective corporate information is set forth below:

Subsidiary	Place of establishment	Date of establishment	Shareholding percentage	Major business
Hangzhou Kangji	Hangzhou, Zhejiang Province, PRC	August 24, 2004	100%	PRC headquarters of our business, including manufacturing, distribution and research and development
Jiangxi Kanghuan	Jiujiang, Jiangxi Province, PRC	May 22, 2017	100%	Wholesale, retail and distribution

Hangzhou Kangji

Hangzhou Kangji was incorporated as a limited liability company in the PRC on August 24, 2004 with an initial registered capital of RMB5,000,000. At the time of its establishment, Hangzhou Kangji was owned by Mr. Zhong and Ms. Shentu as to 60% and 40%, respectively.

Since the establishment of Hangzhou Kangji, it has been focusing on the production of minimally invasive surgical instruments and accessories, and expands the production line to cover laparoscopic surgery, including gynecologic, urologic and general surgery, as well as thoracic surgery.

Early Shareholding Changes of Hangzhou Kangji before the Reorganization

On November 2, 2010, the registered capital of Hangzhou Kangji was increased to RMB10,000,000 following a capital injection by Mr. Zhong and Ms. Shentu of RMB3,000,000 and RMB2,000,000, respectively.

On July 27, 2011, each of Ms. Huang Jin (黄进) and Mr. Li Weiming (李衛明), who are Independent Third Parties, entered into a share transfer agreement with Ms. Shentu. Pursuant to the agreements, Ms. Shentu agreed to transfer approximately 14.29% and 1.43% equity interests in Hangzhou Kangji held by her to Ms. Huang Jin and Mr. Li Weiming for RMB1,589,491.93 and RMB158,949.19, respectively. The consideration was determined after arm's-length negotiation and was settled on July 27, 2011.

On September 25, 2011, Mr. Zhong, Ms. Shentu, Ms. Huang Jin and Mr. Li Weiming unanimously passed a shareholders' resolution, pursuant to which Hangzhou Kangji approved the capital injection by Mr. Sun Yi (孫毅), who is an Independent Third Party, for 30% equity interests in Hangzhou Kangji at the consideration of RMB30,000,000. The consideration was determined based on arm's-length negotiation and was fully paid on September 29, 2011. Immediately following the completion of such equity subscription, Hangzhou Kangji was held by Mr. Zhong, Mr. Sun Yi, Ms. Shentu, Ms. Huang Jin and Mr. Li Weiming as to 42%, 30%, 17%, 10% and 1%, respectively, and the registered capital of Hangzhou Kangji was increased from RMB10,000,000 to RMB14,285,714.

On April 12, 2013, Ms. Huang Jin and Ms. Shentu executed a share transfer agreement, pursuant to which Ms. Huang Jin agreed to transfer 10% equity interest in Hangzhou Kangji, being the entire equity interests held by Ms. Huang Jin in Hangzhou Kangji, to Ms. Shentu for RMB1,589,491.93. The consideration was determined based on the purchase price of Ms. Huang Jin after arm's-length negotiation and was settled on April 12, 2013. Following completion of the share transfer, Ms. Huang Jin was no longer a shareholder of Hangzhou Kangji.

Later on October 5, 2013, pursuant to a share transfer agreement entered into between Mr. Li Weiming and Ms. Shentu, Mr. Li Weiming agreed to transfer 1% equity interests in Hangzhou Kangji to Ms. Shentu for RMB142,857. The consideration was determined based on the purchase price of Mr. Li Weiming after arm's-length negotiation and was settled on October 5, 2013. Upon the completion of such equity transfer, Mr. Li Weiming no longer held any interest in Hangzhou Kangji.

Pursuant to the shareholders' resolution passed on October 8, 2013, the registered capital of Hangzhou Kangji was reduced from RMB14,285,714 to RMB10,000,000 by a redemption of the entire equity interests held by Mr. Sun Yi. Upon completion of the capital reduction, Mr. Sun Yi was no longer the shareholder of Hangzhou Kangji. The shareholding structure of Hangzhou Kangji following the completion of such capital reduction is set forth below:

Name of shareholder	Amount of equity interests	Shareholding percentage
Mr. Zhong	RMB6,000,000	60%
Ms. Shentu	RMB4,000,000	40%
Total	**RMB10,000,000**	**100%**

On July 27, 2015, Ms. Shentu entered into a share transfer agreement with Hangzhou Kangyin Investment Ltd. (杭州康銀投資管理有限公司) ("**Kangyin Investment**"), according to which, Ms. Shentu agreed to transfer 1% equity interests in Hangzhou Kangji to Kangyin Investment for RMB1,027,095.35. Kangyin Investment is a limited company established in the PRC and owned by Mr. Zhong and Ms. Shentu as to 60% and 40%, respectively. The consideration was determined based on the then net asset value of Hangzhou Kangji and was settled on August 3, 2015. Upon the completion of the equity transfer, the shareholding structure of Hangzhou Kangji is set forth below:

Name of shareholder	Amount of equity interests	Shareholding percentage
Mr. Zhong	RMB6,000,000	60%
Ms. Shentu	RMB3,900,000	39%
Kangyin Investment	RMB100,000	1%
Total	**RMB10,000,000**	**100%**

Investment of LYFE Capital

On June 29, 2016, pursuant to a share transfer agreement (amended on July 4, 2016) entered into among Hangzhou Kangji, Mr. Zhong, Ms. Shentu and LYFE Capital, Mr. Zhong and Ms. Shentu agreed to transfer 9% and 6% of the equity interest in Hangzhou Kangji to LYFE Capital, respectively, with a total consideration of RMB286,875,000. The consideration was determined based on the estimated net profit of Hangzhou Kangji for the year ended December 31, 2016 after arm's-length negotiation. See "— Pre-IPO Investments" for further details of the investment by LYFE Capital. The shareholding structure of Hangzhou Kangji following the completion of the investment is set forth below:

Name of shareholder	Amount of equity interests	Shareholding percentage
Mr. Zhong	RMB5,100,000	51%
Ms. Shentu	RMB3,300,000	33%
LYFE Capital	RMB1,500,000	15%
Kangyin Investment	RMB100,000	1%
Total	**RMB10,000,000**	**100%**

Investment of TPG Success

On December 21, 2017, each of Mr. Zhong, Ms. Shentu and LYFE Capital, among others, entered into a share purchase agreement with TPG Asia, Inc. (amended on January 23, 2018 and a deed of novation was executed on January 22, 2018 to transfer all rights and obligations of TPG Asia, Inc. under the share purchase agreement to TPG Success), pursuant to which, TPG Success acquired 9,562,500, 6,187,500 and 3,000,000 shares respectively held by Mr.

Zhong, Ms. Shentu and LYFE Capital, respectively, in Hangzhou Kangji (after conversion into a joint stock corporation as described below), representing 12.75%, 8.25% and 4% of the then share capital of Hangzhou Kangji, at a purchase price of RMB76.84 per share of Hangzhou Kangji.

The total consideration paid by TPG Success was determined based on arm's-length negotiation between shareholders after taking into account the status of Hangzhou Kangji's business and the estimated net profit of Hangzhou Kangji for the year ended December 31, 2018. See "— Pre-IPO Investments" for further details of the investment by TPG Success. The shareholding structure of Hangzhou Kangji following the completion of the investment is set forth below:

Name of shareholder	Number of shares	Shareholding percentage
Mr. Zhong	28,687,500	38.25%
Ms. Shentu	18,562,500	24.75%
TPG Success	18,750,000	25%
LYFE Capital	8,250,000	11%
Kangyin Investment	750,000	1%
Total	**RMB75,000,000**	**100%**

Conversion into a joint stock corporation

In preparation for a potential A-share listing, on November 8, 2016, Hangzhou Kangji was converted from a limited liability company into a joint stock corporation. On October 20, 2016, the then directors of Hangzhou Kangji unanimously approved to set the registered capital of Hangzhou Kangji at RMB75,000,000 divided into 75,000,000 shares with a nominal value of RMB1 each, which were subscribed by all the shareholders in proportion to their respective equity interests in Hangzhou Kangji before the conversion. Pursuant to a subsequently passed shareholders' resolution dated September 10, 2018, the registered share capital of Hangzhou Kangji was increased from RMB75,000,000 to RMB360,000,000.

Previous listing attempts

In 2017, the then shareholders of Hangzhou Kangji believed that a listing on the A-share market would bring us (i) funds for our future business expansion, (ii) more financing opportunities to optimize our capital structure, and (iii) enhancement of our brand awareness. Therefore, in anticipation of a listing on the Shanghai Stock Exchange, Hangzhou Kangji engaged Zhongtai Securities Co., Ltd. (中泰證券股份有限公司) as its sponsor and submitted its first share listing application to the CSRC on March 27, 2017. The comments raised by the CSRC on the draft prospectus of Hangzhou Kangji were primarily requesting further information relating to Hangzhou Kangji and additional disclosure to be made in its draft prospectus. Hangzhou Kangji submitted its responses to address such comments and did not receive further comments from the CSRC before its withdrawal of application. As Hangzhou

Kangji was exploring opportunities to optimize its corporate structure and in light of the potential strategic investment by TPG Success, on December 27, 2017, it voluntarily withdrew its first A-share listing application and accordingly received confirmation of withdrawal from the CSRC.

On June 18, 2019, Hangzhou Kangji engaged CITIC Securities Co., Ltd. (中信證券股份有限公司) as its sponsor and made its second share listing application to the CSRC. On August 26, 2019, due to the prolonged and uncertain listing timetable in light of the significant increase in the number of listing applicants and the overall A-share vetting process, and in order to gain international recognition, Hangzhou Kangji voluntarily withdrew its second A-share listing application and started the preparation of the listing on the Stock Exchange.

No questions or comments relating to suitability for listing of the Group were raised by the CSRC. Our Directors confirm that, to their best knowledge, there are no other matters relating to the previous listing attempts described above (the "**Previous Listing Attempts**") which are relevant to the Listing and should be reasonably highlighted in this prospectus for investors to form an informed assessment of our Company, and our Directors are not aware of any matter that should be brought to the Stock Exchange's attention in relation to the Previous Listing Attempts.

Based on the above and the Joint Sponsors' due diligence work of (i) interviewing the management of the Company regarding the Previous Listing Attempts, (ii) reviewing the comments and questions from the CSRC and the responses thereto, (iii) reviewing the submissions, documents and written work products of Hangzhou Kangji and various professional parties in relation to the Previous Listing Attempts and (iv) interviewing certain professional parties involved in the Previous Listing Attempts, the Joint Sponsors are of the view that nothing in relation to the Previous Listing Attempts has come to their attention that may materially adversely affect the Company's suitability for the Listing and that should be brought to the Stock Exchange's attention.

Conversion into a limited liability company

According to the shareholders' resolution of Hangzhou Kangji passed on October 28, 2019, Hangzhou Kangji was reverted to a limited liability company from a joint stock corporation.

Capital Increase of Hangzhou Kangji

On June 1, 2020, pursuant to a subscription agreement entered into among TPG Success, Kangji Hong Kong and Hangzhou Kangji, Kangji Hong Kong subscribed for RMB64,000,000 registered capital of Hangzhou Kangji. Upon completion of the subscription, the total registered capital of Hangzhou Kangji was increased from RMB36,000,000 to RMB100,000,000, and Hangzhou Kangji was owned by TPG Success and Kangji Hong Kong as to 25% and 75%, respectively.

Jiangxi Kanghuan

Jiangxi Kanghuan was established in the PRC on May 22, 2017 with a registered share capital of RMB10,000,000, and has been wholly owned by Hangzhou Kangji since its establishment. Jiangxi Kanghuan mainly engages in wholesale, retail and distribution of medical instruments produced by Hangzhou Kangji.

For shareholding changes of our Company and principal subsidiaries, see "Appendix IV — Statutory and General Information — A. Further Information about Our Group — 2. Changes in Share Capital of our Company."

Major Acquisitions and Disposals

Save as disclosed in "— Reorganization" in this section, throughout the Track Record Period and as of the Latest Practicable Date, we did not conduct any major acquisitions, disposals or merges.

PRE-IPO INVESTMENTS

During June 2016 to September 2018, Hangzhou Kangji went through two rounds of investments ("**Pre-IPO Investments**") by LYFE Capital and TPG Success (collectively, "**Pre-IPO Investors**"), respectively. Immediately before the investment by LYFE Capital, Hangzhou Kangji was owned by Mr. Zhong, Ms. Shentu and Kangyin Investment as to 60%, 39% and 1%, respectively. Please see below for details of the Pre-IPO Investments.

Principal terms of the Pre-IPO Investments

	LYFE Capital Investment	TPG Success Investment
Date of agreement	June 29, 2016 (amended on July 4, 2016)	December 21, 2017 (amended on January 23, 2018)
Date of settlement	August 5, 2016	January 24, 2018
Cost per Share[(1)]	HK$1.67	HK$5.03
Total equity value at the time of investment[(2)]	HK$2,091,100,930.47	HK$6,301,011,976.95
Discount to the mid-point of the indicative Offer Price range[(3)]	87.3%	61.6%
Use of proceeds	N/A	N/A

	LYFE Capital Investment	TPG Success Investment
Lock-up Period	N/A	N/A
Strategic benefits	We believe that such investments have optimized our shareholding structure and corporate governance. Besides, the investment from the Pre-IPO Investors demonstrates confidence in the business development and prospects of our Group.	

Notes:

(1) Equals the total equity value of Hangzhou Kangji at the time of the investment divided by the number of Shares in issue upon completion of the Capitalization Issue and the Global Offering, assuming the share options granted under the Pre-IPO Share Option Plan are not exercised.

(2) Equals the total consideration paid by the respective Pre-IPO Investor divided by the shareholding percentage of it immediately following its investment.

(3) Calculated on the basis of the Offer Price of HK$13.12 per Share, the mid-point of the proposed range of the Offer Price range, and based on the number of Shares in issue upon completion of the Capitalization Issue and the Global Offering, assuming the share options granted under the Pre-IPO Share Option Plan are not exercised.

Special Rights granted to the Pre-IPO Investors

During the Pre-IPO investments, the Pre-IPO Investors were granted certain special rights, including but not limited to pre-emptive right, director's nomination/appointment right, information access, tag-along right and drag-along right. On March 13, 2020, TPG Keyhole, LYFE Entities, Mr. Zhong, Ms. Shentu, ZM B, YG B and the Company entered into a shareholders' agreement (the "**2020 Shareholders' Agreement**"), which superseded the original shareholders' agreement dated December 21, 2017 entered into by Hangzhou Kangji and all the then shareholders of it. All the special rights granted to the Pre-IPO Investors will be terminated upon completion of the Global Offering in accordance with the terms of the 2020 Shareholders' Agreement.

A summary of such special rights is set forth below:

- *Right related to issuance of securities*. If the Company proposes to issue, offer or sell shares and/or shareholder interests, each of TPG Keyhole and LYFE Entities has a right to purchase such Shares and/or shareholder interests in accordance with its respective portion and with the procedure and provisions set out in the 2020 Shareholders' Agreement.

- *Pre-emptive right*. In the event that a shareholder proposes to transfer all or part of their Shares to any third-party purchaser, each of TPG Keyhole and LYFE Entities shall be entitled to pre-emptive rights to subscribe for such number of Shares at the then proposed transfer price.

- *Director's nomination/appointment right*. Subject to the conditions set out in the 2020 Shareholders' Agreement, TPG Keyhole shall be entitled to nominate up to 2 Directors and LYFE Capital Fund, L.P. and LYFE Capital Fund-A, L.P. shall be entitled to jointly nominate 1 Director.

- *Information access right*. Subject to the conditions set out in the 2020 Shareholders' Agreement, the Company shall supply TPG Keyhole and LYFE Entities, as may be reasonably required, with the financial information necessary to keep them properly informed about the business and affairs of the Company.

- *Tag-along right*. Where the Controlling Shareholders propose to transfer Shares to a third party, they shall (a) provide to each of TPG Keyhole and LYFE Entities a written notice of Shares proposed to be sold, the consideration for which the transfer is proposed to be made, and all other material terms and conditions of such proposed transfer; and (b) offer to each of TPG Keyhole and LYFE Entities a right to require the third-party purchaser to purchase all or a proportion, where applicable, of the Shares held by TPG Keyhole and/or LYFE Entities equivalent to the proportion of Shares being sold by the Controlling Shareholders.

- *Drag-along right*. Subject to the conditions set out in the 2020 Shareholders' Agreement, TPG Keyhole shall have the right to require the Shareholders to sell (or procure the sale of) all or part of the Shares held by all other Shareholders to a third-party purchaser who has made a *bona fide* arm's length offer to acquire for its own account at least a majority of the Shares.

- *Veto right*. For any action or decision in relation to certain matters as defined in the 2020 Shareholders' Agreement, so long as TPG Keyhole has a right to nominate a Director, such action or decision requires affirmative vote of at least 1 Director nominated by TPG Keyhole.

Background Information of TPG Success and LYFE Capital

TPG Success

TPG Success was incorporated on January 8, 2018 in Singapore as a company with limited liability. Prior to the Reorganization, TPG Success was wholly owned by TPG Keyhole, which is a company incorporated in the Cayman Islands. TPG Keyhole is an affiliate of TPG Capital ("**TPG**"). TPG is a leading global alternative asset firm founded in 1992 with more than US$79 billion of assets under management as of March 31, 2020. For many years, TPG has been investing in change, growth, and innovation. TPG aims to build dynamic products and options for its investors while also instituting discipline and operational excellence across the investment strategy and performance of its portfolio. Upon completion of the Global Offering, TPG Keyhole will be a substantial shareholder of the Company and therefore a connected person of our Company upon the Listing, the Shares held by TPG Keyhole will not be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules after the Listing.

LYFE Capital

LYFE Capital was incorporated on December 21, 2015 in Hong Kong as a private company with limited liability. Its previous parent group LYFE was founded in 2015 and focuses on healthcare investment in pharmaceuticals, medical devices and diagnostic companies with approximately US$1.27 billion assets under management. LYFE dedicates itself to investment in growth stage healthcare companies in Greater China and risk-mitigated innovative companies in the U.S.. Prior to the Reorganization, LYFE Capital was directly owned by LYFE Capital Fund, L.P. as to 59.8%, LYFE Capital Fund-A, L.P. as to 9.97%, Axiom Asia IV, L.P. as to 18.6%, and ARDIAN DIRECT ASIA III L.P. as to 11.63%, respectively. LYFE Capital GP, L.P. is the general partner of both LYFE Capital Fund, L.P. and LYFE Capital Fund-A, L.P., while Axiom Asia IV, L.P. and ARDIAN DIRECT ASIA III L.P. are investment partners independent from LYFE Capital GP, L.P., Axiom Asia IV, L.P. is associated with Axiom Asia Private Capital, which is an independent fund management firm focused on investing in the Asia Pacific region. Established in 2006, Axiom Asia Private Capital currently manages six private equity funds, with total commitments of more than US$5.0 billion. ARDIAN DIRECT ASIA III L.P. is associated with ARDIAN, which is a global private investment house with approximately US$96.0 billion assets under management, focusing on private equity, infrastructure, private debt and real estate. There has been no acting in concert agreement or proxy agreement entered into among each of LYFE Entities as of the Latest Practicable Date. As each of LYFE Capital Fund, L.P. and LYFE Capital Fund-A, L.P. (in aggregate), Axiom Asia IV, L.P. and ARDIAN DIRECT ASIA III L.P. will hold less than 10% upon completion of the Global Offering and therefore not a connected person of our Company upon the Listing, the Shares held by each of LYFE Entities will be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules after the Listing.

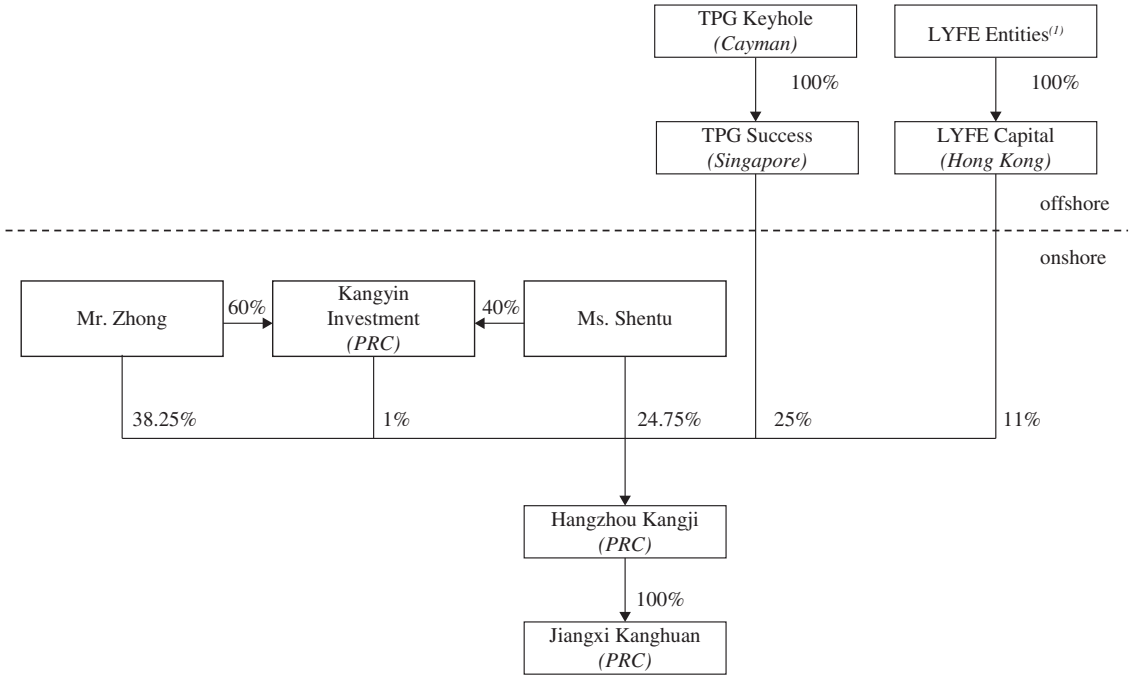
LYFE Capital changed its name to Kangji Hong Kong on April 21, 2020.

Compliance with Guidance Letter on Pre-IPO Investments

On the basis that (i) the consideration for the Pre-IPO Investments was settled more than 28 clear days before the date of our first submission of the listing application form to the Listing Division of the Stock Exchange in relation to the Listing and (ii) the special rights granted to the Pre-IPO Investors have been terminated or will be terminated upon completion of the Global Offering, the Joint Sponsors have confirmed that the Pre-IPO Investments are in compliance with Guidance Letter HKEX-GL43-12 issued by the Stock Exchange in October 2012 and as updated in July 2013 and March 2017.

REORGANIZATION

In preparation for the Listing, our Company underwent the following steps of Reorganization. The following chart sets forth the shareholding structure immediately prior to our Reorganization:



Note:

(1) including LYFE Capital Fund L.P. (incorporated in Cayman), LYFE Capital Fund-A, L.P. (incorporated in Cayman), Axiom Asia IV, L.P. (incorporated in Cayman) and ARDIAN DIRECT ASIA III L.P. (incorporated in the United Kingdom). LYFE Capital Fund L.P. and LYFE Capital Fund-A, L.P. are both controlled by LYFE Capital GP, L.P., while Axiom Asia IV, L.P. and ARDIAN DIRECT ASIA III L.P. are investment partners independent from LYFE Capital GP, L.P..

Step 1: Incorporation of Our Company

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on February 12, 2020. The initial authorized share capital of the Company was US$50,000 divided into 5,000,000,000 Shares with a par value of US$0.00001. Upon its incorporation, one Share was issued to an initial subscriber and then transferred to ZM B. Later on February 20, 2020, 38,849 and 25,150 Shares of our Company were issued and allotted to ZM B and YG B, respectively.

Step 2: Share Swap by TPG Keyhole and LYFE Entities

On March 13, 2020, Mr. Zhong, Ms. Shentu, TPG Keyhole, LYFE Entities and the Company entered into a share swap agreement (amended on March 25, 2020), pursuant to which, TPG Keyhole and LYFE Entities subscribed for 25,000 and 11,000 Preferred Shares (of which, LYFE Capital Fund, L.P., LYFE Capital Fund-A, L.P., Axiom Asia IV, L.P. and ARDIAN DIRECT ASIA III L.P. subscribed for 6,578, 1,097, 2,046 and 1,279 Preferred Shares, respectively) of our Company. The consideration for such share subscription was the

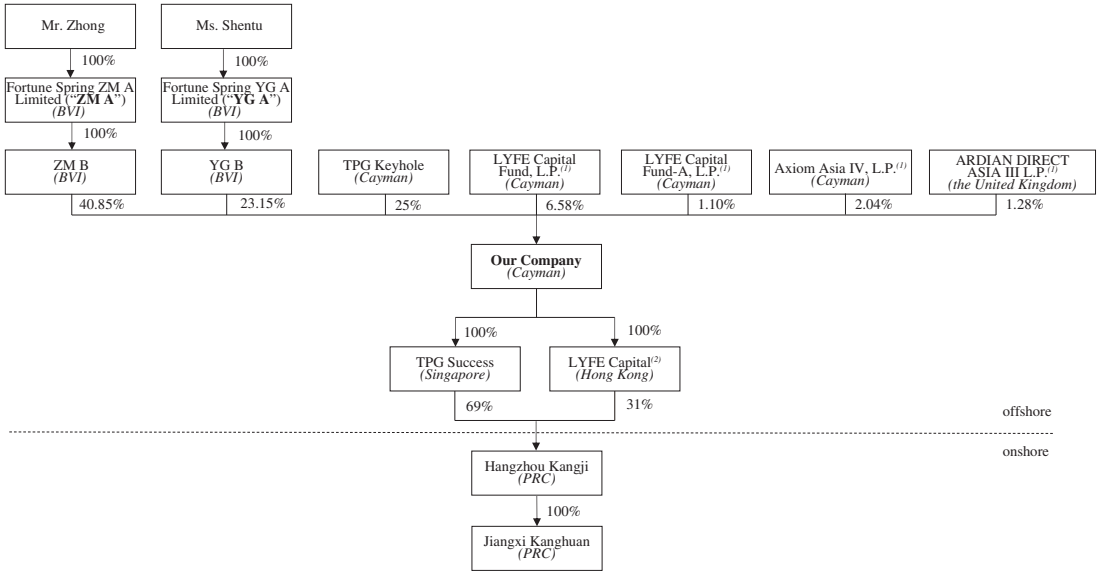
100% of the equity interests in TPG Success and LYFE Capital held by TPG Keyhole and LYFE Entities, respectively. TPG Success and LYFE Capital were the investment vehicles set up by TPG Keyhole and LYFE Entities, respectively. Immediately prior to the share swap, each of TPG Success and LYFE Capital had no employees or business operations other than holding the equity interest of Hangzhou Kangji. Upon completion of such share swap on March 13, 2020, TPG Keyhole and LYFE Entities became direct Shareholders of the Company, while TPG Success and LYFE Capital became wholly-owned subsidiaries of the Company.

Step 3: Capital Reduction of Hangzhou Kangji

According to the shareholders' resolution passed on March 13, 2020, the registered capital of Hangzhou Kangji was reduced in a total amount of RMB324,000,000, comprising the entire equity interests held by Mr. Zhong, Ms. Shentu and Kangyin Investment in the amount of RMB137,700,000, RMB89,100,000 and RMB3,600,000, respectively, and partial equity interest held by TPG Success and LYFE Capital in the amount of RMB65,000,000 and RMB28,600,000, respectively (the "**Capital Reduction**"). Upon completion of the Capital Reduction, Mr. Zhong, Ms. Shentu and Kangyin Investment were no longer shareholders of Hangzhou Kangji and Hangzhou Kangji became an indirectly wholly-owned subsidiary of our Company. An equivalent U.S. dollar amount of RMB79,464,660, being the total proceeds from the Capital Reduction minus the proportionate amount attributable to the shareholders, has been re-injected into the Company by Mr. Zhong (through ZM B) and Ms. Shentu (through YG B) as consideration for the Shares (apart from par value) subscribed by ZM B and YG B in Step 1 on May 20, 2020. Par value of the Shares held by ZM B and YG B has been paid upon subscription.

On March 25, 2020, YG B transferred 2,000 Shares to ZM B at nil consideration.

Our corporate and shareholding structure after the above mentioned share swap and capital reduction is as follows:



Notes:

(1) LYFE Capital Fund L.P. and LYFE Capital Fund-A, L.P. are both controlled by LYFE Capital GP, L.P., while Axiom Asia IV, L.P. and ARDIAN DIRECT ASIA III L.P. are investment partners independent from LYFE Capital GP, L.P..

(2) LYFE Capital changed its name to Kangji Hong Kong on April 21, 2020.

Step 4: Incorporation of the ESOP BVI

For the purpose of incentivizing the employees of the Group to align their interests with ours, the Shareholders of our Company had set up an incentive platform in the BVI, namely Fortune Spring KangJi 1 Limited, on April 23, 2020 (the "**ESOP BVI**"), to hold the incentive shares for the participants under the RSU Plan. The ESOP BVI is held by Fortune Spring ZM A Limited ("**ZM A**") and a BVI company which is managed by an independent trustee entrusted by the Company (the "**ESOP Trust**") as to 0.1% and 99.9%, respectively. The ESOP BVI is controlled by the Board and the voting power is held by the independent trustee. For details of the Pre-IPO Share Option Plan and the RSU Plan, see "Appendix IV — Statutory and General Information — A. Further Information about Our Group — 5. Pre-IPO Share Option Plan and RSU Plan."

On May 19, 2020, 2,681 Shares were issued and allotted to the ESOP BVI, representing approximately 2.61% of the total issued share capital of the Company immediately before the Capitalization Issue and the Global Offering. On May 6, 2020, 6 management team members and employees were approved by the Board to be grantees under the RSU Plan with a total of 21,190,000 underlying Shares under the RSU Plan granted on the same day.

Step 5: Establishment of Family Trusts

On May 20, 2020, YG B issued and allotted 49,900 fully paid-up shares, representing 99.8% of the issued share capital of YG B, to YG AA Limited, a company incorporated in the BVI with limited liability under the laws of BVI and wholly owned by The YG Trust, for which BOS Trustee Limited serves as the trustee, and Ms. Shentu acts as the settlor and Mr. Zhong acts as the protector.

On May 28, 2020, ZM B issued and allotted 49,950 fully paid-up shares, representing 99.9% of the issued share capital of ZM B, to Fortune Spring ZM AA Limited, a company incorporated in the BVI with limited liability under the laws of BVI and wholly owned by the Fortune Spring ZM Trust, for which Credit Suisse Trust Limited serves as the trustee and Mr. Zhong acts as the settlor and protector.

CAPITALIZATION ISSUE

Our Company will allot and issue a total of 666,743,319 Shares and 359,964,000 Preferred Shares credited as fully paid at par on the Listing Date to the holders of Shares and Preferred Shares whose names appear on the register of members of our Company in the Cayman Islands at the close of business on the business day preceding the Listing Date, in proportion to their then existing respective shareholdings in our Company, by capitalizing the sum of US$10,267.08 from the share premium account of our Company. The Shares allotted and issued pursuant to the above Capitalization Issue will rank *pari passu* in all respects with the then existing issued Shares.

PRC LEGAL COMPLIANCE

Our PRC Legal Advisors have confirmed that (i) all relevant approvals or filings have been obtained or made, as applicable, for the change in share capital and equity transfers in the PRC as mentioned above; (ii) the Reorganization has complied with all applicable laws and regulations in the PRC and we have obtained all necessary approvals from the relevant PRC governmental authorities in relation to the Reorganization; and (iii) the Listing and the completion of the Global Offering do not require the approval from the CSRC or the MOFCOM under current PRC laws.

M&A Rules

Under the M&A Rules, a foreign investor is required to obtain necessary approvals when (i) a foreign investor acquires equity in a domestic non-foreign invested enterprise, thereby converting it into a foreign-invested enterprise, or subscribes for new equity interest in a domestic non-foreign invested enterprise via an increase in registered capital of the domestic non-foreign invested enterprise, thereby converting it into a foreign-invested enterprise; or (ii) a foreign investor establishes a foreign-invested enterprise which purchases and operates the assets of a domestic non-foreign invested enterprise, or which purchases the assets of a domestic non-foreign invested enterprise and injects those assets to establish a foreign-invested enterprise. According to Article 11 of the M&A Rules, where a PRC company or enterprise, or a PRC individual, through an offshore special purpose vehicle established or controlled by such company or individual, acquires a domestic non-foreign invested company which is related to such company or individual, approval from MOFCOM is required.

Hangzhou Kangji had been a non-foreign invested enterprise before LYFE Capital invested. In August 2016, LYFE Capital subscribed 15% equity interest in Hangzhou Kangji and turned Hangzhou Kangji into a foreign invested enterprise (the "**LYFE Capital investment**"). In March 2020, Hangzhou Kangji became a subsidiary owned by TPG Success and LYFE Capital through reduction of registered capital (the "**Reduction**").

As advised by our PRC Legal Advisors, i) the LYFE Capital investment was subject to the M&A Rules and Hangzhou Kangji had obtained necessary approvals from relevant authorities under the M&A Rules, ii) since LYFE Capital was an Independent Third Party, Article 11 of the M&A Rules was not applicable to the LYFE Capital investment and therefore it does not need to be approved by the MOFCOM, and iii) since Hangzhou Kangji had been a foreign invested enterprise on March 2020, the M&A Rules was not applicable to the Reduction.

SAFE Registration in Respect of Circular 37 and Circular 13

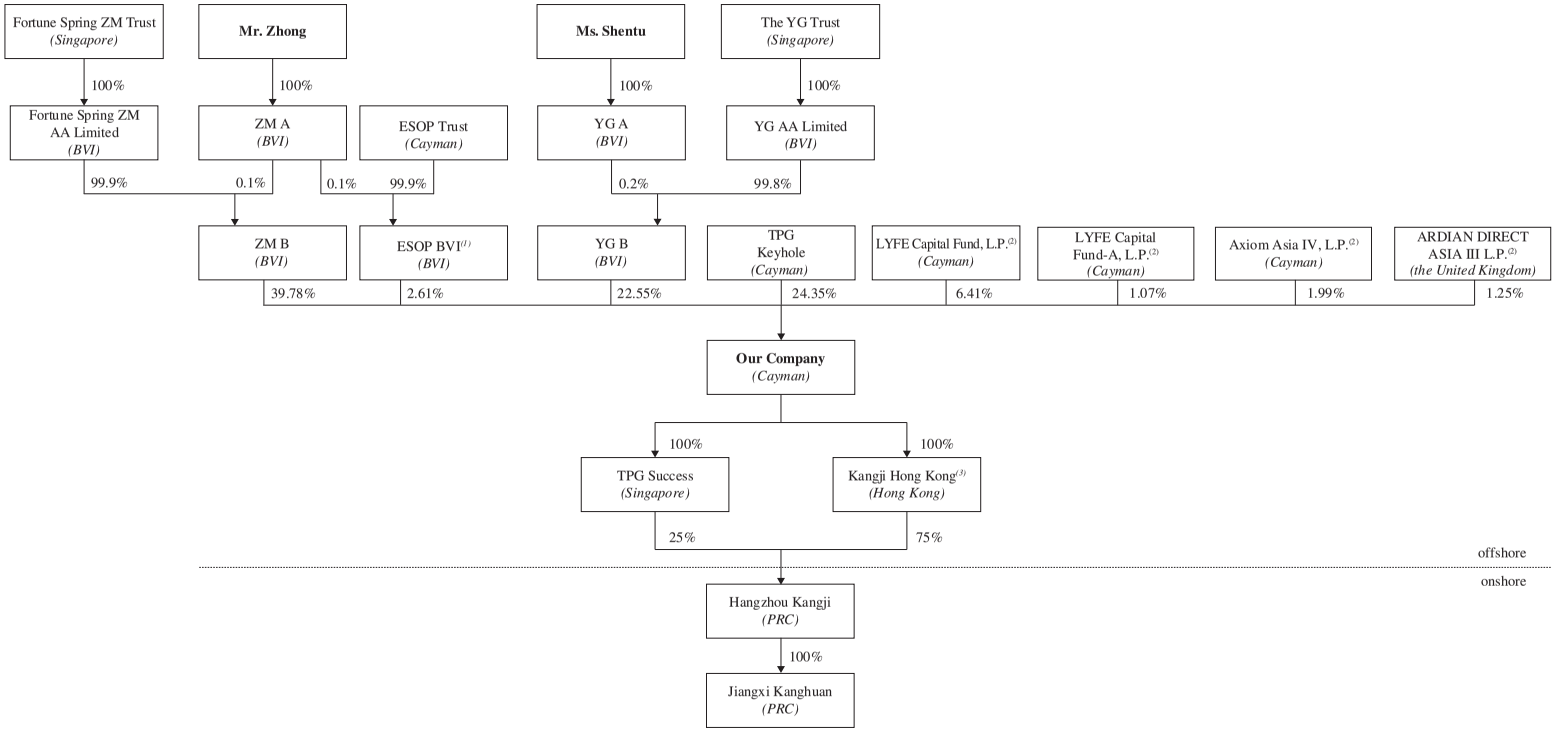
Pursuant to Circular 37 promulgated by the SAFE and came into force on July 4, 2014, a PRC resident must register with the local branches of SAFE before he contributes legal assets or equity interests in China or overseas in an oversea special purpose vehicle, which is directly incorporated or indirectly controlled by such PRC resident for the purpose of overseas investment or financing. In addition, on February 13, 2015, the SAFE promulgated Circular 13, which became effective on June 1, 2015. The aforesaid registration shall be directly reviewed and handled by qualified banks in accordance with Circular 13, and the SAFE and its branches shall perform indirect regulation over the foreign exchange registration via qualified banks.

As confirmed by our PRC Legal Advisors, our individual beneficial owners, Mr. Zhong and Ms. Shentu, who are PRC resident Shareholders of the Company and are required to complete the registration under Circular 37 and Circular 13 have duly completed the foreign exchange registrations in January 2020 in relation to their offshore investments as PRC residents.

GLOBAL OFFERING

Corporate Structure Immediately Prior to the Capitalization Issue and the Global Offering

Our corporate and shareholding structure after the Reorganization and immediately prior to the completion of the Capitalization Issue and the Global Offering is as follows:



Notes:

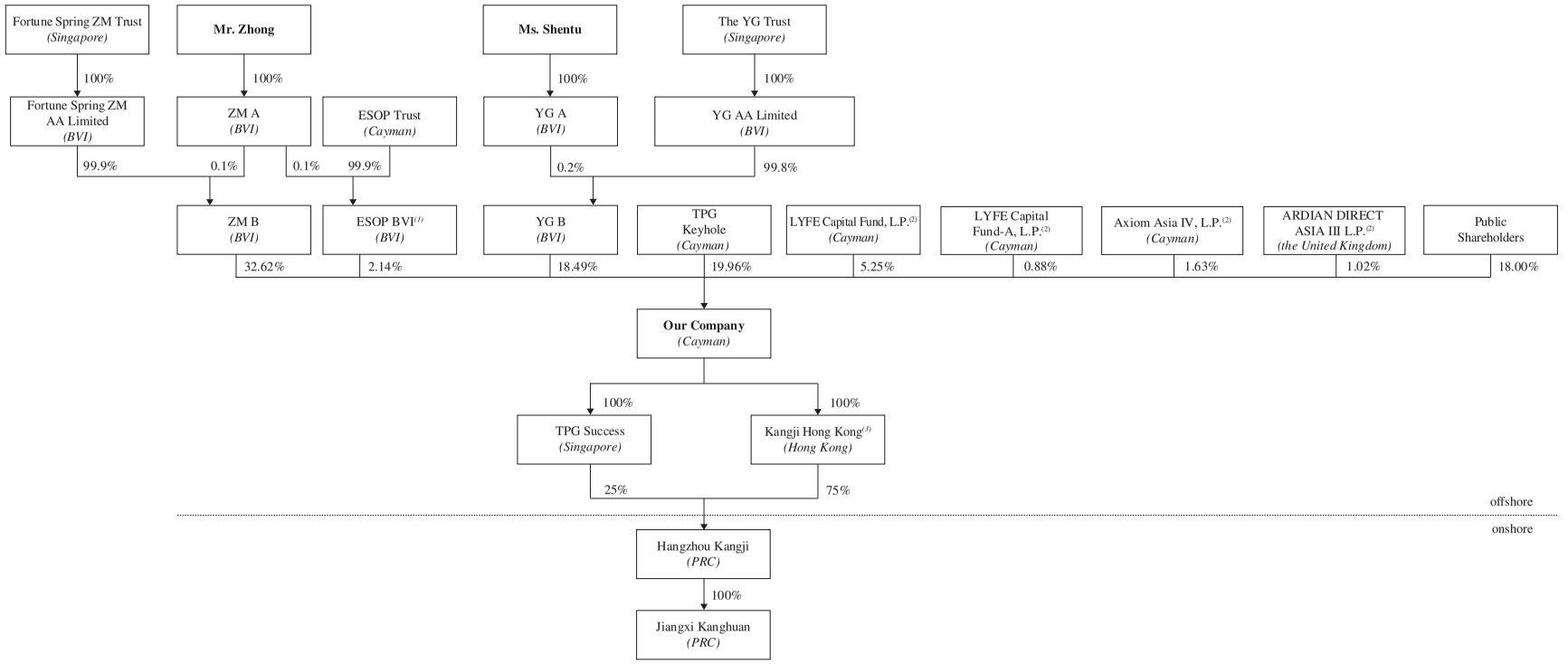
(1) The incentive platform set up for reserving Shares under the RSU Plan.

(2) LYFE Capital Fund L.P. and LYFE Capital Fund - A, L.P. are both controlled by LYFE Capital GP, L.P., while Axiom Asia IV, L.P. and ARDIAN DIRECT ASIA III L.P. are investment partners independent from LYFE Capital GP, L.P..

(3) Formerly known as LYFE Capital.

Corporate Structure Immediately Following the Capitalization Issue and the Global Offering

The following chart sets forth our corporate and shareholding structure upon the completion of the Capitalization Issue and the Global Offering, assuming the Over-allotment Option and the share options granted under the Pre-IPO Share Option Plan are not exercised:



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OVERVIEW

We are the largest domestic minimally invasive surgical instruments and accessories (MISIA) platform in China. Our mission is to enable physicians and improve health and wellness of patients through providing high performing and accessible products and services. We ranked first among all domestic players and fourth among all players (including international and domestic players) in China's RMB18.5 billion MISIA market in 2019 by sales revenue, with a 2.7% market share, according to CIC. We also ranked first in multiple sub-segments of China's MISIA market, including disposable trocars, polymer ligation clips, Class III disposable electrocoagulation forceps, and reusable trocar and forceps by 2019 sales volume, according to CIC.

Minimally invasive surgeries (MIS) remain significantly under-penetrated in China. According to CIC, in 2019, the number of MIS performed per million people and the penetration rate of MIS[(1)] were 8,514 and 38.1% in China, respectively, as compared to 16,877 and 80.1% in the U.S., respectively. Driven by the increasing number of surgeries, increasing substitution of open surgeries with MIS and improving accessibility of MIS in China, the number of MIS per million people and penetration rate of MIS in China are expected to increase to 18,242 and 49.0% in 2024, respectively. As a result, China's MISIA market is expected to experience tremendous growth, reaching RMB40.8 billion in 2024 at a CAGR of 17.2% from 2019. As the largest domestic MISIA platform in China, we believe we are well positioned to leverage favorable MISIA market trends such as the increasing usage of disposable products, growing acceptance of domestic products, product upgrades and innovation and market consolidation, and gain market share from our competitors, including international brands, in China's large and fast-growing MISIA market.

We take a demand-oriented approach to product development, with a focus on products with high market potential and that provide benefits in clinical practice. We offer a comprehensive product portfolio to provide physicians and hospitals with one-stop and tailored surgical solutions primarily for four major surgical specialties (i.e. OBGYN, general surgery, urology and thoracic surgery). As of the Latest Practicable Date, we registered 41 Class I medical devices, 13 Class II medical devices and eight Class III medical devices in China. We have also developed a robust product pipeline to achieve a more extensive MIS product offering, including disposable ultrasonic scalpels, absorbable ligation clips and laparoscopic staplers to be launched in 2020 and 2021. See "— Our Product Portfolio — Product Pipeline." We believe our comprehensive and solution-oriented product portfolio can improve surgical efficiency and clinical outcomes for patients. Our broad product mix also helps us build brand loyalty with physicians and hospitals, realize synergies among our R&D, manufacturing and commercialization activities, and achieve economies of scale.

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1 The penetration rate of MIS refers to the percentage of the number of MIS out of the total number of surgeries performed in general surgery, OBGYN (excluding abortion), urology, thoracic surgery and orthopedics.

We engage with KOLs, physicians, hospitals and medical associations as a part of our academic promotion and marketing strategy, which enables us to establish a quality end-user base, especially with Grade IIIA hospitals with MIS capabilities. In line with industry practice, we primarily sell products to an extensive network of distributors covering all provinces, municipalities and autonomous regions in China. We generally operate a single-layer distribution system that enables efficient management and control and high visibility over market demand. In addition, we are highly selective in engaging distributors and have developed long-term and stable business relationships with most of our major distributors. With our effective and extensive sales and marketing activities, hospitals in China purchasing our products through distributors increased from over 2,300 in 2017 to over 3,400 in 2019, among which Grade IIIA hospitals increased from approximately 770 to over 1,000. During the same period, our revenue derived from domestic distributors increased from RMB213.8 million in 2017 to RMB307.9 million in 2018, and further to RMB450.9 million in 2019 at a CAGR of 45.2%.

We have solid manufacturing capabilities supported by an experienced production team, automated manufacturing processes and a cost-effective supply chain. We completed the construction of two new manufacturing facilities in the first half of 2019, bringing the total GFA of our manufacturing facilities to 28,699 square meters. In addition, we also have unused land at our headquarters, giving us the flexibility to continue to scale up our production capacity as we grow our business and expand our product portfolio.

Our business grew rapidly during the Track Record Period. Our revenue increased from RMB247.5 million in 2017 to RMB353.7 million in 2018, and further to RMB503.5 million in 2019 at a CAGR of 42.6%. Our gross profit increased from RMB199.7 million in 2017 to RMB289.3 million in 2018, and further to RMB423.2 million in 2019 at a CAGR of 45.6%. Our gross profit margin increased from 80.7% in 2017 to 81.8% in 2018 and further to 84.1% in 2019.

COMPETITIVE STRENGTHS

We believe that the following competitive strengths have contributed to our success and differentiate us from our competitors, and will continue to drive our success:

The largest domestic MISIA platform in the large and fast-growing MISIA market in China

We are the largest domestic MISIA platform in China. We ranked first among all domestic players and fourth among all players (including international and domestic players) in China's RMB18.5 billion MISIA market in 2019 by sales revenue, with a 2.7% market share, according to CIC. We have strategically designed our platform to cover major minimally invasive surgeries with a comprehensive product portfolio. See "— Comprehensive and high quality product portfolio." We also ranked first in multiple sub-segments of China's MISIA market by 2019 sales volume, according to CIC, as demonstrated in the table below:

	2019 Sub-segment size		Our market share of the sub-segment	Our ranking in the sub-segment	Largest competitor in the sub-segment	
Product	Sales revenue	Sales volume			Type of brand	Market ranking and share
	(RMB million)	*(million)*		*(by sales volume)*		
Disposable trocars	1,776.5	18.4	19.1%	No. 1	International	No. 2 (6.5%)
Polymer ligation clips	1,033.3	26.7	27.7%	No. 1	International	No. 2 (25.5%)
Class III disposable electrocoagulation forceps	64.7	0.4	75.5%	No. 1	International	No. 2 (10.8%)
Reusable trocars and forceps[1]	502.5	1.5	14.8%	No. 1	International	No. 2 (11.6%)

(1) Includes reusable veress needles and uterine manipulators, which are generally used together with reusable trocars and forceps, and have and are expected to account for only a small portion of the reusable trocars and forceps market by sales volume.

MIS remain significantly under-penetrated in China. According to CIC, in 2019, the number of MIS performed per million people and the penetration rate of MIS in China were 8,514 and 38.1%, respectively, as compared to 16,877 and 80.1% in the U.S., respectively. CIC expects that the number of MIS to be performed per million people and the penetration rate of MIS in China will grow to 18,242 and 49.0% by 2024, respectively. As a result, China's MISIA market is expected to experience tremendous growth from RMB18.5 billion in 2019 to RMB40.8 billion in 2024 at a CAGR of 17.2%. Four surgical specialities (i.e. OBGYN, general surgery, urology and thoracic surgery) in aggregate accounted for 90.0% and 89.3% of the MISIA market by 2019 MIS volume and sales revenue contribution, respectively. These

percentages are expected to reach 92.0% and 90.5% in 2024, respectively. As the largest domestic MISIA platform focusing on these four surgical specialties, we believe we are well positioned to grow with the large and fast-growing MISIA market.

In addition, the following industry trends are expected to further drive the growth and shape the competitive landscape of China's MISIA market. We believe we are able to leverage our leading position to further gain market share from our competitors, including international brands:

- *Increasing usage of disposable products*. According to CIC, compared to reusable products, disposable products reduce infections risk for patients and sterilization burden on hospitals. CIC expects that by 2024, the number of MIS using disposable trocars and disposable electrocoagulation forceps will triple and quadruple, respectively. Disposable product sales accounted for 86.2% of our revenue in 2019, and we expect to continue to benefit from increasing demand for these products.

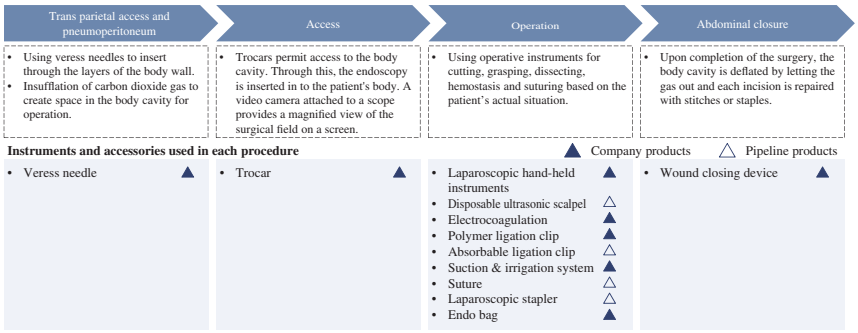
- *Growing acceptance of domestic products*. According to CIC, more domestic players have developed high quality and cost effective MISIA and have become more competitive against imported products in China's hospitals, including the Grade IIIA hospitals that have been historically dominated by international brands. CIC expects that, in terms of sales volume, 89.3%, 75.2% and 65.2% of disposable trocars, polymer ligation clips and disposable electrocoagulation forceps to be sold in China will be supplied by domestic players in 2024, up from 87.6%, 62.5% and 62.4% in 2019, respectively. Our high product quality, comprehensive product portfolio, effective academic promotion and extensive network of distributors, and competitive pricing have helped us gain over 70% penetration in Grade IIIA hospitals in China with MIS capabilities. We will continue to leverage these advantages to effectively compete against international players in top-tier hospitals and expand to lower-tier hospitals that are largely untapped by imported products. We also expect to benefit from favorable PRC policies that encourage the development and purchase of domestically-produced medical devices and price control of pharmaceutical products.

- *Market consolidation.* According to CIC, China's MISIA market has been undergoing consolidation. In 2019, the aggregate market share of the top 10 players reached 72.2%. As the best-selling domestic MISIA player by 2019 sales revenue with a comprehensive product portfolio, large manufacturing scale and extensive network of distributors, we believe we are in a strong position to be a market consolidator and capture increasing market share.

Comprehensive and high quality product portfolio

We have a comprehensive product portfolio covering major minimally invasive surgeries in order to provide physicians and hospitals with one-stop and tailored surgical solutions. As of the Latest Practicable Date, we registered 41 Class I medical devices, 13 Class II medical

devices and eight Class III medical devices in China. We have also developed a robust product pipeline to achieve a more extensive MIS product offering, see "— Our Product Portfolio — Product Pipeline." The following chart illustrates our current products and pipeline products.



We believe our comprehensive and solution-oriented product portfolio can improve surgical efficiency and clinical outcomes for patients. Our broad product mix also helps us build brand loyalty with physicians and hospitals, realize synergies among our R&D, manufacturing and commercialization activities, and achieve economies of scale. Such a comprehensive product portfolio also differentiates us from major domestic competitors that only specialize in limited product categories. As illustrated in the following chart, we have the broadest product portfolio among the top five domestic players in China's MISIA market, according to CIC.

MISIA Product Line Layout Comparison Among Top Five Domestic Players By Sales Revenue, 2019

Ranking	Company[1]	Products[2]						
		Disposable trocar	Polymer ligation clip	Disposable electrocoagulation forceps	Reusable trocars and forceps	Disposable ultrasonic scalpels	Absorbable ligation clips	Laparoscopic staplers
1	Our Group	▲	▲	▲	▲	△	△	△
2	Company T	▲						▲
3	Company N			△		▲		
4	Company J						▲	
5	Company M	△		△		▲		▲

Note: ▲ Current products △ Pipeline products

(1) Company T is an A-share listed company that primarily engages in development, manufacturing and sales of medical devices with a focus on staplers. Company N is a China-based private company that primarily engages in manufacturing and sales of disposable ultrasonic scalpels and other medical devices. Company J is a China-based private company that primarily engages in development, manufacturing and sales of absorbable medical consumables for MIS and medical skincare products. Company M is a China-based private company that primarily engages in development, manufacturing and sales of medical devices and surgical equipment.

(2) Represent all of the MISIA product types covered by the top five domestic players, including current products and pipeline products based on publicly available information.

Source: CIC Report

According to CIC, we are the best-selling domestic MISIA player in China by sales revenue in 2019, including in Grade IIIA hospitals with MIS capabilities, which attests to our product quality as such hospitals generally set more stringent quality standards. In 2019, our products were ultimately sold to over 3,400 hospitals in China, including over 1,000 Grade IIIA hospitals that accounted for over 70% of the Grade IIIA hospitals with MIS capabilities. As of the Latest Practicable Date, we were the only domestic company that sold MISIA to all of the top 20 OBGYN, general surgery, urology and thoracic surgery hospitals in China, according to CIC. As Grade IIIA hospitals are generally large-scale hospitals with greater demand for MISIA and represent the best clinical practices in China, our strong presence in such hospitals is a strong endorsement for the "KANG JI" brand, facilitating our launch of new products to these hospitals and our expansion into lower-tier hospitals.

Demand-oriented product development backed by strong R&D capabilities

Strong product development capabilities are the cornerstone of our leading and expanding product platform. As of the Latest Practicable Date, we registered 41 Class I, 13 Class II and eight Class III medical devices in China. We were the first domestic company to obtain NMPA approval for polymer ligation clips and the first and one of only four domestic companies as of the Latest Practicable Date to obtain registration certificates for Class III disposable electrocoagulation forceps. Our registration was achieved 17 months before the second domestic registration. We have an efficient R&D process to bring products to market quickly, which allows us to enjoy returns on our R&D investment relatively quickly. For example, we developed disposable trocars and Class III disposable electrocoagulation forceps from concept to approved products in only one and a half and three years, respectively, as compared to the three and four year industry average for these two products, respectively, according to CIC.

Our strong R&D capabilities also enabled us to build a robust product pipeline. As of the Latest Practicable Date, we had four product candidates in the registration process, including two pending registration approval, one in clinical trial and one in product registration testing. As of the same date, we also had five candidates in the product design and development stage. We expect to launch three products in 2020, including disposable ultrasonic scalpels. According to CIC, the addressable market size of disposable ultrasonic scalpels in China is expected to be RMB1.8 billion in 2020, 11.8% of which is projected to be supplied by domestic players. In addition, we expect to launch absorbable ligation clips and laparoscopic staplers in 2021 with an estimated addressable market size in China of RMB586.8 million and RMB6.3 billion in that year, respectively, of which 31.0% and 20.8% is projected to be supplied by domestic players, according to CIC.

We believe our R&D achievements are a result of our strong R&D capabilities and clinical demand-oriented approach. We have designed, developed, manufactured and marketed MISIA for over 15 years. Our experienced R&D team has accumulated extensive expertise in material sciences and process improvement, which enables us to develop new products in a cost-effective manner with various options in material and structure design. More importantly, we implement a highly responsive R&D strategy to focus on products with high market

potential and that provide benefits in clinical practice. We have established an extensive network of KOLs, physicians, hospitals and medical associations, which enables us to gain first-hand knowledge of unmet clinical needs, surgeons' preferences and clinical trends through the following platforms:

- *Advisory board*. We have a five-member advisory board consisting of prominent KOLs and researchers in the surgical specialities on which we focus and material sciences to offer advice and recommendations on the direction of our R&D efforts. See "— Experienced, dedicated and visionary senior management team with strong support from our advisory board and Pre-IPO investors";

- *OBGYN research workstation*. We are the first and only medical device company that has set up an OBGYN research workstation with Dr. Lang Jinghe (郎景和), who is one of the most prominent KOLs in OBGYN in China and one of our advisory board members. Six annual academic conferences have been successfully held by this research workstation since its inception in March 2013 with more than 450 total KOL attendees. This workstation serves as an effective platform for us to interact with medical practitioners to discuss pain points in MIS, product innovation and industrialization of research findings; and

- *Medical conferences*. During the Track Record Period, we held or participated in over 50 medical conferences for OBGYN, general surgery, urology and thoracic surgery physicians, of which many of attendees were prominent KOLs. During the same period, leveraging our extensive network of distributors and regional KOL network, we have supported our distributors to attend approximately 450 medical conferences. These conferences put us at the forefront of recent developments in the relevant fields and allow us to focus our R&D efforts in accordance with clinical trends.

Extensive network of distributors supported by academic promotion in our targeted surgical specialities

Since our inception in August 2004, we have enjoyed significant success being in a growth industry as MIS is increasingly adopted, advancements in MIS are made and new MISIA are developed. We engage in extensive academic promotion activities with KOLs, physicians, hospitals and medical associations to promote our brand and establish a quality end-user base.

We implement a two-tier academic promotion and marketing strategy. Our in-house sales and marketing team focuses on prominent KOLs and hospitals with a large MIS volume and significant market influence, enabling us to establish direct access to top-tier hospitals instead of simply relying on distributors. As of the Latest Practicable Date, we established relationships with over 90 members from the Gynecology Endoscopy Committee of Chinese Society of OBGYN (中華醫學會婦產科學分會婦科內鏡學組), the Laparoscopy and Endoscopy Committee of Chinese Society of Surgery (中華醫學會外科學分會腹腔鏡與內鏡外科學組), the

Endovascular Urology Committee of Chinese Urological Association (中華醫學會泌尿外科學分會腔內泌尿外科學組), and the Thoracoscopic Surgery Committee of Chinese Society of Thoracic and Cardiovascular Surgery (中華醫學會胸心血管外科學分會胸腔鏡外科學組), which are the most prominent MIS-focused institutions for these four specialities in China, according to CIC. Our academic promotion activities include holding and assisting in MISIA training programs, providing professional advice and assistance in operation preparations, operations and post-operation follow-up, and attending large medical conferences and industry exhibitions, including conferences hosted by the OBGYN, general surgery, urology and thoracic surgery specialties under the Chinese Medical Association.

We also focus on regional KOLs and smaller local hospitals through an extensive network of over 200 distributors as of December 31, 2019, covering all provinces, municipalities and autonomous regions in China. By operating a network of distributors, we are able to expand hospital coverage and increase hospital purchases in a cost-effective manner. Moreover, we generally operate a single-layer distribution system that enables efficient management and control and high visibility over market demand. Benefiting from our strong brand reputation, we have experienced an active interest from distributors to join our network of distributors and are able to be highly selective in engaging distributors.

With our effective academic promotion and marketing strategy and an extensive network of distributors, hospitals in China purchasing our products increased from over 2,300 in 2017 to over 3,400 in 2019, among which Grade IIIA hospitals increased from approximately 770 to over 1,000. During the same period, our revenue derived from domestic distributors increased from RMB213.8 million in 2017 to RMB307.9 million in 2018, and further to RMB450.9 million in 2019 at a CAGR of 45.2%.

Leveraging the established and growing coverage and penetration in hospitals through our sales and marketing efforts, we believe we have built effective sales channels and strong user loyalty for our products, enabling us to cross-sell existing products and rapidly ramp up sales of pipeline products.

Solid and scalable manufacturing capabilities supported by stringent quality control system

We believe our solid and scalable manufacturing capabilities give us a significant competitive edge over other MISIA players. As of the Latest Practicable Date, our manufacturing personnel had approximately four years of experience on average, enabling us to achieve high productivity. In addition, we have continuously enhanced the automation level of our manufacturing facilities, integrating advanced machinery in major steps of our manufacturing process, such as plastic injection, machining, assembly, packaging, labeling, sterilization and quality inspection. This has significantly increased our production volume and productivity while controlling our labor costs. From 2017 to 2019, our total production volume of disposable trocars, polymer ligation clips and disposable electrocoagulation forceps increased by 62.7%, 106.6% and 80.2%, respectively, while total number of production

workers only increased by 28.4%. Furthermore, our major suppliers of raw materials are located in the Yangtze River Delta region, which is close to our headquarters, ensuring timely delivery and lower logistics costs.

We completed two new manufacturing facilities in the first half of 2019, bringing the total GFA of our manufacturing facilities to 28,699 square meters. By the end of 2019, approximately 9,015.3 square meters, or approximately 31% of the total GFA of our manufacturing facilities remain available, which are expected to accommodate our fast-growing production demand in the near future. In addition, we also have unused land at our headquarters, giving us the flexibility to continue to scale up our production capacity as we grow our business and expand our product portfolio.

In addition, we implement a comprehensive quality control system covering all major aspects of our operations, from raw material procurement, product manufacturing, finished products to post-sales services. In 2019, the production volume of our disposable trocars, polymer ligation clips and disposable electrocoagulation forceps was approximately 3.6 million, 7.7 million and 310,000 units, respectively, with a first inspection pass rate of 99.4%, 99.1% and 96.3%, respectively, demonstrating a high quality consistency and reliable manufacturing process. Our quality control system has passed all eight inspections conducted by the NMPA and Zhejiang MPA on site from 2018 to 2019, and has received a series of accreditations in accordance with ISO standards. As of the Latest Practicable Date, we had 12 CE-marked products, covering our major products such as disposable trocars, polymer ligation clips and disposable electrocoagulation forceps. We believe the high quality of our products enabled us to gain market share from imported brands and consolidate our leadership among domestic players.

Experienced, dedicated and visionary senior management team with strong support from our advisory board and Pre-IPO Investors

Mr. Zhong, our executive Director, Chairman of the Board and chief executive officer, founded our Group with Ms. Shentu 16 years ago with a vision to build a leading domestic brand in China's MISIA industry. Their high-level perspective and deep understanding of the MISIA market and clinical demand have spearheaded our business growth. Mr. Zhong and Ms. Shentu are supported by an experienced and dedicated senior management team, including Ms. Frances Fang Chovanec, our chief financial officer; Mr. Cheng Da, our vice general manager of product sales; Mr. Yue Jiqiang, our vice general manager of R&D activities; Mr. Tang Wenpeng, our vice general manager of product manufacturing and quality control of process and products; and Mr. Yin Zixin, our vice general manager and joint company secretary in charge of investor relations, investment and corporate governance matters, bringing complementary skill sets and working seamlessly to implement our business strategies.

In addition, our advisory board comprised of prominent KOLs and researchers has been an invaluable sounding board for our strategic development. The members of the advisory board are: Lang Jinghe, an academician of the Chinese Academy of Engineering (中國工程院院士) and chairman of the Chinese Obstetricians and Gynecologists Association of the Chinese

Medical Doctor Association (中國醫師協會婦產科醫師分會); Du Yanfu (杜燕夫), the former deputy head and chief physician of the general surgery department of Beijing Chaoyang Hospital, Capital Medical University (首都醫科大學附屬北京朝陽醫院); Zheng Minhua (鄭民華), the former vice director of Ruijin Hospital affiliated with Shanghai Jiao Tong University School of Medicine (上海交通大學醫學院附屬瑞金醫院) and current head of its general surgery department; Zhou Liqun (周利群), the president of the Institute of Urology of Peking University (北京大學泌尿外科研究所); and Song Zhenlun (宋振綸), a well-known scientist in material sciences and researcher at Ningbo Institute of Materials Technology & Engineering, the Chinese Academy of Sciences (中國科學院寧波材料技術與工程研究所).

Prior to the Reorganization, our Pre-IPO Investors were affiliates of TPG Capital and LYFE, which are reputable investors in the healthcare sector. They have extensive experience in partnering with medical device companies and an in-depth understanding of market trends. They have provided significant support to our operational management team.

OUR BUSINESS STRATEGY

Our objective is to strengthen our leadership position in China's MISIA market and to achieve strong brand recognition in China and select international markets. In particular, we intend to implement a business strategy with the following components:

Continue to grow product sales by increasing sales and marketing efforts and commercializing new products

We will continue to carry out academic promotion activities to solidify and strengthen our network of KOLs, physicians, hospitals and medical associations, which we believe is crucial to our ability to increase sales of current products and to successfully launch pipeline products. In particular, we will continue to support MIS-focused academic events and medical conferences. We intend to devote more resources to physicians-in-training that we believe will become leading MIS practitioners in the future and expand coverage of lower-tier hospitals and local physicians that are building up capabilities to perform MIS. We also plan to replicate the research workstation in OBGYN to general surgery and urology by collaborating with prominent KOLs, which will enable us to develop a deeper and broader coverage of physicians and hospitals in these fields. Additionally, we plan to build a product display and training center at our headquarters, where we will showcase product samples and offer training sessions to physicians and hospitals for MIS and usage of our products. Through these interactions with physicians, we believe we can help them achieve procedural and clinical proficiency and promote brand awareness and the advantageous features of our products.

In addition, to capture the fast-growing market demand, we strive to strengthen our sales capabilities and enhance management of our distributors. In particular, we plan to establish a sales and marketing center at our headquarters to centralize management of all product commercialization activities, including but not limited to, formulation and execution of commercialization strategy, selection and management of distributors, public tender and bidding and planning academic promotion. For this new center, we plan to recruit and train

additional sales personnel, and procure a customized distributor management software system to better manage our sales activities and extensive network of distributors. Furthermore, we plan to set up regional sales offices in strategically selected first- or second-tier cities in China to timely identify and respond to local market demand, more closely monitor distributor performance and more promptly provide sales support.

We will leverage our established network of distributors to commercialize our pipeline products, including our near-commercial disposable ultrasonic scalpels, absorbable ligation clips and laparoscopic staplers. We plan to first promote these products in Grade IIIA hospitals, the top-tier hospitals where we have a broad network of influential KOLs and physicians as well as extensive distributor coverage. We believe this is the most efficient manner to ramp up sales of new products at the initial launch stage. We also plan to gradually penetrate into lower-tier hospitals, which will enable us to provide one-stop surgical solutions to all levels of hospitals in China and increase our revenue.

Further enhance our R&D capabilities and expand our product pipeline

We believe our success is, and will continue to be, largely attributable to our continuing commitment to research and development. To further enhance our R&D capabilities, we plan to establish a new R&D center at our headquarters. This new center is expected to support technical improvements and upgrades of our current products and manufacturing processes, as well as testing of, modifications to, and trial production of, our near-commercial product candidates. We plan to set up new laboratories and trial production facilities in this new center and recruit additional R&D personnel. In addition, to support the development of our mid- and long-term pipeline products and the future development of innovative products, we also plan to establish additional R&D centers in top-tier cities in China, such as Hangzhou, Beijing and Shenzhen, in order to attract talent, gain direct access to and collaborate with more physicians and hospitals, and be responsive to the latest clinical and industry developments.

According to CIC, multifunctional or biodegradable materials, and smart or miniaturized medical devices have become major R&D foci of the MISIA market in recent years. Among these areas, we have identified and developed high-potential pipeline products that are expected to be fast-to-market leveraging our existing resources. From 2020 to 2021, we plan to launch six new products, including our disposable ultrasonic scalpels which are pending the registration approval, absorbable ligation clips currently in clinical trial and laparoscopic staplers in product design and development. We intend to leverage our accumulated registration experience to ensure the timely launch of disposable ultrasonic scalpels. In addition, we plan to rapidly advance the clinical trials and development for our absorbable ligation clips and laparoscopic staplers and file registration applications for these two candidates by the end of 2020. In addition, we have several product candidates currently in the product design and development stage, which we plan to launch in or after 2022, such as robot-assisted laparoscopic surgical instruments, multi-dimensional rotational laparoscopic surgical instruments and knot-free subcuticular sutures. We aim to advance these candidates to the approval stage rapidly to enjoy a first-mover advantage among domestic players.

In addition, we may strategically collaborate with academic institutions or medical associations on developing new products to broaden our product portfolio. We are also actively exploring opportunities to acquire or in-license advanced technologies to apply to the development of current and future pipeline products.

Expand our production capacity to support future growth

According to CIC, China's MISIA market is large and fast-growing. During the Track Record Period, our revenue increased at a CAGR of 42.6%, outpacing the growth of China's MISIA market, which had a CAGR of 17.1% during the same period. Our production volume increased rapidly in line with our fast-growing business. In 2019, our production facilities operated at utilization rates of 109.5%, 104.0% and 90.9% for disposable trocars, polymer ligation clips and disposable electrocoagulation forceps, respectively. See "Business — Manufacturing — Manufacturing Facilities and Production Capacity" for details. We expect fast-growing demand for our products in the foreseeable future. According to CIC, the sales volume of disposable trocars, polymer ligation clips and disposable electrocoagulation forceps in China are expected to increase at a CAGR of 25.8%, 30.9% and 52.6%, respectively, from 2019 to 2024. According to the same source, the sales volume of disposable ultrasonic scalpels, absorbable ligation clips and laparoscopic staplers in China are expected to increase at a CAGR of 49.9%, 34.2% and 28.4%, respectively, from 2020 to 2024. As the largest domestic MISIA platform in China, we believe we are well-positioned to capture such market demand and plan to expand our production capacity in anticipation of our continued growth.

To ensure that our production capacity is sufficient to meet the growing demand and our business development goals, we plan to expand our production capacity as follows:

- *Expand production capacity of current products*. In order to scale up the production capacity for our current products, we plan to purchase additional plastic injection and ancillary machines, and recruit and expand our production team in line with the increasing demand for our products.

- *Improve automation level of existing production lines*. We plan to further automate our existing production lines by installing more automatic machinery and equipment for assembly, packaging and machining, and procuring a manufacturing execution software system to better manage our supply chain, manufacturing output, inventory and product delivery process.

- *Build up manufacturing capabilities for pipeline products*. In addition to leveraging our existing facilities, we plan to purchase additional assembly, automatic packaging and quality inspection equipment and machinery, as well as specific moulds for new products to be launched in the next few years. We also plan to build new facilities on our premises to accommodate further sales growth. We will provide training to production workers on the operation of new machinery and equipment and on the manufacturing processes of new products, and recruit additional production workers as needed.

Expand our global footprint by increasing product registrations and broadening sales channels overseas

During the Track Record Period, we have exported products primarily to Europe, South America and other Asian countries. Our overseas sales are mainly on an ODM basis, and to a lesser extent, through overseas distributors. Leveraging our overseas regulatory and sales experience, we intend to develop our network of distributors in suitable overseas markets such as the U.S. and the EU, by expanding our overseas business team to formulate and execute our business development strategy, establishing overseas offices and seeking collaboration opportunities with local sales channels.

In addition, to expand our sales and increase our brand recognition in global markets, we plan to register certain of our current products and future products, such as disposable trocars, ligation clips, disposable ultrasonic scalpels and laparoscopic staplers, under our brand in countries and regions with high-volume market demand, such as the U.S. and the EU. We plan to conduct clinical trials if required and will consider to engage local agencies and consultants for clinical trials and registration matters. We believe more product registrations will enable us to prepare for future commercialization in overseas markets. To promote our brand name overseas, we will participate in more prominent international medical conferences and industry exhibitions, such as annual conferences of American College of Surgeons, American Association of Gynecologic Laparoscopists and the Asia-Pacific Association for Gynecologic Endoscopy and Minimally Invasive Therapy and MEDICA trade fair. We plan to leverage our brand name in China and high product quality to build our brand reputation among influential KOLs and major medical associations in MIS areas from the U.S., EU or other markets.

Selectively pursue strategic investments and acquisitions

We plan to actively seek opportunities for strategic acquisitions or investments to grow our business, expand our product portfolio, strengthen our R&D capabilities and market position. The types of opportunities on which we intend to focus include but are not limited to:

- sizeable companies that are expanding and offering products which complement our product portfolio and that we do not currently produce;

- companies with products that can be integrated into our minimally invasive surgical product solutions in the surgical specialties on which we focus, and allow us to leverage our strong sales network to grow the market share of such products more rapidly;

- market-leading manufacturers of MISIA parts and components that can enhance our upstream supply and bargaining power while achieving potential synergies along the value chain; and

- companies with advanced technologies or R&D capabilities that represent significant future growth opportunities, with which we can collaborate on technology and product development, registration and commercialization. We may consider acquisition, in-licensing, or other forms of collaborations.

For the first three types of investments and acquisitions, we plan to primarily consider domestic PRC companies by taking advantage of our in-depth understanding of China's MISIA market, which we believe will enable us to effectively identify suitable targets and execute our investment and acquisition plans. For investments and acquisitions focusing on advanced technologies or strong R&D capabilities, we expect to focus mainly on overseas opportunities in countries and regions such as the United States, Europe and Israel, where more cutting-edge technologies and products related to MISIA are under development, according to CIC. To capture industry opportunities, we plan to allocate approximately 25% of our net proceeds from our Global Offering towards acquisitions or investments. Our Directors confirm that as of the Latest Practicable Date, we had not identified any specific acquisition targets, formed any specific acquisition plans or entered into any agreements with potential targets.

OUR PRODUCT PORTFOLIO

We design, develop, manufacture and sell a comprehensive suite of MISIA that are focused on the surgical specialities of OBGYN, general surgery, urology and thoracic surgery. We offer both disposable and reusable products, and a substantial majority of our revenue during the Track Record Period was derived from disposable products. The following table sets forth a breakdown of our revenue by product type for the periods indicated.

	For the year ended December 31,					
	2017		2018		2019	
	Amount	% of total	Amount	% of total	Amount	% of total
	RMB'000 (except percentages)					
Disposable products						
Disposable trocars	123,760	50.0%	182,515	51.6%	251,398	49.9%
Polymer ligation clips	54,916	22.2	81,832	23.1	141,638	28.1
Disposable electrocoagulation forceps	15,959	6.4	25,207	7.1	32,501	6.5
Other disposable products[(1)]	3,985	1.6	6,489	1.8	8,213	1.6
Sub-total	*198,620*	*80.2*	*296,043*	*83.7*	*433,750*	*86.2*
Reusable products[(2)]	48,886	19.8	57,627	16.3	69,717	13.8
Total	247,506	100.0%	353,670	100.0%	503,467	100.0%

(1) Other disposable products primarily include disposable suction and irrigation sets and retrieval bags, among others.

(2) Reusable products primarily include reusable trocars, reusable forceps and other reusable products.

Disposable Products

We offer a wide range of disposable instruments and accessories used in MIS, including trocars for access, clips for ligation of vessels and tissues, and handheld surgical instruments for transecting, grasping, cutting or suturing in the surgeries. As of the Latest Practicable Date, we had 16 disposable products, of which seven and nine was registered as Class III medical devices and Class II medical devices, respectively. Medical insurance reimbursement coverage for medical devices in China is determined at the provincial level. See "Regulations — Regulations on Employment and Social Security — National Medical Insurance Program." As of the Latest Practicable Date, 10 of our 16 disposable products, including disposable trocars, polymer ligation clips and certain disposable electrocoagulation forceps, were subject to insurance reimbursement in at least one province in China, and we strategically develop and position our products taking into consideration these insurance reimbursement schemes.

Disposable Trocars

A trocar is percutaneously inserted through the abdominal wall or the chest to create an access port for endoscopes or other surgical instruments during the MIS. We offer a comprehensive range of disposable trocars to accommodate different minimally invasive surgical needs. Our disposable trocars are Class II medical devices registered with Zhejiang MPA. According to CIC, we have the most comprehensive portfolio of disposable trocars among domestic companies. The following table sets forth details of major types of our disposable trocars.

Type	Application	Features and Benefits	Example
Standard disposable laparoscopic trocar (標準一次性腹腔穿刺器)	Laparoscopic surgery	• Threaded design of cannula body to effectively strengthen abdominal wall retention and reduce trocar slip-outs • Durable universal seal to allow for instrument exchanges without the need for reducer • Recessed stopcock valve to mitigate inadvertent opening/closing of valve during surgery • Detachable seal housing	
Disposable laparoscopic balloon trocar (一次性球囊腹腔穿刺器)	Laparoscopic surgery, especially for patients with relatively thin abdominal walls	• Unique combination of fixing knob and fixing balloon to further improve stability and durability of trocar placement, leaving relatively short cannula length exposed inside the peritoneum and requiring less insertion force, instead of relying on strong abdominal wall retention force that a relatively thin abdominal wall may not be able to produce • Smooth cannula to minimize resistance upon placing through abdominal wall and potential injury to internal structures, which is clinically meaningful to patients with relatively thin and fragile abdominal walls Similar designs to the standard disposable laparoscopic trocar: • Durable universal seal • Recessed stopcock valve • Detachable seal housing	

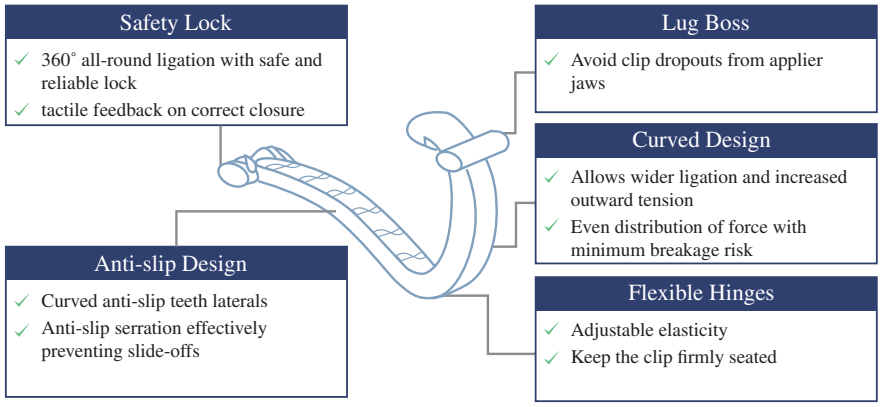
Type	Application	Features and Benefits	Example
Disposable single port (一次性單孔腹腔穿刺器)	Laparoscopic single-site or reduced-port surgery	• Using one device to replace multiple individual trocars, leaving only one hidden scar in the umbilicus and potentially minimizing post-operative wound • Designed to give physicians the ability to use multiple instruments from different angles with maximum maneuverability through a single cannula • Easy to assemble and dissemble	
Disposable thoracoscopic trocar (一次性胸腔穿刺器)	Thoracoscopic surgery	• Blunt-tipped obturator to reduce injury to organs • Threaded cannula design to effectively reduce trocar slip-outs • Detachable seal housing	

Disposable trocars have been our traditional strength for which we have over a decade of development and sales history. In response to the needs of different surgeries, our trocars are available in a wide range of types and specifications. For example, we have laparoscopic trocars and thoracic trocars, and our laparoscopic trocars consist of standard trocars, balloon trocars and single port types. We also offer different obturator tip options, such as protective bladed trocars with an automatic shield to cover the blade upon insertion with strengthened puncturing force and improved safety, ingot-shaped bladed trocars that can divide tissues cleanly and precisely with less injury to tissues, optical trocars that enable the physician to monitor the instrument passage and to visualize and identify tissues, blunt trocars that allow a less traumatic entry, and bladeless trocars that pass through the tissues by stretching rather than cutting them to reduce incision wounds and facilitate subsequent wound healing. In addition, our trocars are available in a broad range of cannula diameters and lengths, which can accommodate various types of MIS, patients (including infants and obese patients), physicians' ergonomic preferences and operation needs. As our disposable trocar family can meet the varying requirements of different surgeries, we can provide hospitals with a comprehensive range of options.

Polymer Ligation Clips

Polymer ligation clips are used to achieve fast occlusion of blood vessels and other tubular tissue structures in surgeries including MIS. Polymer ligation clips are Class III medical devices in China and require NMPA approval. We were the first domestic company to obtain NMPA approval for polymer ligation clips, having obtained such approval in June 2013.

Our polymer ligation clips are made of advanced polymer material with high biocompatibility and stability over time, which are necessary for long-lasting patient safety. In addition, such material is radiolucent and therefore does not interfere with CT, MRI, or X-ray diagnostics. To meet different surgical needs, our polymer ligation clips are available in medium-large, large and extra-large clip sizes. In addition, we offer different clip appliers for physicians to deliver clips in different sizes. The following diagram illustrates major features of our polymer ligation clips.



Disposable Electrocoagulation Forceps

Dissecting, grasping, cutting, suturing and stopping bleeding are major basic surgical procedures. Our disposable electrocoagulation forceps utilize high-frequency electric current to quickly achieve hemostasis at bleeding sites, or dissect or cut tissues using different forceps tips, such as scissors, graspers or blades. We currently have five major types of disposable electrocoagulation forceps, all of which are NMPA-approved Class III medical devices. We were the first company to obtain NMPA approval for Class III disposable electrocoagulation forceps, having obtained such approval in March 2015.

Our disposable electrocoagulation forceps are easy-to-use, light weight and ergonomic comfort for physicians. We provide different handles for physicians to manipulate at will. In addition, we offer an extensive array of forceps tips, such as straight, curved, fenestrated, blunt, long and short, hooked or shovel-shaped ones, which can accommodate different minimally invasive surgical needs. The following diagrams illustrate the types of disposable electrocoagulation forceps we offer.

Disposable Electrocoagulation Grasping Forceps

Disposable Electrocoagulation Scissor

Disposable Electrocoagulation Bipolar Forceps

Disposable Electrocoagulation Dissecting Forceps

Disposable Electrocoagulation Cutter (L Hook)

Other Disposable Products

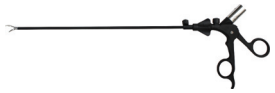
We also offer other types of disposable hand-held instruments used in MIS, primarily including (i) suction and irrigation sets; (ii) disposable retrieval bags for the collection and extraction of tissue specimens; (iii) disposable trocar site closure instruments; and (iv) disposable gynecological surgical instruments, such as balloon uterine stents. All of these products are Class II medical devices. We also have disposable viewable uterus cavity suction tubes.

Reusable Products

We design, develop, manufacture and sell reusable minimally invasive surgical instruments and accessories to offer a cost-saving alternative to hospitals. Most of our reusable products are Class I medical devices and a few are Class II and Class III medical devices. As reusable products are available for repeat usage, hospitals typically bear the costs for these products and such products are not covered by medical insurance reimbursement schemes. Our reusable products can be categorized into the following types:

- *Reusable trocars*. Our reusable trocars are designed for extended use in the operating room. Similar to our portfolio of disposable trocars, we offer different specifications, including smooth or threaded cannulas, a variety of cannula sizes and lengths, and a range of obturator tip designs (e.g. pyramidal, auto-shielded or oblique auto-shielded tips).

- *Reusable forceps.* We supply a variety of reusable forceps, such as clip appliers. Our reusable forceps are available in different specifications, including handle shape, head shape, craft length and thickness, which provide great flexibility to physicians and can be combined into complete kits to fit the needs of different surgeries. The following table sets forth details of the reusable forceps we offer.

Type	Application	Example
Clip applier (施夾器)	Used to place and apply clippers through trocars, featuring multi-angle access and available with different clip sizes	
Laparoscopic scissors and forceps (腹腔鏡手術鉗剪)	Used to dissect, grasp and cut tissues	
Bipolar forceps (雙極電凝鉗)	Used to grasp, mobilize and prevent bleeding, featuring different types of handles and forceps tips	
Needle holder (持針鉗)	Used to hold different needles, featuring different types of handles and jaws	
Retractor (扇形鉗)	Used to pull tissues to ensure surgical vision	

- *Other reusable products.* Other reusable products primarily include veress needles, monopolar grasping forceps and myomectomy surgical instrument sets.

To accommodate different types of MIS, as well as different patients, physicians' preferences and operation needs in multiple surgical specialties, we offer various specifications for each of our major product types, and we sell many of our products in sets with different product configurations. The following table sets forth the sales volume, ex-factory price range and average selling price of disposable trocars, polymer ligation clips and disposable electrocoagulation forceps, which were our major product types with an aggregate revenue contribution of 78.6%, 81.9% and 84.5%, respectively, in 2017, 2018 and 2019, for the periods indicated.

	For the year ended December 31,								
	2017			2018			2019		
	Sales volume	Ex-factory price range	Average selling price	Sales volume	Ex-factory price range	Average selling price	Sales volume	Ex-factory price range	Average selling price
	('000 units)	*(RMB/unit)*		*('000 units)*	*(RMB/unit)*		*('000 units)*	*(RMB/unit)*	
Disposable trocars[1]	890	33-1,480	139	1,285	32-2,000	142	1,698	30-2,260	148
Polymer ligation clips[2]	808	36-960	68	1,215	36-888	67	2,057	34-888	69
Disposable electrocoagulation forceps[3]	168	53-680	95	274	50-680	92	280	54-950	116

(1) Each unit represents one set. We sell disposable trocars in sets, including sets with varying numbers of disposable trocars with the same specification, sets with varying numbers of disposable trocars with different specifications, and sets with disposable trocars and other types of products (e.g. disposable retrieval bags and veress needles). Sets with disposable trocars and other types of product are included in the sales volume count if disposable trocars were the primary revenue contributor in the set. In a few cases, we also sell sets of components of disposable trocars, the sales volume and price range of which are reflected in this product type.

(2) Each unit represents one set. We sell polymer ligation clips in sets that include varying numbers of clips.

(3) Each unit represents one disposable electrocoagulation forceps.

During the Track Record Period, our revenue increased at a CAGR of 42.6%, primarily driven by the increases in sales volumes of all major product types, especially disposable trocars and polymer ligation clips. Our major product types had a relatively wide price range due to the different product specifications and sets with different product configurations we offered. During the Track Record Period, we were able to maintain stable ex-factory prices for each product specification under the same packaging for all major product types. We don't provide volume-based discounts to distributors. Change in average selling price of each major product type was mainly due to changes in the product mix within such product type. See "— Sales and Distribution — Pricing."

Product Pipeline

We focus on research and development of MISIA (i) that have vast unmet market demand; (ii) for which we have R&D capabilities to quickly develop from concept to approved products; and (iii) that can gain market share at a fast ramp up speed. In particular, we plan to continue to focus on products used in the OBGYN, general surgery, urology and thoracic surgery specialties. As of the Latest Practicable Date, we had four product candidates in the registration process, which primarily includes the product registration testing, clinical trial (if required by applicable laws and regulations), registration application filing and approval stages for medical devices in China. For details of registration requirements of medical devices, see "Regulations — Laws and Regulations Relating to Medical Devices — The Classification, Registration and Filing of Medical Devices — The Administrative Measures for the Registration of Medical Devices." We also have five candidates in the product design and development stage. We believe that our pipeline products can further supplement and upgrade our existing product portfolio to support a more extensive range of surgical procedures. The following table sets forth details of our product pipeline.

Expected launch date	Candidate name	Medical device classification	Application	Features and benefits	Current status
2020	Disposable ultrasonic scalpel (超聲切割止血刀一次性刀頭)[1]	Class III	Cutting soft tissues and closing vessels during surgery	1. Transect and coagulate tissues in one step, saving surgery time; 2. Minimal lateral thermal damage for important tissue organs and their peripheries; 3. No current flows through the human body, making it safer and more reliable	Application for NMPA registration filed; pending approval
2020	Ultrasonic scalpel (system) (超聲切割止血刀(主機))[1]	Class III	Electrosurgical hardware to support disposable ultrasonic dissectors		Application for NMPA registration filed; pending approval
2020	4K-ultra resolution Endovision camera system (4K高清內窺鏡攝像系統)	Class II	Endoscopic imaging	1. Enable imaging with high resolution, stable vision and decreased chromatic aberration especially for red color; 2. Unclouded images to accommodate different surgical scenarios	Product registration testing

Expected launch date	Candidate name	Medical device classification	Application	Features and benefits	Current status
2021	Absorbable ligation clip (可吸收結紮夾)[(1)]	Class III	Closure of blood vessels and tubular tissues during MIS	Made from biodegradable materials, can be degraded and absorbed in the human body after use	Clinical trial
2021	Laparoscopic stapler (腹腔鏡吻合器)[(1)]	Class II	Anastomosis of the tubular tissues of the alimentary canal and anastomosis for lateral resection	1. Substitute traditional surgical suturing with faster suturing, fewer side effects and reduced surgical complications; 2. Easy to use without requiring proficient surgical suturing skills	Product design and development
2021	Disposable laparoscopic trocar (with external flap control) (一次性內窺鏡專用外控翻板穿刺器)	Class II	Laparoscopic surgeries to allow surgical instrument to enter into and exit from the human body, and allow inflation into the cavity	Increased control on sealing, which improves the shortcoming of secondary contamination caused by the entrance and exit of the endoscope and makes the specimen retrieval process more smooth	Product design and development
2022	Multi-dimensional rotational laparoscopic surgical instruments (多維度撓性內鏡器械)	Class II/III	Laparoscopic surgeries	Manually-operated devices to achieve multi-dimensional operations similar to robotic-assisted surgical devices	Product design and development
Beyond 2022	Robot-assisted laparoscopic surgical instruments (機器人操作腹腔鏡手術器械)	Class II/III	Robot-assisted laparoscopic surgeries	Surgical instruments utilized by robotic arms, which can realize articulation beyond normal manipulation and multi-dimensional operation	Product design and development

Expected launch date	Candidate name	Medical device classification	Application	Features and benefits	Current status
To be determined	Knot-free subcuticular suture (免打結線)[1]	Class III	MIS	Used for suture in MIS	Product design and development

(1) These product candidates require clinical trials. For laparoscopic staplers, the electric type requires clinical trials.

RESEARCH AND DEVELOPMENT

Research and development efforts are critical to our continued business growth. We actively work on developing new products and upgrading existing products to respond to the needs of physicians and patients, with a focus on enhancing clinical outcomes at lower costs. As of the Latest Practicable Date, we had an internal R&D team consisting of 78 members, many of whom specialize in mechanical engineering, electrical engineering, mechanics or material sciences. Our vice general manager of R&D activities, Mr. Yue Jiqiang, leads our R&D activities with over 10 years of experience in the medical device industry. A majority of our R&D team members have over five years of experience in the medical device or mechanical engineering industries. We also engaged Du Yanfu, former deputy head and chief physician of the general surgery department of Beijing Chaoyang Hospital, Capital Medical University, as our senior R&D consultant, who we believe can bring valuable clinical practice insights to our product design and development process.

Our experienced R&D team has accumulated extensive expertise in material sciences and process improvement, which enables us to develop new products in a cost-effective manner with various options in material and structure design. For example, our know-how on precision plastics injection and precision processing of silicone rubber allows us to improve stability of components made from these two materials, enabling us to develop more shapes and sizes of relatively small product parts. Our know-how on improving corrosion-resistance, hardness and welding engineering of stainless steel provides us with more choices for different metal parts during the design and development stage for reusable products. In addition, we have developed a significant portfolio of intellectual property rights in relation to our technologies and products. See "— Intellectual Property." In 2017, 2018 and 2019, our total research and development expenses amounted to RMB10.5 million, RMB14.9 million and RMB17.4 million, respectively.

R&D Strategy

We implement a clinical demand-oriented and highly responsive R&D strategy. We often seek input from physicians and hospitals on the design and potential uses of new products and solicit feedback from them for our existing products. This is particularly critical for us as medical devices are mechanical in nature and used by physicians in patients' bodies, and

therefore physicians and hospitals possess first-hand knowledge of unmet clinical needs, surgeons' preferences and clinical practice trends in relation to medical devices, including our products. Leveraging on our extensive network of KOLs, physicians, hospitals and medical associations, we have built various interaction channels with a large number of physicians, their affiliated hospitals and medical associations, including:

- *Advisory board*. We have four prominent KOLs from our focused surgical specialties and one reputable researcher in material sciences serving on our advisory board, which provides us with valuable insights on industry and market trends and high-level advice on R&D direction and focus. The following is an introduction of each member of our advisory committee.

Physician Name	Positions Held and Experience
Lang Jinghe (郎景和)	• Academician of the Chinese Academy of Engineering (中國工程院院士) • Honorary chairman (former chairman) of the OBGYN department of Peking Union Medical College Hospital (北京協和醫院) • Chairman of the Chinese Obstetricians and Gynecologists Association of the Chinese Medical Doctor Association • Honorary chairman (former chairman) of the Chinese Society of OBGYN • Over 50 years of experience in the specialty of OBGYN
Du Yanfu (杜燕夫)	• Former deputy head and chief physician of the general surgery department of Beijing Chaoyang Hospital, Capital Medical University (currently serving as our senior R&D consultant) • Member of the Laparoscopy and Endoscopy Committee of Chinese Society of Surgery under Chinese Medical Association • Member of the laparoscopic academic division of colorectal cancer committee under the China Anti-Cancer Association (中國抗癌協會) • Over 23 years of experience in the specialty of general surgery
Zheng Minhua (鄭民華)	• Former vice director of Ruijin Hospital affiliated with Shanghai Jiao Tong University School of Medicine, and current head of its general surgery department • President of the Laparoscopy and Endoscopy Committee of Chinese Society of Surgery under Chinese Medical Association • Over 30 years of experience in the specialty of general surgery

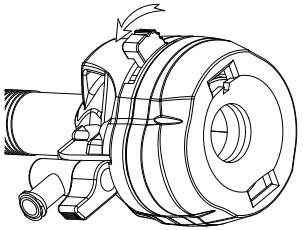
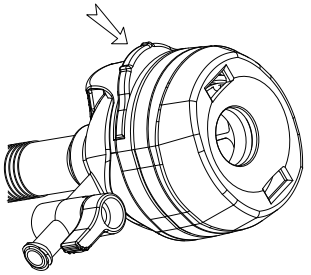
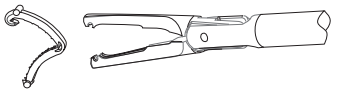
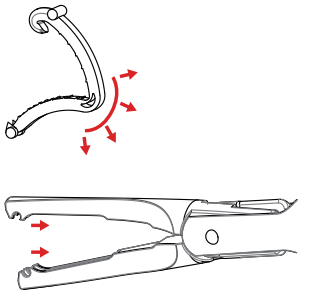
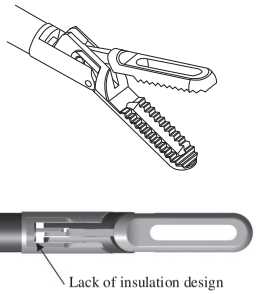
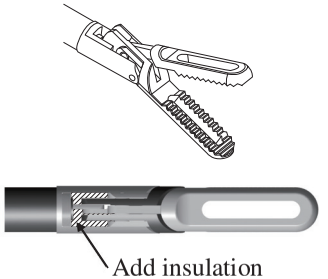
Physician Name	Positions Held and Experience
Zhou Liqun (周利群)	• President of the Institute of Urology of Peking University • Former head of urology surgery division of Peking University First Hospital (北京大學第一醫院) • Chairman of Chinese Urological Doctor Association of the Chinese Medical Doctor Association • Over 25 years of experience in the specialty of urology
Song Zhenlun (宋振綸)	• Doctor, researcher and doctoral supervisor • Researcher and scientist of Ningbo Institute of Materials Technology & Engineering, the Chinese Academy of Sciences • Over 25 years of research experience in material sciences

- *OBGYN research workstation*. In March 2013, we established a research workstation in collaboration with Dr. Lang Jinghe, one of the most prominent KOLs in OBGYN in China. As of the Latest Practicable Date, this workstation was the first and only research workstation set up by Dr. Lang Jinghe with a medical device company in China. Since its establishment, six annual academic conferences have been successfully held with more than 450 total KOL attendees. We believe this workstation serves as an effective platform for us to interact with medical practitioners to discuss pain points in MIS, product innovation and industrialization of research findings.

- *Medical conferences*. During the Track Record Period, we held or participated in over 50 medical conferences for OBGYN, general surgery, urology and thoracic surgery physicians, of which many attendees were prominent KOLs. During the same period, leveraging our extensive network of distributors and regional KOL network, we have supported our distributors to attend approximately 450 medical conferences. These conferences put us at the forefront of recent developments in the relevant fields and allow us to focus our R&D efforts in accordance with clinical trends.

- *Training programs*. Our distributors offer trainings to hospitals, which create opportunities for us to actively communicate with, and collect feedback from, a large number of physicians in Grade II/III hospitals that use our products.

Interactions with KOLs and physicians have enabled us to have a profound understanding of clinical needs and to better position our R&D efforts in innovative products and product upgrades with significant market potential and clinical benefits. The following table highlights a selection of demand-oriented product development cases.

		Clinical Demand		Our Response	
Product	**Focused Area**	**Pain point/unmet needs**	**Illustration**	**Product Improvement**	**Illustration**
Disposable trocar	Detachable seal housing	Disposable trocars on market at the time required two hands to unscrew and remove the seal, while in most procedures, physicians only have one hand available		We improved the design of the disassembly component, which allows a one-hand tap on a bulge (like a button) to flick the seal	
Disposable ligation clips	Clip dropouts	Physicians generally used clip appliers to adjust clips after initial closure in order to release inadvertently encompassed tissues, which in turn caused frequent clip dropouts from applier jaws		We enlarged the curve of our disposable ligation clips to enhance the outward tension, and extended the length of applier-clip interface in applier jaws, therefore, clip appliers can better match the ligation clips with stronger holding force, which in turn reduces the dropout risks	
Class III disposable bipolar forceps	Poles	Lack of insulation between poles, therefore it is easy to lead short-circuit faults after encountering body fluids during the surgery and therefore damage the bipolar forceps		We designed and added a component with enhanced insulation function, which improves product insulation performance	

R&D Approach and Process

We adopt a two-pronged R&D approach that values both in-house R&D and co-development with KOLs, physicians, hospitals and academic institutions.

R&D In-house

We have established and strictly followed an internal protocol to carry out our in-house product design and development pursuant to EN ISO 13485:2016. For each R&D project, we have a dedicated project team that collaborates closely with our business departments responsible for sales and marketing, regulatory affairs, quality control and production. These departments contribute to project development based on their expertise, providing the project team with valuable input and guidance in each major step of product development, summarized as follows:

- *Demand identification*. Our senior management and R&D team members regularly review and discuss feedback from KOLs, physicians and academic institutions to identify potential R&D opportunities to address unmet clinical demand. See "— R&D Strategy."

- *Market analysis*. When an R&D opportunity is identified, we conduct a thorough analysis on its costs and benefits together with our sales and marketing department and regulatory affairs department. Our R&D team focuses on assessing the technical feasibility of the new project, including the type of new expertise, technologies, equipment and raw materials it would require. Our sales and marketing department and regulatory affairs department also does research on market competitors and formulates our sales and marketing strategy to capture market share for potential product candidates.

- *Project proposal and initiation.* After we decide to initiate an R&D project, we prepare a project proposal that typically contain detailed target features, applications and timeline, we also specify the technical requirement, development environment requirement and risk assessment.

- *Product design.* Product design is a critical step in our R&D process as we require a comprehensive design on specifications of the prototype, individual components, manufacturing process and quality control. This step generally takes us one to two years for Class II and Class III medical devices, and may take longer for technically-advanced candidates.

    - *Initial design*. At the initial stage of our product design, we focus on utilizing our experiences and technical know-how to form the basic design and functionalities of the new or updated products in compliance with registration requirements of the NMPA or its competent branches, and if applicable, government authorities in overseas markets.

  - *Design and process verification and improvement*. We understand that medical devices are used in life-critical situations so we are committed to perfecting the design of every product. After the initial prototype is ready, our project team verifies the prototype's properties and functionality. We also conduct trial production of the prototype to verify production process and identify potential quality issues or production issues that may arise during commercial-scale production, as well as to develop quality control measures. Prototype and manufacturing process designs are revisited and modified as necessary to resolve the remaining issues and achieve an optimal design.

- *Product registration testing*. After confirming that the product design and prototype comply with our internal technical specifications and quality control requirements, our project team and our regulatory affairs department engage qualified third parties to conduct product registration testing for the product candidate. We also conduct additional non-clinical studies to assess its physical, chemical and biological properties, and stimulate surgical procedures to further check the product design. This step generally takes us two to six months.

- *Clinical trials (if required)*. After the prototype and manufacturing process have been verified, we conduct clinical trials for certain Class II and Class III product candidates if required by applicable laws and regulations. See "Regulations — Laws and Regulations Relating to Medical Devices — The Classification, Registration and Filing of Medical Devices — The Administrative Measures for the Registration of Medical Devices." We generally engage CROs to manage, conduct and support our clinical trials. With CROs' assistance, we select qualified hospitals to carry out clinical trials. After discussions with the participating hospitals on the purpose and requirements of the clinical trial, we lead the preparation of a clinical trial protocol 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. Such protocol, together with a pack of documentation, such as the report forms to be completed by investigators supervising the clinical trial, are submitted to the ethics committee of each participating hospital for review. During the clinical trial, our dedicated R&D project team and CROs monitor the use of our product candidates in the approved clinical trial protocol and the patients' reactions to the products during and subsequent to the trial procedures. CROs assist us to organize relevant clinical data and prepare the formal reports of the clinical trial. This step generally takes us one to two years.

- *Regulatory approval*. Before we commercialize new products, we prepare formal applications to be submitted to the NMPA, Zhejiang MPA to seek approval for the commercialization of our products. This step generally takes three months for Class II medical devices and six months for Class III medical devices from submission of application materials. For Class I medical devices, the whole product development from demand identification to regulatory approval generally takes us approximately six months.

R&D Collaboration

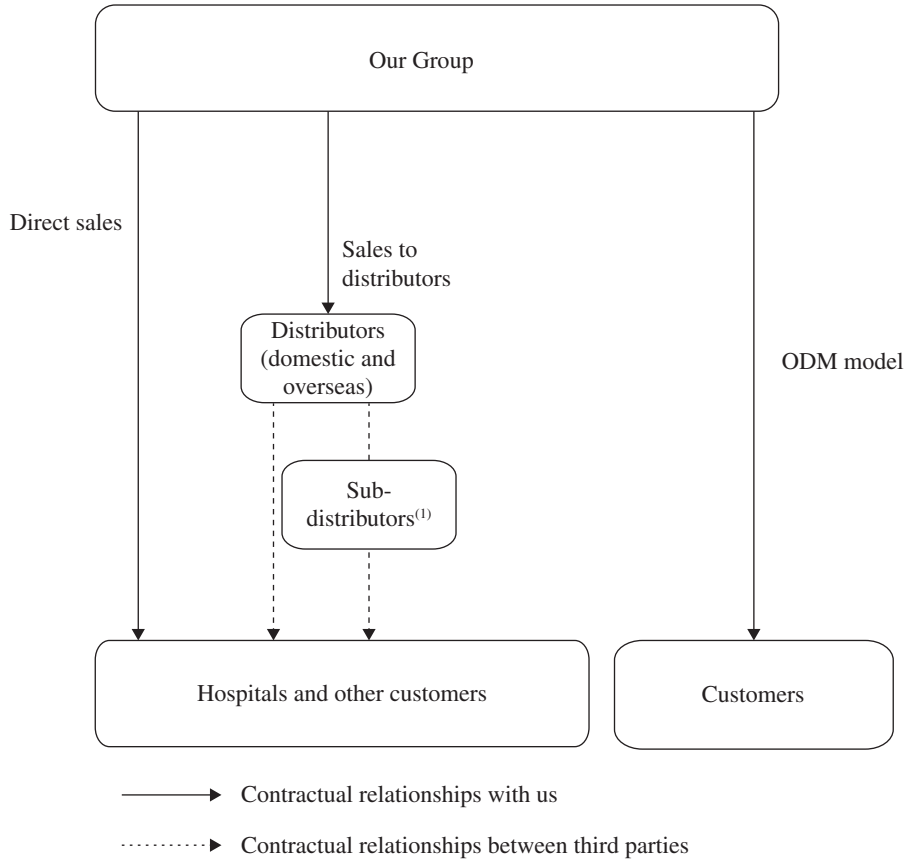
We engage in joint R&D activities with KOLs, physicians, hospitals and academic institutions. We have entered into several collaborative development agreements with selected physicians. Under such agreements, we are primarily responsible for major R&D activities at our own cost and the collaborating physicians are responsible for providing research advice and technical instructions to us. We are entitled to exclusive ownership of all of the technologies developed from such collaborations, including patented and unpatented technologies, and we have the exclusive right to apply for patents. If we utilize the relevant patents into our products, the collaborating physician is entitled to a small proportion of the total sales revenue of the patented products until the termination dates of relevant agreements, which typically are the expiration dates of relevant patents. If we generate economic interests from the relevant unpatented technologies, we have the discretion to reward the counterparty physicians if they made significant contributions.

During the Track Record Period and up to the Latest Practicable Date, we also entered into in-licencing agreements with a technology development and consulting company and a hospital, both of which are Independent Third Parties. Under such agreements, we were granted world-wide and exclusive licences to utilize specified patents owned by such Independent Third Parties to manufacture and commercialize two products. The patent owners are entitled to receive a royalty from us, which is generally a small proportion of the total sales revenue of the products until the termination dates of these in-licensing agreements, which typically are the expiration dates of relevant patents. The revenue generated by the relevant products accounted for less than 1.0% of our total revenue each year during the Track Record Period.

SALES AND DISTRIBUTION

Sales Model

We have an extensive sales network primarily consisting of sales to domestic distributors. To a lesser extent, we also sell to hospitals and other customers (primarily including trading companies that sell our products to overseas ODM customers) in China, as well as to overseas distributors and ODM customers. The following chart illustrates the structure of our sales model.



(1) We primarily operate a single-layer distribution system. From time to time, some of our distributors may engage sub-distributors within their respective sales region. We believe sales made to end customers through sub-distributors were insignificant compared to those made to end customers directly by distributors.

Through our sales network, our products were ultimately sold to over 3,400 hospitals during 2019, including over 1,000 Grade IIIA hospitals, covering all provinces, municipalities and autonomous regions in China and 42 other countries. The following table sets forth our revenue by geographic market and sales channel for the periods indicated.

	For the year ended December 31,					
	2017		2018		2019	
	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue
	RMB'000 (except percentages)					
Domestic						
Distributors	213,828	86.4%	307,949	87.1%	450,908	89.6%
Hospitals and other customers	7,036	2.8	12,236	3.5	16,736	3.3
Sub-total	*220,864*	*89.2*	*320,185*	*90.6*	*467,644*	*92.9*
Overseas[(1)]						
ODM customers	24,281	9.8	30,844	8.7	33,074	6.6
Distributors	2,361	1.0	2,641	0.7	2,749	0.5
Sub-total	*26,642*	*10.8*	*33,485*	*9.4*	*35,823*	*7.1*
Total	247,506	100.0%	353,670	100.0%	503,467	100.0%

(1) During the Track Record Period, our overseas sales were primarily made to Brazil, the United Kingdom, France, Turkey, Mexico, Austria and Spain.

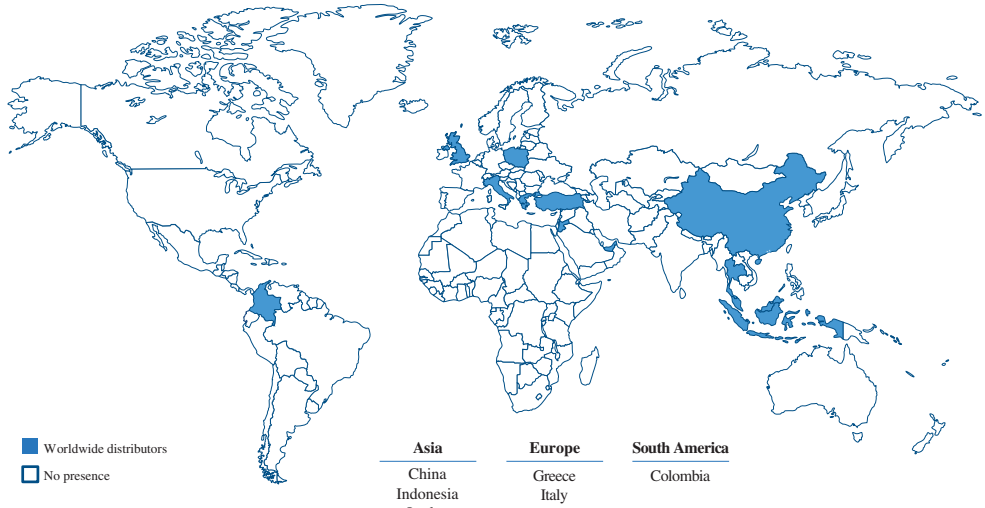
Sales to Distributors

We primarily sell our products through a network of distributors, which is in line with industry practice, according to CIC. As of December 31, 2017, 2018 and 2019, we had 210, 220 and 218 distributors, respectively, which contributed to 87.4%, 87.8% and 90.1% of our total revenue in 2017, 2018 and 2019, respectively. During the Track Record Period, to the best of our Directors' knowledge, all of our distributors were Independent Third Parties, and none were controlled by our current or former employees.

We generally operate a single-layer distribution system, where most of our distributors on-sell our products directly to end customers, such as hospitals. We believe that such a distribution model enables us to leverage the distributors' customer bases while controlling costs. We further believe that our single-layer distribution system, compared to a multi-layer distribution system, allows us to more efficiently manage and control our network of distributors and have greater visibility over market demand.

We have established a nationwide network of over 200 distributors as of December 31, 2019, covering all provinces, municipalities and autonomous regions in China. The majority of these distributors are relatively small- to medium-scale Independent Third Party distributors engaged in the medical device distribution business. Among our top 40 distributors by revenue contribution each year during the Track Record Period, the majority have a registered capital ranging from RMB1 million to RMB10 million and an operational history of more than six years. We seek to establish long-term relationships with these distributors, as they are more likely to devote all or most of their time and resources to selling our products, and therefore have strong reliance on our products. In addition, all of our domestic distributors are required to obtain licenses or record-filing proof, such as the Business Operation License of Medical Devices (醫療器械經營許可證), to sell Class II and Class III medical device products to hospitals and other end customers in the PRC, which requires them to satisfy certain conditions to engage in the operation of a medical device business, such as maintaining suitable business premises and storage conditions, as well as a quality control department or personnel.

The map below sets forth the coverage of our distributors as of the Latest Practicable Date (for illustration purpose only).



The following table sets forth the change in numbers of our distributors that purchased our products in the periods indicated.

	For the year ended December 31,		
	2017	2018	2019
Domestic			
Domestic distributors of previous year	215	202	211
Increase in domestic distributors[(1)]	75	84	69
Decrease in domestic distributors[(2)]	88	75	74
Domestic distributors of current year	202	211	206
Overseas			
Overseas distributors of previous year	4	8	9
Increase in overseas distributors[(1)]	4	1	3
Decrease in overseas distributors[(2)]	–	–	–
Overseas distributors of current year	8	9	12

(1) The increase in distributors represents those distributors that made purchases from us in the year indicated but did not purchase from us in the year immediately preceding the year indicated.

(2) The decrease in distributors represents those distributors that made purchases from us in the year immediately preceding the year indicated but did not purchase from us in the year indicated.

During the Track Record Period, the new distributors we had each year were in part due to the growth of our business and expansion of our sales network. Of the 79, 85 and 72 increase in the number of distributors in 2017, 2018 and 2019, respectively, 79, 83 and 69 were new distributors that had not purchased from us since December 31, 2015. Moreover, fluctuations in the number of distributors during the Track Record Period were also in relation to (i) changes in distributors that make infrequent or low volume purchases from us on an *ad hoc* basis; and (ii) consolidation among distributors. During the Track Record Period, we did not actively terminate business relationships with any distributors.

During the Track Record Period, a majority of our revenue was attributed to a stable group of major distributors. Generally, these major distributors ranked top 40 among our domestic distributors by revenue contribution each year during the Track Record Period. In 2017, 2018 and 2019, our revenue generated from sales to our top 40 domestic distributors amounted to RMB190.5 million, RMB275.8 million and RMB392.8 million, respectively, accounting for 89.1%, 89.6% and 87.1%, respectively, of our total revenue from domestic distributors for the same year. For the same years, our revenue generated from sales to our top 40 domestic distributors accounted for 77.0%, 78.0% and 78.0%, respectively, of our total revenue for the same year. Of our top 40 domestic distributors in each year during the Track

Record Period, 36 were our distributors in all three years. Our revenue generated from these 36 distributors amounted to RMB159.0 million, RMB247.7 million and RMB318.1 million in 2017, 2018 and 2019, respectively, accounting for 64.3%, 70.0% and 63.2%, respectively, of our total revenue for the same year. In addition, the number of our overseas distributors increased from four to eight in 2017 and from eight to 12 during the Track Record Period, as we expanded our overseas sales network.

Selection of Distributors

Benefiting from our strong brand reputation, we have experienced an active interest from distributors to join our network of distributors. As a result, we are highly selective in the distributors we engage. Our sales and marketing department is responsible for selecting new distributors. Potential candidates are required to apply to our sales and marketing department. Upon receiving the applications, our marketing personnel will arrange interviews to review their background, qualifications and licenses, as well as evaluate their track record and capabilities. For distributors that will be responsible for organizing marketing activities for our brand, we place more emphasis on their operational track record, marketing capabilities, relationships with hospitals in their geographic region and current market share, among other factors, to select the most suitable distributor in a specific region. For other distributors, we mainly focus on their overall operational capabilities, capital resources, hospital network and capacity to fulfill contractual obligations. If the potential distributors pass our initial evaluation, we will begin to negotiate commercial terms of the distribution agreement. Before authorizing distributors to commence distribution of our products, we require them to attend mandatory training to understand our products and policies.

Management of Distributors

The goals of our management of distributors are to ensure a healthy and orderly market for our products, to maintain high visibility of and accurately understand the sales performance of our distributors and demand for our products, and to build and protect our product and brand reputation. To that end, we primarily focus on prevention of cannibalization of sales among our distributors and inventory management and control. We primarily rely on distribution agreements, policies and measures we have in place to manage and control our distributors. Most of our major distributors are contractually prohibited from selling competing MISIA products. These distributors have a strong reliance on our products, giving us significant bargaining power and a higher degree of control over them. Through the comprehensive measures that we adopt to manage distributors, as well as strict penalties we impose on non-complying distributors, such as monetary penalties or termination of relevant distribution agreements, we are able to monitor the compliance with terms of distribution agreements by distributors.

Prevention of Cannibalization

In order to avoid cannibalization of sales among our distributors, we adopt the following measures:

- *Geographic restrictions*. We authorize distributors to sell our products only within their designated geographic regions. They are not allowed to sell our products in other regions. We issue authorization letters to distributors that do not enter into distribution agreements and designate specific hospitals and product types to them for a specific period of time in such authorization letters.

- *Product type restrictions*. We specify the types of products that distributors are authorized to sell in our distribution agreements and authorization letters. We may limit the types of products sold by certain distributors to manage potential cannibalization and competition among distributors. Although we may have more than one distributor per hospital, we do not allow authorization of more than one distributor for each type of product for each hospital, in order to manage potential cannibalization and competition among distributors.

- *End customer monitoring*. Our sales and marketing department visits hospitals where our products are sold to understand which distributors they work with and monitor any potential instances of non-compliance with our distribution agreements or policies. We required our major distributors to report to us the usage of our products by end customers each year during the Track Record Period, and obtained data of sales to end customers from our major distributors for the Track Record Period. Our sales and marketing personnel keeps in close touch with hospitals and collects and reviews our product sales data and usage information to the extent possible. We also communicate closely with physicians and hospitals that use our products through our academic promotion activities, during our day-to-day operations and through medical conferences and industry exhibitions that we attend in order to monitor the actual usage of our products and to collect feedback on our products and information on potential cannibalization. Every year, we generally host five to eight medical conferences and attend, directly or by supporting distributors, more than 100 other medical conferences and industry exhibitions, during which we communicate with physicians and hospitals that use our products.

- *Traceability.* We assign a unique code to each distributor and print such distributor's code on our products before delivering the products to the corresponding distributor, which allows us to trace back to the relevant distributor when inspecting our products sold, including products that are sold to end customers through sub-distributors.

- *Mutual supervision policy.* We encourage our distributors to supervise each other and report to us unauthorized sales by other distributors and sub-distributors. After our independent verification of such reported behavior, we may penalize the relevant distributors according to the distribution agreements and our internal policies, such as monetary penalties or termination of relevant distribution agreements.

- *Accountability*. Distributors that violate our distribution agreements or policies will be subject to a fine equal to the transaction amount plus RMB30,000. We have the right to terminate the agreement with distributors because of their cannibalization activities.

Inventory Management and Control

Our distributors generally place orders with us based on actual demand from end customers. Many of them, especially small- to medium-scale distributors, do not have sizeable warehouses and storage capacity to accommodate large inventories and therefore maintain a low inventory level of one to two weeks to control costs. As such, our distributors place purchase orders rather frequently, and some of them request that we ship our products directly to end customers. In addition, by implementing the following policies and measures, we believe we are able to ensure that our sales to distributors reflect genuine market demand for our products and prevent channel-stuffing of our products:

- *Efficient logistics.* As many of our distributors place orders based on actual demand, we typically receive frequent orders, sometimes over a hundred orders a day from the same distributor, which generally reflect their order backlog for next one to two weeks. To accommodate the immediate demand of distributors, we endeavor to ship products within the same day of receiving the purchase orders, which will usually reach the designated location in one to three days.

- *Short credit term.* We generally grant distributors a short credit term of one month. We typically only grant longer credit terms to major distributors on a case-by-case basis based on our assessment. We believe that the short credit term requires our distributors to effectively manage their cash flow and ensure that orders are made based on actual demand. This is particularly effective for our small- to medium-scale distributors, which generally have more limited capital resources. Our trade receivable turnover days was 44 days, 41 days and 45 days in 2017, 2018 and 2019, respectively. For a detailed discussion of our trade receivables, see "Financial Information — Description of Certain Combined Statements of Financial Position Items — Trade Receivables."

- *Close monitoring*. We collect information about our distributors' sales performance periodically. We also closely track our receivables settlement with distributors. Leveraging our long-term business relationships with our distributors, we believe we have a good understanding of their sales network, the demand and needs of hospitals they cover and their procurement practices. If a distributor makes any

noticeably large orders or any orders that are inconsistent with its normal practice, we will check with this distributor and conduct further inspections as we deem necessary. During the Track Record Period, we did not notice any unusually large orders that were inconsistent with distributors' past orders.

- *Frequent communications*. We communicate frequently with our distributors to understand the feedback from end customers and anticipate their needs. In our day-to-day management, we connect directly with the distributors' sales personnel and with different sales and marketing teams of larger distributors, in order to closely communicate with them and monitor their sales. We require distributors to provide their sales volume to hospitals and make periodic assessments of all collected data to assess actual market demand for our products and distributors' performance. With this information, we actively adjust our sales strategy and geographic or product coverage of each distributor based on market demand and each distributor's capacity. In addition, we set minimum purchase amounts for certain distributors, which serve as annual sales goals instead of strict purchase requirements.

- *Strict product return policy*. We maintain a buyer-seller relationship with our distributors, and recognize revenue from sales to our distributors when control of goods is transferred to them. We do not allow distributors to return any unsold goods unless there are quality defects, which we believe is in line with industry practice. During the Track Record Period, our products returned were primarily due to changes in certain distributor's purchase orders. For each year during the Track Record Period, our returned goods accounted for less than 1% of our total revenue for the same year.

- *Uniform pricing policy.* We generally sell our products at uniform ex-factory prices to our distributors in China. We do not provide volume-based discounts to distributors. As a result, this policy does not give distributors incentive to purchase unnecessary inventory to reduce their cost per unit.

- *Distributor independence*. During the Track Record Period, to the best of our Directors' knowledge, all of our distributors were Independent Third Parties, and none were controlled by our current or former employees. During the Track Record Period, we did not provide any material advance or financial assistance to our distributors. To the knowledge of our Company, (i) there is no other relationship or arrangement (family, business, financing, guarantee or otherwise in the past or present) between (a) each of our distributors and sub-distributors during the Track Record Period, and (b) our Group, our Directors, shareholders and senior management and their respective associates as of the Latest Practicable Date; and (ii) our Group, our Directors, 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 products during the Track Record Period and up to the Latest Practicable Date.

- *Limited sub-distributors.* As a general matter, our distributors are disincentivized from engaging sub-distributors as it would lower their margins. However, from time to time, some of our distributors may engage sub-distributors, primarily because these sub-distributors have access to certain hospitals that our distributors do not cover. Historically, we did not require distributors to seek our approval to engage sub-distributors, and we did not have contractual relationships with sub-distributors. However, sub-distributors need to obtain our authorization before distributing our products. Under our updated distribution agreements, our distributors are required to obtain a written consent from us prior to engaging sub-distributors and ensure that sub-distributors are in compliance with our policies and requirements. See "— Domestic Distributors" for details.

Anti-corruption and Anti-bribery Measures

Distributors are subject to an anti-bribery obligation pursuant to the distribution agreement, under which distributors (i) are prohibited from offering, paying or promising money or anything of value to our employees, agents or their respective relatives and friends; (ii) are required to comply with and require their employees to comply with applicable anti-bribery laws and regulations; (iii) are required to provide anti-corruption and anti-bribery training to all employees, sub-distributors, agents, counsels and other contractors at least once per year; and (iv) are required to conduct annual inspection on the compliance status of their employees, sub-distributors, agents, counsels and other contractors.

Additionally, as advised by our PRC Legal Advisors, 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 and sub-distributors, which came into effect in March 2014 and 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 knowledge of the Company, none of our employees, distributors and sub-distributors was or 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.

Management of Sub-distributors

During the Track Record Period, some of our distributors engage sub-distributors from time to time within their respective sales region. We believe sales made to end customers through sub-distributors were insignificant compared to those made to end customers directly by distributors. Based on the information reported by 31 domestic distributors, which collectively contributed 78.8%, 82.3% and 77.1% of our revenue generated from all distributors in each year during the Track Record Period, the aggregate sales revenue

attributable to their sub-distributors represented less than 1.0% of their revenue contribution to us in each year during the Track Record Period. The revenue generated from each of our distributors other than the aforementioned 31 domestic distributors during the Track Record Period represented less than 1.0% of our total revenue during the same period. To ensure that sub-distributors engaged by our distributors comply with the terms set out in our distribution agreements with distributors, we have adopted the following measures:

- under our updated framework distribution agreements, we require all of our distributors to directly supervise their respective sub-distributors, and distributors are liable to us for any misconduct of their sub-distributors. In practice, we communicate with distributors regularly to determine if there are unauthorized sales by their sub-distributors. We also conduct site visits at and interviews with hospitals that purchase our products from our distributors or their sub-distributors;

- under our updated framework distribution agreements, we have the right to penalize distributors or terminate the relevant distribution agreements should any distributors or their sub-distributors violate our distribution agreements, our policies or any laws and regulations; and

- according to our current distributor management policies, upon review of a written application from a distributor, our sales and marketing department may approve and designate a geographic region for its sub-distributors where they can sell our products to hospitals and other end customers. According to such policies, we are required to keep records of such designations in our system.

Domestic Distributors

During the Track Record Period, we entered into standard one-year distribution agreements or purchase orders for each transaction with distributors. Historically, we did not enter into distribution agreements with certain of our distributors. In 2017, 2018 and 2019, 186, 199 and 180 of our distributors, respectively, did not enter into distribution agreements with us. Our revenue generated from these distributors amounted to RMB51.1 million, RMB76.0 million and RMB79.7 million in 2017, 2018 and 2019, respectively, accounting for 20.6%, 21.5% and 15.8% of our total revenue for the same periods, respectively. Among these distributors, no distributor contributed over 1.0% of the Company's total revenue in any year during the Track Record Period. We generally manage distributors that do not enter into distribution agreements with us under the same distributor management measures and policies. We have full discretion to discontinue selling products to them if we notice any misconduct or unauthorized sales by such distributors, or take legal action if necessary. For core distributors, we regularly review their sales performance such as sales revenue, coverage of designated areas and hospital penetration, and adjust their designated geographic and product type coverage as well as our marketing efforts accordingly. For details of our distributors management measures, see "— Management of Distributors." Starting from the first quarter of 2020, to further enhance our ability in managing distributors, we began to enter into an updated framework distribution agreement with new distributors and with existing distributors when

their distribution agreement is up for renewal. Under our current policies, we require all distributors to enter into standard distribution agreements, except for those that make infrequent purchases on an *ad hoc* basis or have annual purchase amounts of less than RMB0.5 million. As of the Latest Practicable Date, we have entered into new distribution agreements with distributors representing over 70% of our 2019 revenue, which further stipulates that our distributors are required to comply with applicable laws and regulations in relation to centralized procurement as well as anti-bribery and that our distributors should bear all losses and liabilities arising from any channel stuffing. Major terms of our new standard domestic distribution agreements include:

- *Term and contract extension.* Our distribution agreements generally have a term of one year. Distributors can submit a written application to extend the term at least three months prior to the expiration of the agreement.

- *Geographic restrictions and exclusivity.* We grant our distributors exclusive rights to sell our designated products within designated geographic areas. Our distributors are required to abide by geographic restrictions stipulated in the distribution agreement. In general, we do not engage multiple distributors in the same geographic region.

- *Minimum purchase amounts.* We set annual minimum purchase amounts for some of our distributors, the majority of which range from RMB1 million to RMB10 million. Distributors are required to provide sales reports to us on a monthly basis.

- *Non-competition.* Within the designated geographic region, distributors are not allowed to distribute products that are identical, similar or in competition with our products.

- *Regulatory compliance.* Distributors are responsible for conducting sales in compliance with relevant laws and regulations.

- *Payment and credit term.* We require certain distributors to pay us a deposit within seven days after entering into the distribution agreement. We generally provide our distributors a credit term of no more than 30 days from the date of billing.

- *Prices.* We sell our products to distributors at standard prices determined by us, which we may adjust based on market conditions.

- *Prevention of cannibalization.* Any sales outside of the designated geographic region will be deemed as cannibalization. If we discover any cannibalization activity by our distributors, such distributors must reimburse us for its sales amount and an additional fine of RMB30,000. If there are serious cannibalization activities, we are entitled to terminate the distribution agreement.

- *Delivery.* We are responsible for arranging delivery of products to the locations designated by our distributors. Delivery costs are included in the ex-factory prices of our products.

- *Reporting of complaints.* Distributors are responsible for promptly reporting to us any complaints about product quality or clinical accidents which may be related to our products, and returning the relevant products (whether used or not) to us. Our distributors will take full responsibility if they fail to return the products appropriately.

- *Sub-distributors*. Distributors are allowed to engage sub-distributors within their designated geographic area with our prior written consent. We require our distributors to manage their respective sub-distributors and ensure their compliance with relevant laws and regulations, as well as our policies and requirements set forth in the distribution agreement.

- *Sales reports.* Distributors are required to report their sales performance, market share, feedback and suggestions from end customers and any other technical issues of our products on a monthly basis. Distributors are responsible for keeping all records of sales for no less than two years after the relevant product expiration date. For products that do not have an expiration date, distributors should keep all records of sales for no less than five years after product delivery.

- *Product return.* Our distributors are permitted to return products to us only if there are quality defects.

- *Termination.* We are entitled to terminate a distribution agreement under certain circumstances, including when the controlling interest of a distributor is transferred to another party or any other situations that render it unqualified to sell our products.

Overseas Distributors

We also sell products under our own brand overseas through distributors. Similar to domestic distributors, our overseas distributors are required to comply with all of our policies and requirements. We generally enter into purchase orders with overseas distributors which set forth the geographic restrictions and designated product types.

Domestic Sales to Hospitals and Other Customers

During the Track Record Period, we also conducted direct sales to hospitals and other customers, primarily including trading companies that sell our products to overseas ODM customers. In Shaanxi province, we commenced selling our products directly to hospitals in addition to distributors, partially because of the implementation of the "two-invoice system." For details of the "two-invoice system," see "Regulations — Laws and Regulations Relating to Medical Devices — Two-invoice System." In 2017, 2018 and 2019, our direct sales to

hospitals and other customers amounted to RMB7.0 million, RMB12.2 million and RMB16.7 million, respectively, representing 2.8%, 3.5% and 3.3% of our revenue for the same year, respectively. We sell directly to hospital customers at retail prices determined through the tender process, which are higher than the ex-factory prices at which we sell to distributors, and therefore the gross margins for direct sales to hospitals are typically higher than those for sales to distributors. However, we may incur higher selling and distribution expenses for direct sales to hospitals.

In line with the market practice, hospitals generally do not enter into framework or long-term sales agreements with us. Instead, they place orders with us on a need basis. We are responsible for arranging the delivery of products to our hospital customers and any loss or damage in transit.

Overseas ODM-based Sales

In contrast to our distribution sales where we sell products under our own brand, the products sold under the ODM model are labeled with customers' own brands and trademarks. Under this sales model, our overseas customers place orders with us, and we design and manufacture the products based on their specifications. In 2017, 2018 and 2019, our revenue generated under the overseas ODM model amounted to RMB24.3 million, RMB30.8 million and RMB33.1 million, respectively, representing 9.8%, 8.7% and 6.6% of our total revenue for the same year, respectively.

We enter into one-time purchase orders with most of our overseas ODM customers. We also enter into framework ODM agreements with some of our large overseas ODM customers. Major terms of our framework ODM agreements include:

- *Term.* Our ODM agreements generally have a term of five to ten years.

- *Order placement.* Overseas ODM customers place production orders with specifications such as reference number, product description, quantity, requested delivery dates and shipping address. If the request is feasible, we confirm the request with the customer and provide an estimated date for completion.

- *Exclusivity.* Pursuant to the agreement, we are generally required to supply exclusively to an overseas ODM customer in a specific geographic region.

- *Quality control.* We maintain quality certifications as required by the overseas customers. In the event of any serious quality-related issues or manufacturing problems that could negatively impact the sales or supply of our products, we are required to notify the overseas purchases within 24 hours and cease any further manufacture and delivery until the problem is mutually resolved.

- *Payment and credit term.* The payment method for each overseas ODM customer varies based on commercial negotiations. We grant credit terms to overseas ODM customers on a case-by-case basis. During the Track Record Period, we generally provided overseas ODM customers a credit term of no more than 60 days from the date of delivery.

- *Termination.* In general, ODM agreements may be terminated by a 60 to 180-day prior notice in writing to the other party if the other party fails to perform or observe any of the terms of the agreements.

Marketing

We engage in extensive academic promotion activities with KOLs, physicians, hospitals and medical associations to promote our brand and establish a quality end-user base, especially with Grade IIIA hospitals with MIS capabilities. Our academic promotion and marketing activities include holding and assisting in MISIA training programs, providing professional advice and assistance in operation preparations, operations and post-operation follow-ups, and holding or attending medical conferences and industry exhibitions, including annual conferences of the MIS-related divisions of OBGYN, general surgery, urology and thoracic surgery specialties under Chinese Medical Association.

We implement a two-tier academic promotion and marketing strategy. Our in-house sales and marketing team focuses on prominent KOLs and hospitals with a large MIS volume and significant market influence, enabling us to establish direct access to top-tier hospitals instead of simply relying on distributors. We also focus on regional KOLs and smaller local hospitals through an extensive network of over 200 distributors as of December 31, 2019, covering all provinces, municipalities and autonomous regions in China. During the Track Record Period, over 650 KOLs attended our marketing and promotion activities, all of whom, to the best of our Directors' knowledge, were Independent Third Parties. We do not provide any compensation to such KOLs other than covering the travel, meal and accommodation expenses for certain KOLs that attend our marketing and promotion activities in Tonglu. During the Track Record Period, none of the KOLs engaged by us in joint R&D activities were involved in any of our clinical trials. To improve our distributors' marketing capability, our sales and marketing team regularly provides them with training and academic courses. The academic promotion and marketing strategy enables our brand name to be widely recognized and trusted by hospitals and physicians.

We require distributors to comply with stringent policies with respect to using our brand name when conducting sales and marketing activities. Our sales and marketing department monitors and manages our distributors to make sure they comply with our brand protection policy. If we discover any non-compliance, we have the right to seek legal recourse and be indemnified by distributors for any losses we incur because of such non-compliance. See "Risk Factors — Risk Relating to Intellectual Property Rights — If our trademarks, trade names and other proprietary rights are not adequately protected, we may not be able to build name recognition in our markets of interest and our business may be adversely affected."

To promote our products and brand overseas, we attend international medical conferences from time to time to directly introduce our products to overseas customers and collect product feedback. During the Track Record Period, we primarily participated in conventions of the American College of Surgeons and MEDICA trade fair.

Pricing

In China, a majority of our sales are made to public hospitals and other not-for-profit medical institutions through public tender processes under the centralized procurement regimes established within their respective regions. We are responsible for participating in such public tender processes to secure the right to sell our products to the public hospitals and other not-for-profit medical institutions within a particular region, and our distributors only assist us in certain documentation work and limited procedural and pricing matters in such processes based on their local experiences. If our products win the bids, such products would be qualified for future procurement by public hospitals and not-for-profit medical institutions in that particular region, and our bidding prices generally determine our maximum retail prices. Generally only the products of winning bidders in the public tender processes are qualified for procurement by public hospitals and not-for-profit medical institutions. During the Track Record Period and up to the Latest Practicable Date, in any region where we did not win the bid for any particular product in the public tender processes required by applicable centralized procurement regime, we were not aware of any procurement of the relevant product from the public hospitals and not-for-profit medical institutions in that region. Additionally, certain of our products are allowed to be sold to public hospitals and not-for-profit medical institutions through non-public tender processes such as invitation tenders, competitive negotiations and single-source procurement, or are sold to private medical institutions, and therefore are not subject to public tender processes under any regional centralized procurement regime. See "Regulations — Laws and Regulations Relating to Medical Devices — Tender Processes for Medical Devices."

We generally sell our products at uniform ex-factory prices to our distributors in China. We take into account a number of factors in determining our ex-factory prices, which primarily include our costs and expenses, different product specifications and packaging within each major product type, market share and the competitive landscape. In regions where the "two-invoice system" is implemented, including Shaanxi province, Fujian province and Taiyuan city and Changzhi city in Shanxi province, local authorities utilize the "two-invoice" system to control medical device prices by reducing layers of distributors and limiting price markups during the distribution process. In addition, hospitals in those regions generally would trace and check ex-factory prices in order to control markups from ex-factory prices to bidding prices paid by hospitals. As a result, our ex-factory prices for distributors in those regions may be higher than those in other areas, and we commenced direct sales and sold our products directly at bidding prices in Shaanxi province, in order to comply with the mandatory limits on product pricing margins between ex-factory prices and bidding prices of relevant products in those regions. See "— Sales and Distribution — Domestic Sales to Hospitals and Other Customers." We do not provide volume discounts to distributors and generally do not adjust our ex-factory prices on a case-by-case basis based on different retail prices across regions.

We believe that we have implemented an effective pricing strategy. Our ex-factory prices are competitive not only in comparison with leading international brands, but also in comparison with major domestic players, due to our cost-effective operations and growing economies of scale. Therefore, we believe our products are preferred by end customers that value cost effectiveness and high quality, as well as distributors due to the high demand for, and profitability of, our products. In addition, our strong brand reputation and effective academic promotion and marketing strategy gives us strong bargaining power with our distributors. As a result, during the Track Record Period, we were able to maintain stable ex-factory prices for each product specifications under the same packaging for all major product types.

For our overseas ODM sales, we determine prices through commercial negotiations with customers based on a number of factors, primarily including the specific market conditions of each overseas market, product specifications, the scale and potential of overseas customers, our relationships with them and their purchase amounts.

OUR CUSTOMERS

During the Track Record Period, our customers generally included (i) domestic and overseas distributors; (ii) hospitals; and (iii) overseas medical device brands. All of our five largest customers during the Track Record Period were domestic distributors. The following table sets forth details of our five largest customers during the Track Record Period.

Rank	Customer	Transaction amount	% of total revenue	Credit terms	Commencement of business relationship	Customer background	Registered capital as of the Latest Practicable Date
		(RMB in thousands)		*(Months)*			*(RMB in million)*
For the year ended December 31, 2019							
1	Jiangxi Taihua Trading Co., Ltd. (江西省泰華貿易有限公司)	122,918	24.4	3	2016	Wholesale and retail of Class I, Class II and Class III medical devices	10
2	Jiangxi Kaiyuan Medical Devices Co., Ltd. (江西省開源醫療器械有限公司)[1]	26,011	5.2	1	2018	Wholesale and retail of Class I, Class II and Class III medical devices	10
3	Beijing Qianhengde Science Instrument Co., Ltd. (北京乾亨德科學儀器有限公司)	23,837	4.7	3	2014	Sales of Class I, Class II and Class III medical devices	20
4	Guangxi Zhizhu Trading Co., Ltd. (廣西智竹商貿有限公司)	21,520	4.3	1	2014	Sales of Class II and Class III medical devices	5
5	Jinan Baike Medical Devices Co., Ltd. (濟南百科醫療器械有限公司)	17,925	3.6	1	2016	Sales of medical devices within the permitted scope	2
	Total	212,211	42.2				

Rank	Customer	Transaction amount	% of total revenue	Credit terms	Commencement of business relationship	Customer background	Registered capital as of the Latest Practicable Date
		(RMB in thousands)		*(Months)*			*(RMB in million)*
For the year ended December 31, 2018							
1	Jiangxi Taihua Trading Co., Ltd.	100,440	28.4	3	2016	Wholesale and retail of Class I, Class II and Class III medical devices	10
2	Beijing Qianhengde Science Instrument Co., Ltd.	16,975	4.8	3	2014	Sales of Class I, Class II and Class III medical devices	20
3	Guangxi Zhizhu Trading Co., Ltd.	14,391	4.1	1	2014	Sales of Class II and Class III medical devices	5
4	Shanghai Chaozhuo Trading Center (上海超擢貿易中心)[2]	14,166	4.0	1	2018	Wholesale of medical devices within the permitted scope	N/A[3]
5	Tonglu Wego Medical Devices Co., Ltd. (桐廬威高醫療器械有限公司)	12,268	3.5	1	2015	Sales and maintenance of Class I, Class II and Class III medical devices	8
	Total	158,240	44.7				
For the year ended December 31, 2017							
1	Jiangxi Taihua Trading Co., Ltd.	59,613	24.1	3	2016	Wholesale and retail of Class I, Class II and Class III medical devices	10
2	Jiujiang Dawei Trading Co., Ltd. (九江市達偉貿易有限公司)[4]	11,804	4.8	3	2014	Sales of medical devices within the permitted scope	1
3	Beijing Qianhengde Science Instrument Co., Ltd.	10,839	4.4	3	2014	Sales of Class I, Class II and Class III medical devices	20
4	Tonglu Wego Medical Devices Co., Ltd.	9,382	3.8	1	2015	Sales and maintenance of Class I, Class II and Class III medical devices	8
5	Guangxi Zhizhu Trading Co., Ltd.	9,226	3.7	1	2014	Sales of Class II and Class III medical devices	5
	Total	100,864	40.8				

(1) Jiangxi Kaiyuan Medical Devices Co., Ltd. was established in March 2018. Because this company became our distributor in August 2018, and its sales team included sales persons who previously worked as sales contacts in our other distributors including Jiangxi Taihua Trading Co., Ltd., our sales revenue generated from this company was significantly higher for the full year of 2019 as compared to 2018.

(2) Shanghai Chaozhuo Trading Center and another two distributors, namely Shanghai Jishen Medical Devices Co., Ltd. (上海濟申醫療器械有限公司) and Shanghai Kangxun Medical Devices Co., Ltd. (上海康旬醫療器械有限公司), are under the de facto common control of a single individual.

(3) A sole-proprietorship enterprise (個人獨資企業) for which there is no mandatory requirement on registered capital.

(4) Jiujiang Dawei Trading Co., Ltd. was acquired by Jiangxi Taihua Trading Co., Ltd in 2017.

We did not experience any significant delay of payments due from our five largest customers in each year during the Track Record Period, and to the Company's knowledge, none of our five largest customers in each year during the Track Record Period had any material issues with their financial position or liquidity status.

In 2017, 2018 and 2019, we generated revenue of RMB59.6 million, RMB100.4 million and RMB122.9 million from our largest customer, respectively, accounting for 24.1%, 28.4% and 24.4% of our total revenue for the same year, respectively. This customer with strong sales and a long-term relationship with us has consistently been our largest distributor during the Track Record Period. See "Risk Factors — Risks Relating to Our Business and the Industry — We rely on a limited number of major customers and are exposed to risks of losing these customers." As of the Latest Practicable Date, none of our Directors, their close associates or any Shareholders which, to the knowledge of our Directors, owned more than 5% of the issued share capital of the Company as of the Latest Practicable Date, had any interest in any of our five largest customers during the Track Record Period. Save as disclosed above, to our Company's knowledge, there is no other relationship or arrangement (family, business, financing, guarantee or otherwise in the past or present) among our top ten distributors in each year during the Track Record Period, which collectively contributed 53.4%, 54.6% and 53.9% of our total revenue in 2017, 2018 and 2019, respectively.

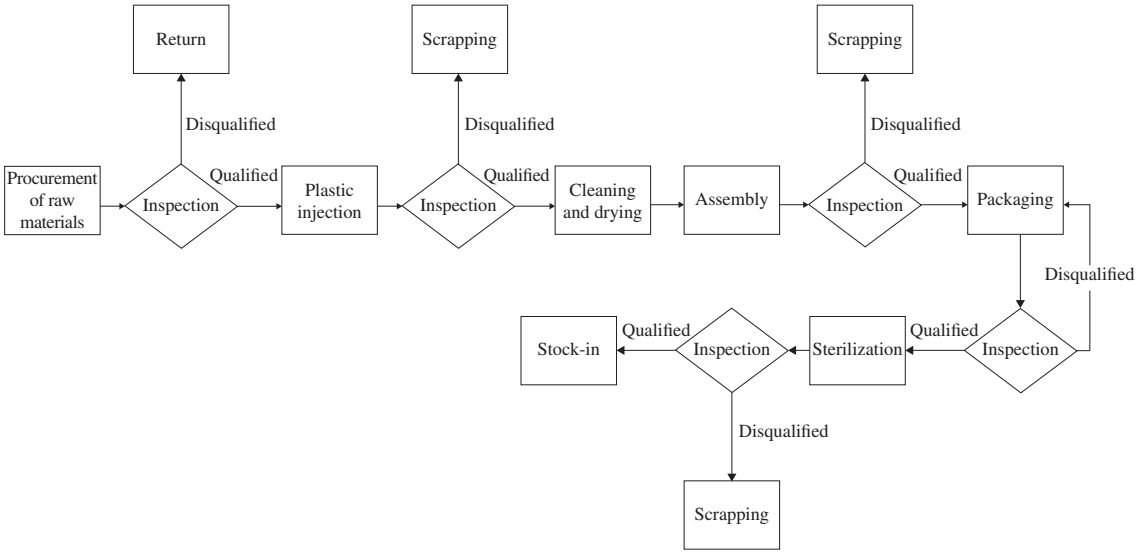
MANUFACTURING

Production Process

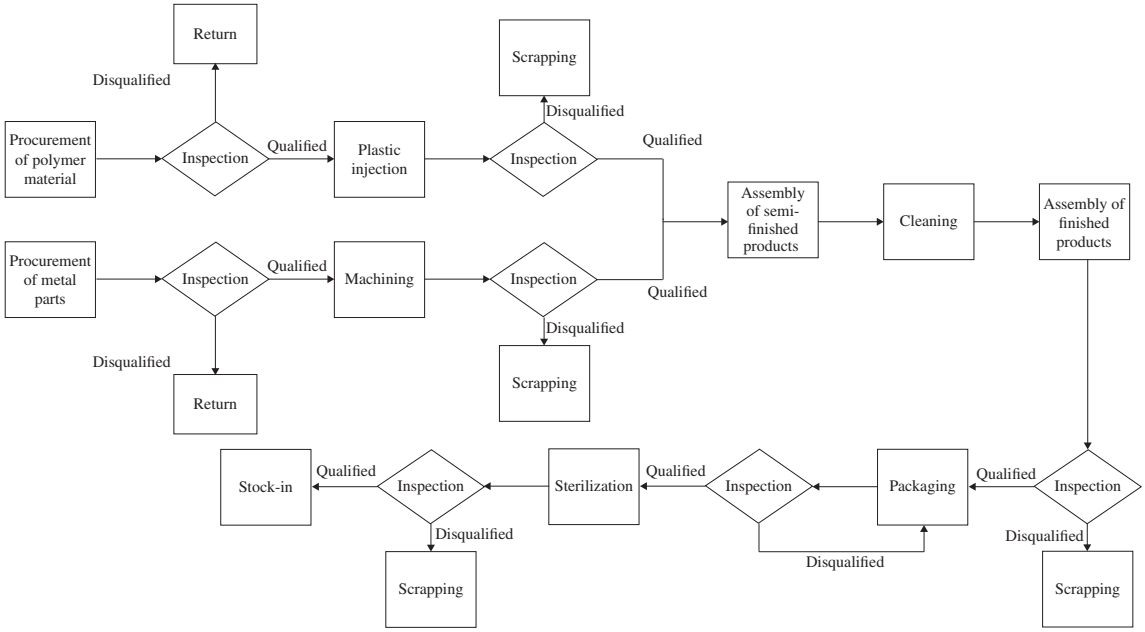
The following diagram illustrates the production process for our major products:

Disposable Products

Disposable Trocars and Polymer Ligation Clips



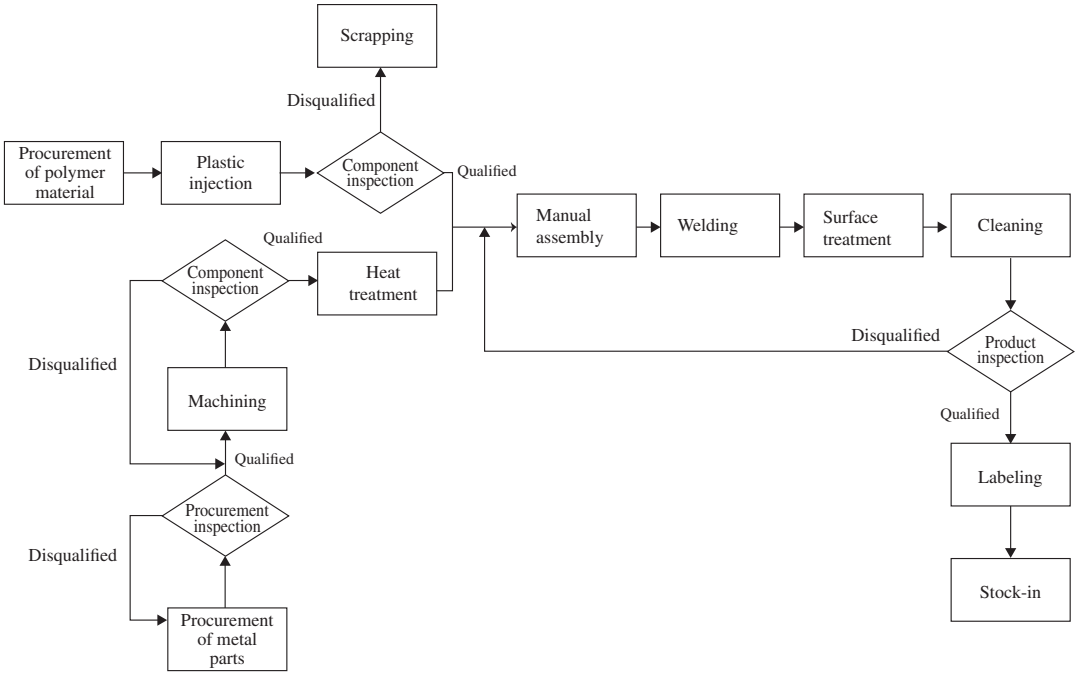
Disposable Electrocoagulation Forceps



Our disposable products are mainly made of plastic parts, of which the production process can be largely standardized and automated. The following is a brief description of the key steps in our manufacturing process of disposable products:

- *Plastic injection*. We heat polymer material and shape them through molds to produce components and parts for our products.
- *Machining (for disposable electrocoagulation forceps)*. We process the metal material through cutting, grinding, milling, planning and other machining procedures.
- *Assembly*. We assemble product components and parts. We have increasingly automated the assembly step for our disposable products.
- *Cleaning*. Before we assemble the finished products, we clean the major product parts and semi-finished products to remove pollutants and bacteria to satisfy subsequent production steps in clean rooms.
- *Packaging*. We pack our products in compliance with sterile integrity and regulatory standards.
- *Sterilization*. We sterilize the disposable products with ethylene oxide gas to make the products free from viable microorganisms.
- *Quality inspection*. We inspect for micro-cracks during each major step of the manufacturing process, if any flaw is detected, the semi-finished product would be returned to the previous step or be scrapped, as appropriate.

Reusable Products



In addition to certain steps adopted by disposable products, the manufacturing of reusable products also involves the following steps:

- *Heat treatment.* We heat, cool down and process metal parts at specific temperatures in order to satisfy product requirements.

- *Welding.* We seam different metal, plastic or other thermoplastic parts by heating or with high pressure.

- *Surface treatment.* We mull, heat or spray the surface of our products to make them corrosion-resistant, wear-resistant and meet other specifications, and deburr, degrease and/or descale the metal material.

Our reusable products, although consist of polymer material, are mainly made of metal parts. The processing steps of machining, heat treatment and surface treatment for reusable products take relatively long time while the processing of plastic parts do not need these steps. In addition, the assembly step of our reusable products cannot be automated and require manual work.

Manufacturing Facilities and Production Capacity

We produce and assemble our products at our manufacturing facilities in Tonglu, Zhejiang province. Our manufacturing facilities have a total GFA of 28,699 square meters, of which 17,835 square meters were added by new facilities completed in the first half of 2019. By the end of 2019, approximately 69% of the total GFA have come into use. Our manufacturing facilities primarily consist of production lines, cleanrooms, sterilization plants and warehouses. As of the Latest Practicable Date, we had a manufacturing team of 422 employees with approximately four years of experience on average.

We procure manufacturing machinery and equipment from time to time based on our production needs. For the years ended December 31, 2017, 2018 and 2019, our capital expenditure for manufacturing machinery and equipment amounted to RMB1.6 million, RMB1.2 million and RMB5.0 million, respectively. As of the Latest Practicable Date, we owned all the equipment used in our production processes, including plastic injection machines, computerized numerical control lathe, milling machines, welding machines, laser cutting machines, sterilization machines, and automatic machines for assembly, labeling and packaging. To our Directors' best knowledge, the life span of our manufacturing machinery and equipment is approximately 10 years, and as of the Latest Practicable Date, our major machinery and equipment had been in operation for approximately three to six years. We perform routine and preventative maintenance on our manufacturing machinery and equipment to ensure their proper functioning. 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.

The following table sets forth the production capacity, actual production volume, and utilization rate of our manufacturing facilities by major disposable product type for the periods indicated.

	For the year ended December 31,								
	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]
	(in thousands)	*(in thousands)*		*(in thousands)*	*(in thousands)*		*(in thousands)*	*(in thousands)*	
Disposable products									
Disposable trocars	2,531	2,193	86.6%	2,700	2,781	103.0%[3]	3,259	3,568	109.5%[3]
Polymer ligation clips	4,340	3,751	86.4%	5,989	5,085	84.9%	7,448	7,748	104.0%[3]
Disposable electrocoagulation forceps	197	172	87.3%	311	279	89.7%	341	310	90.9%
Other disposable products[4]	54	46	85.2%	76	78	102.6%[3]	76	72	94.7%

(1) Production capacity refers to the theoretical maximum units of products that our manufacturing facilities can produce in a period. For all disposable products, as plastic injection machines must be used in the first production step, we estimated the theoretical maximum units of each type of disposable products that could be produced in any given period based on the percentage allocation of the maximum operating hours of our plastic injection machines during that period. For disposable products, we operated 17 plastic injection machines the full year of 2017 and two new plastic injection machines for the last month of 2017; 19 plastic injection machines for the full year of 2018; and 19 plastic injection machines for full year of 2019, one new plastic injection machine for approximately eight months and three new plastic injection machines for the 2.5 months ended December 31, 2019. We assume each plastic injection machine can operate for 22 hours each working day. For 2017, we assume each of the 17 plastic injection machines can operate for 263 working days and each of the additional two plastic injection machines can operate for 20 working days. For 2018, we assume each of the 19 plastic injection machines can operate for 271 working days. For 2019, we assume each of the 19 plastic injection machines can operate for 277 working days, one new plastic injection machine can operate for 194 working days and three new plastic injection machines can operate for 47 working days. As a result, the maximum hours that our plastic injection machines can operate in 2017, 2018 and 2019 were approximately 99,241 hours, 113,278 hours and 123,160 hours, respectively. In 2017 and 2018, the standard length of time required on a plastic injection machine to produce one unit of disposable trocar, disposable ligation clip, disposable electrocoagulation forcep and other disposable products is 0.032, 0.002, 0.044 and 0.016, respectively, which was 0.029, 0.0018, 0.041 and 0.016 in 2019 due to improved manufacturing process and economies of scale. In addition, in 2017, 2018 and 2019, the estimated proportion of maximum operating hours our plastic injection machines allocated to disposable trocars was 81.6%, 76.3% and 76.7%, to disposable ligation clips was 8.7%, 10.6% and 10.9%, to disposable electrocoagulation forceps was 8.7%, 12.1% and 11.4%, and to other disposable products was 0.9%, 1.1% and 1.0%, respectively. We continuously increased our production capacity and production volumes during the Track Record Period to satisfy the increasing market demand.

(2) Utilization rate refers to the percentage of the production volume to production capacity during the period. The general increase in the utilization rates of major types of our disposable products during the Track Record Period reflected the increasing market demand for our products and our allocation of production capacity to different products based on the market demand.

(3) The utilization rates for production of disposable trocars and other disposable products in 2018, and for production of disposable trocars and polymer ligation clips in 2019 exceeded 100.0% due to increasing demand for our products, which resulted in our production workers working overtime from time to time.

(4) Other disposable products primarily include disposable suction and irrigation sets and retrieval bags, among others.

For our reusable products, as the assembly process could not be automated, the production capacity depends on manual assembly capacity of our production workers. Generally we do not dedicate production workers to any specific product type, and we allocate and adjust the workforce for reusable products from time to time based on periodic assessment of purchase volumes and delivery schedules of products. Our production output for reusable products is measured by the number of product components produced as we sell product components as well as finished reusable products (i.e. assembled sets of components). Multiple product components would be assembled into one finished product and the number of product components used for each finished reusable product varies due to our wide range of product types and specifications. During the Track Record Period, the production output of product components for our reusable products increased from approximately 228,040 units in 2017 to approximately 272,400 units in 2018 and further to approximately 284,000 units in 2019, due the growth in market demand.

RAW MATERIAL AND SUPPLIERS

Our Raw Materials

The principal raw materials for our products include polycarbonate particles, medical-grade stainless steel, sealing materials and packaging materials. We purchased all of our raw materials in China during the Track Record Period. In 2017, 2018 and 2019, we incurred raw material costs of RMB18.0 million, RMB27.7 million and RMB36.3 million, respectively, representing 37.7%, 43.0% and 45.2% of our cost of sales, respectively.

Our procurement department is responsible for making procurement plans, placing orders with suppliers and managing suppliers. For each batch of raw materials, we require our suppliers to provide us with product quality inspection reports. We also keep records of raw material shipments and their quality inspection results. Our research and development department and quality control department are also involved in the procurement process and participate in raw material quality control.

Our Suppliers

We have maintained stable and long-term relationships with most of our major raw material suppliers, ranging from three to eight years. We generally enter into supply agreements with our raw material suppliers on a case-by-case basis. According to these supply agreements, we and our raw material suppliers generally determine the price on an annual basis with reference to the type and market price of raw materials. Our major raw material suppliers typically offer us a credit term of 45 days.

Our procurement department is responsible for selecting and maintaining a list of qualified suppliers for each type of raw materials. Our procurement department conducts market research to identify potential raw material suppliers that are capable to fulfill our quality requirements. After ensuring that these potential suppliers have the necessary licenses and permits, our procurement personnel, together with members from our research and development department and quality control department, will evaluate the capabilities of

potential suppliers. Other than the necessary licenses and permits, we also consider a raw material supplier's production capacity, quality accreditations and technological level when selecting suppliers. We require all potential suppliers to submit a sample for quality inspection.

We classify our raw material suppliers into three levels according to the importance of the raw materials they supply. In particular, level A suppliers provide us with materials that constitute a major part of our products or play a key role in product performance and safety, and we generally enter into quality assurance agreements with them. We require all raw material suppliers to fulfill our quality requirements and regularly assess their performance and qualifications. In particular, we require level A suppliers to provide a small batch of trial products for testing. In addition, we conduct *ad hoc* onsite inspections of their manufacturing facilities before engaging them.

During the Track Record Period, we did not experience any material disputes with suppliers, difficulties in the procurement of raw materials, interruptions in our operations due to a shortage or delay of raw materials or significant fluctuations in raw material prices. See "Risk Factors — Risks Relating to Other Parties — We have relied on and expect to continue to rely on third parties to supply raw materials to manufacture our products, and our business could be harmed if we are unable to obtain such raw materials in sufficient quantities or at acceptable quality or prices."

The following table sets forth details of our five largest raw material suppliers during the Track Record Period.

Rank	Suppliers	Purchase amount	% of total purchase of raw materials	Credit terms	Commencement of business relationship	Supplier background
		(RMB in thousands)		*(Days)*		
For the year ended December 31, 2019						
1	Supplier A	5,020	12.4	45	2014	Manufacture of medical devices packaging materials
2	Supplier B	4,421	10.9	45	2014	Research, development and manufacture of sealing materials
3	Supplier C	3,063	7.6	–	2015	Manufacture and sales of plastic materials
4	Supplier D	1,775	4.4	45	2013	Manufacture of medical plastic materials
5	Supplier E	1,442	3.6	45	2019	Sales and manufacture of packaging materials
	Total	15,721	38.9			

Rank	Suppliers	Purchase amount	% of total purchase of raw materials	Credit terms	Commencement of business relationship	Supplier background
		(RMB in thousands)		*(Days)*		
For the year ended December 31, 2018						
1	Supplier B	4,458	11.3	45	2014	Research, development and manufacture of sealing materials
2	Supplier A	3,199	8.1	45	2014	Manufacture of medical devices packaging materials
3	Supplier C	2,619	6.7	–	2015	Manufacture and sales of plastic materials
4	Supplier F	1,564	4.0	45	2013	Processing and sales of medical devices components and accessories
5	Supplier G	1,487	3.8	45	2013	Sales of packaging materials
	Total	13,327	33.9			
For the year ended December 31, 2017						
1	Supplier B	3,095	10.8	45	2014	Research, development and manufacture of sealing materials
2	Supplier A	2,565	8.9	45	2014	Manufacture of medical devices packaging materials
3	Supplier C	1,890	6.6	–	2015	Manufacture and sales of plastic materials
4	Supplier F	1,296	4.5	45	2013	Processing and sales of medical devices components and accessories
5	Supplier H	1,272	4.4	45	2012	Sales of packaging materials
	Total	10,118	35.3			

As of the Latest Practicable Date, none of our Directors, their close associates or any Shareholders which, to the knowledge of our Directors, owned more than 5% of the issued share capital of the Company as of the Latest Practicable Date, had any interest in any of our five largest suppliers during the Track Record Period. None of our suppliers are our major customers and vice versa.

Inventory Control Measures

Our inventories consist of raw materials, work-in-progress and finished products. As of December 31, 2017, 2018 and 2019, we had inventories of RMB26.2 million, RMB37.2 million and RMB36.9 million, respectively. Under our inventory control policy, we regularly monitor and analyze our historical procurement, production and sales statistics and adjust our inventories to meet customer demand in a timely manner without causing inventory accumulation. We maintain an inventory level based on anticipated product demand and production schedule. Our warehouse management personnel are required to report to procurement, sales and marketing and/or production departments in a timely manner in case of any shortage in supply.

To ensure the quality of our inventory, our storage spaces are temperature and humidity-controlled. Our warehouse management team conducts periodic inspections of our warehouses, ensuring that our inventories are stocked in appropriate conditions and are able to meet the needs of our operations. At the end of each month, our warehouse management personnel conducts a stock count of our raw materials and finished products.

QUALITY CONTROL

Overview

The quality, safety and reliability of our products are vital to our continued success, as most of our products are designed to be used in surgeries and any quality defect may result in serious clinical accidents and liability. In order to ensure that our products are of high quality and safety standards and comply with the relevant PRC laws and regulations, we have instituted a comprehensive quality control program that is managed and implemented by our quality control department. Our quality control department is led by Mr. Tang Wenpeng, who has close to 20 years experience in product safety and quality control management.

During the Track Record Period and up to the Latest Practicable Date, we had not received any material complaints about product quality and our products had not been subject to any material claim, litigation or investigation. In addition, during the Track Record Period and as of the Latest Practicable Date, there were no product recalls or fatal accidents as a result of quality defects in our products.

Our Quality Accreditations

The following table sets forth the major accreditations we have received for our quality control program.

Accreditation	Year of latest renewal	Description
ISO 9001:2015	2019	A set of standards and guidelines for quality management systems and represents an international consensus on good practices.
ISO 14001:2015	2019	A set of standards and guidelines for environmental protection management systems and represents an international consensus on good practices.
ISO 45001:2018	2019	A set of standards and guidelines for occupational health and safety management systems and represents an international consensus on good practices.
EN ISO 13485:2016	2019	A set of standards and guidelines for quality management systems.
CE (93/42/EEC)	2019	A set of basic requirements that all manufacturers of medical devices must comply with to sell medical devices in the European Union

Our Quality Control Program

Our quality control program primarily focuses on the following aspects:

- *Raw material and manufacturing process tracking system.* To enhance the monitoring, traceability and control over our products, we implement an identification system. We assign a unique lot number to each batch of our finished products. All information about manufacturing and packaging dates, quality control inspection dates and results, shipping date, raw material source, supplier and distributor are recorded in our systems and can be tracked using the lot number.

- *Suppliers and raw materials.* We procure raw materials only from qualified suppliers that are selected based on our internal supply management policy. Our quality control staff will select samples from each batch of raw materials upon delivery in accordance with our internal policy and will inspect them against our quality standard. We maintain such inspection records internally. For raw materials that meet our requirements, quality control personnel issue an inspection report to the warehouse management team, who will then accept these raw materials. Raw materials that fail to meet our quality standards will be temporarily stored in a separate area before they are returned to suppliers.

- *Production.* We strictly monitor each stage of our production process to ensure it meets our quality control requirements. Our production personnel are required to undergo mandatory training on our operation procedures and quality requirements. We station production staff at each key stage of production to examine the quality of the goods before such goods progress to the next stage of production. We assign quality control personnel to conduct a functionality inspection on our products before packaging. Goods that do not meet our quality standards are removed from the production line and are marked and stored separately. We also inspect and maintain our production equipment regularly to ensure their proper function and safety. Our quality control staff also conducts routine and *ad hoc* quality inspections in the production areas and at selected production stages to detect any potential issues in the production process.

- *Finished products.* Based on our inspection results during the production process, our production personnel submit an inspection report for each batch of products to quality control department, who will conduct a final quality check before our products are shipped to customers. Our final quality check primarily focuses on product appearance, function, safety and sterilization conditions. For each batch of disposable products, we keep samples for a period no shorter than its designed life span.

- *Customer complaints.* Our sales and marketing team is responsible for collecting and evaluating customer complaints. For each customer complaint, our quality control department will conduct an investigation together with other relevant departments and formulate suggestions to improve our production process.

AWARDS AND RECOGNITION

The following table sets out a summary of the major awards and recognition we have received.

Year	Name of award or recognition	Issuing authority
2019	Zhejiang High Quality Manufacturing List (浙江製造精品)	Economy and Information Technology Department of Zhejiang (浙江省經濟和信息化廳)
2008, 2014 and 2017	High and New Technology Enterprise (高新技術企業)	Zhejiang Provincial Department of Science and Technology (浙江省科學技術廳), Zhejiang Provincial Department of Finance (浙江省財政廳), Zhejiang Municipal Office of State Administration of Taxation (浙江省國家税務局) and Zhejiang Local Taxation Bureau (浙江省地方税務局)
2014	Zhejiang High Quality Manufacturing List (浙江製造精品)	Economy and Information Technology Committee of Zhejiang (浙江省經濟和信息化委員會), Zhejiang Provincial Department of Finance (浙江省財政廳) and Zhejiang Provincial Development and Reform Commission (浙江省發展和改革委員會)
2014	Backbone Unit of China Medical Endoscope Industry Base (Tonglu) (中國醫用內鏡產業基地(桐廬)骨幹單位)	China Association for Medical Devices Industry (中國醫療器械行業協會)
2012	Zhejiang Province High and New Technology Enterprise Research and Development Center (浙江省高新技術企業研發中心)	Science Technology Department of Zhejiang Province (浙江省科學技術廳)

COMPETITION

According to CIC, the MISIA market in China is highly competitive and fragmented. We ranked first among all domestic players and fourth among all players (including international and domestic players) in China's MISIA market in 2019 by sales revenue, with a 2.7% market share, according to CIC. Our major competitors mainly include other international and domestic MISIA manufacturers. The barriers to enter into this market primarily include product development capabilities, registration and regulatory requirements, manufacturing and quality management capabilities, distribution channel, end-user recognition and product portfolio and solutions. For details, see "Industry Overview."

EMPLOYEES

As of the Latest Practicable Date, we had 613 full-time employees, substantially all of whom were based in China. The following table sets forth the number of our employees by function as of the Latest Practicable Date.

	Number	% of total
Production	422	68.8%
Research and development	78	12.7
Sales and marketing	41	6.7
Management and administrative	31	5.1
Quality control	19	3.1
Warehouse management	18	2.9
Procurement	4	0.7
Total	613	100.0%

We recruit our personnel through online platforms, recruiting websites, our official WeChat account and job fairs. We enter into employment contracts with our employees to cover matters such as wages, benefits and grounds for termination. We make contributions to the social insurance, housing provident fund and our labor union as required by local authorities in accordance with relevant PRC laws and regulations in all material respects.

All of our new employees are required to attend orientation and training programs to better understand our corporate culture, structure and policies, and learn about the relevant laws and regulations. In addition, from time to time, we invite external experts to provide trainings to our management personnel to improve their relevant knowledge and management skills.

We have a labor union that protects our employees' rights, assists us in attaining our economic objectives and encourages employees to participate in management decisions. During the Track Record Period, we did not experience any material labor disputes or strikes that may have a material and adverse effect on our business, financial condition or results of operations.

INTELLECTUAL PROPERTY

We recognize the importance of intellectual property rights to our business and are committed to the development and protection of our intellectual property rights. We have developed a significant portfolio of intellectual property rights to protect our technologies and products. As of the Latest Practicable Date, we had registered 15 invention patents, 93 utility patents, 28 design patents and 17 trademarks in China, which we believe are material to our business. As of the same date, we also entered into certain in-licensing agreements with Independent Third Parties, under which we were granted world-wide and exclusive licenses to utilize specified patents owned by such Independent Third Parties to manufacture and commercialize products until the relevant patents expire. See "— Research and Development — R&D Approach and Process — R&D Collaboration." As of the same date, we also filed four trademark application in Hong Kong and was the registered owner of three domain names. For further information, see "Appendix IV — Statutory and General Information — B. Further Information about Our Business — 2. Intellectual Property Rights of Our Group."

We have a dedicated internal team to manage and safeguard our intellectual property rights. The team is responsible for patent and trademark applications, maintenance and utilization of granted patents and trademarks, management of files and records related to our intellectual properties and overseeing conduct of personnel involved in research and development activities. The team also supervises transfer, license, and other matters related to our patents and trademarks, and regularly monitors if there is any intellectual property infringement, litigations, claims or disputes in relation to us. We have also entered into confidentiality agreements and non-competition agreements with our senior management and certain key members of our research and development team. Our standard employment contract, which we used to employ each of our employees, contains a confidentiality clause, under which employees are required to keep our technology know-how, intellectual property rights, trade secrets and other related information confidential if such information was obtained during work or through any other resources and has not been disclosed to the public by us. In addition, we include a confidentiality clause in our agreements with our research partners and other third parties who may have access to our proprietary information.

With the implementation of the foregoing intellectual property protection measures, during the Track Record Period and up to the Latest Practicable Date, we were not involved in any proceedings in respect of, and we had not received notice of any claims of infringement of, any intellectual property rights, in which we may be a claimant or a respondent, nor were we aware of any breach of the aforementioned confidentiality or non-compete obligations by

the counterparties. Based on the above, our Directors believe that we were not involved in any pending, or to their knowledge, potential or threatened intellectual property infringement, litigations or claims during the Track Record Period and up to the Latest Practicable Date.

ENVIRONMENTAL MATTERS

We are subject to various PRC environmental laws and regulations, the implementation of which involves regular inspections by local environmental protection authorities. For more details, see "Regulations." Although we do not operate in a highly polluting industry, our manufacturing processes generate noise, solid waste, exhaust gas and waste water. We have established an environmental protection department and adopted specific environmental protection policies to make our operations more energy efficient and environmentally friendly and to ensure effective compliance with applicable PRC environmental laws and regulations. To lower our environmental impact, we have also endeavored to utilize certain environmentally-friendly equipment in our production process. We also engage professional third-party environmental protection companies for waste water reclamation and waste resources disposal.

Our PRC Legal Advisors have advised us that there were no breaches or violations of the PRC environmental laws and regulations applicable to our business operations during the Track Record Period that may have a material and adverse impact on our business, financial condition or results of operation taken as a whole. During the Track Record Period, our expenses in relation to environmental protection were insignificant and we expect such expenses to remain at relatively low levels in the foreseeable future.

OCCUPATIONAL HEALTH AND WORK SAFETY

We are subject to PRC laws and regulations in respect of employee health and safety. To ensure that our operations are in compliance with the applicable laws and regulations, we have established a series of policies and procedures with respect to health and work safety, which primarily include policies regulating safe production, operation of specialized equipment, dangerous production activities, hazardous materials, fire safety, detection and management of safety risks and on-site safety risk inspection. In addition, we also regularly evaluate our equipment and manufacturing facilities to ensure their safety for our operations. We also conduct periodic and annual training for employees to strengthen their awareness and knowledge on safety procedures and accident prevention from time to time. During the Track Record Period, we did not experience any material accidents or receive any administrative penalties as a result of the violation of laws and regulations relating to occupational health and work safety.

PROPERTIES

Our corporate headquarters are located in Tonglu, Zhejiang province. All of our manufacturing facilities as of the Latest Practicable Date are located in Zhejiang province in the PRC.

According to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which require a valuation report with respect to all our Group's interests in land or buildings, for the reason that, as of December 31, 2019, we had no single property with a carrying amount of 15% or more of our total assets.

Owned Properties

As of the Latest Practicable Date, we owned the land use right of three parcels of land with a total site area of approximately 54,023 sq.m. and seven buildings with a total gross floor area of approximately 37,145.91 sq.m. Our buildings are primarily used as office buildings and manufacturing facilities.

Leased Properties

As of the Latest Practicable Date, we leased one property in Jiangxi with a gross floor area of approximately 74.11 sq.m., which has been used as our office premises. The lease agreement of this property will expire in August 2020.

INSURANCE

Our Directors believe that our existing insurance policies are in line with industry practice in China. We maintain insurance policies that are required under PRC laws and regulations as well as based on our assessment of our operational needs and industry practice. We maintain different types of insurance policies, including social insurance for all of our employees, property insurance and vehicle insurance. During the Track Record Period, we did not submit any material insurance claims, and we did not experience any business interruptions which had a material adverse effect on our business or financial position. See "Risk Factors — Risks Relating to Our Operations — Our insurance coverage may be inadequate to protect us from the liabilities we may incur."

LICENSES, PERMITS AND APPROVALS

We operate in a heavily regulated industry. As a result, we are required to obtain various licenses, permits and certifications for our operations. For details of the relevant laws, regulations and requirements, see "Regulations."

We are required to obtain registration certificates for Class II and III medical devices from and complete record-filings for Class I medical devices with relevant regulatory authorities to commercialize our medical device products. According to applicable PRC laws and regulations, the Class I record-filings will remain effective provided that we continue to comply with the record-filing obligations for subsequent amendments to filed materials, and the registration certificates for Class II and III medical devices are valid for five years and

subject to renewal. As of the Latest Practicable Date, we had completed required record-filings for 41 Class I medical devices, and obtained 13 Zhejiang MPA registration certificates for Class II medical devices and eight NMPA registration certificates for Class III medical devices. As of the same date, three of our Class II medical device registration certificates will expire in 2021 and all of our other Class II and III medical device registration certificates will expire in or after 2022. In addition, we are required to maintain a number of licenses, permits, approvals and record-filing proof for our production and operations, including the Permit for the Medical Device Production (醫療器械生產許可證), the Record-filling Proof for Production of Class I Medical Devices (第一類醫療器械生產備案憑證), the Business Operation License of Medical Devices (醫療器械經營許可證) and the Record-filling Proof for Operation of Class II Medical Devices (第二類醫療器械經營備案憑證).

Our PRC Legal Advisors have confirmed that we have obtained all necessary licenses, permits, approvals, certificates from, or made all necessary filings to, relevant competent regulatory authorities for our business operations in China in all material respects as of the Latest Practicable Date. As of the Latest Practicable Date, we had obtained all requisite licenses, approvals and certificates to sell our products in all of the relevant overseas jurisdictions to which we exported our products. We did not experience any material difficulties in obtaining, making or renewing such licenses, permits, approvals, certificates and filings during the Track Record Period.

LEGAL PROCEEDINGS AND REGULATORY COMPLIANCE

We may be involved in legal proceedings in the ordinary course of business from time to time. During the Track Record Period, neither we nor any of our Directors were involved in any litigation, arbitration or administrative proceedings which could have a material adverse impact on our business, financial condition or results of operations. As of the Latest Practicable Date, we were not aware of any pending or threatened litigation, arbitration or administrative proceedings against us or our Directors which may have a material and adverse impact on our business, financial condition or results of operations.

As advised by our PRC Legal Advisors, during the Track Record Period and as of the Latest Practicable Date, there were no breaches or violations of applicable PRC laws and regulations that may have a material and adverse impact on our business, financial condition or results of operation taken as a whole.

RISK MANAGEMENT AND INTERNAL CONTROL

We are subject to various risks during our operations, see "Risk Factors — Risks Relating to Our Operations." We have established a risk management system and relevant policies and procedures which we consider suitable for our business operations. Our policies and procedures are aimed at managing and monitoring our business performance.

To monitor the continuous implementation of risk management policies and corporate governance measures after the Listing, we have adopted or will continue to adopt, among other things, the following risk management measures:

- establish an audit committee to review and supervise our financial reporting process and internal control system. Our audit committee comprises two independent non-executive Directors and one non-executive Director, namely Mr. Chen Weibo, Mr. Jiang Feng and Ms. Cai Li. For the qualifications and experiences of these members, see "Directors and Senior Management";

- adopt various policies to ensure the compliance with the Listing Rules, including but not limited to policies in respect of risk management, connected transactions and information disclosure;

- provide regular anti-corruption and anti-bribery compliance training for senior management and employees in order to enhance their knowledge of and compliance of applicable laws and regulations; and

- arrange our Directors and senior management to attend training seminars on Listing Rules requirements and the responsibilities as directors of a Hong Kong-listed company.

We have appointed an internal control consultant to review the effectiveness of our internal control measures related to our major business processes, to identify the deficiencies for improvement, advise on the rectification measures and review the implementation of such measures. During the review process of our internal control consultant, certain internal control matters were identified and we have adopted corresponding internal control measures to improve on these matters. We have adopted the recommendations made by the internal control consultant, and our internal control consultant has completed the follow-up procedures on our internal control system with regard to those actions taken by us in March 2020 and has not identified any material deficiencies in our internal control system.

BOARD OF DIRECTORS

Our Board of Directors comprises seven Directors, including two executive Directors, two non-executive Directors and three independent non-executive Directors. Our Directors are elected to serve a term of three years, which is renewable upon reelection and/or reappointment.

The following table sets out information in respect of the Directors of the Company:

Name	Age	Position	Date of joining our Group	Date of appointment as a Director	Roles and responsibilities
ZHONG Ming (鐘鳴)*Note*	44	Chairman of the Board and executive Director	August 2004	February 12, 2020	Overall management of the business, strategy and corporate development of the Group
SHENTU Yinguang (申屠銀光)*Note*	40	Executive Director	August 2004	March 7, 2020	Overall management of the business, strategy and corporate development of the Group
CAI Li (蔡俐)	36	Non-executive Director	January 2018	March 13, 2020	Participating in decision-making of important matters of our Group
CHEN Gang (陳剛)	36	Non-executive Director	June 2018	March 13, 2020	Participating in decision-making of important matters of our Group
JIANG Feng (姜峰)	57	Independent non-executive Director	November 2016	June 4, 2020	Supervising and providing independent judgement to our Board
GUO Jian (郭建)	63	Independent non-executive Director	June 2018	June 4, 2020	Supervising and providing independent judgement to our Board
CHEN Weibo (陳衛波)	46	Independent non-executive Director	March 2020	June 4, 2020	Supervising and providing independent judgement to our Board

Note: Mr. Zhong and Ms. Shentu are spouses.

Executive Directors

Mr. ZHONG Ming (鐘鳴), aged 44, is one of the founders of our Group. He was appointed as a Director on February 12, 2020 and was re-designated as an executive Director on March 7, 2020. Mr. Zhong has also served as the Chairman of the Board and the chief executive officer of our Company. Mr. Zhong is mainly responsible for overall management of the business, strategy and corporate development of the Group.

Mr. Zhong has been working in our Group for more than 15 years. Since he founded our Group together with Ms. Shentu in August 2004, he has held the positions of the general manager and the chairman of the board at Hangzhou Kangji. Mr. Zhong also serves as an executive director of Kangyin Investment since June 2015. Mr. Zhong has served as a vice president at Surgery Medical Equipment Branch of China Association of Medical Equipment (中國醫學裝備協會外科醫學裝備分會) since July 2016.

Prior to establishing Hangzhou Kangji with Ms. Shentu, Mr. Zhong was primarily engaged in selling and distribution of MISIA produced by other manufacturers. In December 2001, Mr. Zhong established a company called Tonglu Kangpu Medical Device Co., Ltd. ("**Tonglu Kangpu**", 桐廬康普醫療器械有限公司) in the PRC, the principal business of which was to sell and distribute MISIA. Tonglu Kangpu was held by Mr. Zhong and Mr. Shentu Shaojian (申屠紹建, father of Ms. Shentu) as to 60% and 40%, respectively, and was voluntarily dissolved in November 2004 shortly after establishment of Hangzhou Kangji.

Mr. Zhong received his bachelor's degree in business administration (part-time) from China University of Geosciences (中國地質大學) in the PRC in January 2006. Mr. Zhong was awarded the Outstanding Hangzhou Entrepreneur (傑出杭商) by World Hangzhou Entrepreneur Convention (世界杭商大會) held by The People's Government of Hangzhou City (杭州市人民政府) in 2018, and was awarded Outstanding T-Merchants (傑出桐商) by Conference of T-Merchants (桐商大會) held by The People's Government of Tonglu County (桐廬縣人民政府) in 2016.

Ms. SHENTU Yinguang (申屠銀光), aged 40, is one of the founders of our Group. She was appointed as an executive Director on March 7, 2020. Ms. Shentu has also served as the vice general manager of our Company. Ms. Shentu is mainly responsible for overall management of the business, strategy and corporate development of the Group.

Ms. Shentu has been working in our Group for more than 15 years. Since the inception of our Group in August 2004, Ms. Shentu has held the positions of the vice general manager and the vice chairman of the board at Hangzhou Kangji. Ms. Shentu also serves as a supervisor of Kangyin Investment since June 2015.

Ms. Shentu received her college degree in accounting (part-time) from China University of Geosciences (中國地質大學) in the PRC in August 2005. Ms. Shentu was awarded the Top Ten Innovation Women in Zhejiang (浙江十大創新女傑) by Zhejiang High-tech Enterprise Association (浙江省高新技術企業協會), Zhejiang Women Entrepreneur Association (浙江省女企業家協會), Zhejiang Scientific and Technological Innovation Entrepreneur Promotion Association (浙江省科技新浙商促進會), Zhejiang Technological and Innovative Enterprise Association (浙江省科技創新企業協會) and Sci-tech and Finance Times (科技金融時報) in 2019, the Tonglu Entrepreneur of the Year (年度桐廬企業家) by The People's Government of Tonglu County (桐廬縣人民政府) in December 2019, and the Outstanding Hangzhou Entrepreneur Award (風雲杭商獎) by Hangzhou Internationalization Innovation Forum (杭州國際化創新論壇) jointly held by Hang Zhou Culture Radio Television Group (杭州文廣集團), Hangzhou Federation of industry and Commerce (杭州市工商業聯合會), Hangzhou Municipal Bureau of Commerce (杭州市商務局) and several other governmental entities in January 2020. Ms. Shentu has also been a member of Chinese People's Political Consultative Conference of Tonglu County (桐廬縣政協) since January 2007.

Non-executive Directors

Ms. CAI Li (蔡俐), aged 36, was appointed as a non-executive Director of our Company on March 13, 2020. Ms. Cai has been a director and the vice chairman of the board at Hangzhou Kangji since January 2018. Ms. Cai is primarily responsible for participating in decision-making of important matters of our Group.

From 2007 through 2008, Ms. Cai worked as a research analyst at Credit Suisse AG (New York), where she was responsible for equity research for large cap of medical supplies and devices companies. From March 2009 to July 2011, Ms. Cai worked as an investment associate at HAO Capital (Haotian Jinsheng Investment Management (Beijing) Limited), focusing on growth stage healthcare investments.

Ms. Cai also concurrently holds the following positions outside our Group:

- a Principal at TPG Capital ("**TPG**"), a leading global alternative asset firm;
- a supervisor at Shanghai Deyu Deqi Enterprise Management Consulting Co., Ltd. (上海德虞得起企業管理諮詢有限公司) since November 2016;
- a director at OPC Holding Company (Cayman) since August 2017, OPC Intermediate Holding Company (Cayman) since August 2017, PPC K.K. (Japan) since September 2017, Apluscro Pte. Ltd (Singapore) since August 2017, PPC Korea since August 2017, PPC China Corporation Limited (上海百利佳生醫藥科技有限公司) since November 2017, PPC China Clinical Research Corporation Limited (上海立興佳生醫藥科技有限公司) since February 2018, Jiasheng (Shanghai) Pharmaceutical Consulting Co., Ltd. (佳生(上海)醫藥諮詢有限公司) since September 2017, APLUS Pharmaceutical Consulting (Shanghai) Co., Ltd. (佳永醫藥諮詢(上海)有限公司) since August 2017, Bailixing (Xiamen) Equity Investment

Co., Ltd. (百立興(廈門)股權投資有限公司) since August 2017, Acrostar Pharmaservices Corporation (徐州立順康達醫藥科技有限公司) since August 2017, Acrostar Site Management Co., Ltd. (南京立順康達醫藥科技有限公司) since January 2019, Biosuntek Laboratory Co., Ltd. since December 2019, respectively, which are all member companies of OPC Holding Company (Cayman) invested by TPG;

- a director at Zhejiang Choisun Tea Development Co., Ltd. (浙江久晟油茶科技股份有限公司) since December 2015, whose shares were once traded on the NEEQ (stock code: 837518).

Ms. Cai received her bachelor's degree in biomedical engineering and economics from Yale University in the U.S. in May 2007.

Mr. CHEN Gang (陳剛), aged 36, was appointed as a non-executive Director on March 13, 2020. Mr. Chen has also served as a director of Hangzhou Kangji since June 2018. Mr. Chen is primarily responsible for participating in decision-making of important matters of our Group.

From 2007 to 2011, Mr. Chen served as a project leader at L.E.K. Consulting (Shanghai) Co., Ltd. (艾意凱諮詢(上海)有限公司)), where he was primarily responsible for business strategy, merger & acquisition advisories for healthcare and life sciences client. From 2013 to 2015, Mr. Chen served as a principal at Vivo Capital Equity Investment Management (Shanghai) Co., Ltd. (維梧股權投資管理(上海)有限公司) where he was primarily responsible for investment due diligence, deal executions and portfolio management. From July 2015 to October 2019, Mr. Chen successively served as a director of international business development at Shanghai Aland Nutrition Co., Ltd. (上海艾蘭得營養品有限公司, formerly known as 上海艾蘭得電子商務有限公司) and a director at Cardiolink Science (Shenzhen) Medical Technology Development Co., Ltd. (科睿馳(深圳)醫療科技發展有限公司), a company primarily engaged in minimally invasive medical equipment.

Mr. Chen is concurrently serving the following positions outside our Group:

- a Principal since March 2017 and a partner since March 2019 at LYFE Equity Investment Management (Shanghai) Co., Ltd. (濟峰股權投資管理(上海)有限公司), an investment company focused on growth stage healthcare company investments in China and U.S.;

- a director at Beijing Baicare Biotechnology Co., Ltd. (北京百康芯生物科技有限公司), a company primarily engaged in molecular diagnosis products for infectious disease, since January 2018;

- a supervisor at Sino Medical Sciences Technology Inc. (賽諾醫療科學技術股份有限公司), a company primarily engaged in manufacturing of medical devices for coronary intervention and structural heart, whose shares are listed on the Shanghai Stock Exchange (stock code: 688108), since June 2018; and

- a director at Beijing Anngeen Biotechnology Co., Ltd. (北京安智因生物技術有限公司), a company primarily engaged in genetic testing, since July 2018.

Mr. Chen received his bachelor's degree in clinical medicine from Shanghai Medical School of Fudan University (復旦大學上海醫學院) in the PRC in July 2007 and master's degree in business administration from Northwestern University Kellogg School of Management in the U.S. in June 2013.

Independent Non-executive Directors

Mr. JIANG Feng (姜峰), aged 57, was appointed as an independent non-executive Director on March 7, 2020 with effect from June 4, 2020. Mr. Jiang is primarily responsible for supervising and providing independent judgement to our Board.

Mr. Jiang has 34 years of experience in medical and medical device industry. From 1985 to 2010, Mr. Jiang successively worked as a clinician and served managerial positions at several pharmaceutical companies. From December 2010 to August 2016, Mr. Jiang served as an independent director at Dirui Industrial Co., Ltd. (迪瑞醫療科技股份有限公司, formerly known as 長春迪瑞醫療科技股份有限公司), a medical technology company whose shares are listed on the Shenzhen Stock Exchange (stock code: 300396). From May 2014 to September 2017, Mr. Jiang served as an independent director at Guanhao Biotech Co., Ltd. (冠昊生物科技股份有限公司), a biotech company whose shares are listed on the Shenzhen Stock Exchange (stock code: 300238). From July 2005 to March 2017, Mr. Jiang also served as the head of China Medical Device Information Magazine (《中國醫療器械信息》雜誌社). From June 2015 to February 2017, Mr. Jiang worked as a non executive director at Kaisa Health Group Holdings Limited (佳兆業健康集團控股有限公司, formerly known as 美加醫學科技有限公司), a company specialized in dental medical products with its shares being listed on the Stock Exchange (stock code: 0876). From March 2016 to April 2019, Mr. Jiang served as an independent director at Zhongzhu Healthcare Holding Co., Ltd. (中珠醫療控股股份有限公司, "**Zhongzhu**"), whose shares are listed on the Shanghai Stock Exchange (stock code: 600568). Mr. Jiang also served as an independent director at a medical consumables company, Guangdong Baihe Medical Technology Co., Ltd. (廣東百合醫療科技股份有限公司) until March 2016.

Mr. Jiang is concurrently serving positions in the following entities outside our Group:

- a non-executive director since April 2014 at Lifetech Scientific (Shenzhen) Co., Ltd. (先健科技(深圳)有限公司), a medical device company whose shares are listed on the Hong Kong Stock Exchange (stock code: 01302);

- an executive director since November 2010 at Yixu Investment Management (Beijing) Co., Ltd. (醫旭投資管理(北京)有限公司), a company primarily engaged in investment and asset management;

- an executive director since January 2012 at Beijing Yimingxin Venture Capital Management Co., Ltd. (北京醫銘新創投資管理有限公司), a company primarily engaged in investment and asset management;

- an executive director since December 2017 at Suzhou Innomd Medical Technology Service Co., Ltd. (蘇州英諾邁醫學科技服務有限公司), a company primarily engaged in provision of integrated solutions in respect of medical devices;

- a director since October 2017 at Xian Glodmag Nano Biotechnology Co., Ltd. (西安金磁納米生物技術有限公司), a company primarily engaged in development of nanomedicine; and

- a director since December 2017 at Diabesen (Beijing) Technology Co., Ltd. (戴雅貝森(北京)科技有限公司).

Mr. Jiang also served as the president from March 2003 to January 2010 and later an executive vice president at China Association for Medical Devices Industry (中國醫療器械行業協會), the president since June 2009 at China Strategic Alliance of Medical Device Industry (中國醫療器械產業技術創新戰略聯盟), a deputy director of Biomedical Engineering Education Steering Committee of the Ministry of Education (教育部生物醫學工程專業教學指導委員會) since March 2018, and a director of Chinese Society of Biomedical Engineering (中國生物醫學工程學會) since December 2012.

On March 19, 2020, the Shanghai Stock Exchange (the "**SSE**") issued a "written decision of disciplinary action" in relation to several non-compliance incidents of Zhongzhu, in which the independent directors of Zhongzhu (including Mr. Jiang) were collectively criticized by the SSE for not performing supervisory duties as independent directors sufficiently. The disciplinary action issued by the SSE was against Zhongzhu, its controlling shareholders, directors and certain senior officers, not to Mr. Jiang only. As confirmed by Mr. Jiang, he was not directly involved in such non-compliance incidents, nor had he been identified as the personnel directly responsible for the incidents.

Notwithstanding the notice of criticism received by Mr. Jiang in the decision of SSE, the Directors and the Joint Sponsor are of the view that Mr. Jiang has the experience, knowledge and skills required of a director of a listed company and is therefore suitable to be a Director pursuant to Rules 3.08 and 3.09 of the Listing Rules. Such view is reached after taking into account the following:

- According to the decision of SSE and Mr. Jiang's representation, the incidents did not involve any dishonesty or fraudulence of Mr. Jiang, which would affect his suitability as a director of a listed company.

- It is stated in Zhongzhu's responses to the SSE's inquiry letter that (1) Zhongzhu had established internal control procedures governing the matters before the Incident occurred; and (2) the relevant incident was mainly caused by deceits and concealments of the parties who were directly involved. Mr. Jiang was not identified by the SSE as the personnel who should be directly responsible for the Incident, and the independent directors of Zhongzhu were collectively criticized for their performance of supervisory duties during the relevant period. According to Zhongzhu's 2018 independent directors' work report, the independent directors were not involved in Zhongzhu's day-today business operation and would only be able to provide independent opinions on matters submitted to the board of directors. According to the decision of SSE, the Incident was not submitted for the board of directors' approval in a timely manner.

- According to our PRC Legal Advisors, (1) the criticism of SSE constitutes its disciplinary activities, instead of any administrative penalty or breach of PRC laws that indicates culpability,; and (2) as Mr. Jiang has confirmed that there have been no criticisms or similar incidents other than the incidents about Zhongzhu, the criticism of SSE does not by itself disqualify Mr. Jiang as a director of public companies in China.

- Mr. Jiang has extensive experience in serving directorship in various public companies, including serving as a non-executive director of Lifetech Scientific (Shenzhen) Co., Ltd. (先健科技(深圳)有限公司, 1302.HK) and Kaisa Health Group Holdings Limited (佳兆業健康集團控股有限公司, formerly known as 美加醫學科技有限公司, 0876.HK). There have been no similar incidents being reported other than the Incident. It is reasonably believed that Mr. Jiang has the relevant experience and knowledge to act as a director of a Hong Kong listed company.

- Mr. Jiang has endeavoured to keep himself educated and informed of rules of corporate governance, and enhance his familiarity with relevant legislation, rules and regulation. He had attended the training of directors' general duties under the Listing Rules and the laws of Hong Kong conducted by the Company's Hong Kong legal advisors on March 7, 2020, and a further training session on June 10, 2020 with respect to topics including, inter alia, directors' obligations and responsibilities, undertakings to the Stock Exchange and the results of breaching the

Listing Rules. In addition, the Company's audit committee comprises three non-executive directors (with independent non-executive directors representing the majority of the audit committee) including Ms. Cai Li and Mr. Jiang, who possess extensive experience in medical and healthcare industry, and the audit committee is chaired by Mr. Chen Weibo, who is an independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10. It is considered that with the collective expertise and experience of the members of the audit committee, the audit committee will be able to guide the Company in its internal control and risk management.

- Mr. Jiang has 34 years of experience in medical and medical device industry. The Company values his industry experiences and networks and considers it will benefit the long-term development of the Group.

Mr. Jiang received his master's degree in respiratory medicine in July 1992 and doctor's degree in cardiothoracic surgery in July 1995 from Air Force Medical University (空軍軍醫大學, formerly known as 第四軍醫大學) in the PRC. Mr. Jiang also obtained his second master's degree in business administration in Tsinghua University (清華大學) in the PRC in July 2006.

Mr. GUO Jian (郭建), aged 63, was appointed as an independent non-executive Director on March 7, 2020 with effect from June 4, 2020. Mr. Guo is primarily responsible for supervising and providing independent judgement to our Board.

Since 1985, Mr. Guo has been employed as a teaching faculty by Law School of Fudan University (復旦大學), and now being a professor of Law School of Fudan University. Since September 2017 and April 2016 respectively, Mr. Guo has been working as an independent director at Zhejiang Changsheng Sliding Bearing Co. Ltd. (浙江長盛滑動軸承股份有限公司), a sliding bearings manufacturing company whose shares are listed on the Shenzhen Stock Exchange (stock code: 300718), and Ailex Technology Group Co., Ltd (藍怡科技集團股份有限公司, formerly known as Shanghai Ailex Technology Co., Ltd.), a medical technology company whose shares were listed on the NEEQ (stock code: 834099).

Mr. Guo received his bachelor's degree in history from East China Normal University (華東師範大學) in the PRC in January 1982 and master's degree in history of law from Fudan University (復旦大學) in the PRC in September 1985.

Mr. CHEN Weibo (陳衛波), aged 46, was appointed as an independent non-executive Director on March 7, 2020 with effect from June 4, 2020. Mr. Chen is primarily responsible for supervising and providing independent judgement to our Board.

Mr. Chen has more than 20 years of experience in accounting and financial management. From September 1995 to May 2006, Mr. Chen served as an accountant at overseas department of Zhejiang Construction Investment Group Company Limited (浙江省建設投資集團有限公司). Mr. Chen was employed by Sanchuan Holding Group Limited (三川控股集團有限公司,

formerly known as 三川控股有限公司 or 浙江中大三川水電發展有限公司) and served as a manager of audit department from July 2006 to June 2007 and the chief financial officer from July 2007 to August 2009. From September 2009 to June 2016, Mr. Chen served as a teacher at Hangzhou Wanxiang Polyteaching College (杭州萬向職業技術學院) and later re-joined the overseas division of Zhejiang Construction Investment Group Company Limited (浙江省建設投資集團有限公司) as a deputy manager of overseas finance department. Mr. Chen has been serving as a joint secretary and a secretary to the board at Sunlight Technology Holdings Limited (深藍科技控股有限公司), a material technology company whose shares are listed on the Stock Exchange (stock code: 1950), and Zhejiang Sunlight Material Technology Co., Ltd. (浙江深藍新材料科技有限公司) since April 2019 and July 2016, respectively.

Mr. Chen received his bachelor's degree in accounting from Zhejiang University of Finance & Economics (浙江財經大學, formerly known as 浙江財經學院) in the PRC in July 1995. Mr. Chen was conferred the qualification of senior accountant by the Zhejiang Province Human Resources and Social Security Department (浙江省人力資源和社會保障廳) in April 2009. Mr. Chen has also been a non-practicing member of the Zhejiang Institute of Certified Public Accountants (浙江省註冊會計師協會) since December 2009. Mr. Chen obtained his ACCA Advanced Diploma in Accounting and Business from the Association of Chartered Certified Accountants in June 2017.

Save as disclosed in this prospectus, none of the executive and non-executive directors of the Company held position of director in any other listed companies during the Track Record Period, and no other information relating to directors is required to be disclosed pursuant to Rule 13.51(2) of the Hong Kong Listing Rules, and no other matters are required to be brought to the attention of Shareholders.

Each of our Directors 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.

SENIOR MANAGEMENT

The following table provides information about our senior management:

Name	Age	Position	Date of joining our Group	Date of appointment as senior management	Roles and responsibilities
ZHONG Ming (鐘鳴)	44	Chief executive officer	August 2004	August 24, 2004	Responsible for overall management of the business of our Group
SHENTU Yinguang (申屠銀光)	40	Vice general manager	August 2004	November 8, 2016	Responsible for human resources and administration of our Group
Frances Fang CHOVANEC	41	Chief financial officer	March 2020	March 7, 2020	Responsible for the management of financial affairs and investor relations of our Group
CHENG Da (程達)	43	Vice general manager	March 2011	March 1, 2011	Responsible for sales management of our Group
YUE Jiqiang (岳計強)	40	Vice general manager	May 2009	May 16, 2009	Responsible for research and development of our Group
TANG Wenpeng (唐文鵬)	45	Vice general manager	March 2017	March 5, 2018	Responsible for production and quality control of our Group
YIN Zixin (尹自鑫)	34	Vice general manager and joint company secretary	September 2016	November 8, 2016	Responsible for investor relationships, investment and corporate governance matters of our Group

Mr. ZHONG Ming (鐘鳴), aged 44, was appointed as our chief executive officer on August 24, 2004. Mr. Zhong is responsible for overall management of the business of our Group. See "— Board of Directors — Executive Directors — Mr. ZHONG Ming" for his biography.

Ms. SHENTU Yinguang (申屠銀光), aged 40, was appointed as our vice general manager on November 8, 2016. Ms. Shentu is responsible for human resources and administration of our Group. See "— Board of Directors — Executive Directors — Ms. SHENTU Yinguang" for her biography.

Ms. Frances Fang CHOVANEC, aged 41, was appointed as our chief financial officer on March 7, 2020. Ms. Chovanec is primarily responsible for the management of financial affairs and investor relations of our Group.

Ms. Chovanec has extensive experience in the finance industry and worked at well-known investment banks for more than 12 years. From 2000 through 2014, Ms. Chovanec had successively served as an analyst at JPMorgan Chase & Company, as an associate and then a vice president at Morgan Stanley Asia Limited and an executive director in the investment banking division of Goldman Sachs & Company, where she had extensively involved in investment banking transaction execution and client coverage. From October 2014 to October 2015, Ms. Chovanec served as a director at Teneo Capital, LLC, a company engaged in investment banking, where she focused on M&A transaction execution. From November 2015 to December 2016, Ms. Chovanec was employed as a managing director by Evercore Management Corporation of Fosun Group where she was mainly focused on private equity investment and portfolio management. Since January 2017, Ms. Chovanec provided consulting services to clients through her own firm, Bird's Nest Advisors, LLC, and mainly advised on strategic partnership, licensing and business development projects. One such example was that she served as an executive vice president at TECLens, LLC, a medical device company focusing on the refractive correction market.

Ms. Chovanec received her bachelor's degree in finance from University of Bridgeport in the U.S. in May 2000 and master's degree in business administration from the Wharton School of the University of Pennsylvania in the U.S. in May 2005. Ms. Chovanec is a Chartered Financial Analyst (CFA) and she obtained the qualification from the Chartered Financial Analyst Institute in July 2003.

Mr. CHENG Da (程達), aged 43, was appointed as our vice general manager on March 1, 2011. Mr. Cheng joined our Group in March 2011 and has worked as a vice general manager at Hangzhou Kangji. Mr. Cheng is primarily responsible for sales management of our Group.

Before joining our Group, Mr. Cheng served as a department head at Terumo Medical Products (Hangzhou) Co., Ltd. (泰爾茂醫療產品(杭州)有限公司) from July 2001 to February 2006, where he was mainly responsible for technology management and product development. From March 2006 to February 2011, Mr. Cheng served as a vice general manager at Hangzhou Fushan Medical Appliances Co., Ltd. (杭州富善醫療器械有限公司), where he was primarily responsible for establishing and maintaining company quality control system and managing technology and quality department.

Mr. Cheng received his bachelor's degree in chemistry from Nankai University (南開大學) in the PRC in June 2001.

Mr. YUE Jiqiang (岳計強), aged 40, was appointed as our vice general manager on May 16, 2009. Mr. Yue joined our Group in May 2009 and has worked as a vice general manager at Hangzhou Kangji. Mr. Yue is mainly responsible for research and development of our Group.

From September 2002 to February 2004, Mr. Yue served as a manager at Hangzhou Kangyou Medical Equipment Co., Ltd. (杭州康友醫療設備有限公司), where he was primarily responsible for research and development. From December 2004 to April 2009, Mr. Yue served as a manager at Hangzhou Optcla Medical Instrument Co., Ltd. (杭州光典醫療器械有限公司), where he was primarily responsible for research and development.

Mr. Yue received his college degree in machine manufacturing from Huabei Mechanical and Electrical Secondary School (華北機電學校) in the PRC in June 2001.

Mr. TANG Wenpeng (唐文鵬), aged 45, was appointed as our vice general manager on March 5, 2018. Mr. Tang joined our Group in March 2017 and has worked as a vice general manager and manager of quality control department at Hangzhou Kangji. Mr. Tang is mainly responsible for production and quality control of our Group.

Mr. Tang served as a department head at Terumo Medical Product (Hangzhou) Co., Ltd. (泰爾茂醫療產品(杭州)有限公司), where he was primarily responsible for quality control, from April 2000 to September 2009. From October 2009 to March 2017, Mr. Tang served as a vice general manager at Jiangxi Fenglin Medical Device Co., Ltd. (江西豐臨醫用器械有限公司), where he was mainly responsible for production and quality control.

Mr. Tang received his bachelor's degree in polymer materials from Shanghai Jiao Tong University (上海交通大學) in the PRC in July 1996.

Mr. YIN Zixin (尹自鑫), aged 34, was appointed as our vice general manager and one of our joint company secretaries on March 7, 2020. Mr. Yin joined our Group in September 2016 as a general manager assistant and has acted as the secretary to the board since November 8, 2016 at Hangzhou Kangji. Mr. Yin is mainly responsible for investor relationships, investment and corporate governance matters of our Group.

Before joining our Group, from July 2008 to October 2010, Mr. Yin served as a department manager at Hangzhou Yingce Enterprise Management and Consultation Co., Ltd. (杭州英策企業管理諮詢有限公司), where he was primarily responsible for product and business development. From November 2010 to August 2016, Mr. Yin worked as an investment manager and assistant to the chairman of the board at Wanma United Holding Group Co., Ltd. (萬馬聯合控股集團有限公司), where he was primarily responsible for investment and M&A.

Mr. Yin received his bachelor's degree in economics and management from Zhejiang University of Finance & Economics (浙江財經大學) in the PRC in June 2008.

JOINT COMPANY SECRETARIES

Mr. YIN Zixin (尹自鑫), aged 34, was appointed as one of our joint company secretaries on March 7, 2020. See his biography under "— Senior Management" for details.

Ms. LEUNG Shui Bing (梁瑞冰), aged 43, one of our joint company secretaries, was appointed on March 7, 2020. Ms. Leung currently serves as a manager of listing services department at TMF Hong Kong Limited (達盟香港有限公司), a global corporate services provider. She has over 15 years of experience in corporate secretarial field. Ms. Leung is currently a joint company secretary of Shanghai Kindly Medical Instruments Co., Ltd. (上海康德萊醫療器械股份有限公司) (stock code: 1501) and IntelliCentrics Global Holdings Ltd. (stock code: 6819), both of which are companies listed on the Stock Exchange.

Ms. Leung obtained her bachelor's degree in business and management studies (accounting and finance) from the University of Bradford in the United Kingdom in July 2008, and master's degree in corporate governance from the Open University of Hong Kong in August 2017. Ms. Leung is an associate member of both of The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom.

BOARD COMMITTEES

Our Company has established three committees under the Board pursuant to the corporate governance practice requirements under the Hong Kong Listing Rules, including the Audit Committee, Remuneration Committee and Nomination Committee.

Audit committee

We have established an audit committee in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls system of the Group, review and approve connected transactions and to advise the Board. The audit committee comprises two independent non-executive Directors and one non-executive Director, namely Mr. CHEN Weibo, Mr. JIANG Feng and Ms. CAI Li. Mr. CHEN Weibo, being the chairman of the committee, is appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules.

Remuneration committee

We have established a remuneration committee in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee are to review and make recommendations to the Board regarding the terms of remuneration packages, bonuses and other compensation payable to our Directors and senior management. The remuneration committee comprises one executive Director and two independent non-executive Directors, namely Mr. CHEN Weibo, Ms. SHENTU Yinguang and Mr. GUO Jian. Mr. CHEN Weibo is the chairman of the committee.

Nomination committee

We have established a nomination committee in compliance with the Code on Corporate Governance set out in Appendix 14 to the Listing Rules. The primary duties of the nomination committee are to make recommendations to our Board regarding the appointment of Directors and Board succession. The nomination committee comprises one executive Director and two independent non-executive Directors, namely Mr. ZHONG Ming, Mr. JIANG Feng and Mr. GUO Jian. Mr. ZHONG Ming is the chairman of the committee.

CORPORATE GOVERNANCE

We have appointed Somerley Capital Limited as our compliance advisor (the "**Compliance Adviser**") pursuant to Rule 3A.19 of the Listing Rules. Our Compliance Adviser will provide us with guidance and advice as to compliance with the Listing Rules and applicable Hong Kong laws. Pursuant to Rule 3A.23 of the Listing Rules, our Compliance Adviser will advise our Company in certain circumstances including:

(a) before the publication of any regulatory announcement, circular, or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share 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 the business activities, development or results of our Group deviate from any forecast, estimate or other information in this prospectus; and

(d) where the Stock Exchange makes an inquiry to our Company regarding unusual movements in the price or trading volume of its listed securities or any other matters in accordance with Rule 13.10 of the Listing Rules.

The term of appointment of our Compliance Adviser shall commence on the Listing Date and is expected to end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date.

BOARD DIVERSITY POLICY

We have adopted the board diversity policy (the "**Board Diversity Policy**") which sets out the approach to achieve diversity on our Board in order to enhance the quality of its performance. The Board Diversity Policy provides that our Company should endeavour to ensure that our Board members have the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategy. Pursuant to the Board Diversity Policy, we seek to achieve Board diversity through the consideration of a number of factors, including but not limited to professional experience, skills, knowledge,

gender, age, cultural and education background, ethnicity and length of service. After Listing, our Nomination Committee will review the Board Diversity Policy from time to time to ensure its continued effectiveness and monitor and report annually in our corporate governance report about the implementation of the Board Diversity Policy.

CODE PROVISION A.2.1 OF THE CORPORATE GOVERNANCE CODE

In view of Mr. Zhong's experience, personal profile and his roles in our Company as mentioned above and the fact that Mr. Zhong has assumed the role of chief executive officer of our Company since our commencement of business, the Board considers it beneficial to the business prospect and operational efficiency of our Company that, upon Listing, Mr. Zhong acts as the chairman of the Board and continues to act as the chief executive officer of our Company. While this will constitute a deviation from Code Provision A.2.1 of the Code as set out in Appendix 14 to the Listing Rules, the Board believes that this structure will not impair the balance of power and authority between the Board and the management of the Company, given that: (i) decision to be made by our Board requires approval by at least a majority of our Directors; (ii) Mr. Zhong and the other Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among other things, that he acts for the benefit and in the best interests of our Company and will make decisions for our Company accordingly; and (iii) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of the Company. Moreover, the overall strategic and other key business, financial, and operational policies of our Company are made collectively after thorough discussion at both Board and senior management levels. The Board will continue to review the effectiveness of the corporate governance structure of our Company in order to assess whether separation of the roles of chairman of the Board and chief executive officer is necessary.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

For details on the service contracts and appointment letters signed between the Company and our directors, see "Appendix IV — Statutory and General Information — C. Further Information about Our Directors and Substantial Shareholders — 1. Directors — (ii) Particulars of service agreements and letters of appointment."

For the three financial years ended December 31, 2017, 2018 and 2019, the aggregate amount of emoluments, salaries, allowances, discretionary bonus, defined contribution retirement plans and other benefits in kind (if applicable) attributable to directors were approximately RMB591,000, RMB793,000 and RMB867,000. For remuneration details of all directors during the Track Record Period, see note 8 to the Accountants' Report as set out in Appendix I of this prospectus.

According to existing effective arrangements, the total amount of remuneration (excluding any possible payment of discretionary bonus) shall be paid by us to directors for the financial year ending December 31, 2020 is expected to be approximately RMB1,120,000.

The remuneration of directors and senior management has been determined with reference to the salaries of comparable companies and their experience, duties and performance.

For the three financial years ended December 31, 2017, 2018 and 2019, the five highest remuneration individuals of our Company included 2, 2 and 1 director(s) respectively, their remunerations were included in the total amount paid by us for the emoluments, salaries, allowances, discretionary bonus, defined contribution retirement plans and other benefits in kind (if applicable) of the relevant directors. For the three financial years ended December 31, 2017, 2018 and 2019, the total amount of remuneration and benefits in kind (if applicable) attributable to the five highest remuneration individuals were approximately RMB1,113,000, RMB1,518,000 and RMB1,674,000.

During the Track Record Period, no remuneration was paid by us nor receivable by directors or the five highest remuneration individuals as incentives for joining or as rewards upon joining our Company. During the Track Record Period, no remuneration was paid by us nor receivable by directors, past directors or the five highest remuneration individuals as compensation for leaving positions relating to management affairs in any subsidiary of the Company.

During the Track Record Period, none of our directors have waived any remuneration. Save as disclosed above, during the Track Record Period, no other amounts shall be paid or payable by us or any of our subsidiaries to the directors or the five highest remuneration individuals.

Certain of our senior management and employees are granted with share options under the Pre-IPO Share Option Plan or RSUs under the RSU Plan. For details of the share options and RSUs granted, see "Appendix IV — Statutory and General Information — A. Further Information about Our Group — 5. Pre-IPO Share Option Plan and RSU Plan."

Save as disclosed above, no director is entitled to receive other special benefits from the Company.

OVERVIEW

Immediately upon completion of the Capitalization Issue and the Global Offering (assuming that the share options granted under the Pre-IPO Share Option Plan are not exercised), Mr. Zhong (through Fortune Spring ZM B Limited) and Ms. Shentu (through Fortune Spring YG B Limited) will be jointly beneficially interested in an aggregate of 51.11% of the total issued share capital of our Company. Accordingly, Mr. Zhong, Ms. Shentu, Fortune Spring ZM B Limited and Fortune Spring YG B Limited will be a group of Controlling Shareholders of the Company.

Mr. Zhong and Ms. Shentu are both executive Directors of our Company. For further background of Mr. Zhong and Ms. Shentu, see "Directors and Senior Management."

NO COMPETITION AND CLEAR DELINEATION OF BUSINESS

Each of our Controlling Shareholders has confirmed that, as of the Latest Practicable Date, none of them had any interest in any business, other than our business, which compete, or is likely to compete, either directly or indirectly, with our business and would require disclosure under Rule 8.10 of the Hong Kong Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying on our business independently from our Controlling Shareholders and their respective close associates after the Listing.

Management Independence

Our Board will be comprised of two executive Directors, two non-executive Directors and three independent non-executive Directors upon Listing.

On the basis of the following reasons, our Directors consider that our Board is able to perform and manage our business independently from the Controlling Shareholders:

(a) our Board comprises seven Directors and three of them are independent non-executive Directors, which represents more than one-third of the members of the Board. With over one-third of our Board members are independent non-executive Directors, there will be a sufficiently robust and independent voice within our Board to counter-balance any situation involving conflict of interest and protect the interests of our independent Shareholders;

(b) our Board is supported by an experienced full time management team. We have the capabilities and personnel to perform all essential administrative functions, including financial and accounting, human resources, business management and research and development on a stand-alone basis;

(c) each Director is aware of his/her fiduciary duties as a Director of our Company, which require, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interest;

(d) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Company and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum; and

(e) connected transactions between our Group and our Controlling Shareholders or their respective associates are subject to the requirements under the Hong Kong Listing Rules, including the requirements of reporting, announcement and independent Shareholders' approval (where applicable).

Having considered the above factors, our Directors are satisfied that they are able to perform their roles in our Company independently and manage our business independently from the Controlling Shareholders after Listing.

Operational Independence

We have full rights to make business decisions and to carry out our business independent of our Controlling Shareholders and their respective close associates. On the basis of the following reasons, our Directors consider that our Company will continue to be operationally independent of our Controlling Shareholders and their respective close associates after Listing:

(a) we are not reliant on trademarks owned by our Controlling Shareholders;

(b) we are the holder of all relevant licenses material to the operation of our business and have sufficient capital, equipment and employees to operate our business independently;

(c) we have our own administrative and corporate governance infrastructure, including our own accounting, legal and human resources departments;

(d) our Directors do not expect that there will be any connected transactions between our Group and our Controlling Shareholders or their respective associates upon or shortly after Listing; and

(e) none of our Controlling Shareholders and their respective close associates has any interest which competes or is likely to compete with the business of our Group.

Financial Independence

We have independent internal control and accounting systems. We also have an independent finance department responsible for discharging the treasury function. We are capable of obtaining financing from third parties, if necessary, without reliance on our Controlling Shareholders.

No loans or guarantees provided by, or granted to, our Controlling Shareholders or their respective close associates will be outstanding as of the Listing Date.

Based on the above, our Directors are of the view that they and our senior management are capable of carrying on our business independently of, and do not place undue reliance on our Controlling Shareholders and their close associates after the Listing.

CORPORATE GOVERNANCE

Other than deviation from Code Provision A.2.1 as disclosed in "Directors and Senior Management — Code Provision A.2.1 of the Corporate Governance Code," our Company will comply with the provisions of the Code, which sets out principles of good corporate governance in relation to, among other matters, directors, the chairman and chief executive officer, board composition, the appointment, re-election and removal of Directors, their responsibilities and remuneration and communications with Shareholders.

Our Directors recognize the importance of good corporate governance to protect the interests of our Shareholders. We would adopt the following corporate governance measures to manage potential conflict of interests between our Group and the Controlling Shareholders:

(a) where a Shareholders meeting is to be held for considering proposed transactions in which the Controlling Shareholders or their associates has a material interest, the Controlling Shareholders shall not vote on the resolutions and shall not be counted in the quorum for the voting;

(b) the Company has established internal control mechanisms to identify connected transactions. Upon Listing, if the Company enters into connected transactions with the Controlling Shareholders or their associates, the Company will comply with the applicable Hong Kong Listing Rules;

(c) our Board will consist of a balanced composition of executive and non-executive Directors, including not less than one-third of independent non-executive Directors to ensure that our Board is able to effectively exercise independent judgment in its decision-making process and provide independent advice to our Shareholders. Our independent non-executive Directors, details of whom are set out in "Directors and Senior Management" individually and together possess the requisite knowledge and experience. All of our independent non-executive Directors are experienced. They will review whether there is any conflict of interests between the Group and the Controlling Shareholders annually and provide impartial and professional advice to protect the interest of our minority Shareholders;

(d) in the event that the independent non-executive Directors are requested to review any conflicts of interests circumstances between the Group and the Controlling Shareholders, the Controlling Shareholders and/or the Company shall provide the independent non-executive Directors with all necessary information and the Company shall disclose the decisions of the independent non-executive Directors (including why business opportunities referred to it by the Controlling Shareholders were not taken up) either in its annual report or by way of announcements;

(e) where the advice from independent professional, such as that from financial adviser, is reasonably requested by our Directors (including the independent non-executive Directors), the appointment of such independent professional will be made at our Company's expenses; and

(f) we have appointed Somerley Capital Limited as our compliance advisor, 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 corporate governance.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and our Controlling Shareholders, and to protect minority Shareholders' rights after the Listing.

So far as our Directors are aware, immediately following the completion of the Capitalization Issue and the Global Offering (assuming that the Over-allotment Option and the share options granted under the Pre-IPO Share Option Plan are not exercised), the following persons will have interests or short positions in Shares or underlying Shares of our Company which will be required to be disclosed to our Company and the Stock Exchange pursuant to 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:

Name	**Nature of interest**	**Shares held as of the date of this prospectus**		**Shares held immediately following the completion of the Capitalization Issue and Global Offering (assuming the Over-allotment Option and the share options granted under the Pre-IPO Share Option Plan are not exercised)**	
		Number	*Approximate percentage*	*Number*	*Approximate percentage*
Mr. Zhong	Beneficiary of a trust[(1)]	40,850 Shares	39.78%	408,500,000 Shares	32.62%
	Interest of spouses[(3)]	23,150 Shares	22.55%	231,500,000 Shares	18.49%
Ms. Shentu	Beneficiary of a trust[(2)]	23,150 Shares	22.55%	231,500,000 Shares	18.49%
	Interest of spouses[(3)]	40,850 Shares	39.78%	408,500,000 Shares	32.62%
Credit Suisse Trust Limited	Trustee of a trust[(1)]	40,850 Shares	39.78%	408,500,000 Shares	32.62%
BOS Trustee Limited	Trustee of a trust[(2)]	23,150 Shares	22.55%	231,500,000 Shares	18.49%
Fortune Spring ZM B Limited	Beneficial owner[(1)]	40,850 Shares	39.78%	408,500,000 Shares	32.62%
Fortune Spring YG B Limited	Beneficial owner[(2)]	23,150 Shares	22.55%	231,500,000 Shares	18.49%
TPG Keyhole	Beneficial owner[(4)]	25,000 Preferred Shares	24.35%	250,000,000 Shares	19.96%
LYFE Capital Fund, L.P.	Beneficial owner[(5)]	6,578 Preferred Shares	6.41%	65,780,000 Shares	5.25%
LYFE Capital Fund-A, L.P.	Beneficial owner[(5)]	1,097 Preferred Shares	1.07%	10,970,000 Shares	0.88%

Notes:

(1) Fortune Spring ZM B Limited ("**ZM B**") is owned by Fortune Spring ZM AA Limited and Fortune Spring ZM A Limited as to 99.9% and 0.1%, respectively. Fortune Spring ZM AA Limited is wholly owned by the Fortune Spring ZM Trust, for which Credit Suisse Trust Limited serves as the trustee and Mr. Zhong acts as the settlor and protector.

(2) Fortune Spring YG B Limited is owned by YG AA Limited and Fortune Spring YG A Limited as to 99.8% and 0.2%, respectively. YG AA Limited is wholly owned by The YG Trust, for which BOS Trustee Limited serves as the trustee, and Ms. Shentu acts as the settlor and Mr. Zhong acts as the protector.

(3) Mr. Zhong and Ms. Shentu are spouses, and therefore are deemed to be interested in the Shares held by each other under the SFO.

(4) Each of TPG Keyhole, L.P. (as sole shareholder of TPG Keyhole), TPG Asia GenPar VII, L.P. (as a general partner of TPG Keyhole, L.P.), TPG Asia GenPar VII Advisors, Inc. (as a general partner of TPG Asia GenPar VII, L.P.), TPG Holdings III, L.P. (as the sole shareholder of TPG Asia GenPar VII Advisors, Inc.), TPG Holdings III-A, L.P. (as a general partner of TPG Holdings III, L.P.), TPG Holdings III-A, Inc. (as a general partner of TPG Holdings III-A, L.P.), TPG Group Holdings (SBS), L.P. (as the sole shareholder of TPG Holdings III-A, Inc.), TPG Group Holdings (SBS) Advisors, LLC (as a general partner of TPG Group Holdings (SBS), L.P.) and TPG Group Holdings (SBS) Advisors, Inc. (as the sole shareholder of TPG Group Holdings (SBS) Advisors, LLC) is deemed to be interested in the Shares held by TPG Keyhole under the SFO. TPG Group Holdings (SBS) Advisors, Inc. is controlled by Mr. David Bonderman and Mr. James G. Coulter, who disclaim beneficial ownership of the Shares held by TPG Keyhole except to the extent of their pecuniary interest therein.

(5) LYFE Capital GP, L.P., as the general partner of LYFE Capital Fund L.P. and LYFE Capital Fund-A, L.P., will be deemed to be interested in the Shares held by LYFE Capital Fund L.P. and LYFE Capital Fund-A, L.P., respectively, under the SFO. LYFE Capital GP, L.P. is ultimately controlled by Mr. Zhao Jin and Mr. Yu Zhengkun.

As at the date of this prospectus, there is a charge (the "**Charge**") created by ZM B in favour of Credit Suisse AG, Singapore Branch ("**Credit Suisse SG**"), principal terms of which were set out as below:

Date of the Charge:	October 5, 2019
Holder of the Charge:	Credit Suisse SG
Principal terms:	Pursuant to the Memorandum of Charge on Assets dated October 5, 2019, ZM B, among others: (1) agreed to charge, pledge, mortgage, assign in favour of Credit Suisse SG over all of the present and future accounts of ZM B; (2) agreed to charge, pledge, mortgage, assign in favour of Credit Suisse SG over all securities which have been or at any time thereafter deposited with, transferred or caused to be transferred to or held by Credit Suisse SG or its nominees;

(3) agreed to create a security interest in favour of Credit Suisse SG over all the book entry securities of ZM B; and

(4) warranted and undertook that it would not sell, lease, transfer or otherwise dispose of or create mortgage on any of the charged assets.

Credit lines granted:	US$10 million
Utilized amount as of the date of this prospectus:	Nil

The Charge will be released prior to the Listing.

Save as disclosed above, our Directors are not aware of any person who will, immediately following the completion of the Capitalization Issue and Global Offering, have interests or short positions in Shares or underlying Shares which will be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company and/or any of our subsidiaries. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

AUTHORISED AND ISSUED SHARE CAPITAL

The following is a description of the authorised and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately following the completion of the Capitalization Issue and the Global Offering (without taking into account any exercise of the share options granted under the Pre-IPO Share Option Plan):

	Nominal Value
	(US$)
Authorized share capital:	
As of the Latest Practicable Date:	
3,200,000,000 Shares of US$0.00001 each	32,000
1,800,000,000 Preferred Shares of US$0.00001 each	18,000
After completion of Capitalization Issue and Global Offering[(1)]:	
5,000,000,000 Shares of US$0.00001 each	50,000
Shares in issue as at the date of this prospectus:	
66,681 Shares of US$0.00001 each	0.67
36,000 Preferred Shares of US$0.00001 each	0.36
Shares to be issued pursuant to the Capitalization Issue:	
666,743,319 Shares of US$0.00001 each	6,667.44
359,964,000 Preferred Shares of US$0.00001 each	3,599.64
Shares to be issued pursuant to the Global Offering:	
225,397,500 Shares of US$0.00001 each	2,253.975
Shares in issue immediately following the Capitalization Issue and the Global Offering:	
1,252,207,500 Shares of US$0.00001 each[(1)]	12,522.075

Note:

(1) The Preferred Shares will be converted into Shares on a one to one basis by way of re-designation to Shares on the Listing Date.

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional and Shares are issued pursuant to the Global Offering. The above tables also do not take into account any Shares which may be issued or repurchased by us under the general mandates granted to our Directors as referred to below.

RANKING

The Offer Shares will rank pari passu in all respects with all Shares currently in issue or to be issued as mentioned in this prospectus, and will qualify and rank equally for all dividends or other distributions declared, made or paid on the Shares on a record date which falls after the date of this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS ARE REQUIRED

Our Company will have only one class of Shares, namely ordinary shares, and each ranks *pari passu* with the other Shares upon completion of the Global Offering.

Pursuant to the Cayman Companies Law and the terms of the Memorandum of Association and Articles of Association, our Company may from time to time by ordinary resolution of Shareholders (i) increase its capital; (ii) consolidate and divide its capital into shares of larger amount; (iii) divide its shares into several classes; (iv) subdivide its shares into shares of smaller amount; and (v) cancel any shares which have not been taken. In addition, our Company may subject to the provisions of the Cayman Companies Law reduce its share capital or capital redemption reserve by its Shareholders passing a special resolution. See "Appendix III — Summary of Our Constitution and Cayman Islands Company Law — Summary of the Constitution of the Company — 2. Articles of Association — 2.5 Alteration of capital" for further details.

PRE-IPO SHARE OPTION PLAN

Our Company adopted the Pre-IPO Share Option Plan on May 6, 2020. See "Statutory and General Information — A. Further Information about Our Group — 5. Pre-IPO Share Option Plan and RSU Plan" in Appendix IV to this prospectus for details of the Pre-IPO Share Option Plan.

GENERAL MANDATE TO ISSUE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with a total nominal value of not more than the sum of:

- 20% of the aggregate nominal value of the Shares in issue immediately following completion of the Global Offering; and

- the aggregate nominal value of Shares repurchased by us under the authority referred to in the paragraph headed "— General Mandate to Repurchase Shares" in this section.

This general mandate to issue Shares will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or

- the expiration of the period within which our Company's next annual general meeting is required by the Memorandum of Association and Articles of Association or any other applicable laws to be held; or

- the date when it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

See "Appendix IV — Statutory and General Information — A. Further Information about Our Group — 4. Resolutions in Writing of Our Shareholders on June 8, 2020" for further details of this general mandate to allot, issue and deal with Shares.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase our own securities with nominal value of up to 10% of the aggregate nominal value of our Shares in issue immediately following the completion of the Global Offering.

The repurchase mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which our Shares are listed (and which are recognised by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in "Appendix IV — Statutory and General Information — A. Further Information about Our Group — 6. Restriction on Share Repurchase."

This general mandate to repurchase Shares will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or

- the expiration of the period within which our Company's next annual general meeting is required by the Memorandum of Association and Articles of Association or any other applicable laws to be held; or

- the date when it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

See "Appendix IV — Statutory and General Information — A. Further Information about Our Group — 6. Restriction on Share Repurchase" for further details of the repurchase mandate.

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements (each a "**Cornerstone Investment Agreement**", and together the "**Cornerstone Investment Agreements**") with the cornerstone investors set out below (each a "**Cornerstone Investor**", and together the "**Cornerstone Investors**"), pursuant to which the Cornerstone Investors have agreed to, subject to certain conditions, subscribe at the Offer Price for a certain number of Offer Shares (rounded down to the nearest whole board lot of 500 Shares) that may be purchased for an aggregate amount of US$165 million (or approximately HK$1,279 million) (calculated based on the conversion rate of US$1.00 to HK$7.75014) (the "**Cornerstone Placing**").

Assuming an Offer Price of HK$12.36, being the low-end of the indicative Offer Price range set out in this prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investors would be 103,461,500 Offer Shares, representing approximately 45.9% of the Offer Shares pursuant to the Global Offering and approximately 8.3% of our total issued share capital immediately upon completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option and the share options granted under the Pre-IPO Share Option Plan are not exercised).

Assuming an Offer Price of HK$13.12, being the mid-point of the indicative Offer Price range set out in this prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investors would be 97,467,500 Offer Shares, representing approximately 43.2% of the Offer Shares pursuant to the Global Offering and approximately 7.8% of our total issued share capital immediately upon completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option and the share options granted under the Pre-IPO Share Option Plan are not exercised).

Assuming an Offer Price of HK$13.88, being the high-end of the indicative Offer Price range set out in this prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investors would be 92,131,500 Offer Shares, representing approximately 40.9% of the Offer Shares pursuant to the Global Offering and approximately 7.4% of our total issued share capital immediately upon completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option and the share options granted under the Pre-IPO Share Option Plan are not exercised).

The Company is of the view that, the Cornerstone Placing will help to raise the profile of the Company and to signify that such investors have confidence in the business and prospect of the Group.

To the best knowledge of our Company, (i) each of the Cornerstone Investors is an Independent Third Party and is not our connected person (as defined in the Listing Rules); (ii) none of the Cornerstone Investors is accustomed to take instructions from our Company, the Directors, chief executive, substantial shareholders, existing Shareholders or any of its subsidiaries or their respective close associates; and (iii) none of the subscription of the relevant Offer Shares by any of the Cornerstone Investors is financed by our Company, the

Directors, chief executive, substantial shareholders, existing Shareholders or any of its subsidiaries or their respective close associates. 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 the Company on or around June 26, 2020.

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 Agreements. The Offer Shares to be subscribed by the Cornerstone Investors will rank *pari passu* in all respect with the fully paid Shares in issue and will be counted towards the public float of the Company under Rule 8.08 of the Listing Rules. Immediately following the completion of the Global Offering, none of the Cornerstone Investors will have any Board representation in the Company, nor will any of them become substantial shareholder of the Company. The Cornerstone Investors do not have any preferential rights under the Cornerstone Investment Agreements compared with other public Shareholders, other than a guaranteed allocation of the relevant Offer Shares at the Offer Price.

There are no side arrangements between the 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. There will be no delayed delivery or deferred settlement of Offer Shares to be subscribed by the Cornerstone Investors pursuant to the Cornerstone Investment Agreements.

The total number of Offer Shares to be subscribed by the Cornerstone Investors pursuant to the Cornerstone Placing may 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" in this prospectus.

THE CORNERSTONE INVESTORS

Set out below is the aggregate number of Offer Shares, and the corresponding percentage to our Company's total issued share capital under the Cornerstone Placing, without taking into account any exercise of the share options granted under the Pre-IPO Share Option Plan:

Based on the Offer Price of HK$12.36 (being the low-end of the Offer Price Range)

			Approximately % of total number of Offer Shares		Approximately % of total Shares in issue immediately following the completion of Global Offering	
Cornerstone Investor	**Investment Amount**	**Number of Offer Shares (rounded down to nearest whole board lot of 500 Shares)**	**Assuming the Over-allotment Option is not exercised**	**Assuming the Over-allotment Option is exercised in full**	**Assuming the Over-allotment Option is not exercised**	**Assuming the Over-allotment Option is exercised in full**
	(US$ in million)[1]					
Fidelity Investments	45	28,218,000	12.5%	10.9%	2.3%	2.3%
BlackRock Funds (as defined below)	35	21,946,000	9.7%	8.5%	1.8%	1.8%
Lake Bleu Prime (as defined below)	25	15,675,500	7.0%	6.0%	1.3%	1.3%
Gaoling Fund, L.P. and YHG Investment, L.P.	15	9,405,500	4.2%	3.6%	0.8%	0.8%
Cormorant Global Healthcare Master Fund, LP	15	9,405,500	4.2%	3.6%	0.8%	0.8%
OrbiMed Funds (as defined below)	15	9,405,500	4.2%	3.6%	0.8%	0.8%
Oaktree Funds (as defined below)	15	9,405,500	4.2%	3.6%	0.8%	0.8%
Total	165	103,461,500	45.9%	39.9%	8.3%	8.3%

Note:

1 To be converted to Hong Kong dollars based on the exchange rate as disclosed in this prospectus.

Based on the Offer Price of HK$13.12 (being the mid-point of the Offer Price Range)

Cornerstone Investor	Investment Amount *(US$ in million)*[1]	Number of Offer Shares (rounded down to nearest whole board lot of 500 Shares)	Approximately % of total number of Offer Shares		Approximately % of total Shares in issue immediately following the completion of Global Offering	
			Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full
Fidelity Investments	45	26,583,500	11.8%	10.3%	2.1%	2.1%
BlackRock Funds (as defined below)	35	20,674,500	9.2%	8.0%	1.7%	1.7%
Lake Bleu Prime (as defined below)	25	14,767,500	6.6%	5.7%	1.2%	1.2%
Gaoling Fund, L.P. and YHG Investment, L.P.	15	8,860,500	3.9%	3.4%	0.7%	0.7%
Cormorant Global Healthcare Master Fund, LP	15	8,860,500	3.9%	3.4%	0.7%	0.7%
OrbiMed Funds (as defined below)	15	8,860,500	3.9%	3.4%	0.7%	0.7%
Oaktree Funds (as defined below)	15	8,860,500	3.9%	3.4%	0.7%	0.7%
Total	165	97,467,500	43.2%	37.6%	7.8%	7.8%

Note:

1 To be converted to Hong Kong dollars based on the exchange rate as disclosed in this prospectus.

Based on the Offer Price of HK$13.88 (being the high-end of the Offer Price Range)

Cornerstone Investor	Investment Amount *(US$ in million)*[1]	Number of Offer Shares (rounded down to nearest whole board lot of 500 Shares)	Approximately % of total number of Offer Shares		Approximately % of total Shares in issue immediately following the completion of Global Offering	
			Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full
Fidelity Investments	45	25,128,000	11.1%	9.7%	2.0%	2.0%
BlackRock Funds (as defined below)	35	19,542,500	8.7%	7.5%	1.6%	1.6%
Lake Bleu Prime (as defined below)	25	13,959,000	6.2%	5.4%	1.1%	1.1%
Gaoling Fund, L.P. and YHG Investment, L.P.	15	8,375,500	3.7%	3.2%	0.7%	0.7%
Cormorant Global Healthcare Master Fund, LP	15	8,375,500	3.7%	3.2%	0.7%	0.7%
OrbiMed Funds (as defined below)	15	8,375,500	3.7%	3.2%	0.7%	0.7%
Oaktree Funds (as defined below)	15	8,375,500	3.7%	3.2%	0.7%	0.7%
Total	165	92,131,500	40.9%	35.5%	7.4%	7.4%

Note:

1 To be converted to Hong Kong dollars based on the exchange rate as disclosed in this prospectus.

The following information about the Cornerstone Investors was provided to the Company by the Cornerstone Investors in relation to the Cornerstone Placing.

1. Fidelity Investments

Fidelity Select Portfolios: Pharmaceuticals Portfolio, Fidelity Central Investment Portfolios LLC: Fidelity Emerging Markets Equity Central Fund, Fidelity Investment Trust: Fidelity Series Emerging Markets Opportunities Fund, Fidelity Investment Trust: Fidelity Total Emerging Markets Fund, Fidelity Investment Trust: Fidelity Pacific Basin Fund, Fidelity Investment Trust: Fidelity International Discovery Fund, Fidelity Investment Trust: Fidelity Worldwide Fund, Fidelity Investment Trust: Fidelity International Discovery K6 Fund, Fidelity Investment Trust: Fidelity Emerging Asia Fund, Fidelity Investment Trust: Fidelity China Region Fund, Fidelity Emerging Markets Equity Multi-Asset Base Fund, Fidelity Advisor Series VIII: Fidelity Advisor Emerging Asia Fund, FIAM Group Trust for Employee Benefit Plans: FIAM Emerging Markets Opportunities Commingled Pool, Fidelity Emerging Markets Opportunities Institutional Trust, Fidelity Group Trust for Employee Benefit Plans: Fidelity International Discovery Commingled Pool, Fidelity Investment Trust: Fidelity Emerging Markets Fund, Fidelity Investment Trust: Fidelity Emerging Markets Discovery Fund and Fidelity Investment Trust: Fidelity International Small Cap Fund are advised or sub-advised by a group of companies collectively known as Fidelity Investments.

Established in 1946, Fidelity Investments provides, among others, investment advisory services to various institutional and retail funds and accounts. Asset classes managed include, among others, stocks, bonds and other debt securities. Fidelity Investments invests in securities of companies engaged in a variety of economic sectors and industries that are domiciled in the U.S. and outside the U.S., across different asset classes, market sectors, maturities, and regions. As at September 30, 2019, Fidelity Investments managed more than US$2.8 trillion through mutual fund portfolios and other institutional accounts around the world.

2. BlackRock Funds

BlackRock Strategic Funds — BlackRock Asia Pacific Absolute Return Fund, BlackRock Emerging Frontiers Fund Ltd — CS Investment Portfolio, BlackRock Health Sciences Opportunities Portfolio, a Series of BlackRock Funds, BlackRock Health Sciences Trust II, BlackRock Health Sciences Trust, BlackRock Global Funds — World Healthscience Fund, and BlackRock Health Sciences Master Unit Trust ("**BlackRock Funds**") are managed by investment subsidiaries of BlackRock, Inc. ("**BlackRock**"), which have discretionary investment management power over the respective BlackRock Funds. BlackRock is listed on the New York Stock Exchange (stock code: BLK). As of March 31, 2020, the firm managed approximately US$6.47 trillion in assets on behalf of investors worldwide. BlackRock's shareholders' approval is not required for BlackRock Funds' subscription for the Offer Shares pursuant to the Cornerstone Investment Agreement. In addition to the conditions precedent as set out in "— Closing Conditions",

the subscription obligation of the BlackRock Funds is subject to the respective representations, warranties, acknowledgements, undertakings and confirmations of the Company being accurate, true and complete in all material respects and not misleading or deceptive and there being no material breach of the Cornerstone Investment Agreement on the part of the investor and the Company. Further, the BlackRock Funds are entitled to terminate the Cornerstone Investment Agreement in the event there is a material breach of the Cornerstone Investment Agreement by the Company or other contracting parties or it is prevented or delayed from performing its obligations under the Cornerstone Investment Agreement as a result of circumstances beyond its control.

3. Lake Bleu Prime Healthcare Master Fund Limited

Lake Bleu Capital (Hong Kong) Limited acts as the investment manager to Lake Bleu Prime Healthcare Master Fund Limited ("**Lake Bleu Prime**"). Lake Bleu Prime, an Exempted Company incorporated in the Cayman Islands, is a long-bias public equity fund with investments focused on Asia/Greater China healthcare, including pharmaceuticals, biotech, medical devices, and healthcare services.

4. Gaoling Fund, L.P. and YHG Investment, L.P.

Gaoling Fund, L.P. and YHG Investment, L.P. are limited partnerships formed under the laws of the Cayman Islands. Hillhouse Capital Advisors, Ltd. ("**Hillhouse Capital**") serves as the sole investment manager of Gaoling Fund, L.P. and the general partner of YHG Investment, L.P..

Founded in 2005, Hillhouse Capital is a global firm of investment professionals and operating executives who are focused on building and investing in high quality business franchises that achieve sustainable growth. Independent proprietary research and industry expertise, in conjunction with world-class operating and management capabilities, are key to Hillhouse Capital's investment approach. Hillhouse Capital partners with exceptional entrepreneurs and management teams to create value, often with a focus on enacting innovation and technological transformation. Hillhouse Capital invests in the healthcare, consumer, TMT, advanced manufacturing, financials and business services sectors in companies across all equity stages. Hillhouse Capital and its group members manage assets on behalf of institutional clients such as university endowments, foundations, sovereign wealth funds, and family offices.

5. Cormorant Global Healthcare Master Fund, LP

Cormorant Global Healthcare Master Fund, LP is managed by Cormorant Asset Management, LP ("**Cormorant**"). Cormorant is a SEC registered investment advisor located in Boston, Massachusetts, USA, which has been providing investment advisory

services since March 2013. Cormorant invest primarily in public and private securities of healthcare and life sciences companies. Cormorant Global Healthcare Master Fund, LP, is a long-term investment partnership investing in healthcare and life sciences companies and advised by Cormorant.

6. OrbiMed Funds

OrbiMed Capital LLC is the investment advisor for OrbiMed Partners Master Fund Limited ("**OPM**") and the portfolio manager of Worldwide Healthcare Trust PLC ("**WWH**"). OPM is an exempted company limited by shares incorporated under the laws of Bermuda. WWH is a publicly listed trust organized under the laws of England. OrbiMed Genesis Master Fund, L.P. ("**Genesis**") and OrbiMed New Horizons Master Fund, L.P. ("**ONH**") (OPM, WWH, Genesis and ONH, collectively, the "**OrbiMed Funds**") are each exempted limited partnerships incorporated under the laws of the Cayman Islands and pooled-investment funds with OrbiMed Advisors LLC acting as the investment manager. OrbiMed Capital LLC and OrbiMed Advisors LLC exercise voting and investment power through a management committee comprised of Carl L. Gordon, Sven H. Borho, and Jonathan T. Silverstein.

7. Oaktree Funds

Oaktree Capital Management, L.P. ("**Oaktree**") is the investment manager of Oaktree Emerging Markets Equity Fund, L.P and certain separately managed accounts within its Emerging Markets Equity strategy (severally and not jointly) (each, an "**Oaktree Fund**", and collectively the "**Oaktree Funds**").

Oaktree is a Delaware limited partnership and is registered as an investment adviser with the United States Securities and Exchange Commission. Oaktree is a global investment management firm managing a broad array of complementary strategies in four asset classes: credit, private equity, real assets and listed equities, and maintains a contrarian, value-oriented investment philosophy. Oaktree's investor base includes institutional investors such as pension plans, insurance companies, endowments, foundations and sovereign wealth funds.

CLOSING CONDITIONS

The obligation of each Cornerstone Investor to acquire the Offer Shares under their respective 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 and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in the Hong Kong Underwriting Agreement and the International Underwriting Agreement;

(ii) neither the Hong Kong Underwriting Agreement nor the International Underwriting Agreement having been terminated;

(iii) the Offer Price having been agreed according to the Hong Kong Underwriting Agreement, the International Underwriting Agreement and the Price Determination Agreement to be signed among the parties to such agreements in connection with the Global Offering;

(iv) the Listing Committee having granted the listing of, and permission to deal in, the Shares (including the Shares under the Cornerstone Placing) and such approval or permission having not been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;

(v) no laws shall have been enacted or promulgated which prohibits the consummation of the transactions contemplated in the Global Offering or the Cornerstone Investment Agreements, and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and

(vi) the representations, warranties, acknowledgements, undertakings and confirmations of each Cornerstone Investors under the respective Cornerstone Investment Agreement are and will be (as of the closing of the Cornerstone Investment Agreement) accurate, true and complete in all respects and not misleading or deceptive and that there is no breach of the Cornerstone Investment Agreements on the part of the Cornerstone Investors.

RESTRICTIONS ON THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed that it will not, whether directly or indirectly, at any time during the period of six months following the Listing Date (the "**Lock-up Period**"), dispose of any of the Offer Shares they have purchased pursuant to their respective Cornerstone Investment Agreements, save for certain limited circumstances, such as transfers to any of its wholly-owned subsidiaries or funds under common management and control (as the case may be) who will be bound by the same obligations of such Cornerstone Investors, including the Lock-up Period restriction.

You should read the following discussion and analysis in conjunction with our combined financial statements included in "Appendix I — Accountants' Report" to this prospectus, together with the accompanying notes. Our combined financial information has been prepared in accordance with HKFRSs, which may differ in material aspects from generally accepted accounting principles in other jurisdictions. You should read the entire Accountants' Report and not merely rely on the information contained in this section.

The following discussion and analysis contain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate under the circumstances. However, whether the actual outcome and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. For details, see "Forward-looking Statements" and "Risk Factors."

OVERVIEW

We are the largest domestic minimally invasive surgical instruments and accessories (MISIA) platform in China. As of the Latest Practicable Date, we registered 41 Class I medical devices, 13 Class II medical devices and eight Class III medical devices in China. We have also developed a robust product pipeline to achieve a more extensive MIS product portfolio, including disposable ultrasonic scalpels, absorbable ligation clips and laparoscopic staplers to be launched in 2020 and 2021. Our business grew rapidly during the Track Record Period. Our revenue increased from RMB247.5 million in 2017 to RMB353.7 million in 2018, and further to RMB503.5 million in 2019 at a CAGR of 42.6%. Our gross profit increased from RMB199.7 million in 2017 to RMB289.3 million in 2018, and further to RMB423.2 million in 2019 at a CAGR of 45.6%. Our gross profit margin increased from 80.7% in 2017 to 81.8% in 2018 and further to 84.1% in 2019.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

We believe that the most significant factors affecting our results of operations and financial condition include the following.

Growth of China's MISIA Market

Our financial performance and future growth depend on the overall growth of China's MISIA market. MIS remain significantly under-penetrated in China, and as a result, China's MISIA market is expected to experience tremendous growth. According to CIC, in 2019, the number of MIS performed per million people in China was 8,514, as compared to 16,877 MIS performed per million people in the U.S.. Driven by the increasing number of surgeries,

increasing substitution of open surgeries with MIS and improving accessibility of MIS in China, the MISIA market in China has grown and is expected to continue to grow rapidly. According to CIC, the size of China's MISIA market increased from RMB9.6 billion in 2015 to RMB18.5 billion in 2019, representing a CAGR of 17.8%, and is expected to reach RMB40.8 billion in 2024, representing a CAGR of 17.2% from 2019.

In addition to the overall growth of China's MISIA market, we have also benefitted from and expect to continue to benefit from favorable industry trends such as the increasing usage of disposable products, growing acceptance of domestic products and market consolidation. For details, see "Industry Overview." As the largest domestic MISIA platform in China, we believe we are well positioned to grow in the large and fast-growing MISIA market and expect our results of operations to continue to improve in the future.

Product Mix

Our profitability is affected by our product mix, as the selling price, sales volume and gross profit margin of different products in our portfolio vary. Generally, the gross profit margin of disposable products is higher than reusable products, because the per unit cost of disposable products is generally lower than that of reusable products due to different manufacturing process and raw materials used, and because we are able to achieve better economies of scale for disposable products due to larger production volumes and more streamlined and standardized manufacturing processes. For the year ended December 31, 2017, 2018 and 2019, gross profit margin of our disposable products was 85.2%, 85.4% and 87.2%, respectively, whereas gross profit margin of our reusable products was 62.2%, 63.2% and 64.5%, respectively. As a result, the sales performance of different products has an impact on our gross profit and gross profit margin in a single year. During the Track Record Period, our ex-factory prices for the same product specification under the same packaging for all major product types remained stable. During the same period, the percentage of revenue derived from disposable products out of our total revenue increased from 80.2% in 2017 to 86.2% in 2019, mainly driven by significant sales volume increase. This was a major contributor to the increase in our gross profit from RMB199.7 million in 2017 to RMB289.3 million in 2018 and further to RMB423.2 million in 2019, as well as the increase in our gross profit margin from 80.7% in 2017 to 81.8% in 2018 and further to 84.1% in 2019. We expect to continue to focus on our higher-margin disposable products. Our product mix may gradually change in the future as we launch new products that have different margin profiles, and this will continue to have an impact on our profitability.

New Product Development and Commercialization

During the Track Record Period, we primarily offered a comprehensive product portfolio covering major minimally invasive surgical procedures focusing on four major surgical specialties performing MIS (i.e. OBGYN, general surgery, urology and thoracic surgery). We also actively develop new products and upgrade existing products to support a more extensive range of surgical procedures, which we believe will diversify our revenue source and enable us to maintain sustainable growth. From 2020 to 2021, we plan to launch six new products,

including absorbable ligation clips, disposable ultrasonic scalpels and laparoscopic staplers. We also have several pipeline products currently in product design and development stage, which we plan to launch in or after 2022, such as robot-assisted laparoscopic surgical instruments, multi-dimensional rotational laparoscopic surgical instruments and knot-free subcuticular sutures. We believe these candidates represent the long-term growth opportunities of the MISIA market. For details of our product pipeline, see "Business — Our Product Portfolio — Product Pipeline." We have accumulated extensive experience in commercializing our products in the past, from clinical trial to registration and approval.

We plan to leverage our established sales network to commercialize our pipeline products, primarily focusing on promoting these products in Grade IIIA hospitals, the top-tier hospitals in China where we have a broad network of KOLs and physicians and extensive distributor coverage, and then gradually increasing penetration in lower-tier hospitals.

Expansion of Sales Network

We generate the majority of our revenue from sales to our domestic distributors. In 2017, 2018 and 2019, revenue generated from sales to domestic distributors was RMB213.8 million, RMB307.9 million and RMB450.9 million, respectively, representing 86.4%, 87.1% and 89.6% of our total revenue, respectively. Our ability to effectively manage our sales network and to expand hospital coverage of our domestic sales network is critical to our business performance. Through our sales network, during the Track Record Period, our products were ultimately sold to over 3,400 hospitals, including over 1,000 Grade IIIA hospitals, covering all provinces, municipalities and autonomous regions in China and 42 other countries. Going forward, we will adopt a targeted distribution strategy to encourage domestic distributors to increase the share of wallet from major Grade IIIA hospitals and increase penetration in lower-tier hospitals.

In addition, we generated revenue of RMB26.6 million, RMB33.5 million and RMB35.8 million from overseas sales, which accounted for approximately 10.8%, 9.4% and 7.1% of our total revenue in 2017, 2018 and 2019, respectively. During the Track Record Period, our overseas sales were primarily made to Europe, South America and other Asian countries. Going forward, we plan to expand our sales and increase our brand recognition in global markets, accelerate product registrations under our brand in more countries, such as the U.S., the U.K. and Southeast Asian countries, and strategically register certain new products in Europe. We believe that our efforts in expanding our international presence will enable us to increase sales and further enhance our results of operations.

Operational Efficiency and Economies of Scale

Our profitability has benefited from the effective control of our costs and expenses and ability to improve operational efficiency and achieve economies of scale. During the Track Record Period, our cost of sales mainly consisted of raw materials, direct labor costs and manufacturing costs. During this period, our raw material costs and manufacturing costs increased relatively steadily as our business expanded. Our direct labor costs increased by

23.7% from 2017 to 2018 as we increased headcount to support our business expansion and remained relatively stable from 2018 to 2019. Our ability to efficiently control our operating expenses will also impact our profitability. For details, see "— Results of Operations."

We expect our cost structure to evolve as our business expands and as we develop and launch new products in the future. In particular, we expect to incur additional costs relating to selling and distribution, raw material procurement, manufacturing and research and development, among other things. Going forward, we will continue to endeavor to further improve operating efficiency and to achieve economies of scale to enhance our profit margin.

Regulatory Environment in China

The medical device market in China is highly regulated. The implementation and enforcement of government policies and regulations in China generally have a significant impact on the supply, design, manufacture, price and sale of medical devices in China, which also increase the cost of compliance with such policies and regulations for medical device companies in China. Specifically, medical devices must be filed or registered with the NMPA or its local branches at the prefectural city level before they can be manufactured or commercialized in China and such filing or registration must be renewed periodically. Any change in laws, regulations or policies in relation to such filing or registration could affect our ability and plans to launch new products and renew registration for existing products. For details, see "Regulations." In recent years, our revenue and profitability have benefited from policies in China to support the development and innovation of medical devices, especially domestically developed and manufactured medical devices, such as "Made in China (2025)," "Healthy China 2030," "13th Five-Year National Science and Technology Innovation Planning" and "13th Five-Year Special Plan for Medical Device Technology Innovations."

The regulatory framework for the medical device industry in China is constantly evolving, and we expect it will continue to evolve. In recent years, the healthcare regulatory framework in China has undergone significant changes, such as those with respect to pricing and tender process for medical devices, which may affect our financial condition and results of operations.

- *Public tender process.* In light of the PRC government's key policy objective to regulate pricing in the healthcare industry, legislations have been proposed or enacted. One of such efforts is the public tender processes that we are responsible for participating in under regional centralized procurement regimes for the right to sell our products to many public hospitals and other not-for-profit medical institutions within a particular region.

- *Two-invoice system*. In April 2017, the PRC Government announced a pilot program in certain provinces in China to implement the "two-invoice system," which generally limits the network of distributors to a single layer of distributors for sale of medical devices from manufacturers to hospitals. For details, see "Regulations — Laws and Regulations Relating to Medical Devices — Two-invoice System." We

estimate that the revenue derived from our sales under the "two-invoice" system was less than 5% of our total revenue during the Track Record Period. As the affected sales revenue was relatively small and the demand for our products from end customers are not affected, the "two-invoice system" had not had a material adverse effect on our financial condition and results of operations. If more provinces begin to implement "two-invoice" systems for medical devices, we expect that (i) we may conduct more marketing activities and provide services ancillary to our product sales by ourselves or by engaging third-party service providers, which may result in additional sales and marketing expenses; (ii) we may experience increases in our revenue and gross margin as we may have higher ex-factory prices under the "two-invoice" system; and (iii) we may experience increases in trade receivable balances and turnover days in those regions, as we may grant relatively longer credit terms to certain relevant customers whose payment process tends to be longer, such as hospitals in the case of direct sales. However, as the implementation of the "two-invoice system" is still at an early stage, and interpretations and enforcement of this system continue to evolve, the actual effect of the "two-invoice" system on our future results of operations remains uncertain.

BASIS OF PRESENTATION AND PREPARATION

Pursuant to the Reorganization, as more fully explained in "History, Reorganization and Corporate Structure — Reorganization," our Company became the holding company of the companies now comprising our Group on March 13, 2020. The companies now comprising the Group were under the common control of Mr. Zhong and Ms. Shentu before and after the Reorganization. Accordingly, our financial statements for the Track Record Period have been presented on a combined basis by applying the principles of merger accounting as if the Reorganization had been completed at the beginning of the Track Record Period.

The combined statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of our Group for the Track Record Period include the results and cash flows of all companies now comprising our Group from the earliest date presented. The combined statements of financial position of our Group as of December 31, 2017, 2018 and 2019 have been prepared to present the assets and liabilities of the subsidiaries now comprising our Group using the existing book values from Mr. Zhong's and Ms. Shentu's perspective. No adjustments are made to reflect fair values, or recognize any new assets or liabilities as a result of the Reorganization.

Equity interests in subsidiaries held by parties other than Mr. Zhong and Ms. Shentu and changes therein, prior to the Reorganization are presented as non-controlling interests in equity in applying the principles of merger accounting.

The combined financial information has been prepared in accordance with HKFRSs issued by the HKICPA and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from January 1, 2019, together with the relevant transitional provisions, have been early adopted by our Group in the preparation of the combined financial information throughout the Track Record Period and are consistently applied throughout the Track Record Period.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of our Group's combined financial information requires management to make significant estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future. We continually evaluate these estimates based on our own historical experience, knowledge and assessment of current business and other conditions, our expectations regarding the future based on available information and our best assumptions, which together form our basis for making judgments about matters that are not readily apparent from other sources. Since the use of estimates is an integral component of the financial reporting process, our actual results could differ from those estimates and expectations. Our critical accounting policies and estimates are set forth in detail in note 2.4 and note 3 to the Accountants' Report set out in Appendix I of this prospectus.

Revenue Recognition

Revenue from contracts with customers is recognized when control of goods is transferred to the customers at an amount that reflects the consideration to which we expect to be entitled in exchange for those goods.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on the weighted average basis and, in the case of work-in-progress and finished goods, comprises direct materials, direct labor and an appropriate proportion of overheads. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Impairment of Trade Receivables

Trade receivables are measured at the transaction price determined under HKFRS 15 in accordance with the policies relating to revenue recognition. We generally grant a credit term of one month from the date of billing to our domestic distributors. For certain customers, we may grant a longer credit term of up to six months on a case-by-case basis. For the impairment of trade receivables, we recognize a loss allowance based on lifetime expected credit losses at each reporting date. We use a provision matrix to calculate expected credit losses for trade

receivables. The provision rates are based on historical observed default rates for various customer segments that have similar loss patterns, and also taking into consideration of forecast economic conditions. The amount of expected credit losses is sensitive to changes in circumstances and forecast economic conditions.

Property, Plant and Equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of property, plant and equipment are as follows:

- Buildings 5 – 20 years
- Plant and machinery 3 – 10 years
- Furniture and fixtures 3 – 5 years
- Motor vehicles 3 – 4 years

Income Tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Track Record Period, taking into consideration interpretations and practices prevailing in the relevant jurisdiction.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each of the Track Record Period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets are recognized for all deductible temporary differences, and the carry-forward of unused tax credits and any unused tax losses.

Application of HKFRS 9, HKFRS 15 and HKFRS 16

Effective for annual periods beginning on or after January 1, 2018, HKFRS 9 "Financial Instruments" replaced the previous standard HKAS 39 "Financial Instruments" and HKFRS 15 "Revenue from Contracts with Customers" replaced the previous standards HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and related interpretations; and effective for annual periods beginning on or after January 1, 2019, HKFRS 16 "Leases" replaced the previous standard HKAS 17 "Leases" and related interpretations. We have consistently applied HKFRS 9, HKFRS 15 and HKFRS 16 to our combined financial statements throughout the Track Record Period and the effects to our Group are as follows:

- HKFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize assets and liabilities for most leases. At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Upon adoption of HKFRS 16, we recognize lease liabilities and right-of-use assets in relation to leases which were classified as operating leases under the principles of HKAS 17, except for short-term leases. As of December 31, 2017, 2018 and 2019, we recognized lease liabilities of RMB0.05 million, RMB0.02 million and nil, respectively, and the associated right-of-use assets of RMB0.07 million, RMB0.04 million and RMB0.01 million, respectively. Further, we reclassified prepaid land lease payments of RMB17.8 million, RMB17.4 million and RMB17.0 million to right-of-use assets, respectively.

Taking into account the impact disclosed above, we consider that the adoption of HKFRS 9, HKFRS 15 and HKFRS 16 did not have significant impact on our financial position and performance during the Track Record Period.

DESCRIPTION OF CERTAIN COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME ITEMS

The following table sets forth a summary of our combined statements of profit or loss and other comprehensive income for the periods indicated. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

	For the year ended December 31,					
	2017		2018		2019	
	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue
	RMB'000 (except percentages)					
Revenue	247,506	100%	353,670	100%	503,467	100%
Cost of sales	(47,801)	(19.3)	(64,373)	(18.2)	(80,292)	(15.9)
Gross profit	199,705	80.7	289,297	81.8	423,175	84.1
Other income and gains	9,932	4.0	36,171	10.2	53,601	10.6
Selling and distribution expenses	(11,826)	(4.8)	(20,506)	(5.8)	(41,355)	(8.2)
Administrative expenses	(21,443)	(8.7)	(28,493)	(8.1)	(25,645)	(5.1)
Research and development expenses	(10,477)	(4.2)	(14,859)	(4.2)	(17,377)	(3.5)
Other expenses	(3,718)	(1.5)	(449)	(0.1)	(1,205)	(0.2)
Finance costs	(1)	0.0	(2)	0.0	–	–
Profit before tax	162,172	65.5	261,159	73.8	391,194	77.7
Income tax expense	(23,695)	(9.6)	(37,366)	(10.6)	(64,459)	(12.8)
Profit and total comprehensive income for the year	138,477	55.9	223,793	63.3	326,735	64.9
Attributable to:						
Owners of the parent	117,705	47.6	146,701	41.5	206,444	41.0
Non-controlling interests	20,772	8.4%	77,092	21.8%	120,291	23.9%

Revenue

Product Type

Our revenue amounted to RMB247.5 million, RMB353.7 million and RMB503.5 million in 2017, 2018 and 2019, respectively. We generated revenue from sales of disposable and reusable products during the Track Record Period. The following table sets forth the breakdown of our revenue by product type for the periods indicated.

	For the year ended December 31,					
	2017		2018		2019	
	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue
	RMB'000 (except percentages)					
Disposable products						
Disposable trocars	123,760	50.0%	182,515	51.6%	251,398	49.9%
Polymer ligation clips	54,916	22.2	81,832	23.1	141,638	28.1
Disposable electrocoagulation forceps	15,959	6.4	25,207	7.1	32,501	6.5
Other disposable products[(1)]	3,985	1.6	6,489	1.8	8,213	1.6
Sub-total	*198,620*	*80.2*	*296,043*	*83.7*	*433,750*	*86.2*
Reusable products[(2)]	48,886	19.8	57,627	16.3	69,717	13.8
Total	247,506	100.0%	353,670	100.0%	503,467	100.0%

(1) Other disposable products primarily include disposable suction and irrigation sets and retrieval bags.

(2) Reusable products primarily include reusable trocars, reusable forceps and other reusable products, among others.

Disposable Products

During the Track Record Period, a significant majority of our revenue was generated from sales of disposable products. Revenue from sales of disposable products increased from 2017 to 2019 at a CAGR of 47.8%, and was the primary driver for our overall revenue growth. As a percentage of total revenue, sales of disposable products increased from 80.2% in 2017 to 83.7% in 2018 and further to 86.2% in 2019, reflecting our business focus on and market preference for disposable products over reusable products. For details, see "— Results of Operations."

Among our disposable products, sales of disposable trocars accounted for approximately half of our total revenue during the Track Record Period, its revenue growing at a CAGR of 42.5% during this period was primarily due to increased sales volume. The polymer ligation clip was our second-largest product type by revenue during the Track Record Period. We were the first domestic company to obtain NMPA approval for polymer ligation clips among the few major polymer ligation clip players in China, and therefore enjoyed first-mover advantages that enabled us to rapidly penetrate the market. Our revenue generated from the sales of polymer ligation clips increased at a CAGR of 60.6% from 2017 to 2019. The increase in sales volume of these products was primarily driven by increase in average sales to our major distributors, growth of China's MISIA market and increased demand for such products. Our revenue generated from sales to our top 40 domestic distributors, which accounted for over 75% of our total revenue in each year during the Track Record Period, grew at a CAGR of 43.6% from RMB190.5 million in 2017 to RMB275.8 million in 2018 and further to RMB392.8 million in 2019.

Reusable Products

Revenue from sales of reusable products increased from 2017 to 2019 at a CAGR of 19.4%, representing a steady but lower growth rate compared to our disposable products. Reusable hand-held surgical instruments were the largest contributor to our revenue from sales of reusable products, while we also gradually introduced other reusable devices with increasing sales.

Sales Channel

During the Track Record Period, we primarily sold our products to domestic distributors. To a lesser extent, we also sold to hospitals and other customers (primarily including trading companies that sell our products to overseas ODM customers) in China, as well as to overseas distributors and ODM customers. The following table sets forth our revenue by geographic market and sales channel for the periods indicated.

	For the year ended December 31,					
	2017		2018		2019	
	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue
	RMB' 000 (except percentages)					
Domestic						
Distributors	213,828	86.4%	307,949	87.1%	450,908	89.6%
Hospitals and other customers	7,036	2.8	12,236	3.5	16,736	3.3
Sub-total	*220,864*	*89.2*	*320,185*	*90.6*	*467,644*	*92.9*
Overseas[(1)]						
ODM customers	24,281	9.8	30,844	8.7	33,074	6.6
Distributors	2,361	1.0	2,641	0.7	2,749	0.5
Sub-total	*26,642*	*10.8*	*33,485*	*9.4*	*35,823*	*7.1*
Total	247,506	100.0%	353,670	100.0%	503,467	100.0%

(1) During the Track Record Period, our overseas sales were primarily made to Brazil, the United Kingdom, France, Turkey, Mexico, Austria and Spain.

Cost of Sales

Our cost of sales mainly consists of raw materials, direct labor costs and manufacturing costs. In 2017, 2018 and 2019, our cost of sales was RMB47.8 million, RMB64.4 million and RMB80.3 million, respectively. During the Track Record Period, the increase in raw materials and manufacturing costs were generally in line with our increased production and sales. Our direct labor costs increased from 2017 to 2018 due to an increase in headcount and remained relatively stable in 2019. As a percentage of total cost of sales, our direct labor costs decreased steadily from 2017 to 2019, reflecting the economies of scale we were able to achieve in our operations. The following table sets forth the breakdown of our cost of sales by nature for the periods indicated.

	For the year ended December 31,					
	2017		2018		2019	
	Amount	% of total	Amount	% of total	Amount	% of total
	RMB'000 (except percentages)					
Raw materials cost	18,003	37.7%	27,664	43.0%	36,321	45.2%
Direct labor costs	15,550	32.5	19,241	29.9	20,896	26.0
Manufacturing costs[(1)]	14,248	29.8	17,468	27.1	23,075	28.7
Total	47,801	100.0%	64,373	100.0%	80,292	100.0%

(1) Manufacturing costs primarily include utilities costs, overhead expenses and depreciation of our manufacturing equipment.

The following table sets forth the breakdown of our cost of sales by product type for the periods indicated.

	For the year ended December 31,					
	2017		2018		2019	
	Amount	% of total	Amount	% of total	Amount	% of total
	RMB'000 (except percentages)					
Disposable products	29,313	61.3%	43,194	67.1%	55,568	69.2%
Reusable products	18,488	38.7	21,179	32.9	24,724	30.8
Total	47,801	100.0%	64,373	100.0%	80,292	100.0%

Gross Profit and Gross Profit Margin

Our gross profit increased from RMB199.7 million in 2017 to RMB289.3 million in 2018 and further to RMB423.2 million in 2019, primarily due to the increase in sales volume while we were able to maintain stable ex-factory prices for each product specification under the same packaging for all major product types. Our gross profit margin increased from 80.7% in 2017 to 81.8% in 2018 and further to 84.1% in 2019, primarily because disposable products, which generally have a higher profit margin compared to reusable products, accounted for a larger share of our total sales during the Track Record Period. Generally, the gross profit margin of disposable products is higher than that of reusable products, primarily because the per unit cost of disposable products is generally lower than that of reusable products due to different manufacturing process and raw materials used, and because we are able to achieve better economies of scale for disposable products due to larger production volumes and more streamlined and standardized manufacturing processes. The following table sets forth the breakdown of gross profit and gross profit margin by product type for the periods indicated.

	For the year ended December 31,					
	2017		2018		2019	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000 (except percentages)					
Disposable products	169,307	85.2%	252,849	85.4%	378,182	87.2%
Reusable products	30,398	62.2	36,448	63.2	44,993	64.5
Total gross profit/overall gross profit margin	199,705	80.7%	289,297	81.8%	423,175	84.1%

Other Income and Gains

Our other income and gains primarily consist of (i) government grants, primarily representing subsidies received from the local governments for the purposes of compensation for expenses arising from research and development activities, reward for financial contribution and capital expenditure incurred on certain projects, some of which are one-off government grants and some are recurring over a period of time; (ii) bank interest income; (iii) investment income from financial products at fair value through profit or loss that we purchased from PRC commercial banks; (iv) foreign exchange gains; and (v) gains on disposal of items of property, plant and equipment. The following table sets forth the breakdown of our other income and gains for the periods indicated.

	For the year ended December 31,					
	2017		2018		2019	
	Amount	% of total	Amount	% of total	Amount	% of total
	RMB'000 (except percentages)					
Government grants	8,598	86.6%	22,706	62.8%	34,495	64.4%
Bank interest income	1,167	11.7	6,958	19.2	12,560	23.4
Investment income from financial assets at fair value through profit or loss	–	–	905	2.5	4,136	7.7
Foreign exchange gains, net	–	–	4,974	13.8	2,360	4.4
Gains on disposal of items of property, plant and equipment	167	1.7	118	0.3	–	–
Others	–	–	510	1.4	50	0.1
Total	9,932	100.0%	36,171	100.0%	53,601	100.0%

Selling and Distribution Expenses

Our selling and distribution expenses primarily consist of (i) marketing and advertising fees we incurred to maintain and expand our sales network; (ii) transportation and travel fees in relation to our sales and marketing activities; and (iii) staff costs for our sales and marketing personnel. The following table sets forth the breakdown of our selling and distribution expenses for the periods indicated.

	For the year ended December 31,					
	2017		2018		2019	
	Amount	% of total	Amount	% of total	Amount	% of total
	RMB'000 (except percentages)					
Marketing and advertising fees	5,262	44.5%	12,396	60.5%	31,803	76.9%
Transportation and travel fees	3,160	26.7	3,589	17.5	4,394	10.6
Staff costs	2,482	21.0	3,290	16.0	3,768	9.1
Other	922	7.8	1,231	6.0	1,390	3.4
Total	11,826	100.0%	20,506	100.0%	41,355	100.0%

As a percentage of revenue, selling and distribution expenses increased from 4.8% in 2017 to 5.8% in 2018 and further to 8.2% in 2019. The increase in selling and distribution expenses primarily reflected our increased sales and marketing efforts as we expanded our business.

Administrative Expenses

Our administrative expenses primarily consist of (i) staff costs for our administrative and other staff; (ii) tax expenses; (iii) office, travel and miscellaneous expenses; (iv) depreciation and amortization; (v) professional services fees; and (vi) impairment of trade receivables. In 2018, professional services fees primarily represented fees paid to professional parties for our A-share listing application. The following table sets forth the breakdown of our administrative expenses for the periods indicated.

	For the year ended December 31,					
	2017		2018		2019	
	Amount	% of total	Amount	% of total	Amount	% of total
	RMB'000 (except percentages)					
Staff costs	5,390	25.1%	6,987	24.5%	7,894	30.8%
Tax expenses	4,387	20.5	5,665	19.9	6,915	27.0
Office, travel and miscellaneous expenses	6,457	30.1	5,394	19.0	6,175	24.0
Depreciation and amortization	2,960	13.8	2,846	10.0	2,634	10.3
Professional services fees	1,400	6.5	6,815	23.9	1,195	4.7
Impairment of trade receivables	634	3.0	407	1.4	578	2.3
Other	215	1.0	379	1.3	254	0.9
Total	21,443	100.0%	28,493	100.0%	25,645	100.0%

In 2017, 2018, and 2019, our administrative expenses represented 8.7%, 8.1%, and 5.1% of our revenue, respectively.

Research and Development Expenses

In 2017, 2018 and 2019, our research and development expenses were RMB10.5 million, RMB14.9 million and RMB17.4 million, respectively, representing 4.2%, 4.2%, and 3.5% of our revenue, respectively. Our research and development expenses primarily consist of (i) costs of raw materials used in our research and development projects; (ii) staff costs in relation to our research and development team; and (iii) other research and development expenses including technical service fees and testing fees, costs for clinical trials and regulatory approvals, conference and travel expenses, depreciation and amortization and other miscellaneous costs. The following table sets forth the breakdown of our research and development expenses for the periods indicated.

	For the year ended December 31,					
	2017		2018		2019	
	RMB'000 (except percentages)					
Raw material costs	3,861	36.9%	5,777	38.9%	5,820	33.5%
Staff costs	3,747	35.8	4,964	33.4	6,122	35.2
Others	2,869	27.3	4,118	27.7	5,435	31.3
Total	**10,477**	**100.0%**	**14,859**	**100.0%**	**17,377**	**100.0%**

Other Expenses

Our other expenses primarily consist of (i) foreign exchange losses; and (ii) donations. We recorded other expenses of RMB3.7 million, RMB0.4 million and RMB1.2 million in 2017, 2018 and 2019, respectively.

Income Tax Expenses

Our income tax expenses amounted to RMB23.7 million, RMB37.4 million and RMB64.5 million in 2017, 2018 and 2019, respectively. Our effective income tax rates remained relatively stable in 2017 and 2018 at 14.6% and 14.3%, respectively, and increased to 16.5% in 2019 due to the RMB7.4 million deferred tax charged to our profit or loss statement, representing our withholding tax liability for dividends distributable to foreign investors in the foreseeable future.

In 2014, one of our PRC operating subsidiaries, Hangzhou Kangji, qualified as a High and New Technology Enterprise (高新技術企業) and extended its High and New Technology Enterprise certificate in 2017 for a period of three years to 2020. Hangzhou Kangji expects to renew its High and New Technology Enterprise certificate in 2020. As a High and New Technology Enterprise, Hangzhou Kangji enjoys a lower EIT rate of 15% instead of the standard EIT rate of 25% in China. Jiangxi Kanghuan, another PRC operating subsidiary, was

qualified as a Small and Micro Enterprise and was entitled to a preferential tax rate of 10% and 5% for the years ended December 31, 2017 and 2019, respectively. For the year ended December 31, 2018, Jiangxi Kanghuan was subject to an income tax rate of 25%.

Pursuant to the rules and regulations of the Cayman Islands, the Company is not subject to any income tax in that jurisdiction.

Non-controlling Interests

The investment from Pre-IPO Investors in Hangzhou Kangji was recorded as a non-controlling interest in our combined statements of profit or loss prior to the completion of the Reorganization. We will not have such non-controlling interests after the completion of the Reorganization. For details, see "History, Reorganization and Corporate Structure."

RESULTS OF OPERATIONS

Year Ended December 31, 2019 Compared to Year Ended December 31, 2018

Revenue

Our revenue increased by 42.4% from RMB353.7 million for the year ended December 31, 2018 to RMB503.5 million for the year ended December 31, 2019, reflecting an increase of RMB137.7 million in revenue generated from sales of our disposable products and an increase of RMB12.1 million in revenue generated from sales of our reusable products.

Revenue generated from the sales of our disposable products increased by 46.5% from RMB296.0 million in 2018 to RMB433.8 million in 2019. Among our disposable products, sales of our disposable trocars and polymer ligation clips increased significantly, by 37.7% from RMB182.5 million in 2018 to RMB251.4 million in 2019 for disposable trocars, and by 73.1% from RMB81.8 million in 2018 to RMB141.6 million in 2019 for polymer ligation clips. Both of the increases were primarily driven by an increase in sales volume, which was primarily attributable to (i) increasing demand for disposable products as they are increasingly preferred over reusable ones; (ii) our efforts to expand our sales network by increasing the share of wallet from Grade IIIA hospitals and increasing penetration in lower-tier hospitals; and (iii) the overall growth of China's MISIA market and favorable industry trends which benefit us, such as the growing acceptance of domestic products over imported products and market consolidation.

Revenue generated from the sales of our reusable products increased by 21.0% from RMB57.6 million in 2018 to RMB69.7 million in 2019, which was primarily driven by an increase in sales volume as we expanded our sales network and in line with the overall growth of China's MISIA market.

Cost of Sales

Our cost of sales increased by 24.7% from RMB64.4 million for the year ended December 31, 2018 to RMB80.3 million for the year ended December 31, 2019, primarily due to an increase of RMB8.7 million in raw material costs and an increase of RMB5.6 million in our manufacturing costs, which were in line with our increased production and sales. Our direct labor costs remained relatively stable.

Gross Profit and Gross Profit Margin

Our gross profit increased by 46.3% from RMB289.3 million for the year ended December 31, 2018 to RMB423.2 million for the year ended December 31, 2019, primarily reflecting an increase of RMB125.3 million in gross profit from sales of our disposable products and an increase of RMB8.5 million in gross profit from sales of our reusable products. Increases in our gross profit was primarily driven by an increase in our product sales volume while we were able to maintain stable ex-factory prices for each product specification under the same packaging for all major product types. Our gross profit margin increased from 81.8% in 2018 to 84.1% in 2019 primarily because (i) disposable products, which generally have a higher profit margin compared to reusable products, accounted for a larger share of our total sales; and (ii) we were able to achieve economies of scale as our business expanded, which enabled us to be more cost effective.

Other Income and Gains

Our other income and gains increased by 48.2% from RMB36.2 million for the year ended December 31, 2018 to RMB53.6 million for the year ended December 31, 2019. Such increase mainly resulted from (i) an increase of RMB11.8 million in government grants, primarily representing subsidies received from the local governments for the purposes of compensation for expenses arising from research and development activities, reward for financial contribution and capital expenditure incurred on certain projects; and (ii) an increase of RMB5.6 million in bank interest income, reflecting the increase in our cash and bank balances, partially offset by a decrease of RMB2.6 million in foreign exchange gains.

Selling and Distribution Expenses

Our selling and distribution expenses increased significantly from RMB20.5 million for the year ended December 31, 2018 to RMB41.4 million for the year ended December 31, 2019, primarily due to an increase of RMB19.4 million in marketing and advertising fees, which primarily reflected our increased sales and marketing efforts as we expanded our business.

Administrative Expenses

Our administrative expenses decreased by 10.0% from RMB28.5 million for the year ended December 31, 2018 to RMB25.6 million for the year ended December 31, 2019, primarily due to a decrease of RMB5.6 million in professional services fees, which were primarily services fees for our A-share listing application in 2018. Such decrease was partially offset by an increase in staff costs, tax expense, and office, travel and other miscellaneous expenses, which was in line with our business growth.

Research and Development Expenses

Our research and development expenses increased by 16.9% from RMB14.9 million for the year ended December 31, 2018 to RMB17.4 million for the year ended December 31, 2019, primarily due to an increase in technical service and testing fees as we increased product development efforts and engaged in more product registration testing, and an increase in staff costs as we increased headcount of research and development staff. Our research and development expenses as a percentage of revenue decreased from 4.2% in 2018 to 3.5% in 2019, primarily because our revenue increased more rapidly.

Other Expenses

Our other expenses increased from RMB0.4 million for the year ended December 31, 2018 to RMB1.2 million for the year ended December 31, 2019, primarily because our donations increased by RMB0.8 million from 2018 to 2019.

Income Tax Expense

Our income tax expense increased by 72.5% from RMB37.4 million for the year ended December 31, 2018 to RMB64.5 million for the year ended December 31, 2019, primarily due to an increase in profit before tax. Our effective income tax rate increased from 14.3% in 2018 to 16.5% in 2019, primarily due to the RMB7.4 million deferred tax charged to our profit or loss statement, representing our withholding tax liability for dividends distributable to foreign investors in the foreseeable future.

Profit and Total Comprehensive Income for the Year

For the foregoing reasons, our profit and total comprehensive income for the year increased by 46.0% from RMB223.8 million in 2018 to RMB326.7 million in 2019.

Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

Revenue

Our revenue increased by 42.9% from RMB247.5 million for the year ended December 31, 2017 to RMB353.7 million for the year ended December 31, 2018, reflecting (i) an increase of RMB97.4 million in revenue generated from the sales of our disposable products; and (ii) an increase of RMB8.7 million in revenue generated from the sales of our reusable products.

Revenue generated from the sales of our disposable products increased by 49.0% from RMB198.6 million in 2017 to RMB296.0 million in 2018. Among our disposable products, sales of our disposable trocars and polymer ligation clips increased significantly, by 47.5% from RMB123.8 million in 2017 to RMB182.5 million in 2018 for disposable trocars, and 49.0% from RMB54.9 million in 2017 to RMB81.8 million in 2018 for polymer ligation clips. Both of the increases were primarily driven by an increase in sales volume, which was primarily attributable to (i) increasing demand for disposable products as they are increasingly preferred over reusable ones; (ii) our efforts to expand our sales network by increasing the share of wallet from Grade IIIA hospitals and penetration in lower-tier hospitals; and (iii) the overall growth of China's MISIA market and favorable industry trends which benefit us, such as the growing acceptance of domestic products over imported products and market consolidation.

Revenue generated from the sales of our reusable products increased by 17.9% from RMB48.9 million in 2017 to RMB57.6 million in 2018, which was primarily driven by an increase in sales volume as we expanded our sales network and in line with the overall growth of China's MISIA market.

Cost of Sales

Our cost of sales increased by 34.7% from RMB47.8 million for the year ended December 31, 2017 to RMB64.4 million for the year ended December 31, 2018, primarily due to an increase of RMB9.7 million in raw materials and an increase of RMB3.2 million in manufacturing costs, which were in line with our increased production and sales, and an increase of RMB3.7 million in direct labor costs primarily because we increased the headcount of our manufacturing team to support our growing operations.

Gross Profit and Gross Profit Margin

Our gross profit increased by 44.9% from RMB199.7 million for the year ended December 31, 2017 to RMB289.3 million for the year ended December 31, 2018, primarily reflecting an increase of RMB83.5 million in gross profit from sales of our disposable products and an increase of RMB6.1 million in gross profit from sales of our reusable products. Increases in gross profit was primarily driven by an increase in our product sales volume while we were able to maintain stable ex-factory prices for each product specification under the same packaging for all major product types. Our gross profit margin increased from 80.7% in 2017

to 81.8% in 2018 primarily because (i) disposable products, which generally have a higher profit margin compared to reusable products, accounted for a larger share of our total sales; and (ii) we were able to achieve economies of scale as our business expanded, which enabled us to be more cost effective.

Other Income and Gains

Our other income and gains increased significantly from RMB9.9 million for the year ended December 31, 2017 to RMB36.2 million for the year ended December 31, 2018. Such increase mainly resulted from (i) an increase of RMB14.1 million in government grants we recorded from local PRC governments, primarily representing subsidies received from the local governments for the purposes of compensation for expenses arising from research and development activities, reward for financial contribution and capital expenditure incurred on certain projects; (ii) an increase of RMB5.8 million in bank interest income, reflecting the increase in our cash and bank balances; and (iii) a foreign exchange gain of RMB5.0 million whereas we had foreign exchange loss in 2017, which was recognized as our other expenses.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 73.4% from RMB11.8 million for the year ended December 31, 2017 to RMB20.5 million for the year ended December 31, 2018, primarily due to an increase of RMB7.1 million in marketing and advertising fees, which primarily reflected our increased sales and marketing efforts as we expanded our business.

Administrative Expenses

Our administrative expenses increased by 32.9% from RMB21.4 million for the year ended December 31, 2017 to RMB28.5 million for the year ended December 31, 2018, primarily due to an increase of RMB5.4 million in professional services fees, which were primarily services fees for our A-share listing application in 2018; and an RMB1.6 million increase in staff costs due to an increase in headcount as we expand our business, which was partially offset by a decrease of RMB1.1 million in office, travel and miscellaneous expenses.

Research and Development Expenses

Our research and development expenses increased by 41.8% from RMB10.5 million for the year ended December 31, 2017 to RMB14.9 million for the year ended December 31, 2018, primarily due to an increase in raw material costs as we procured more raw materials for our research and development projects, and an increase in staff costs as we increased headcount of research and development staff. Our research and development expenses as a percentage of revenue remained stable at 4.2% in 2017 and 2018 as our research and development expenses increased in line with the revenue increase.

Other Expenses

Our other expenses decreased significantly from RMB3.7 million for the year ended December 31, 2017 to RMB0.4 million for the year ended December 31, 2018, primarily because we had foreign exchange losses of RMB3.6 million in 2017, reflecting the effect of appreciation of the Renminbi on our cash and cash equivalents denominated in US dollars.

Income Tax Expense

Our income tax expense increased by 57.7% from RMB23.7 million for the year ended December 31, 2017 to RMB37.4 million for the year ended December 31, 2018, primarily due to an increase in profit before tax. Our effective income tax rate remained relatively stable at 14.6% and 14.3% in 2017 and 2018, respectively.

Profit and Total Comprehensive Income for the Year

For the foregoing reasons, our profit and total comprehensive income for the year increased by 61.6% from RMB138.5 million in 2017 to RMB223.8 million in 2018.

DESCRIPTION OF CERTAIN COMBINED STATEMENTS OF FINANCIAL POSITION ITEMS

The following table sets forth a summary of our combined statements of financial position as of the dates indicated.

	As of December 31,		
	2017	**2018**	**2019**
		RMB'000	
Non-current assets			
Property, plant and equipment	45,729	52,651	56,526
Prepayment for property, plant and equipment	–	714	–
Right-of-use assets	17,855	17,437	17,024
Intangible assets	195	100	66
Deferred tax assets	1,819	1,934	1,901
Total non-current assets	65,598	72,836	75,517
Current assets			
Inventories	26,244	37,159	36,922
Trade receivables	29,040	47,786	73,012
Prepayments, other receivables and other assets	1,325	4,092	5,833
Financial assets at fair value through profit or loss	–	20,000	34,910
Pledged deposits	–	633	1,440
Cash and cash equivalents	173,995	352,724	565,148
Total current assets	230,604	462,394	717,265

	As of December 31,		
	2017	2018	2019
		RMB'000	
Current liabilities			
Trade payables	4,811	6,892	9,318
Other payables and accruals	19,571	32,172	47,131
Lease liabilities	31	21	–
Deferred income	636	636	636
Dividend payable	–	–	188,928
Tax payable	7,184	8,404	21,359
Total current liabilities	32,233	48,125	267,372
Net current assets	198,371	414,269	449,893
Total assets less current liabilities	263,969	487,105	525,410
Non-current liabilities			
Lease liabilities	21	–	–
Deferred income	3,816	3,180	2,544
Deferred tax liabilities	–	–	7,406
Total non-current liabilities	3,837	3,180	9,950
Net assets	260,132	483,925	515,460

Property, Plant and Equipment

Our property, plant and equipment consist of buildings, plant and machinery, furniture and fixtures and motor vehicles. Our property, plant and equipment increased from RMB45.7 million as of December 31, 2017 to RMB52.7 million as of December 31, 2018, and further to RMB56.5 million as of December 31, 2019. The increase in property, plant and equipment at the end of each year during the Track Record Period was primarily in relation to construction of manufacturing facilities and procurement of equipment and machinery. We completed the construction of two new manufacturing facilities in the first half of 2019.

Right-of-use Assets

We recognize right-of-use assets for land use rights and leases of office premises. Our right-of-use assets decreased from RMB17.9 million as of December 31, 2017 to RMB17.4 million as of December 31, 2018, and further to RMB17.0 million as of December 31, 2019, primarily due to accumulated depreciation during the Track Record Period.

Intangible Assets

Our intangible assets represent our software used to design our products. We had intangible assets of RMB195,000, RMB100,000 and RMB66,000 as of December 31, 2017, 2018 and 2019, respectively. The decrease in the carrying amount of our intangible assets was primarily due to accumulated amortisation during the Track Record Period.

Inventories

Our inventories consist of raw materials, work-in-progress and finished goods. Under our inventory control policy, we regularly monitor and analyze our historical procurement, production and sales statistics and adjust our inventories to meet customer demand in a timely manner without causing inventory accumulation. The following table sets forth the details of our inventories as of the dates indicated and inventory turnover days for the periods indicated.

	As of/for the year ended December 31,		
	2017	**2018**	**2019**
		RMB'000	
Raw materials	12,898	20,036	17,763
Work-in-progress	3,044	4,637	6,193
Finished goods	10,302	12,486	12,966
Total	26,244	37,159	36,922
Inventory turnover days[(1)]	177	187	175

(1) The inventories turnover days are calculated by dividing the arithmetic mean of the opening and ending balance of inventories in that period by cost of sales for the corresponding period and then multiplying by 365 days.

Our inventories increased from RMB26.2 million as of December 31, 2017 to RMB37.2 million as of December 31, 2018, and our inventory turnover days increased from 177 days in 2017 to 187 days in 2018 primarily because we maintained a higher raw material inventory level at the year end of 2018 in anticipation of higher product demand in 2019. Our inventories remained relatively stable at RMB36.9 million as of December 31, 2019. In 2019, our inventory turnover days decreased to 175 days, reflecting our efforts to monitor and control our inventory level.

As of April 30, 2020, 67.1%, or RMB25.8 million of our total inventories as of December 31, 2019, which consisted of raw materials, work-in-progress and finished goods, had been subsequently consumed for production, transformed to finished goods and sold, respectively.

Trade Receivables

Our trade receivables represent outstanding amounts due from our distributors as well as other customers. We generally grant a credit term of one month from the date of billing to our domestic distributors. For certain customers, we may grant a longer credit term of up to six months on a case-by-case basis. The following table sets forth the details of our trade receivables as of the dates indicated and trade receivables turnover days for the periods indicated.

	As of/for the year ended December 31,		
	2017	**2018**	**2019**
		RMB'000	
Trade receivables	30,207	49,360	75,164
Impairment	(1,167)	(1,574)	(2,152)
Total	29,040	47,786	73,012
Trade receivable turnover days[(1)]	44	41	45

(1) Calculated by dividing the arithmetic mean of the opening and ending balance of trade receivables in that period by revenue for the corresponding period and then multiplying by 365 days.

As of December 31, 2017, 2018 and 2019, we had trade receivables of RMB29.0 million, RMB47.8 million and RMB73.0 million, respectively. The increase of our trade receivables was primarily due to the growth of our business and revenue. Our trade receivable turnover days remained relatively stable at 44 days, 41 days and 45 days in 2017, 2018 and 2019, respectively.

Due to the impact of the Chinese New Year holiday and COVID-19 outbreak on trade receivable collection, as of April 30, 2020, 75.3%, or RMB56.6 million, of our trade receivables as of December 31, 2019 had been subsequently settled.

We have implemented a credit assessment system to evaluate the creditworthiness and financial condition of our customers, taking into account their historical settlement record, business relationship with us and credit assessment. Our senior management regularly review our trade receivables balance and overdue balance, and we follow up with customers with past due trade receivables. We perform an impairment analysis at the end of each financial year using a provision matrix to measure expected credit losses and assess our credit risk exposure. As of December 31, 2017, 2018 and 2019, we recorded impairment provision of RMB1.2 million, RMB1.6 million and RMB2.2 million, equivalent to less than 1% of our revenue in each year, reflecting the general increase in our trade receivables as our business expanded.

The following table sets forth an aging analysis, based on the invoice date and net of loss allowance, of our trade receivables as of the dates indicated.

	As of December 31,		
	2017	**2018**	**2019**
		RMB'000	
Within 3 months	27,555	41,634	57,993
3 to 6 months	987	2,923	10,287
6 to 12 months	123	2,566	3,684
Over one year	375	663	1,048
Total	29,040	47,786	73,012

During the Track Record Period, our trade receivables with an aging within three months increased from RMB27.6 million as of December 31, 2017 to RMB41.6 million as of December 31, 2018, and further increased to RMB58.0 million as of December 31, 2019, primarily due to our increased sales to domestic distributors as our business expanded. Our trade receivables with an aging of three to six months increased from RMB2.9 million as of December 31, 2018 to RMB10.3 million as of December 31, 2019, primarily because we began to sell our products to a large state-owned distributor in 2019, to which we granted a longer credit term.

Prepayments, Other Receivables and Other Assets

Our prepayments, other receivables and other assets primarily consist of (i) interest receivables primarily relating to our time deposits; (ii) prepayments to suppliers; (iii) prepaid expenses primarily including prepaid conference fees and product registration testing fees; and (iv) deductible value-added tax. The following table sets forth the details of our prepayments, other receivables and other assets as of the dates indicated.

	As of December 31,		
	2017	**2018**	**2019**
		RMB'000	
Interest receivables	–	2,501	3,019
Prepayments	478	366	1,330
Prepaid expenses	403	322	1,172
Other receivables	310	262	312
Deductible value-added tax	134	641	–
Total	1,325	4,092	5,833

Our prepayments, other receivables and other assets increased from RMB1.3 million as of December 31, 2017 to RMB4.1 million as of December 31, 2018 primarily due to an increase in interest receivables of RMB2.5 million in relation to our time deposits. Our prepayments, other receivables and other assets further increased to RMB5.8 million as of December 31, 2019, primarily due to (i) an increase of RMB1.0 million in prepayments to raw material suppliers; and (ii) an increase of RMB0.9 million in prepaid expenses in connection with medical instrument testing services and exhibitions we participated in.

Financial Assets at Fair Value through Profit or Loss ("FVTPL")

Our financial assets at FVTPL mainly represent financial products we purchased from commercial banks in the PRC, which mainly included structured deposits and low-risk wealth management products during the Track Record Period. The financial products either have a maturity date within approximately six months or are redeemable on demand. The expected interest rates for such financial products range from 1.1% to 4.55% per annum. The fair value of financial assets at FVTPL as of a specific date is the unredeemed principal amount that we have invested to purchase these financial products plus our expected returns with reference to the expected interest rates as of the same date. As a result, the amount of the financial assets at FVTPL is primarily affected by our purchase amount, which is determined in light of our cash flow, operational needs, expected capital expenditure and treasury management policies. We began to purchase financial products in 2018, resulting in an increase in our financial assets at FVTPL from nil as of December 31, 2017 to RMB20.0 million as of December 31, 2018. Our financial assets at FVTPL increased further to RMB34.9 million as of December 31, 2019 as we purchased larger amounts of financial products.

We believe that we can make better use of our cash by purchasing financial products to enhance our income without interfering with our business operations or capital expenditures. Investment decisions are made based on our estimated capital requirements for the next three to six months and our annual budget. We also take into account the duration, expected returns and risks of the financial products. We generally limit our purchases to low-risk, short-term products from reputable commercial banks. Our finance department is responsible for the purchase of financial products, which is reviewed by our senior management team. In the future, we intend to continue to purchase low-risk financial products with a short maturity period based on our operational needs.

Cash and Cash Equivalents

Our cash and cash equivalents primarily consist of cash and bank balances and time deposits. Most of our cash and cash equivalents are denominated in Renminbi, while a portion is denominated in U.S. dollars or other currencies due to our overseas sales. Our cash and cash equivalents increased from RMB174.0 million as of December 31, 2017 to RMB352.7 million as of December 31, 2018, and further to RMB565.1 million as of December 31, 2019, primarily due to the increase in operating cash flow as a result of our business growth. The following table sets forth a breakdown of our cash and cash equivalents as of the dates indicated.

	As of December 31,		
	2017	**2018**	**2019**
		RMB'000	
Cash and bank balances	110,809	65,213	388,336
Time deposits	63,186	288,144	178,252
Total	173,995	353,357	566,588
Less:			
Pledged time deposits for potential transactions on financial assets at FVTPL	–	(633)	(1,440)
Cash and cash equivalents	173,995	352,724	565,148
Denominated in:			
Renminbi	104,676	243,195	509,781
US dollars	68,737	108,934	54,766
Other currencies	582	595	601
Cash and cash equivalents	173,995	352,724	565,148

Cash at bank earns interest at floating rates based on daily bank deposit rates. Our time deposits range from three months to twelve months and earn interest at time deposit rates.

Trade Payables

Our trade payables primarily represent payments due to our suppliers. In general, our suppliers grant us a credit term of 45 days. The following table sets forth an aging analysis of trade payables based on the invoice dates as of the dates indicated and trade payable turnover days for the periods indicated.

	As of/for the year ended December 31,		
	2017	**2018**	**2019**
		RMB'000	
Within 3 months	4,661	6,820	9,232
3 to 6 months	–	–	10
6 to 12 months	10	–	3
Over 12 months	140	72	73
Total	4,811	6,892	9,318
Trade payable turnover days[(1)]	35	33	37

(1) Calculated by dividing the arithmetic mean of the opening and ending balance of trade payables in that period by cost of sales for the corresponding period and then multiplying by 365 days.

Our trade payables increased from RMB4.8 million as of December 31, 2017 to RMB6.9 million as of December 31, 2018, and further to RMB9.3 million as of December 31, 2019, primarily as we procured more raw materials for increased product manufacturing and sales. Our trade payable turnover days remained relatively stable during the Track Record Period.

As of April 30, 2020, 99.0%, or RMB9.2 million of our trade payables as of December 31, 2019 had been subsequently settled.

Other Payables and Accruals

Our other payables and accruals primarily consist of (i) other payables, which mainly represent promotional fees payable in relation to our sales and marketing activities and construction fees payable in relation to the construction of our manufacturing facilities; (ii) payroll payables; (iii) taxes other than income tax; (iv) contract liabilities, which represented milestone and upfront payments received from our customers, including our distributors; and (v) accrued expenses for the professional fees payable in relation to our A-share listing application in 2018 and other miscellaneous expenses. The following table sets forth the details of our other payables and accruals as of the dates indicated.

	As of December 31,		
	2017	**2018**	**2019**
		RMB'000	
Other payables	4,312	9,210	26,892
Payroll payables	7,673	10,396	11,480
Taxes other than income tax	4,060	6,069	7,288
Contract liabilities	1,274	560	838
Accrued expenses	2,252	5,937	633
Total	19,571	32,172	47,131

Our other payables and accruals increased from RMB19.6 million as of December 31, 2017 to RMB32.2 million as of December 31, 2018, primarily due to (i) an increase of RMB4.9 million in other payables, mainly because we had higher promotional fees payable for the increased sales and marketing activities we engaged in to expand our business; (ii) an increase of RMB3.7 million in accrued expenses, reflecting accrued professional fees in our A-share listing application; and (iii) an increase of RMB2.7 million in payroll payables as we increased headcount to support our business expansion.

Our other payables and accruals increased from RMB32.2 million as of December 31, 2018 to RMB47.1 million as of December 31, 2019, primarily due to an increase of RMB17.7 million in other payables, mainly because we had higher promotional fees payable for the increased sales and marketing activities we engaged in to expand our business, partially offset by a decrease of RMB5.3 million in accrued expenses.

Deferred Income

Our deferred income represents government grants we received from local PRC governments to support the expansion of our production capacity. As of December 31, 2017, 2018 and 2019, we had deferred income of RMB4.5 million, RMB3.8 million and RMB3.2 million, respectively.

Dividend Payable

As of December 31, 2019, we had dividend payable of RMB188.9 million, which represented the amounts payable in relation to the RMB295.2 million dividend that Hangzhou Kangji declared in October 2019. We paid RMB20.0 million of such dividend payable in January 2020 and the remaining will be paid prior to the Listing with our internal resources.

Tax Payable

Our income tax payable increased from RMB7.2 million as of December 31, 2017 to RMB8.4 million as of December 31, 2018 and further to RMB21.4 million as of December 31, 2019, primarily reflecting an increase in our profit before tax.

LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash during the Track Record Period were to fund our purchase of land use rights, construction of our manufacturing facilities, research, development and manufacturing of our products, as well as other working capital needs. Historically, we have financed our operations and other capital requirements primarily through cash generated from our operations.

Our anticipated cash needs primarily include costs associated with the research and development of our products and business operations. We expect to fund our future working capital and other cash requirements with cash generated from our operations, the net proceeds from Global Offering and, when necessary, bank and other borrowings. As of April 30, 2020, the latest practicable date for determining our indebtedness, we had capital resources of RMB226.3 million, consisting of cash and cash equivalents of RMB69.6 million, financial products we purchased of RMB156.3 million and pledged deposits of RMB0.4 million. 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.

Net Current Assets

The following table sets forth a summary of our current assets and liabilities as of the dates indicated.

	As of December 31,			As of April
	2017	2018	2019	30, 2020
		RMB'000		
Current assets				
Inventories	26,244	37,159	36,922	42,712
Trade receivables	29,040	47,786	73,012	71,696
Prepayments, other receivables and other assets	1,325	4,092	5,833	7,554
Financial assets at fair value through profit or loss	–	20,000	34,910	156,312
Pledged deposits	–	633	1,440	408
Cash and cash equivalents	173,995	352,724	565,148	69,613
Total current assets	230,604	462,394	717,265	348,295
Current liabilities				
Trade payables	4,811	6,892	9,318	7,805
Other payables and accruals	19,571	32,172	47,131	60,112
Lease liabilities	31	21	–	–
Deferred income	636	636	636	636
Dividend payable	–	–	188,928	234,628
Amount due to shareholders	–	–	–	2,337
Tax payable	7,184	8,404	21,359	18,658
Total current liabilities	32,233	48,125	267,372	324,176
Net current assets	198,371	414,269	449,893	24,119

Our net current assets increased from RMB198.4 million as of December 31, 2017 to RMB414.3 million as of December 31, 2018, primarily due to (i) an increase of RMB178.7 million in cash and cash equivalents; (ii) an increase of RMB20.0 million in financial assets at fair value through profit or loss, representing the financial products we purchased in 2018; and (iii) an increase of RMB18.7 million in trade receivables in line with our business expansion. The increase in net current assets was partially offset by an increase of RMB12.6 million in other payables and accruals, which was primarily due to an increase in other payables and accrued expenses, mainly because our promotional fees payable for sales and marketing increased.

Our net current assets increased from RMB414.3 million as of December 31, 2018 to RMB449.9 million as of December 31, 2019, primarily due to (i) an increase of RMB212.4 million in cash and cash equivalents; (ii) an increase of RMB25.2 million in trade receivables in line with our business expansion; and (iii) an increase of RMB14.9 million in financial assets at fair value through profit or loss. The increase in net current assets was partially offset by our dividend payable of RMB188.9 million as of December 31, 2019, as well as an increase of RMB15.0 million in other payable and accruals primarily resulting from an increase in other payables because our promotional fees payable for sales and marketing increased.

Our net current assets decreased from RMB449.9 million as of December 31, 2019 to RMB24.1 million as of April 30, 2020, primarily due to a decrease of RMB495.5 million in cash and cash equivalents, which was primarily due to payments made to shareholders of Hangzhou Kangji after the Capital Reduction as a part of the Reorganization. See "History, Reorganization and Corporate Structure — Reorganization — Step 3: Capital Reduction of Hangzhou Kangji." The decrease in our net current assets was partially offset by an increase in financial assets at fair value through profit or loss of RMB121.4 million, representing an increase in the financial products we purchased.

Cash Flows

The following table sets forth a summary of our combined cash flow statements for the periods indicated.

	For the year ended December 31,		
	2017	**2018**	**2019**
		RMB'000	
Operating cash flows before movements in working capital	167,310	259,212	381,285
Changes in working capital	(1,964)	(18,360)	(11,477)
Interest received	162	146	99
Income tax paid	(22,793)	(36,261)	(44,065)
Net cash flows from operating activities	142,715	204,737	325,842
Net cash flows from/(used in) investing activities	(39,642)	(255,728)	183,135
Net cash flows used in financing activities	(32)	(33)	(106,293)
Net increase/(decrease) in cash and cash equivalents	103,041	(51,024)	402,684
Cash and cash equivalents at beginning of year	11,188	110,809	64,580
Effect of foreign exchange rate changes, net	(3,420)	4,795	2,072
Cash and cash equivalents at end of year	110,809	64,580	469,336
Analysis of balances of cash and cash equivalents			
Cash and cash equivalents as stated in the combined statements of financial position	173,995	352,724	565,148
Time deposits with original maturity of over three months when acquired	(63,186)	(288,144)	(95,812)
Cash and cash equivalents as stated in the combined statements of cash flows	110,809	64,580	469,336

Operating Activities

For the year ended December 31, 2019, we had net cash flows from operating activities of RMB325.8 million, primarily attributable to our profit before tax of RMB391.2 million, as adjusted for non-cash and non-operating items, which primarily include (i) bank interest income of RMB12.6 million; and (ii) depreciation of property, plant and equipment of RMB6.4 million. The amount was further adjusted by negative changes in working capital, income tax paid of RMB44.1 million and interest received. The negative changes in working capital primarily included an increase in trade receivables of RMB25.8 million primarily due to our business expansion, partially offset by an increase in other payables and accruals of RMB12.9 million primarily because our promotional fees payable for sales and marketing increased.

For the year ended December 31, 2018, we had net cash from operating activities of RMB204.7 million, primarily attributable to our profit before tax of RMB261.2 million, as adjusted for non-cash and non-operating items, which primarily include (i) bank interest income of RMB7.0 million; and (ii) depreciation of property, plant and equipment of RMB5.7 million. The amount was further adjusted by negative changes in working capital, income tax paid of RMB36.3 million and interest received. The negative changes in working capital was mainly attributable to (i) an increase in trade receivables of RMB19.2 million primarily due to our business expansion; and (ii) an increase in inventories of RMB10.9 million to support our increased production and sales, partially offset by an increase in other payables and accruals of RMB10.0 million.

For the year ended December 31, 2017, we had net cash from operating activities of RMB142.7 million, primarily attributable to our profit before tax of RMB162.2 million, as adjusted for non-cash and non-operating items, which primarily include (i) depreciation of property, plant and equipment of RMB5.9 million; and (ii) bank interest income of RMB1.2 million. The amount was further adjusted by negative changes in working capital, income tax paid of RMB22.8 million and interest received. The negative changes in working capital was mainly attributable to an increase in inventories of RMB8.5 million to support our increased production and sales, partially offset by an increase in other payables and accruals of RMB7.7 million primarily because our promotional fees payable for sales and marketing increased.

Investing Activities

For the year ended December 31, 2019, our net cash generated from investing activities was RMB183.1 million, primarily attributable to (i) proceeds from disposal from financial products of RMB1,098.2 million; and (ii) a decrease in time deposits with original maturity of over three months of RMB192.3 million, partially offset by purchases of financial products of RMB1,113.1 million.

For the year ended December 31, 2018, our net cash used in investing activities was RMB255.7 million, primarily attributable to (i) the purchase of financial products of RMB452.1 million; and (ii) the increase in time deposits with original maturity of over three months of RMB225.0 million, partially offset by proceeds from disposal of financial products of RMB432.1 million.

For the year ended December 31, 2017, our net cash used in investing activities was RMB39.6 million, primarily attributable to (i) increase in time deposits with original maturity of over three months of RMB28.5 million; (ii) purchase of property, plant and equipment of RMB6.9 million; and (iii) prepayment of right-of-use assets of RMB5.4 million.

Financing Activities

For the year ended December 31, 2019, our net cash used in financing activities was RMB106.3 million, primarily attributable to dividends declared and paid by Hangzhou Kangji.

For the year ended December 31, 2017 and 2018, our net cash used in financing activities was RMB32,000 and RMB33,000, respectively, primarily consisting of the principal portion of lease payments of RMB31,000 in each year.

INDEBTEDNESS

As of December 31, 2017 and 2018, our indebtedness was RMB52,000 and RMB21,000, representing our lease liability in relation to the lease of our office premises. As of December 31, 2019 and April 30, 2020, being the latest practicable date to determine our indebtedness, we had indebtedness of nil and nil, respectively. Since December 31, 2019 and up to the Latest Practicable Date, there had been no adverse change to our indebtedness.

CAPITAL EXPENDITURE

Our capital expenditure during the Track Record Period primarily related to our construction of manufacturing facilities, purchase of plant and machinery, furniture and fixtures and motor vehicles. Our addition of construction in progress was relatively high at RMB10.5 million in 2018 primarily because we were in the process of building two new manufacturing facilities, which were completed in the first half of 2019. Our addition of plant and machinery was relatively high at RMB5.8 million in 2019 primarily because we purchased equipment and machinery for our manufacturing facilities. The following table sets forth our capital expenditure for the periods indicated.

	For the year ended December 31,		
	2017	**2018**	**2019**
		RMB'000	
Plant and machinery	2,138	1,359	5,820
Construction in progress	5,206	10,452	3,323
Furniture and fixtures	350	140	786
Motor vehicles	373	749	233
Buildings	585	–	115
Total	8,652	12,700	10,277

We expect our capital expenditure for 2020 and 2021 to remain at similar levels. We plan to finance such expenditure primarily through cash flow from operating activities and the net proceeds from the Global Offering.

CONTINGENT LIABILITIES

As of the Latest Practicable Date, we did not have any outstanding loan issued or agreed to be issued, debt securities, debentures, bank overdrafts, liabilities under acceptances or acceptance credits or hire purchase commitments. As of the same date, we had not guaranteed the indebtedness of any Independent Third Parties. Our Directors confirm that there has been no material change in our contingent liabilities since December 31, 2019 to the date of this prospectus.

CAPITAL COMMITMENTS

Our capital commitments at the end of each year during the Track Record Period primarily related to contracts we entered into for the construction of our manufacturing facilities and purchase of equipment and machinery. Our capital commitments at the end of each year during the Track Record Period decreased as our manufacturing facilities were built and completed. The following table sets forth our capital commitments as of the dates indicated.

	As of December 31,		
	2017	**2018**	**2019**
		RMB'000	
Contracted, but not provided for:			
Buildings	12,312	2,780	29
Plant and machinery	166	1,268	85
Total	12,478	4,048	114

RELATED PARTY TRANSACTIONS

Except for compensation of our key management personnel as disclosed in note 30 to the Accountants' Report set out in Appendix I to this prospectus, during the Track Record Period, our Company did not have any other related party transactions.

KEY FINANCIAL RATIOS

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

	As of/for the year ended December 31,		
	2017	2018	2019
Gross profit margin[(1)]	80.7%	81.8%	84.1%
Net profit margin[(2)]	55.9%	63.3%	64.9%
Return on average equity[(3)]	72.5%	60.2%	65.4%
Return on average asset[(4)]	62.0%	53.8%	49.2%
Current ratio[(5)]	7.15	9.61	2.68
Quick ratio[(6)]	6.34	8.84	2.54

(1) Equals gross profit for the year divided by revenue for the year and multiplied by 100%.

(2) Equals profit for the year divided by revenue for the year and multiplied by 100%.

(3) Equals profit for the year divided by average balance of total equity at the beginning and the end of that year and multiplied by 100%.

(4) Equals profit for the year divided by average balance of total assets at the beginning and the end of that year and multiplied by 100%.

(5) Current ratio represents current assets divided by current liabilities as of the same date.

(6) Quick ratio represents current assets less inventories and divided by current liabilities as of the same date.

Gross Profit Margin and Net Profit Margin

In 2017, 2018 and 2019, our gross profit margin was 80.7%, 81.8% and 84.1% and our net profit margin was 55.9%, 63.3% and 64.9%, respectively. For details, see "— Results of Operations."

Return on Average Equity

Our return on average equity decreased from 72.5% in 2017 to 60.2% in 2018, primarily due to the growth of our net profit for the year from 2017 to 2018, while our total equity at the beginning of 2017 was relatively low.

Our return on average equity increased from 60.2% in 2018 to 65.4% in 2019, primarily because our profit for the year increased by RMB102.9 million as a result of our business growth, while we declared dividends of RMB295.2 million in 2019 out of our accumulative retained profits, which lowered our average equity in 2019.

Return on Average Assets

Our return on average assets decreased from 62.0% in 2017 to 53.8% in 2018 and to 49.2% in 2019, primarily because the balance of our total assets increased significantly from 2017 to 2018 and further to 2019 due to the increase in cash and cash equivalents from cash flow generated from operating activities.

Current Ratio and Quick Ratio

Our current ratio increased from 7.15 as of December 31, 2017 to 9.61 as of December 31, 2018, and our quick ratio increased from 6.34 as of December 31, 2017 to 8.84 as of December 31, 2018, because our current assets increased significantly, primarily due to (i) an increase in our cash and cash equivalents of RMB178.7 million; and (ii) an increase in our financial assets at fair value through profit or loss of RMB20.0 million, while our current liabilities increased by RMB15.9 million from December 31, 2017 to December 31, 2018, primarily due to an increase in other payables and accruals.

Our current ratio decreased from 9.61 as of December 31, 2018 to 2.68 as of December 31, 2019, and our quick ratio decreased from 8.84 as of December 31, 2018 to 2.54 as of December 31, 2019, primarily because our current liabilities increased significantly, primarily due to the RMB188.9 million dividend payable we recorded as of December 31, 2019, partially offset by an increase in our cash and cash equivalents of RMB212.4 million.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

We are exposed to a variety of market risks, including foreign currency risk, credit risk and liquidity risk as set out below. We manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner. For further details, including relevant sensitivity analysis, see note 33 in the Accountants' Report set out in Appendix I of this prospectus.

Foreign Currency Risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between Renminbi and other currencies in which we conduct business may affect our financial condition and results of operations. We seek to limit our exposure to foreign currency risk by minimizing its net foreign currency position.

For details and the sensitivity analysis of our profit before tax and our equity to a reasonably possible change in the US$ exchange rate for each year during the Track Record Period, with all other variables held constant, see note 33 in the Accountants' Report set out in Appendix I of this prospectus.

Credit Risk

We trade on credit terms only with recognized and creditworthy third parties. It is our policy that all traders who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

For details and the analysis of credit quality and the maximum exposure to credit risk based on our credit policy at the end of each year during the Track Record Period, see note 33 in the Accountants' Report set out in Appendix I of this prospectus.

Liquidity Risk

We monitor and maintain a level of cash and cash equivalents deemed adequate by our management to finance our operations and mitigate the effects of fluctuations in cash flows. For details and the maturity profile of our financial liabilities as of the end of each year during the Track Record Period, see note 33 in the Accountants' Report set out in Appendix I of this prospectus.

DIVIDENDS

Hangzhou Kangji declared dividends of RMB295.2 million in October 2019. As of December 31, 2019, we had dividend payable of RMB188.9 million, of which RMB20.0 million was paid in January 2020 and the remaining will be paid prior to the Listing with our internal resources.

On April 8, 2020, the Company passed a Board resolution, declaring a dividend of RMB65.7 million. The dividend amount was based on the undistributed profits of Hangzhou Kangji as of December 31, 2019, and will be paid after the Listing with our internal resources.

We do not have a specific dividend policy or a predetermined dividend payout ratio. The decision to pay dividends in the future will be made at the direction of our Board and will be based on our profits, cash flows, financial condition, capital requirements and other conditions that our Board deems relevant. The payment of dividends may be limited by other legal restrictions and agreements that we may enter into in the future.

DISTRIBUTABLE RESERVES

As of December 31, 2019, our Group had retained profits of RMB96.3 million under HKFRSs, which are available for distribution to our equity Shareholders.

LISTING EXPENSES

Listing expenses to be borne by us are estimated to be approximately HK$166.1 million (including underwriting commission and other expenses), assuming an Offer Price of HK$13.12 per Share, which is the mid-point of the indicative Offer Price range stated in this prospectus. Approximately HK$37.7 million is expected to be charged to our consolidated statements of profit or loss and other comprehensive income, and approximately HK$128.4 million is expected to be accounted for as a deduction from equity upon the Listing. For the year ended December 31, 2019, we incurred listing expenses of nil. The listing expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate. Our Directors do not expect such listing expenses to have a material adverse impact on our results of operations for the year ending December 31, 2020.

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 on the net tangible assets of the Group attributable to owners of the Company as of December 31, 2019 as if the Global Offering had taken place on that date.

The unaudited pro forma statement of adjusted net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not provide a true picture of the net tangible assets attributable to owners of the Company had the Global Offering been completed as of December 31, 2019 or at any future date. No adjustment has been made to reflect any trading results or open transactions of the Group entered into subsequent to December 31, 2019.

	Combined net tangible assets attributable to owners of the parent as of December 31, 2019	**Estimated net proceeds from the Global Offering**	**Unaudited pro forma adjusted combined net tangible assets attributable to owners of the Company as of December 31, 2019**	**Unaudited pro forma adjusted combined net tangible assets attributable to owners of the Company per Share as of December 31, 2019**	**Unaudited pro forma adjusted combined net tangible assets attributable to owners of the Company per Share as of December 31, 2019**
	RMB'000 (Note 1)	*RMB'000 (Note 2)*	*RMB'000*	*RMB (Note 3)*	*(HK$ equivalent) (Note 5)*
Based on an Offer Price of HK$12.36 per Share	327,162	2,402,301	2,729,463	2.18	2.38
Based on an Offer Price of HK$13.88 per Share	327,162	2,703,086	3,030,248	2.42	2.65

1. The combined net tangible assets attributable to owners of the parent as of December 31, 2019 is extracted from the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

2. The estimated net proceeds from the Global Offering are based on estimated offer prices of HK$12.36 or HK$13.88 per Share after deduction of the underwriting fees and other related expenses payable by our Company.

3. The unaudited pro forma adjusted combined net tangible assets attributable to owners of the Company per Share are calculated based on 1,252,207,500 Shares in issue immediately following the completion of the Capitalization Issue and the Global Offering without taking into account any Shares which may be issued upon exercise of the share options granted under the Pre-IPO Share Option Plan.

4. The unaudited pro forma adjusted combined net tangible assets attributable to owners of the Company have not taken into account the dividend of RMB65.7 million declared on April 8, 2020. Had the dividend been taken into account, the unaudited pro forma adjusted combined net tangible assets attributable to owners of the Company per Share would be HK$2.33 per Share (based on the Offer Price of HK$12.36 per Share) or HK$2.59 per Share (based on the Offer Price of HK$13.88 per Share).

5. The unaudited pro forma adjusted combined net tangible assets attributable to owners of the Company per Share are converted into Hong Kong dollars at an exchange rate of RMB0.91459 to HK$1.00.

NO MATERIAL ADVERSE CHANGE

We had normal operations before Chinese New Year holidays starting from January 24, 2020. We temporarily suspended operations for approximately two weeks from the end of Chinese New Year holidays in early February 2020 to February 17, 2020 in response to the recent outbreak of a novel coronavirus named COVID-19. In February and March 2020, the COVID-19 outbreak had a material impact on our results of operations because we suspended production temporarily and many hospitals in China had lower demand for our products, as many minimally invasive surgeries were rescheduled to avoid cross-infections and hospital resources were redirected to support COVID-19 treatment during this period. For details of the impact of the COVID-19 outbreak on our business, see "Summary — Recent Developments and No Material Adverse Change."

We cannot foresee when the COVID-19 outbreak will become completely under control or whether COVID-19 will have a material and adverse impact on our business going forward. See "Risk Factors — Risks Relating to Our Operations — Natural disasters, epidemics, acts of war or terrorism or other factors beyond our control in the future may have a material adverse effect on our business, financial condition and results of operations." We are constantly monitoring the COVID-19 situation as well as various regulatory and administrative measures adopted by local governments to prevent and control the epidemic. We will continue to evaluate the impact of this outbreak on us and adjust our precautionary measures according to the latest developments of the outbreak.

Our Directors confirm that, save as disclosed above and save for the dividends approved by the Board's resolution on April 8, 2020, as far as they are aware, there had been no material adverse change in our financial, trading position or prospects since December 31, 2019, being the latest date of our combined financial statements as set out in "Appendix I — Accountants' Report" of this prospectus, up to the date of this prospectus.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that, as of the Latest Practicable Date, they were not aware of any circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS AND PROSPECTS

See "Business — Our Business Strategy" for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK$2,791.1 million, after deducting underwriting commissions, fees and estimated expenses payable by us in connection with the Global Offering, and assuming an Offer Price of HK$13.12 per Share, being the mid-point of the indicative Offer Price range stated in this prospectus. If the Offer Price is set at HK$13.88 per Share, being the high end of the indicative Offer Price range, the net proceeds from the Global Offering will increase by approximately HK$164.4 million. If the Offer Price is set at HK$12.36 per Share, being the low end of the indicative Offer Price range, the net proceeds from the Global Offering will decrease by approximately HK$164.4 million.

We currently intend to apply these net proceeds for the following purposes:

- approximately 20.0%, or HK$558.2 million, will be used to expand our production capacity and strengthen our manufacturing capabilities, including:

    - approximately 9.8%, or HK$273.5 million, to be used to expand production capacity of our current products and further automate existing production lines, including (i) approximately 4.3%, or HK$120.0 million to be used for purchasing additional machinery and equipment within the next six years, and procuring and deploying a manufacturing execution software system within the next three years; and (ii) approximately 5.5%, or HK$153.5 million to be used for recruiting and training an additional 500 to 600 production workers within the next five years. The allocation of new production workers is subject to adjustment between our current products and pipeline products in line with market demand. We plan to utilize the allocated net proceeds in line with anticipated market demand and sales growth. See "Business — Our Business Strategy — Expand our production capacity to support future growth." Assuming a 90% utilization rate of our annual production capacity and taking into account the market demand and our development strategies, we expect that the annual production capacity of each of disposable trocars, polymer ligation clips and disposable electrocoagulation forceps, our current major types of products, to increase at a CAGR of 30% to 40% from 2019 to 2024; and

- approximately 10.2%, or HK$284.7 million, to be used to build up production capabilities for pipeline products within the next six years, including (i) approximately 3.3%, or HK$92.1 million, to be used for constructing and renovating new facilities to be built on our unused land; (ii) approximately 3.8%, or HK$106.1 million, to be used for purchasing new machinery and equipment; and (iii) approximately 3.1%, or HK$86.5 million, to be used for recruiting and training an additional 200 to 300 production workers. The allocation of new production workers is subject to adjustment between our current products and pipeline products in line with market demand. We plan to utilize the allocated net proceeds for pipeline products in line with their launch time and market demand. See "Business — Our Business Strategy — Expand our production capacity to support future growth" and "Business — Our Product Portfolio — Product Pipeline." We have started to prepare for building up production capabilities for disposable ultrasonic scalpels and other pipeline products to be launched in 2020 and 2021. In 2021, we plan to gradually install production lines for absorbable ligation clips and laparoscopic staplers and expand production capacity for disposable ultrasonic scalpels. After 2022, we plan to continue to scale up production capacity of new products launched since 2020 and install production lines for other new products to be launched;

- approximately 25.0%, or HK$697.8 million, will be used to fund our R&D activities, including:

  - approximately 17.0%, or HK$474.5 million, to be used to establish an R&D center at our headquarters within the next four years in order to provide technical support for our existing products, manufacturing processes and development of our near-commercial pipeline products, as well as two additional R&D centers within the next four years in select first- or second-tier cities, such as Hangzhou, Beijing and Shenzhen, to support the development of our mid- and long-term pipeline products and development of innovative products in the future. Towards that end,

    - approximately 2.5%, or HK$69.8 million will be used for construction and renovation of the R&D center at our headquarters to be built on our unused land;

    - approximately 1.6%, or HK$44.7 million will be used for rental and renovation expenses for the two R&D centers in select cities;

    - approximately 4.4%, or HK$122.8 million will be used for purchasing and deploying additional R&D machinery, equipment and software systems for our new R&D centers; and

  - approximately 8.5%, or HK$237.2 million will be used for recruiting and training additional R&D personnel for our new R&D centers;

- approximately 8.0%, or HK$223.3 million, to be used for development and expansion of our product pipeline, including advancing the development and registration of our pipeline products and exploring opportunities to acquire or in-license advanced technologies to apply to product development. We currently have nine product candidates in our pipeline, of which four candidates are in the registration process, including absorbable ligation clips, which is pending completion of clinical trials, and five candidates in earlier product design and development stage, which require substantial R&D prior to the registration process. We expect to continue to expand our product pipeline. See "Business — Our Business Strategy — Further enhance our R&D capabilities and expand our product pipeline." Our pipeline products and R&D activities have and will continue to focus on multifunctional or biodegradable materials, and smart and miniaturized medical devices which involve more advanced or innovative technologies and more complex processes, and therefore require higher research and development investments;

- approximately 20.0%, or HK$558.2 million, will be invested in our sales and marketing activities, including:

  - approximately 15.0%, or HK$418.7 million, to be used in our domestic sales and marketing activities, including (i) approximately 7.0%, or HK$195.4 million, to be used for establishing a product display and training center at our headquarters within the next five years to offer clinical education and showcase products to physicians and hospitals; (ii) approximately 5.0%, or HK$139.6 million, to be used for establishing a sales and marketing center at our headquarters within the next five years, and approximately 10 to 12 regional sales offices in strategically selected first- or second-tier cities from 2021 to 2024; and (iii) approximately 3.0%, or HK$83.7 million, to be used for conducting more academic promotion activities;

  - approximately 5.0%, or HK$139.6 million, will be used to increase our overseas sales, including (i) developing our overseas network of distributors by expanding the overseas business team, establishing overseas offices, seeking collaboration opportunities with local sales channels and attending international medical conferences and industry exhibitions to promote our brand and products; and (ii) registration of certain of our current and future products, such as disposable trocars, ligation clips, disposable ultrasonic scalpels and laparoscopic staplers in overseas jurisdictions, and conducting clinical trials if required;

- approximately 25.0%, or HK$697.8 million, will be used to fund potential strategic investment and acquisitions within the next five years that could complement and expand our product portfolio and technologies, and in turn further drive our business growth. For details, see "Business — Our Business Strategy." As of the Latest Practicable Date, we have not identified any specific acquisition targets, formed any specific acquisition plans or entered into any agreements with potential targets; and

- approximately 10.0%, or HK$279.1 million, will be used for our working capital and general corporate purposes.

The above allocation of the net proceeds from the Global Offering will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the indicative Offer Price range stated in this prospectus.

The Shares to be sold pursuant to the exercise of the Over-allotment Option only consist of the Sale Shares. If the Over-allotment Option is exercised, we will not receive any of the proceeds from the Sale Shares to be sold by the Selling Shareholder. The net proceeds that the Selling Shareholder will receive will be approximately HK$425.4 million (after deduction of proportional underwriting commissions and fees payable by the Selling Shareholder) if the Over-allotment Option is exercised in full assuming an Offer Price of HK$13.12 per Share (being the mid-point of the indicative Offer Price range).

To the extent that the net proceeds from the Global Offering are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we intend to deposit the net proceeds into short-term demand deposits and/or money market instruments.

HONG KONG UNDERWRITERS

Goldman Sachs (Asia) L.L.C.
CLSA Limited
Merrill Lynch (Asia Pacific) Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement dated June 14, 2020 and entered into among us, the Controlling Shareholders, the Joint Global Coordinators and the Hong Kong Underwriters, we are offering initially 22,540,000 Shares (subject to adjustment) for subscription by way of the Hong Kong Public Offering on the terms and subject to the conditions of this prospectus and the Application Forms at the Offer Price.

Subject to (i) the Listing Committee granting the listing of, and permission to deal in, the Shares; (ii) the International Underwriting Agreement having been signed and becoming unconditional; and (iii) certain other conditions set forth in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have severally agreed to apply or procure applications, on the terms and conditions of this prospectus and the related Application Forms, for their respective proportions of the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering.

Grounds for Termination

The Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) shall be entitled by notice (in writing) to our Company to terminate Hong Kong Underwriting Agreement with immediate effect if prior to 8:00 a.m. on the Listing Date:

(a) 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 any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak of 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 the Cayman Islands, the BVI, Singapore, Hong Kong, the PRC, the United States, or any other jurisdiction relevant to any member of the Group (collectively, the "**Relevant Jurisdictions**"); or

(ii) any change, or any development involving a prospective change, 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 conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets) in or affecting any Relevant Jurisdictions; or

(iii) any moratorium, suspension or restriction (including 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 Shanghai Stock Exchange, the Shenzhen Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market or the London Stock Exchange; or

(iv) any general moratorium on commercial banking activities in the Cayman Islands, Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent authority), China, New York (imposed at Federal or New York State level or other competent authority), London, or any other Relevant Jurisdiction, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any Relevant Jurisdiction; or

(v) 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; or

(vi) the imposition of sanctions, in whatever form, directly or indirectly, under any sanction laws, or regulations in, Hong Kong, China or any other Relevant Jurisdiction; or

(vii) a change or development involving a prospective change in or affecting Taxes or exchange control, currency exchange rates or foreign investment regulations (including 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; or

(viii) any litigation or claim of any third party being threatened or instigated against any member of the Group; or

(ix) a Director being charged with an indictable offense or prohibited by operation of law or otherwise disqualified from taking part in the management or taking directorship of a company; or

(x) the chairman, the chief executive officer or the chief financial officer of our Company vacating his or her office; or

(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; or

(xii) a contravention by any member of the Group of the Listing Rules or applicable laws; or

(xiii) a prohibition by an authority on our Company for whatever reason from offering, allotting, issuing or selling any of the Shares (including any Sale Shares that may be sold pursuant to the exercise of the Over-allotment Option) pursuant to the terms of the Global Offering; or

(xiv) non-compliance of this prospectus (or any other documents used in connection with the contemplated offer and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws; or

(xv) an order or petition for the winding up of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group,

which, individually or in the aggregate, after consultation with our Company, in the sole and absolute opinion of the Joint Global Coordinators (1) has or will have 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 the Group as a whole; or (2) 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 (3) makes 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 (4) has or will have or may have the effect of making any part of this Agreement (including underwriting) incapable of performance in any material respect 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; or

(b) there has come to the notice of the Joint Global Coordinators:

(i) that any statement contained in any of the post-hearing information pack, this prospectus, the Application Forms, the preliminary offering circular and/or in any announcements, advertisements or communications issued by or on behalf of our Company in connection with the Hong Kong Public Offering (collectively, the "**Offer Related Documents**") (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect or misleading in any material respect, or that any forecast, estimate, expression of opinion, intention or expectation contained in any of the Offer Related Documents (including any supplement or amendment thereto) is not fair and honest and based on reasonable assumptions; or

(ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of the this prospectus, constitute a material omission from any of the Offer Related Documents (including any supplement or amendment thereto); or

(iii) any material breach of any of the obligations imposed upon any party to this Agreement or the International Underwriting Agreement (other than upon any of the Hong Kong Underwriters or the International Underwriters); or

(iv) any event, act or omission which gives or is likely to give rise to any material liability of any of the indemnifying parties as set out in the Hong Kong Underwriting Agreement; or

(v) any material adverse change as defined under the Hong Kong Underwriting Agreement; or

(vi) any material breach of, or any event or circumstance rendering untrue or incorrect in any respect, any of the representations, warranties, agreements and undertakings of the our Company and the Controlling Shareholders set out in the Hong Kong Underwriting Agreement; or

(vii) that approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares to be issued or sold (including any Sale Shares that may be sold pursuant to the exercise of the Over-allotment Option) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(viii) our Company withdraws any of the Offer Related Documents or the Global Offering; or

(ix) a material portion of the investment commitments placed or confirmed by way of orders in the bookbuilding process and made by cornerstone investors under agreements signed with such cornerstone investors, have been withdrawn, terminated or cancelled; or

(x) any of the Reporting Accountants, the industry consultant, our PRC legal advisors or the Cayman legal advisors has withdrawn or is subject to withdrawing its consent to being named in the this prospectus or to the issue of any of the Hong Kong Public Offering Documents.

Undertakings Pursuant to the Listing Rules

Undertakings by the Company

Pursuant to Rule 10.08 of the Listing Rules, the Company has undertaken to the Stock Exchange that it will not issue any shares or other securities convertible into equity securities (whether or not of a class already listed) of the Company or enter into any agreement or arrangement to issue such Shares or securities at any time within six months from the Listing Date (whether or not such issue of shares or securities will be completed within six months from the Listing Date), except pursuant to the Global Offering or under any of the circumstances prescribed by Rule 10.08 of the Listing Rules.

Undertakings by the Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has undertaken to the Company and to the Stock Exchange, except pursuant to the Global Offering (including pursuant to the Stock Borrowing Agreement), that it will not, and shall procure that any other registered holder(s) (if any) will not, without the prior written consent of the Stock Exchange or unless otherwise in compliance with applicable requirements of the Listing Rules:

(a) in the period commencing on the date of this prospectus and ending on the date which is six months from the Listing Date (the "**First Six-Month Period**"), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any Shares in respect of which it is shown in this prospectus to be the beneficial owner(s) (as defined in Rule 10.07(2) of the Listing Rules); and

(b) in the period of six months commencing on the date on which the First Six-Month Period expires (the "**Second Six-Month Period**"), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in the preceding paragraph if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he, she or it or the group of the controlling shareholders of the Company would cease to be a controlling shareholder (as defined in the Listing Rules) of the Company.

Further, pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Company and to the Stock Exchange that, during the First Six-Month Period, it will:

(a) when it pledges or charges any Shares beneficially owned by it in favor of an authorized institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) as security for a bona fide commercial loan, immediately inform the Company of such pledge or charge together with the number of such Shares so pledged or charged; and

(b) when it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares will be disposed of, immediately inform the Company of such indications.

The Company will also inform the Stock Exchange as soon as it has been informed of the above matters, if any, by the Controlling Shareholder and disclose such matters in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible after being so informed.

Undertakings Pursuant to the Hong Kong Underwriting Agreement

Undertakings by the Company

Pursuant to the Hong Kong Underwriting Agreement, we have undertaken to each of the Joint Global Coordinators, the Joint Bookrunners, the Hong Kong Underwriters and the Joint Sponsors not to, without the prior written consent of the Joint Sponsors and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules, except for the offer, allotment and issue of the Offer Shares pursuant to the Global Offering, the Capitalization Issue and the Pre-IPO Share Option Plan and otherwise pursuant to the Listing Rules, during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on and including the date that is six months after the Listing Date (the "**First Six-Month Period**"):

(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 over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest in any of the foregoing (including 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 deposit any Shares or other securities of our Company, 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 any Shares or other securities of our Company, or any interest in any of the foregoing (including 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

(c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above; or

(d) offer to or agree to or announce any intention to effect any transaction specified in (a), (b) or (c) above,

in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of Shares or other securities of our Company, or in cash or otherwise (whether or not the issue of such Shares or other shares or 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 (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.

Our Company agrees and undertakes that it will not, and each of the Controlling Shareholders further undertakes to procure that the Company will not, effect any purchase of Shares, or agree to do so, which may reduce the holdings of Shares held by the public (as defined in Rule 8.24 of the Listing Rules) below the minimum public float requirements specified in the Listing Rules or any waiver granted and not revoked by the Stock Exchange on or before the date falling six months after the Listing Date without first having obtained the prior written consent of the Joint Sponsors and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters).

Undertakings by our Controlling Shareholders

Each of the Controlling Shareholders has undertaken to each of our Company, the Joint Global Coordinators, the Joint Bookrunners, the Hong Kong Underwriters and the Joint Sponsors that, except as pursuant to the Capitalization Issue, the Global Offering (including pursuant to any exercise of the Over-allotment Option) and any exercise of share options granted under the Pre-IPO Share Option Plan, without the prior written consent of the Joint Sponsors and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(a) save for lending of Shares pursuant to the Stock Borrowing Agreement, he, she or it will not, and will procure Fortune Spring ZM A Limited, Fortune Spring ZM Trust, Fortune Spring YG A Limited and The YG Trust not to, at any time during the First Six-Month Period, (i) sell, offer to sell, contract or agree to sell, mortgage, charge,

pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including 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 deposit any Shares or other securities of the Company with a depositary in connection with the issue of depositary receipts, or (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 any Shares or other securities of our Company or any interest therein (including 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 (iii) enter into any transaction with the same economic effect as any transaction specified in sub-paragraph (a)(i) or (ii) above, or (iv) offer to or agree to or announce any intention to effect any transaction specified in sub-paragraph (a)(i), (ii) or (iii) above, in each case, whether any of the transactions specified in sub-paragraph (a)(i), (ii) or (iii) above is to be settled by delivery of Shares or other securities of our Company or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the First Six-Month Period);

(b) he, she or it will not, and will procure Fortune Spring ZM A Limited, Fortune Spring ZM Trust, Fortune Spring YG A Limited and The YG Trust not to, during the Second Six-Month Period, enter into any of the transactions specified in sub-paragraph (a)(i), (ii) or (iii) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, he, she or it will cease to be a "controlling shareholder" (as the term is defined in the Listing Rules) of our Company; and

(c) until the expiry of the Second Six-Month period, in the event that he, she or it enters into any of the transactions specified in sub-paragraph (a)(i), (ii) or (iii) above or offer to or agrees to or announce any intention to effect any such transaction, he, or she or it will, and will procure Fortune Spring ZM A Limited, Fortune Spring ZM Trust, Fortune Spring YG A Limited and The YG Trust to, take all reasonable steps to ensure that he, she or it will not create a disorderly or false market in the securities of our Company.

Undertaking by Pre-IPO Investors

Undertaking by TPG Keyhole

TPG Keyhole has undertaken (the "**TPG Undertaking**") to each of the Company and the Joint Global Coordinators (acting on behalf of all the Underwriters) that, except with the prior written consent of the Company and the Joint Global Coordinators, it will not, directly or indirectly, conditionally or unconditionally, at any time during the period commencing on the date of this prospectus, being June 16, 2020, and ending on, and including, the date that is six months from the Listing Date (the "**TPG Lock-up Period**"), dispose of any Shares or other securities of the Company held by it as of the Listing Date or any interest therein (the "**TPG Relevant Shares**"); provided, that the foregoing sentence shall not apply to (i) any TPG Relevant Shares which may be sold by it as part of the Global Offering (including the Over-allotment Option) in the way described in this prospectus (if applicable); or (ii) any lending of TPG Relevant Shares by it to the stock borrowing agreement to be entered into (if applicable); or (iii) any charge, mortgage or pledge by it of the TPG Relevant Shares during the TPG Lock-up Period in favor of a financial institution; or (iv) transactions relating to any Shares acquired by it in open market transactions after the Listing; or (v) any transfers to any of its affiliates, provided that, prior to such transfer, such affiliate gives a written undertaking (addressed to and in favor of the Company and the Joint Global Coordinators in terms substantially the same as in the TPG Undertaking in respect of the remaining period of the TPG Lock-up Period at the time of such transfer). In the event that a release is granted to any substantial shareholder of the Company relating to the lock-up restrictions set forth above for any Shares, the same percentage of TPG Relevant Shares shall be released on the same terms from the lock-up restrictions set forth above. For purposes of the TPG Undertaking, a "substantial shareholder" refers to a beneficial owner, as of the close of business on June 12, 2020, of more than 5% of the outstanding Shares of the Company (for purposes of determining record of beneficial ownership of a shareholder, all Shares held by investment funds or vehicles affiliated with such shareholder shall be aggregated).

Undertaking by LYFE Capital Fund, L.P. and LYFE Capital Fund-A, L.P.

Each of LYFE Capital Fund, L.P. and LYFE Capital Fund-A, L.P. has undertaken (the "**LYFE Undertaking**") to each of the Company and the Joint Global Coordinators (acting on behalf of all the Underwriters) that, except with the prior written consent of the Company and the Joint Global Coordinators, it will not at any time during the period commencing on June 12, 2020 and ending on, and including, the date that is six months from the Listing Date, directly or indirectly, conditionally or unconditionally, dispose of any Shares or other securities of the Company or any interest therein held by it as of June 12, 2020 (the "**LYFE Lock-up Shares**"); provided, that nothing in the foregoing sentence shall prevent any of it from: (i) selling any LYFE Lock-up Shares as part of the Global Offering as described in this prospectus (if applicable); (ii) transferring any LYFE Lock-up Shares required by applicable laws or regulations; (iii) transferring any Shares with the prior written consent of the Company and the Joint Global Coordinators; (iv) purchasing or acquiring any Shares or securities of the Company on or after the Listing Date or dealings in such Shares or securities of the Company

purchased or acquired by it on or after the Listing; (v) transferring or disposing any LYFE Lock-up Shares pursuant to an offer by the Company to repurchase its own Shares; (vi) using any LYFE Lock-up Shares as security (including a charge or a pledge) in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan; and (vii) transferring all or party of the LYFE Lock-up Shares to any of its affiliates provided that such affiliate(s) agrees to be bound by the LYFE Undertaking in writing.

Undertaking by Axiom Asia IV, L.P.

Axiom Asia IV, L.P. has undertaken to each of the Company and the Joint Global Coordinators (acting on behalf of all the Underwriters) that, except with the prior written consent of the Company and the Joint Global Coordinators, it will not, at any time during the period commencing on June 12, 2020 and ending on, and including, the date that is six months from the Listing Date, directly or indirectly, conditionally or unconditionally, dispose of any Shares or other securities of the Company or any interest therein; provided, that the foregoing sentence shall not apply to (i) any Shares which may be subscribed by it as part of the Global Offering or (ii) any transactions relating to any Shares acquired by it in open market transactions after the Listing.

Undertaking by ARDIAN DIRECT ASIA III L.P.

ARDIAN DIRECT ASIA III L.P. has undertaken to each of the Company and the Joint Global Coordinators (acting on behalf of all the Underwriters) that, except with the prior written consent of the Company and the Joint Global Coordinators, it will not, at any time during the period commencing on June 12, 2020 and ending on, and including, the date that is six months from the Listing Date, directly or indirectly, conditionally or unconditionally, dispose of any Shares or other securities of the Company or any interest therein; provided, that the foregoing sentence shall not prevent it from using any Shares or other securities of the Company beneficially owned by it as security (including a charge or a pledge) in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan and shall not apply to transactions relating to any Shares acquired by it in open market transactions after the Listing.

The International Offering

In connection with the International Offering, it is expected that we, the Selling Shareholder and each of the Controlling Shareholders will enter into the International Underwriting Agreement with the International Underwriters. Under the International Underwriting Agreement, the International Underwriters, subject to certain conditions, will agree severally and not jointly to procure purchasers for, or to purchase, their respective proportions of the International Offer Shares being offered under the International Offering.

Under the International Underwriting Agreement, it is expected that the Selling Shareholder will grant to the International Underwriters the Over-Allotment Option, exercisable by the Joint Global Coordinators on behalf of the International Underwriters, in whole or in part, for one time or more, at any time within 30 days from the last day for lodging applications under the Hong Kong Public Offering, to require the Selling Shareholder to sell up to an aggregate of 33,809,500 Sale Shares, representing in aggregate not more than approximately 15% of the number of Offer Shares initially available under the Global Offering, at the Offer Price to cover, among other things (such as effecting the permitted stabilizing actions as set out in "Structure of the Global Offering — Stabilization"), over-allocations, if any, in the International Offering. It is expected that the International Underwriting Agreement may be terminated on similar grounds as those in the Hong Kong Underwriting Agreement. Potential investors shall be reminded that if the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

Commission and Expenses

Under the terms and conditions of the Underwriting Agreements, the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) will receive an underwriting commission of 3% of the aggregate Offer Price payable for such Hong Kong Offer Shares initially offered under the Hong Kong Public Offering (before adjustment and reallocation) less the number of unsubscribed Hong Kong Offer Shares reallocated to the International Offering, out of which the Hong Kong Underwriters will pay any sub-underwriting commissions. Based on an Offer Price of HK$13.12 per Share (being the mid-point of the indicative Offer Price range of HK$12.36 to HK$13.88 per Share), the aggregate commissions and fees (including the maximum discretionary incentive fee), together with the Stock Exchange listing fees, the SFC transaction levy, the Stock Exchange trading fee, legal and other professional fees and printing and other expenses relating to the Global Offering to be borne by the Company (collectively the "**Commissions and Fees**") are estimated to amount to approximately HK$166.1 million in aggregate.

The Commissions and Fees were determined after arm's length negotiations between the Company and the Hong Kong Underwriters and/or other parties by reference to the current market conditions.

Indemnity

Each of the Company and the Controlling Shareholders has undertaken to indemnify, and to procure Fortune Spring ZM A Limited, Fortune Spring ZM Trust, Fortune Spring YG A Limited and The YG Trust to indemnify, the Joint Sponsors, the Joint Global Coordinators, the Joint Lead Managers and the Hong Kong Underwriters for certain losses which they may suffer, including losses incurred arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by the Company of the Hong Kong Underwriting Agreement.

Hong Kong Underwriters' Interests in the Company

Save for their respective obligations under the Hong Kong Underwriting Agreement or as otherwise disclosed in this prospectus, none of the Hong Kong Underwriters is interested legally or beneficially in any shares in any member of the Company or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any member of the Company.

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.

ACTIVITIES BY SYNDICATE MEMBERS

The Underwriters of the Hong Kong Public Offering and the International Offering (together, the "**Syndicate Members**") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the Shares, those activities could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, securities investment and proprietary trading in the 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, assets including the Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the stock exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period set out in "Structure of the Global Offering." Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, 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 Syndicate Members will be subject to certain restrictions, including the followings:

(a) the Syndicate Members (other than the Stabilizing Manager, its affiliates 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 Syndicate Members 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.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to the Company and its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

In addition, the Syndicate Members or their respective affiliates may provide financing to investors to finance their subscriptions of Offer Shares in the Global Offering.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

(a) the Hong Kong Public Offering of initially 22,540,000 Shares (subject to adjustment/reallocation as mentioned below) in Hong Kong set out in "The Hong Kong Public Offering" below; and

(b) the International Offering of initially 202,857,500 Shares (subject to adjustment and the Over-allotment Option below) outside the United States in offshore transactions in reliance on Regulation S and in the United States only to QIBs in reliance on Rule 144A or another available exemption from registration under the U.S. Securities Act.

Investors may either apply for Hong Kong Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for International Offer Shares under the International Offering, but may not do both.

The Offer Shares will represent approximately 18.0% of the enlarged issued share capital of the Company immediately after completion of the Global Offering, assuming the share options granted under the Pre-IPO Share Option Plan are not exercised.

Conditions of the Global Offering

Acceptance of all applications for Offer Shares will be conditional on, among other things:

(a) the Listing Committee granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including any Sale Shares that may be sold pursuant to the exercise of the Over-allotment Option and the share options granted under the Pre-IPO Share Option Plan) and the approval for such listing and permission not subsequently having been revoked prior to the commencement of trading in the Shares on the Stock Exchange;

(b) the Offer Price being duly agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters), the Selling Shareholder and the Company on or before the Price Determination Date;

(c) the execution and delivery of the International Underwriting Agreement on or before the Price Determination Date; and

(d) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming and remaining unconditional 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 Hong Kong Underwriting Agreement or the International Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than 8:00 a.m. on Monday, June 29, 2020.

If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters), the Selling Shareholder and the Company on or before Saturday, June 20, 2020, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with their respective terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will not proceed and will lapse immediately, and the Stock Exchange will be notified immediately. Notice of the lapse of the Global Offering will be published by the Company in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the website of the Company (**www.kangjimedical.com**) and the website of the Stock Exchange (**www.hkexnews.hk**) on the day following such lapse. In such situation, all application monies will be returned, without interest, to the applicants on the terms set out in "How to Apply for Hong Kong Offer Shares — 14. Despatch/Collection of Share Certificates and Refund Monies." In the meantime, all 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).

Share certificates issued in respect of the Offer Shares will only become valid certificates of title at 8:00 a.m. on Monday, June 29, 2020 provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination set out in "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination" has not been exercised. Investors who trade Shares prior to the receipt of share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares Initially Offered

The Company is initially offering 22,540,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 10.0% of the total number of Offer Shares initially available under the Global Offering. Subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, the Hong Kong Offer Shares will represent approximately 1.8% of the Company's enlarged issued share capital immediately after completion of the Global Offering (assuming the share options granted under the Pre-IPO Share Option Plan are not exercised).

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.

Completion of the Hong Kong Public Offering is subject to the conditions set out in "— Conditions of the Global Offering" above.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application has 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.

The listing of the Shares on the Stock Exchange is sponsored by the Joint Sponsors. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK$13.88 per Offer Share in addition to the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner set out in "— Pricing" below, is less than the maximum Offer Price of HK$13.88 per Offer Share, appropriate refund payments (including the brokerage, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. See "How to Apply for Hong Kong Offer Shares."

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

Subject to reallocation set out below, the International Offering will consist of an initial offering of 202,857,500 Offer Shares, representing approximately 90.0% of the total number of Offer Shares initially available under the Global Offering and approximately 16.2% of the Company's enlarged issued share capital immediately after completion of the Global Offering (assuming the share options granted under the Pre-IPO Share Option Plan are not exercised).

The Stabilizing Manager or its affiliates or any person acting for it may over-allocate up to and not more than an aggregate of 33,809,500 additional Offer Shares, which is approximately 15.0% of the Offer Shares initially available under the Global Offering, and cover such over-allocations by (among other methods) exercising the Over-allotment Option in full or in part or by using Shares purchased by the Stabilizing Manager, its affiliates or any person acting for it in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangement or a combination of these means.

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 applications under the Hong Kong Public Offering and to ensure that they are excluded from any application of Offer Shares under the Hong Kong Public Offering.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, the Selling Shareholder is expected to grant the Over-allotment Option to the International Underwriters, exercisable by the Joint Global Coordinators on behalf of the International Underwriters.

Pursuant to the Over-allotment Option, the International Underwriters have the right, exercisable by the Joint Global Coordinators (for themselves and on behalf of the International Underwriters) at any time from the commencement of trading in the Shares on the Stock Exchange until 30 days after the last day for lodging applications under the Hong Kong Public Offering, to require the Selling Shareholder to sell up to 33,809,500 Sale Shares, representing approximately 15.0% of the Offer Shares initially available under the Global Offering, at the Offer Price under the International Offering, to solely cover over-allocations in the International Offering, if any.

We will not receive any of the proceeds from Sale Shares to be sold by the Selling Shareholder. In the event that the Over-allotment Option is exercised, an announcement will be made.

STABILIZATION

Stabilization is a practice used by Underwriters in some markets to facilitate the distribution of securities. To stabilize, the Underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the 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, including those of Hong Kong. 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 person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilizing or supporting the market price of the Shares at a level higher than that which might otherwise prevail in the open market for a limited period which begins on the commencement date of trading of the Shares on the Stock Exchange and ends on the 30th day after the last day for lodging applications under the Hong Kong Public Offering. Any market purchases of the Shares will be effected in compliance with all applicable laws and regulatory requirements. However, the Stabilizing Manager has been or will be appointed as stabilizing manager for the purposes of the Global Offering in accordance with the Securities and Futures (Price Stabilizing) Rules, as amended, under the SFO and hence, 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 commenced, will be conducted at the absolute discretion of the Stabilizing Manager, its affiliates or any person acting for it and may be discontinued at any time, and is required to be brought to an end after a limited period.

Stabilization actions permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules, as amended, include (i) over-allocating for the purpose of preventing or minimizing any reduction in the market price of the Shares, (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares, (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the 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, any of the Offer Shares for the sole purpose of preventing or minimizing any reduction in the market price of the Shares, (v) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases and (vi) offering or attempting to do anything as described in (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in 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 the 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 of any such long position by the Stabilizing Manager, its affiliates or any person acting for it and selling in the open market, may have an adverse impact on the market price of the Shares;

- no stabilizing action can be taken to support the price of the Shares for longer than the stabilization period which will begin on the Listing Date, and is expected to expire on Sunday, July 19, 2020 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 the Shares, and therefore the price of the Shares, could fall;

- the price of the 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, or investors in, acquiring the Offer Shares.

The Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilization period.

Following any over-allocation of Offer Shares in connection with the Global Offering, the Joint Global Coordinators, the Joint Bookrunners and the Joint Lead Managers, its affiliates or any person acting on its behalf may cover such over-allocation by, among other methods, using Shares purchased by Stabilizing Manager, its affiliates or any person acting for it in the secondary market, exercising the Over-allotment Option in full or in part, or by a combination of these means. Any such purchases will be made in accordance with the laws, rules and regulations in place in Hong Kong, including in relation to stabilization, the Securities and Futures (Price Stabilizing) Rules, as amended, made under the SFO. The number of Offer Shares which can be over-allocated will not exceed the number of Sale Shares which may be sold pursuant to the exercise in full of the Over-allotment Option, being 33,809,500 Offer Shares, representing no more than 15.0% of the Offer Shares initially available under the Global Offering.

PRICING

Determining the Offer Price

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional 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.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or around Friday, June 19, 2020 (Hong Kong time) and in any event on or before Saturday, June 20, 2020 (Hong Kong time), by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and the Company, and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

The Offer Price per Hong Kong Offer Share under the Hong Kong Public Offering will be identical to the Offer Price per International Offer Share under the International Offering based on the Hong Kong dollar price per International Offer Share under the International Offering, as determined by the Joint Global Coordinators (for themselves and on behalf of the Underwriters), the Selling Shareholder and the Company.

The Offer Price will not be more than HK$13.88 per Offer Share and is expected to be not less than HK$12.36 per Offer Share, unless otherwise announced, as further explained below. Applicants under the Hong Kong Public Offering must pay, on application, the maximum Offer Price of HK$13.88 per Offer Share plus 1% brokerage, 0.027% SFC transaction levy and 0.005% Stock Exchange trading fee. 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 bottom end of the indicative Offer Price range stated in this prospectus.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process, and with the consent of the Company, reduce the number of Offer Shares or the indicative Offer Price range 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, the Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause there to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the website of the Company (**www.kangjimedical.com**) and the website of the Hong Kong Stock Exchange (**www.hkexnews.hk**) notices of the reduction in the number of Offer Shares or the indicative Offer Price range. Upon issue of such

a notice, the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Global Coordinators (for themselves and on behalf of the Underwriters), the Selling Shareholder and the Company, will be fixed within such revised offer price range.

Supplemental listing documents will also be issued by the Company in the event of a reduction in the number of Offer Shares or the Offer Price. Such supplemental listing documents will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of any such reduction. In the absence of any such notice so published, the number of Offer Shares and/or the Offer Price will not be reduced.

If the number of Offer Shares being offered under the Global Offering 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.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares 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. Such notice will also include such information as agreed with the Hong Kong Stock Exchange which may change materially as a result of any such reduction. In the absence of any such notice of reduction published as described in this paragraph, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon with the Company, the Selling Shareholder and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), will under no circumstances be set outside the Offer Price range as stated in this prospectus.

In the event of a reduction in the number of Offer Shares, the Joint Global Coordinators may, at its discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Offering, provided that the number of Hong Kong Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares available under the Global Offering.

The Offer Price for Shares under the Global Offering is expected to be announced on Friday, June 26, 2020. The level of indications of interest in the Global Offering, the level of applications and the basis of allotment of Hong Kong Offer Shares available under the Hong Kong Public Offering, are expected to be announced on Friday, June 26, 2020 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the website of the Company (**www.kangjimedical.com**) and the website of the Hong Kong Stock Exchange (**www.hkexnews.hk**).

ALLOCATION

Allocation Under the Hong Kong Public Offering

Allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation 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.

The total number of Hong Kong Offer Shares available under the Hong Kong Public Offering (subject to the reallocation of the Offer Shares between the Hong Kong Public Offering and the International Offering set out below) is to be divided equally into two pools for allocation purposes: pool A and pool B. The Hong Kong Offer Shares in pool A will consist of 11,270,000 Hong Kong Offer Shares and will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable) or less. The Hong Kong Offer Shares in pool B will consist of 11,270,000 Hong Kong Offer Shares and will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable) and up to the total value of pool B.

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If Hong Kong Offer Shares in one (but not both) of the 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. For the purpose of this paragraph only, the "price" for Hong Kong Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 11,270,000 Offer Shares are to be rejected being the number of Hong Kong Offer Shares initially allocated to each pool, being 50% of the 22,540,000 Hong Kong Offer Shares initially available under the Hong Kong Public Offering, are to be rejected.

Allocation Under the International Offering

The International Offering will include selective marketing of International Offer Shares in the United States only to QIBs in reliance on Rule 144A or another available exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act, as well as to institutional and professional investors and other investors who are anticipated to have a sizeable demand for such International Offer Shares in Hong Kong and other jurisdictions outside the United States in offshore transactions in reliance on Regulation S.

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. Allocation of International Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process and based on a number of factors, including the level and timing of demand, the 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 Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Shares on the Hong Kong Stock Exchange. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base for the benefit of the Company and its shareholders as a whole.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. Paragraph 4.2 of Practice Note 18 of the Listing Rules and the Guidance Letter HKEX-GL91-18 require a clawback mechanism to be put in place which would have the effect of increasing the number of Hong Kong Offer Shares to certain percentages of the total number of Offer Shares offered in the Global Offering under certain circumstances.

The initial allocation of Offer Shares under the Hong Kong Public Offering shall not be less than 10.0% of the Global Offering. In the event of full or over-subscription in both the Hong Kong Public Offering and the International Offering, the Joint Global Coordinators shall apply a clawback mechanism following the closing of application lists on the following basis:

(a) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents less than 15 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering and the International Offering is fully or over subscribed, the Joint Global Coordinators, in its absolute discretion, may (but shall not be obliged to) reallocate up to 22,540,000 Offer Shares from the International Offering to the Hong Kong Public Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 45,080,000 Offer Shares, representing approximately 20% of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option), and the final Offer Price shall be fixed at HK$12.36 per Offer Share (being the low-end of the Offer Price range stated in this prospectus);

(b) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering so that the total number of Offer Shares available under the Hong Kong Public Offering will be 67,620,000 Offer Shares, representing approximately 30% of the Offer Shares initially available under the Global Offering;

(c) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 90,160,000 Offer Shares, representing approximately approximately 40% of the Offer Shares initially available under the Global Offering;

(d) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more than the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 112,700,000 Offer Shares, representing approximately 50% of the Offer Shares initially available under the Global Offering.

In the event of under-subscription in the International Offering but full or over-subscription in the Hong Kong Public Offering, the Joint Global Coordinators, in their absolute discretion, may (but shall not be obliged to) reallocate up to 22,540,000 Offer Shares from the International Offering to the Hong Kong Public Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 45,080,000 Offer Shares, representing approximately 20% of the Offer Shares initially available under the Global Offering, and the final Offer Price shall be fixed at HK$12.36 per Offer Share (being the low-end of the Offer Price range stated in this prospectus).

In each case, the additional Offer Shares reallocated to the Hong Kong Public 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.

If the Hong Kong Public Offering is not fully subscribed, the Joint Global Coordinators have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Global Coordinators deem appropriate. However, if neither the Hong Kong Public Offering nor the International Offering is fully subscribed, the Global Offering will not proceed unless the Underwriters would subscribe or procure subscribers for respective applicable proportions of the Offer Shares being offered which are not taken up under the Global Offering on the terms and conditions of this prospectus, the Application Forms and the Underwriting Agreements.

DEALING ARRANGEMENT

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Monday, June 29, 2020, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Monday, June 29, 2020. The Shares will be traded in board lots of 500 Shares each. The stock code of the Shares is 9997.

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.

The 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 not a U.S. person (within the meaning of Regulation S under the U.S. Securities Act) or are a person described in paragraph h(3) of Rule 902 of 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:

- have a valid Hong Kong identity card number; and
- 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** for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules or any relevant waivers that have been granted by the Stock Exchange, you cannot apply for any Hong Kong Offer Shares if you:

- are an existing beneficial owner of Shares in the Company and/or any of its subsidiaries;
- are a Director or chief executive officer of the Company and/or any of its subsidiaries;
- are a close associate (as defined in the Listing Rules) of any of the above;
- are a core connected person (as defined in the Listing Rules) of the Company or will become a core connected person of the Company immediately upon completion of the Global Offering; or
- 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 copy of this prospectus during normal business hours from 9:00 a.m. on Tuesday, June 16, 2020 until 12:00 noon on Friday, June 19, 2020 from:

(a) any of the following offices of the Hong Kong Underwriters:

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

CLSA Limited
18/F, One Pacific Place
88 Queensway
Hong Kong

Merrill Lynch (Asia Pacific) Limited
55/F, Cheung Kong Center
2 Queen's Road Central
Hong Kong

(b) or any of the following branches of the receiving bank:

Bank of China (Hong Kong) Limited

District	Branch Name	Address
Hong Kong Island	Gilman Street Branch	136 Des Voeux Road Central, Hong Kong
Kowloon	Hoi Yuen Road Branch	55 Hoi Yuen Road, Kwun Tong, Kowloon
	Tsim Sha Tsui Branch	24-28 Carnarvon Road, Tsim Sha Tsui, Kowloon
New Territories	Kau Yuk Road Branch	18-24 Kau Yuk Road, Yuen Long, New Territories

You can collect a **YELLOW** Application Form and a copy of this prospectus during normal business hours from 9:00 a.m. on Tuesday, June 16, 2020 until 12:00 noon on Friday, June 19, 2020 from:

- the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong; or

- 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 CHINA (HONG KONG) NOMINEES LIMITED – KANGJI MEDICAL PUBLIC OFFER" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

- Tuesday, June 16, 2020 – 9:00 a.m. to 5:00 p.m.
- Wednesday, June 17, 2020 – 9:00 a.m. to 5:00 p.m.
- Thursday, June 18, 2020 – 9:00 a.m. to 5:00 p.m.
- Friday, June 19, 2020 – 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, June 19, 2020, the last application day or such later time set out in "10. Effect of Bad Weather on the Opening of the Application Lists" below.

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 the **White Form eIPO** service, among other things, you:

(a) undertake to execute all relevant documents and instruct and authorize the Company and/or the Joint Global Coordinators, the Joint Bookrunners and the Joint Lead Managers (or their agents or nominees), as agents of the 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 the Articles of Association;

(b) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;

(c) 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;

(d) 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;

(e) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(f) agree that none of the Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners and the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers 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);

(g) 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 Offer Shares under the International Offering nor participated in the International Offering;

(h) agree to disclose to the Company, the Hong Kong Share Registrar, the receiving bank, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners and the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(i) 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 the Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners and the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers 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 set out in this prospectus and the Application Form;

(j) agree that once your application has been accepted, you may not rescind it because of innocent misrepresentation;

(k) agree that your application will be governed by the laws of Hong Kong;

(l) 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 and not a U.S. persons (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(m) warrant that the information you have provided is true and accurate;

(n) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(o) authorize the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any 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 have fulfilled the criteria set out in "Personal Collection" below to collect the Share certificate(s) and/or refund cheque(s) in person;

(p) 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;

(q) understand that the Company and the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners and the Joint Lead Managers 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;

(r) (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 anyone as your agent or by any other person; and

(s) (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 "— 2. Who can apply" above 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 the 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

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 Tuesday, June 16, 2020 until 11:30 a.m. on Friday, June 19, 2020 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, June 19, 2020 or such later time under "— 10. Effects of Bad Weather on the Opening of the Application Lists" below.

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** service more than once and obtaining different application 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, the 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.

Commitment of Sustainability

The obvious advantage of **White Form eIPO** 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 "Kangji Medical Holdings Limited" **White Form eIPO** application submitted via the website **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 Offer 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 Centre
1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

You can also collect a copy of this 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 the Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners and the Joint Lead Managers and the Hong Kong 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:

(a) 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;

(b) 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;
- (if the **electronic application instructions** are given for your benefit) 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 the Company, the Directors and the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners and the Joint Lead Managers 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 the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send 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 the Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners and the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers 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 the Company, the Hong Kong Share Registrar, the receiving bank, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners and the Joint Lead Managers, the Underwriters and/or its respective advisers 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 the Company agreeing that it will not offer any Hong Kong 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 set out 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 the 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 of **electronic application instructions** to apply for Hong Kong Offer Shares;

- agree with the Company, for itself and for the benefit of each Shareholder (and so that the 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 and the Articles of Association;

- agree with the Company, for itself and for the benefit of each shareholder of the Company and each Director, manager and other senior officer of the Company (and so that the 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 of the Company and each Director, manager and other senior officer of the Company, with each CCASS Participant giving **electronic application instructions**):

  (a) to refer all differences and claims arising from the Articles of Association of the Company or any rights or obligations conferred or imposed by the Company Ordinances or other relevant laws and administrative regulations concerning the affairs of the Company to arbitration in accordance with the Articles of Association of the Company;

  (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 the Company (for the Company itself and for the benefit of each shareholder of the Company) that Shares in the Company are freely transferable by their holders;

- authorise the Company to enter into a contract on its behalf with each director and officer of the Company whereby each such Director and officer undertakes to observe and comply with his obligations to shareholders stipulated in the Articles of Association of the Company; 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 the 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 500 Hong Kong Offer Shares. Instructions for more than 500 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:

- Tuesday, June 16, 2020 – 9:00 a.m. to 8:30 p.m.

- Wednesday, June 17, 2020 – 8:00 a.m. to 8:30 p.m.

- Thursday, June 18, 2020 – 8:00 a.m. to 8:30 p.m.

- Friday, June 19, 2020 – 8:00 a.m. to 12:00 noon

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Tuesday, June 16, 2020 until 12:00 noon on Friday, June 19, 2020 (24 hours daily, except on Friday, June 19, 2020, the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, June 19, 2020, the last application day or such later time set out in "10. Effect of Bad Weather on the Opening of the Application Lists" below.

Note:

(1) These 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, the 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 the Company, the Hong Kong Share Registrar, the receiving bank, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners and the Joint Lead Managers, the Underwriters and any of their respective advisers 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. The Company, the Directors, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners and the Joint Lead Managers 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 Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Friday, June 19, 2020.

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 the Hong Kong Offer Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Hong Kong Offer 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 500 Hong Kong Offer Shares. Each application or electronic application instruction in respect of more than 500 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 (as defined in the Listing Rules), 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 on the Offer Price, see "Structure of the Global Offering — Pricing."

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; or
- 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 Friday, June 19, 2020. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings 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 Friday, June 19, 2020 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 set out in "Expected Timetable", an announcement will be made in such event.

11. PUBLICATION OF RESULTS

The 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 Friday, June 26, 2020 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the Company's website at **www.kangjimedical.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 dates and in the manner specified below:

- in the announcement to be posted on the Company's website at **www.kangjimedical.com** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m. on Friday, June 26, 2020;

- 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 Friday, June 26, 2020 to 12:00 midnight on Thursday, July 2, 2020;

- by telephone enquiry line by calling (852) 2862 8555 between 9:00 a.m. and 6:00 p.m. from Friday, June 26, 2020 to Thursday, July 2, 2020 on a business day (excluding Saturday, Sunday and public holidays);

- in the special allocation results booklets which will be available for inspection during opening hours from Friday, June 26, 2020 to Monday, June 29, 2020 at the receiving bank's designated branches.

If the 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. Further details are set out in "Structure of the Global Offering."

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 HONG KONG OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(a) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to the **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 the 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 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.

(b) If the Company or its agents exercise their discretion to reject your application:

The 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.

(c) 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 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 the Company of that longer period within three weeks of the closing date of the application lists.

(d) 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) 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 at **www.eipo.com.hk**;
- 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;
- the 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$13.88 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 "Structure of the Global Offering — The Hong Kong Public Offering" 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 Friday, June 26, 2020.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one 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 Share certificates will be deposited into CCASS set out below).

No temporary document of title will be issued in respect of the 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:

- Share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, Share certificates will be deposited into CCASS set out 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 Share certificates and refund monies as mentioned below, any refund cheques and Share certificates are expected to be posted on or before Friday, June 26, 2020. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Monday, June 29, 2020 provided that the Global Offering has become unconditional and the right of termination set out in "Underwriting" has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(a) If you apply using a WHITE Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or Share certificate(s) from the Hong Kong 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 Friday, June 26, 2020 or such other date as notified by us in the newspapers.

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 Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or 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 Share certificate(s) will be sent to the address on the relevant Application Form on or before Friday, June 26, 2020, by ordinary post and at your own risk.

(b) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more and have provided all information required by your Application Form, please follow the same instructions set out 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 Friday, June 26, 2020, 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 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 Friday, June 26, 2020, 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 a 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

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner set out in "— 11. Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, June 26, 2020 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.

(c) If you apply through the 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 Share certificate(s) from the Hong Kong 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 Friday, June 26, 2020, or such other date as notified by the Company in the newspapers as the date of dispatch/collection of Share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your 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 Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Friday, June 26, 2020 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.

(d) 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 Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your 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 Friday, June 26, 2020, or, on any other date determined by HKSCC or HKSCC Nominees.

- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the 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 set out in "— 11. Publication of Results" above on Friday, June 26, 2020. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, June 26, 2020 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 Friday, June 26, 2020. 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 and 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 Friday, June 26, 2020.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares on the Stock Exchange and we comply with the stock admission requirements of HKSCC, the 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 Shares or any other date as determined by HKSCC. 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 adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report received from our Company's reporting accountants, Ernst &Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in the prospectus.

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

The Directors
Kangji Medical Holdings Limited
Goldman Sachs (Asia) L.L.C.
CLSA Capital Markets Limited
Merrill Lynch Far East Limited

Dear Sirs,

We report on the historical financial information of Kangji Medical Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-5 to I-49 which comprises the combined statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2017, 2018 and 2019 (the "Relevant Periods"), and the combined statements of financial position of the Group as at 31 December 2017, 2018 and 2019 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-5 to I-49 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 16 June 2020 (the "Prospectus") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group as at 31 December 2017, 2018 and 2019 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to note 11 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

No historical financial statements for the Company

As at the date of this report, no statutory financial statements have been prepared for the Company since its date of incorporation.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong
16 June 2020

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

Combined statements of profit or loss and other comprehensive income

	Notes	Year ended 31 December 2017	Year ended 31 December 2018	Year ended 31 December 2019
		RMB'000	*RMB'000*	*RMB'000*
REVENUE	*5*	247,506	353,670	503,467
Cost of sales		(47,801)	(64,373)	(80,292)
Gross profit		199,705	289,297	423,175
Other income and gains	*5*	9,932	36,171	53,601
Selling and distribution expenses		(11,826)	(20,506)	(41,355)
Administrative expenses		(21,443)	(28,493)	(25,645)
Research and development costs		(10,477)	(14,859)	(17,377)
Other expenses		(3,718)	(449)	(1,205)
Finance costs	*7*	(1)	(2)	–
PROFIT BEFORE TAX	*6*	162,172	261,159	391,194
Income tax expense	*10*	(23,695)	(37,366)	(64,459)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		138,477	223,793	326,735
Attributable to:				
Owners of the parent		117,705	146,701	206,444
Non-controlling interests	*27*	20,772	77,092	120,291
		138,477	223,793	326,735
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT				
Basic and diluted	*12*	N/A	N/A	N/A

Combined statements of financial position

	Notes	As at 31 December 2017	As at 31 December 2018	As at 31 December 2019
		RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS				
Property, plant and equipment	*13*	45,729	52,651	56,526
Prepayment for property, plant and equipment		–	714	–
Right-of-use assets	*14*	17,855	17,437	17,024
Intangible assets	*15*	195	100	66
Deferred tax assets	*24*	1,819	1,934	1,901
Total non-current assets		65,598	72,836	75,517
CURRENT ASSETS				
Inventories	*16*	26,244	37,159	36,922
Trade receivables	*17*	29,040	47,786	73,012
Prepayments, other receivables and other assets	*18*	1,325	4,092	5,833
Financial assets at fair value through profit or loss	*19*	–	20,000	34,910
Pledged deposits	*20*	–	633	1,440
Cash and cash equivalents	*20*	173,995	352,724	565,148
Total current assets		230,604	462,394	717,265
CURRENT LIABILITIES				
Trade payables	*21*	4,811	6,892	9,318
Other payables and accruals	*22*	19,571	32,172	47,131
Lease liabilities	*14*	31	21	–
Deferred income	*23*	636	636	636
Dividend payable		–	–	188,928
Tax payable		7,184	8,404	21,359
Total Current Liabilities		32,233	48,125	267,372
NET CURRENT ASSETS		198,371	414,269	449,893
TOTAL ASSETS LESS CURRENT LIABILITIES		263,969	487,105	525,410
NON-CURRENT LIABILITIES				
Lease liabilities	*14*	21	–	–
Deferred income	*23*	3,816	3,180	2,544
Deferred tax liabilities	*24*	–	–	7,406
Total Non-Current Liabilities		3,837	3,180	9,950
Net assets		260,132	483,925	515,460
EQUITY				
Equity attributable to owners of the parent				
Share capital	*25*	–	–	–
Reserves	*26*	221,112	309,712	327,228
Equity attributable to owners of the parent		221,112	309,712	327,228
Non-controlling interests	*27*	39,020	174,213	188,232
Total equity		260,132	483,925	515,460

Combined statements of changes in equity

	Attributable to owners of the parent						
	Share capital	Capital reserve*	Statutory surplus reserve*	Retained profits*	Total	Non-controlling interests	Total equity
	RMB'000 (note 25)	*RMB'000 (note 26)*	*RMB'000 (note 26)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2017	–	70,757	2,644	30,006	103,407	18,248	121,655
Profit and total comprehensive income for the year	–	–	–	117,705	117,705	20,772	138,477
Appropriation to statutory surplus reserve	–	–	11,779	(11,779)	–	–	–
At 31 December 2017 and 1 January 2018	–	70,757	14,423	135,932	221,112	39,020	260,132
Profit and total comprehensive income for the year	–	–	–	146,701	146,701	77,092	223,793
Transfer to share capital *(note a)*	–	175,176	(7,074)	(168,102)	–	–	–
Addition of a non-controlling shareholder *(note b)*	–	(58,101)	–	–	(58,101)	58,101	–
Appropriation to statutory surplus reserve	–	–	14,323	(14,323)	–	–	–
At 31 December 2018	–	187,832	21,672	100,208	309,712	174,213	483,925

Notes:

(a) In 2018, a subsidiary of the Group, Hangzhou Kangji Medical Instrument Co., Ltd. ("Hangzhou Kangji"), increased its registered share capital by transferring its capital reserve, statutory surplus reserve and retained profits to share capital.

(b) In 2018, TPG Keyhole Success Holding Pte. Ltd. became a non-controlling shareholder of Hangzhou Kangji by purchase of shares from its then existing shareholders.

	Attributable to owners of the parent						
	Share capital	Capital reserve*	Statutory surplus reserve*	Retained profits*	Total	Non-controlling interests	Total equity
	RMB'000 (note 25)	*RMB'000 (note 26)*	*RMB'000 (note 26)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2019	–	187,832	21,672	100,208	309,712	174,213	483,925
Profit and total comprehensive income for the year	–	–	–	206,444	206,444	120,291	326,735
Dividend declared *(note 11)*	–	–	–	(188,928)	(188,928)	(106,272)	(295,200)
Appropriation to statutory surplus reserve	–	–	21,385	(21,385)	–	–	–
At 31 December 2019	–	187,832	43,057	96,339	327,228	188,232	515,460

* These reserve accounts comprise the combined reserves of RMB221,112,000, RMB309,712,000 and RMB327,228,000 in the combined statements of financial position as at 31 December 2017, 2018 and 2019, respectively.

Combined statements of cash flows

	Notes	Year ended 31 December 2017	Year ended 31 December 2018	Year ended 31 December 2019
		RMB'000	*RMB'000*	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		162,172	261,159	391,194
Adjustments for:				
Finance costs	*7*	1	2	–
Bank interest income	*5*	(1,167)	(6,958)	(12,560)
Investment income from financial assets at fair value through profit or loss	*5*	–	(905)	(4,136)
Gains on disposal of items of property, plant and equipment	*5*	(167)	(118)	–
Depreciation of property, plant and equipment	*13*	5,942	5,748	6,398
Depreciation of right-of-use assets	*14*	391	418	413
Amortisation of intangible assets	*15*	140	95	34
Impairment of trade receivables	*17*	634	407	578
Recognition of deferred income	*23*	(636)	(636)	(636)
		167,310	259,212	381,285
Decrease/(increase) in inventories		(8,458)	(10,915)	237
Increase in trade receivables		(908)	(19,153)	(25,804)
Increase in prepayments, other receivables and other assets		(822)	(266)	(1,223)
Increase in trade payables		562	2,081	2,426
Increase in other payables and accruals		7,662	9,893	12,887
Cash generated from operations		165,346	240,852	369,808
Interest received		162	146	99
Income tax paid		(22,793)	(36,261)	(44,065)
Net cash flows from operating activities		142,715	204,737	325,842
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of items of property, plant and equipment		(6,866)	(15,501)	(9,563)
Purchases of intangible assets		(166)	–	–
Prepayment of right-of-use assets		(5,361)	–	–
Proceeds from disposal of property, plant and equipment		247	148	4
Purchases of financial assets at fair value through profit or loss		–	(452,100)	(1,113,140)

	Note	Year ended 31 December 2017	Year ended 31 December 2018	Year ended 31 December 2019
		RMB'000	*RMB'000*	*RMB'000*
Proceeds from sales of financial assets at fair value through profit or loss		–	432,100	1,098,230
Investment income from financial assets at fair value through profit or loss		–	905	4,136
Increase in pledged deposits		–	(633)	(807)
Interest received		1,005	4,311	11,943
Decrease/(increase) in time deposits with original maturity of over three months		(28,501)	(224,958)	192,332
Net cash flows from/(used in) investing activities		(39,642)	(255,728)	183,135
CASH FLOWS FROM FINANCING ACTIVITIES				
Principal portion of lease payments		(31)	(31)	(21)
Interest paid		(1)	(2)	–
Dividend paid		–	–	(106,272)
Net cash flows used in financing activities		(32)	(33)	(106,293)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		103,041	(51,024)	402,684
Cash and cash equivalents at beginning of year		11,188	110,809	64,580
Effect of foreign exchange rate changes, net		(3,420)	4,795	2,072
CASH AND CASH EQUIVALENTS AT END OF YEAR		110,809	64,580	469,336
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and cash equivalents as stated in the combined statements of financial position	*20*	173,995	352,724	565,148
Time deposits with original maturity of over three months when acquired		(63,186)	(288,144)	(95,812)
Cash and cash equivalents as stated in the combined statements of cash flows		110,809	64,580	469,336

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Kangji Medical Holdings Limited (the "Company") is a limited liability company incorporated in the Cayman Islands on 12 February 2020. The registered office of the Company is Maples Corporate Services Limited, P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company. During the Relevant Periods, the Company's subsidiaries were principally involved in design, development, manufacture and sale of a comprehensive suite of minimally invasive surgical instruments and accessories.

The Company and its subsidiaries now comprising the Group underwent the Reorganisation as set out in the paragraph headed "Reorganisation" in the section headed "History, Reorganisation and Corporate Structure" in the Prospectus. Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation.

As at the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies. The particulars of the Company's principal subsidiaries are set out below:

Name	Place and date of incorporation/ registration and place of business	Nominal value of issued shares/ registered share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Hangzhou Kangji (a)* 杭州康基醫療器械有限公司	PRC/Mainland China 24 August 2004	RMB100 million	–	100	Manufacturing distribution and research and development
Jiangxi Kanghuan Medical Instrument Co., Ltd. ("Jiangxi Kanghuan") (b)* 江西省康歡醫療器械有限公司	PRC/Mainland China 22 May 2017	RMB10 million	–	100	Wholesale, retail and distribution

(a) The statutory financial statements of Hangzhou Kangji for the years ended 31 December 2017 and 2018 prepared under PRC Generally Accepted Accounting Principles ("PRC GAAP") were audited by Pan-China Certified Public Accountants LLP. (天健會計師事務所(特殊普通合夥)).

(b) No audited financial statements have been prepared for Jiangxi Kanghuan since the date of incorporation as it is not required by the local government to prepare statutory accounts.

* The English names of these entities registered in Mainland China represent the best efforts made by the management of the Company to directly translate their Chinese names as they did not register any official English name.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the Relevant Periods or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, results in particulars of excessive length.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganisation, as more fully explained in the paragraph headed "Reorganisation" in the section headed "History, Reorganisation and Corporate Structure" in the Prospectus, the Company became the holding company of the companies now comprising the Group on 13 March 2020. The companies now comprising the Group were under the common control of Mr. ZHONG Ming and Ms. SHENTU Yinguang (the "Controlling Shareholders") before and after the Reorganisation. Accordingly, for the purpose of this report, the Historical Financial Information for the Relevant Periods has been presented on a combined basis by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Relevant Periods.

The combined statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for the Relevant Periods include the results and cash flows of all companies now comprising the Group from the earliest date presented. The combined statements of financial position of the Group as of 31 December 2017, 2018 and 2019 have been prepared to present the assets and liabilities of the subsidiaries now comprising the Group using the existing book values from the Controlling Shareholders' perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

Equity interests in subsidiaries held by parties other than the Controlling Shareholders, and changes therein, prior to the Reorganisation are presented as non-controlling interests in equity in applying the principles of merger accounting.

All intra-group transactions and balances have been eliminated on combination.

2.2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 January 2019, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods and are consistently applied throughout the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which have been measured at fair value.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Historical Financial Information.

Amendments to HKFRS 3	*Definition of a Business*[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[1]

[1] Effective for annual periods beginning on or after 1 January 2020

[2] Effective for annual periods beginning on or after 1 January 2021

[3] No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair value measurement

The Group measures its unlisted investments at fair value at the end of each of the Relevant Periods. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1	–	based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each of the Relevant Periods.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the Relevant Periods as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

  (i) the entity and the Group are members of the same group;

  (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

  (iii) the entity and the Group are joint ventures of the same third party;

  (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

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

  (vi) the entity is controlled or jointly controlled by a person identified in (a);

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

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

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of property, plant and equipment are as follows:

Buildings	5 – 20 years
Plant and machinery	3 – 10 years
Furniture and fixtures	3 – 5 years
Motor vehicles	3 – 4 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, and plant and machinery, furniture and fixtures under installation, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets are stated at cost less impairment and are amortised on the straight-line basis over the following useful economic life:

Software	5 years

Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	50 years
Office premises	2 to 3 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of office premises and motor vehicles (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's statements of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on market historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, accruals and lease liabilities.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (loans and borrowings and payables)

After initial recognition, loans and borrowings and payables are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the combined statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, and form an integral part of the Group's cash management.

For the purpose of the combined statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods, taking into consideration interpretations and practices prevailing in the country in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each of the Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each of the Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each the Relevant Periods and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Sale of products

Revenue from the sale of products is recognised at the point in time when control of the asset is transferred to the customer, generally on acceptance of the products.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods to the customer).

Employee benefits

Pension scheme

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries operating in Mainland China are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

The Historical Financial Information is presented in RMB, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the Relevant Periods. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's Historical Financial Information requires management to make significant judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on market historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the distribution sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 17 to the Historical Financial Information.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is not organised into business units based on their products and only has one reportable operating segment. Management monitors the operating results of the Group's operating segment as a whole for the purpose of making decisions about resource allocation and performance assessment.

Geographic information

(a) Revenue from external customers

	Year ended 31 December 2017	Year ended 31 December 2018	Year ended 31 December 2019
	RMB'000	*RMB'000*	*RMB'000*
Mainland China	220,864	320,185	467,644
Overseas	26,642	33,485	35,823
Total	247,506	353,670	503,467

The revenue information is based on the locations of the customers.

(b) Non-current assets

	Year ended 31 December 2017	Year ended 31 December 2018	Year ended 31 December 2019
	RMB'000	*RMB'000*	*RMB'000*
Mainland China	63,779	70,902	73,616

The non-current asset information above is based on the locations of assets and excludes deferred tax assets.

Information about a major customer

Revenue of approximately RMB69,845,000, RMB100,445,000 and RMB122,918,000 for the years ended 31 December 2017, 2018 and 2019, respectively, was derived from sales to a single customer, including sales to a group of entities which are known to be under common control with that customer.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended 31 December 2017	Year ended 31 December 2018	Year ended 31 December 2019
	RMB'000	*RMB'000*	*RMB'000*
Revenue from contracts with customers	247,506	353,670	503,467

Revenue from contracts with customers

(a) Disaggregated revenue information

	Year ended 31 December 2017	Year ended 31 December 2018	Year ended 31 December 2019
	RMB'000	*RMB'000*	*RMB'000*
Type of goods or services			
Sale of medical instruments	247,506	353,670	503,467
Geographical markets			
Mainland China	220,864	320,185	467,644
Overseas	26,642	33,485	35,823
	247,506	353,670	503,467
Timing of revenue recognition			
Goods transferred at a point in time	247,506	353,670	503,467

The following table shows the amounts of revenue recognised during the Relevant Periods that were included in the contract liabilities at the beginning of the Relevant Periods:

	Year ended 31 December 2017	Year ended 31 December 2018	Year ended 31 December 2019
	RMB'000	*RMB'000*	*RMB'000*
Revenue recognised that was included in the contract liability balance at the beginning of the year:			
Sale of medical instruments	2,288	1,274	560

(b) Performance obligation

Information about the Group's performance obligation is summarised below:

Sale of medical instruments

The performance obligation is satisfied upon acceptance of the goods and payment is generally due within one month, extending up to two to six months for certain customers.

An analysis of other income and gains is as follows:

	Year ended 31 December 2017	Year ended 31 December 2018	Year ended 31 December 2019
	RMB'000	*RMB'000*	*RMB'000*
Other income			
Bank interest income	1,167	6,958	12,560
Government grants*	8,598	22,706	34,495
Investment income from financial assets at fair value through profit or loss	–	905	4,136
Foreign exchange gains, net	–	4,974	2,360
Others	–	510	50
	9,765	36,053	53,601
Gains			
Gains on disposal of items of property, plant and equipment	167	118	–
	9,932	36,171	53,601

* The government grants mainly represent subsidies received from the local governments for the purposes of compensation for expenses arising from research activities, reward for financial contribution and capital expenditure incurred on certain projects.

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	Year ended 31 December 2017	Year ended 31 December 2018	Year ended 31 December 2019
		RMB'000	*RMB'000*	*RMB'000*
Cost of inventories sold		47,340	63,720	80,231
Depreciation of property, plant and equipment	*13*	5,942	5,748	6,398
Depreciation of right-of-use assets	*14*	391	418	413
Amortisation of intangible assets*	*15*	140	95	34
Impairment of trade receivables, net**	*17*	634	407	578
Write-down of inventories to net realisable value***		461	653	61
Auditor's remuneration		976	777	959
Research and development costs		10,477	14,859	17,377
Government grants		(8,598)	(22,706)	(34,495)
Bank interest income		(1,167)	(6,958)	(12,560)
Investment income from financial assets at fair value through profit or loss		–	(905)	(4,136)
Foreign exchange difference, net		3,643	(4,974)	(2,360)
Gains on disposal of items of property, plant and equipment		(167)	(118)	–
Lease payments not included in the measurement of lease liabilities	*14*	17	227	66
Employee benefit expense (excluding directors' remuneration *(note 8)*):				
Wages and salaries		24,752	31,299	36,645
Pension scheme contributions		3,023	3,601	3,508
Staff welfare expenses		6,353	7,824	6,748
		34,128	42,724	46,901

* The amortisation of intangible assets for the Relevant Periods is included in "Administrative expenses" on the face of the combined statements of profit or loss and other comprehensive income.

** The impairment of trade receivables is included in "Administrative expenses" on the face of the combined statements of profit or loss and other comprehensive income.

*** The write-down of inventories to net realisable value is included in "Cost of sales" on the face of the combined statements of profit or loss and other comprehensive income.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December 2017	Year ended 31 December 2018	Year ended 31 December 2019
	RMB'000	*RMB'000*	*RMB'000*
Interest on lease liabilities *(note 14)*	1	2	–

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

The Company did not have any chief executive, executive directors, non-executive directors and independent non-executive directors at any time during the Relevant Periods since the Company was incorporated on 12 February 2020.

Mr. ZHONG Ming was appointed as a director on 12 February 2020 and was re-designated as an executive director on 7 March 2020. Mr. ZHONG Ming has also served as the chairman of the board and the chief executive officer of the Company. Ms. SHENTU Yinguang was appointed as an executive director of the Company on 7 March 2020. Ms. CAI Li and Mr. CHEN Gang were appointed as non-executive directors of the Company on 13 March 2020. Mr. JIANG Feng, Mr. GUO Jian, and Mr. CHEN Weibo were appointed as independent non-executive directors of the Company on 7 March 2020.

Certain of the directors received remuneration from a subsidiary now comprising the Group as directors of this subsidiary. The remuneration of each of these directors as recorded in the financial information of the subsidiary is set out below:

	Year ended 31 December 2017	Year ended 31 December 2018	Year ended 31 December 2019
	RMB'000	*RMB'000*	*RMB'000*
Fees	111	162	204
Other emoluments:			
Salaries, allowances and benefits in kind	444	593	625
Pension scheme contributions	36	38	38
	480	631	663
	591	793	867

(a) Independent non-executive directors

	Fees
	RMB'000
Year ended 31 December 2017	
Mr. JIANG Feng	111
Year ended 31 December 2018	
Mr. JIANG Feng	111
Mr. GUO Jian	51
	162
Year ended 31 December 2019	
Mr. JIANG Feng	102
Mr. GUO Jian	102
	204

(b) Executive directors and non-executive directors

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2017				
Executive directors:				
Mr. ZHONG Ming	–	250	19	269
Ms. SHENTU Yinguang	–	194	17	211
	–	444	36	480
Year ended 31 December 2018				
Executive directors:				
Mr. ZHONG Ming	–	313	19	332
Ms. SHENTU Yinguang	–	280	19	299
	–	593	38	631
Non-executive directors:				
Ms. CAI Li	–	–	–	–
Mr. CHEN Gang	–	–	–	–
	–	593	38	631

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2019				
Executive directors:				
Mr. ZHONG Ming	–	339	19	358
Ms. SHENTU Yinguang	–	286	19	305
	–	625	38	663
Non-executive directors:				
Ms. CAI Li	–	–	–	–
Mr. CHEN Gang	–	–	–	–
	–	625	38	663

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

During the Relevant Periods, no remuneration was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during each of the years ended 31 December 2017, 2018 and 2019 included 2, 2 and 1 directors, respectively, details of whose remuneration are set out in note 8 above. Details of the remuneration for the remaining 3, 3 and 4 highest paid employees who are neither a director nor chief executive of the Company during the Relevant Periods are as follows:

	Year ended 31 December 2017	Year ended 31 December 2018	Year ended 31 December 2019
	RMB'000	*RMB'000*	*RMB'000*
Salaries, allowances and benefits in kind	582	830	1,240
Pension scheme contributions	51	57	76
	633	887	1,316

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees		
	Year ended 31 December 2017	Year ended 31 December 2018	Year ended 31 December 2019
Nil to HK$1,000,000	3	3	4

10. INCOME TAX

The Group is subject to income tax on an entity basis on profit arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Pursuant to the rules and regulations of the Cayman Islands, the Company is not subject to any income tax in this jurisdiction.

Pursuant to the Corporate Income Tax Law of the PRC and the respective regulations, preferential tax treatment is available to Hangzhou Kangji, since it was recognised as a High and New Technology Enterprise and was entitled to a preferential tax rate of 15% during the Relevant Periods. Jiangxi Kanghuan, which operates in Mainland China, was identified as a Small and Micro Enterprise and was entitled to a preferential tax rate of 10% and 5% for the years ended 31 December 2017 and 2019, respectively. For the year ended 31 December 2018, Jiangxi Kanghuan was subject to income tax at a rate of 25% on the taxable income.

The income tax expense of the Group is analysed as follows:

	Year ended 31 December 2017	**Year ended 31 December 2018**	**Year ended 31 December 2019**
	RMB'000	*RMB'000*	*RMB'000*
Current – Mainland China Charge for the year	24,186	37,481	57,020
Deferred tax *(note 24)*	(491)	(115)	7,439
Total tax charge for the year	23,695	37,366	64,459

A reconciliation of the tax expense applicable to profit before tax using the statutory rate in Mainland China to the tax expense at the effective tax rate is as follows:

	Year ended 31 December 2017	**Year ended 31 December 2018**	**Year ended 31 December 2019**
	RMB'000	*RMB'000*	*RMB'000*
Profit before tax	162,172	261,159	391,194
Tax at the statutory tax rate of 25% in Mainland China	40,543	65,290	97,799
Preferential tax rates enacted by local authority	(16,212)	(26,104)	(39,140)
Additional deductible allowance for research and development expenses	(757)	(1,544)	(1,773)
Non-deductible expenses for tax purposes	121	88	83
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries *(note 24)*	–	–	7,406
Effect of tax rate changes on deferred taxes	–	(364)	84
Tax charge at the Group's effective tax rate	23,695	37,366	64,459

11. DIVIDENDS

On 30 October 2019, Hangzhou Kangji declared a cash dividend of RMB295,200,000 to its then shareholders, among which, RMB106,272,000 was declared and paid to its non-controlling shareholders. The dividend of RMB188,928,000 has not been paid up to 31 December 2019.

No dividend has been declared and paid by the Company in respect of the Relevant Periods.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

Earnings per share information is not presented as its inclusion, for the purpose of the Historical Financial Information, is not considered meaningful due to the Reorganisation and the basis of presentation of the Group for the Relevant Periods as disclosed in note 2.1 of the Historical Financial Information.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Furniture and fixtures	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2017						
At 1 January 2017:						
Cost	30,049	17,696	4,767	5,516	–	58,028
Accumulated depreciation	(3,463)	(5,909)	(2,702)	(2,855)	–	(14,929)
Net carrying amount	26,586	11,787	2,065	2,661	–	43,099
At 1 January 2017, net of accumulated depreciation	26,586	11,787	2,065	2,661	–	43,099
Additions	585	2,138	350	373	5,206	8,652
Transfers	104	–	–	–	(104)	–
Disposals	–	(44)	–	(36)	–	(80)
Depreciation provided during the year *(note 6)*	(1,859)	(2,088)	(1,052)	(943)	–	(5,942)
At 31 December 2017, net of accumulated depreciation	25,416	11,793	1,363	2,055	5,102	45,729
At 31 December 2017:						
Cost	30,738	19,637	5,117	5,202	5,102	65,796
Accumulated depreciation	(5,322)	(7,844)	(3,754)	(3,147)	–	(20,067)
Net carrying amount	25,416	11,793	1,363	2,055	5,102	45,729

	Buildings	Plant and machinery	Furniture and fixtures	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2018						
At 1 January 2018:						
Cost	30,738	19,637	5,117	5,202	5,102	65,796
Accumulated depreciation	(5,322)	(7,844)	(3,754)	(3,147)	–	(20,067)
Net carrying amount	25,416	11,793	1,363	2,055	5,102	45,729
At 1 January 2018, net of accumulated depreciation	25,416	11,793	1,363	2,055	5,102	45,729
Additions	–	1,359	140	749	10,452	12,700
Transfers	108	–	–	–	(108)	–
Disposals	–	–	–	(30)	–	(30)
Depreciation provided during the year *(note 6)*	(1,932)	(2,089)	(630)	(1,097)	–	(5,748)
At 31 December 2018, net of accumulated depreciation	23,592	11,063	873	1,677	15,446	52,651
At 31 December 2018:						
Cost	30,846	20,996	5,257	5,370	15,446	77,915
Accumulated depreciation	(7,254)	(9,933)	(4,384)	(3,693)	–	(25,264)
Net carrying amount	23,592	11,063	873	1,677	15,446	52,651
31 December 2019						
At 1 January 2019:						
Cost	30,846	20,996	5,257	5,370	15,446	77,915
Accumulated depreciation	(7,254)	(9,933)	(4,384)	(3,693)	–	(25,264)
Net carrying amount	23,592	11,063	873	1,677	15,446	52,651
At 1 January 2019, net of accumulated depreciation	23,592	11,063	873	1,677	15,446	52,651
Additions	115	5,820	786	233	3,323	10,277
Transfers	18,282	393	94	–	(18,769)	–
Disposal	–	–	–	(4)	–	(4)
Depreciation provided during the year *(note 6)*	(2,480)	(2,421)	(554)	(943)	–	(6,398)
At 31 December 2019, net of accumulated depreciation	39,509	14,855	1,199	963	–	56,526
At 31 December 2019:						
Cost	49,243	27,209	6,137	5,546	–	88,135
Accumulated depreciation	(9,734)	(12,354)	(4,938)	(4,583)	–	(31,609)
Net carrying amount	39,509	14,855	1,199	963	–	56,526

14. LEASES

The Group as a lessee

The Group has lease contracts for various items of office premises, motor vehicles and other equipment used in its operations. Lump sum payments were made upfront to acquire the leased land from the government with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of office premises generally have lease terms between 2 and 3 years. Motor vehicles and other equipment generally have lease terms of 12 months or less. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the Relevant Periods are as follows:

	Prepaid land lease payments	Office premises	Total
	RMB'000	*RMB'000*	*RMB'000*
As at 1 January 2017	12,802	–	12,802
Additions	5,361	83	5,444
Depreciation charge *(note 6)*	(377)	(14)	(391)
As at 31 December 2017 and 1 January 2018	17,786	69	17,855
Depreciation charge *(note 6)*	(387)	(31)	(418)
As at 31 December 2018 and 1 January 2019	17,399	38	17,437
Depreciation charge *(note 6)*	(387)	(26)	(413)
As at 31 December 2019	17,012	12	17,024

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the Relevant Periods are as follows:

	As at 31 December 2017	As at 31 December 2018	As at 31 December 2019
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount at 1 January	–	52	21
New leases	83	–	–
Accretion of interest recognized during the year *(note 7)*	1	2	–
Payments	(32)	(33)	(21)
Carrying amount at 31 December	52	21	–
Analysed into:			
Current portion	31	21	–
Non-current portion	21	–	–

The maturity analysis of lease liabilities is disclosed in note 33 to the Historical Financial Information.

(c) ***The amounts recognised in profit or loss in relation to leases are as follows:***

	Year ended 31 December 2017	Year ended 31 December 2018	Year ended 31 December 2019
	RMB'000	*RMB'000*	*RMB'000*
Interest on lease liabilities	1	2	–
Depreciation charge of right-of-use assets	391	418	413
Expense relating to short-term leases (included in administrative expenses)	17	227	66
Total amount recognised in profit or loss	409	647	479

(d) The total cash outflow for leases is disclosed in note 28 to the Historical Financial Information.

15. INTANGIBLE ASSETS

	Software
	RMB'000
31 December 2017	
Cost at 1 January 2017, net of accumulated amortisation	169
Addition	166
Amortisation provided during the year *(note 6)*	(140)
At 31 December 2017	195
At 31 December 2017:	
Cost	703
Accumulated amortisation	(508)
Net carrying amount	195
31 December 2018	
Cost at 1 January 2018, net of accumulated amortisation	195
Amortisation provided during the year *(note 6)*	(95)
At 31 December 2018	100
At 31 December 2018:	
Cost	703
Accumulated amortisation	(603)
Net carrying amount	100

	Software
	RMB'000
31 December 2019	
Cost at 1 January 2019, net of accumulated amortisation	100
Amortisation provided during the year *(note 6)*	(34)
At 31 December 2019	66
At 31 December 2019:	
Cost	703
Accumulated amortisation	(637)
Net carrying amount	66

16. INVENTORIES

	As at 31 December 2017	As at 31 December 2018	As at 31 December 2019
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	12,898	20,036	17,763
Work-in-progress	3,044	4,637	6,193
Finished goods	10,302	12,486	12,966
	26,244	37,159	36,922

17. TRADE RECEIVABLES

	As at 31 December 2017	As at 31 December 2018	As at 31 December 2019
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	30,207	49,360	75,164
Impairment	(1,167)	(1,574)	(2,152)
	29,040	47,786	73,012

The Group's trading terms with its customers are mainly on credit. The credit period is generally one month, extending up to two to six months for certain customers. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancement over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of each of the Relevant Periods, based on the invoice date and net of loss allowance, is as follows:

	As at 31 December 2017	As at 31 December 2018	As at 31 December 2019
	RMB'000	*RMB'000*	*RMB'000*
Within 3 months	27,555	41,634	57,993
3 to 6 months	987	2,923	10,287
6 to 12 months	123	2,566	3,684
1 to 2 years	375	566	979
Over 2 years	–	97	69
	29,040	47,786	73,012

The movements in the loss allowance for impairment of trade receivables are as follows:

	As at 31 December 2017	As at 31 December 2018	As at 31 December 2019
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	533	1,167	1,574
Impairment losses, net *(note 6)*	634	407	578
At end of year	1,167	1,574	2,152

An impairment analysis is performed at the end of each of the Relevant Periods using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the end of each of the Relevant Periods about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2017

		Past due			
	Current	Less than 1 month	1 to 3 months	Over 3 months	Total
Expected credit loss rate	3.18%	4.42%	4.70%	12.39%	3.86%
Gross carrying amount (RMB'000)	24,887	1,945	1,680	1,695	30,207
Expected credit losses (RMB'000)	792	86	79	210	1,167

As at 31 December 2018

		Past due			
	Current	Less than 1 month	1 to 3 months	Over 3 months	Total
Expected credit loss rate	2.05%	2.70%	4.09%	9.59%	3.19%
Gross carrying amount (RMB'000)	37,398	3,033	2,371	6,558	49,360
Expected credit losses (RMB'000)	766	82	97	629	1,574

As at 31 December 2019

		Past due			
	Current	Less than 1 month	1 to 3 months	Over 3 months	Total
Expected credit loss rate	2.31%	2.78%	3.61%	5.69%	2.86%
Gross carrying amount (RMB'000)	54,585	6,875	3,901	9,803	75,164
Expected credit losses (RMB'000)	1,262	191	141	558	2,152

18. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	As at 31 December 2017	As at 31 December 2018	As at 31 December 2019
	RMB'000	*RMB'000*	*RMB'000*
Prepayments	478	366	1,330
Other receivables	310	262	312
Prepaid expenses	403	322	1,172
Deductible value-added tax	134	641	–
Interest receivables	–	2,501	3,019
	1,325	4,092	5,833

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at the end of each of the Relevant Periods, the loss allowance was assessed to be minimal.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December 2017	As at 31 December 2018	As at 31 December 2019
	RMB'000	*RMB'000*	*RMB'000*
Unlisted investments, at fair value	–	20,000	34,910

The unlisted investments represented certain financial products issued by commercial banks in Mainland China. The fair values of the financial assets approximate to their costs plus expected interest. They were classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

20. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	As at 31 December 2017	As at 31 December 2018	As at 31 December 2019
	RMB'000	*RMB'000*	*RMB'000*
Cash and bank balances	110,809	65,213	388,336
Time deposits	63,186	288,144	178,252
	173,995	353,357	566,588
Less: Pledged time deposits:			
Pledged for potential transactions on financial assets at fair value through profit or loss	–	(633)	(1,440)
Cash and cash equivalents	173,995	352,724	565,148
Denominated in RMB	104,676	243,195	509,781
Denominated in US$	68,737	108,934	54,766
Denominated in other currencies	582	595	601
Cash and cash equivalents	173,995	352,724	565,148

The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between three months and twelve months depending on the immediate cash requirements of the Group, and earn interest at the respective time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

21. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	As at 31 December 2017	As at 31 December 2018	As at 31 December 2019
	RMB'000	*RMB'000*	*RMB'000*
Within 3 months	4,661	6,820	9,232
3 to 6 months	–	–	10
6 to 12 months	10	–	3
Over 12 months	140	72	73
	4,811	6,892	9,318

Trade payables are non-interest-bearing and are normally settled on 45-day terms.

22. OTHER PAYABLES AND ACCRUALS

	As at 31 December 2017	As at 31 December 2018	As at 31 December 2019
	RMB'000	*RMB'000*	*RMB'000*
Contract liabilities	1,274	560	838
Payroll payables	7,673	10,396	11,480
Other payables	4,312	9,210	26,892
Taxes other than income tax	4,060	6,069	7,288
Accrued expenses	2,252	5,937	633
	19,571	32,172	47,131

Contract liabilities represent short-term advances received to deliver products.

Other payables are non-interest-bearing and repayable on demand.

23. DEFERRED INCOME

	As at 31 December 2017	As at 31 December 2018	As at 31 December 2019
	RMB'000	*RMB'000*	*RMB'000*
Government grants	4,452	3,816	3,180

The movements in government grants of the Group during the Relevant Periods are as follows:

	Year ended 31 December 2017	Year ended 31 December 2018	Year ended 31 December 2019
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	5,088	4,452	3,816
Recognised as income during the year	(636)	(636)	(636)
At the end of the year	4,452	3,816	3,180
Current	636	636	636
Non-current	3,816	3,180	2,544
	4,452	3,816	3,180

The grants are related to the subsidies received from the government for the purpose of rewarding the Group for capital expenditure incurred on certain projects.

24. DEFERRED TAX

The movements in deferred tax assets and liabilities during the Relevant Periods are as follows:

Deferred tax assets

	Impairment of trade receivables	Impairment of inventories	Accrued expenses	Deferred income	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2017	260	–	306	762	1,328
Deferred tax credited/(charged) to profit or loss during the year *(note 10)*	(94)	172	508	(95)	491
At 31 December 2017 and 1 January 2018	166	172	814	667	1,819
Deferred tax credited/(charged) to profit or loss during the year *(note 10)*	112	40	58	(95)	115
At 31 December 2018 and 1 January 2019	278	212	872	572	1,934
Deferred tax credited/(charged) to profit or loss during the year *(note 10)*	(13)	9	66	(95)	(33)
At 31 December 2019	265	221	938	477	1,901

Deferred tax liabilities

	Withholding taxes
	RMB'000
At 1 January 2017, 31 December 2017, 31 December 2018 and 1 January 2019	–
Deferred tax charged to profit or loss during the year *(note 10)*	7,406
At 31 December 2019	7,406

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. Deferred taxes of nil, nil and RMB7,406,000 have been recognised for withholding taxes that would be payable on the unremitted earnings for the years ended 31 December 2017, 2018 and 2019, respectively.

The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB151,877,000, RMB90,632,000 and RMB22,101,000 at the end of each of the Relevant Periods. No deferred tax liabilities have been recognised for the years ended 31 December 2017 and 2018 as the corresponding undistributed earnings were distributed to the then shareholders of these subsidiaries in 2019 before the Reorganisation. In the opinion of the directors, it is not possible that these subsidiaries will distribute such earnings as at 31 December 2019 in the foreseeable future.

25. SHARE CAPITAL

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 12 February 2020. Upon incorporation, the Company's authorised share capital was US$50,000 divided into 5,000,000,000 shares with par value of US$0.00001 each. Immediately after incorporation, one share was issued to

an initial subscriber and later transferred to Fortune Spring ZM B Limited ("ZM B"), a company incorporated in the British Virgin Islands on 1 October 2019 which is wholly owned by Mr. ZHONG Ming. On 22 February 2020, 38,849 and 25,150 Shares were allotted and issued to ZM B and Fortune Spring YG B Limited ("YG B"), a company incorporated in the British Virgin Islands on 4 October 2019 which is wholly owned by Ms. SHENTU Yinguang, respectively.

On 13 March 2020, as a major step in the Reorganisation, 25,000 preferred shares, 6,578 preferred shares, 1,097 preferred shares, 2,046 preferred shares and 1,279 preferred shares were allotted and issued to Keyhole Holding Limited, LYFE Capital Fund, L.P., LYFE Capital Fund-A, L.P., Axiom Asia IV, L.P. and ARDIAN DIRECT ASIA III L.P., respectively, in exchange of the entire equity interests of TPG Keyhole Success Holding Pte. Ltd. and LYFE Capital Blue Arch (Hong Kong) Limited, which were the then shareholders of Hangzhou Kangji prior to the Reorganisation, and became directly wholly-owned subsidiaries of the Company upon completion of such share exchange.

On 25 March 2020, YG B transferred 2,000 shares to ZM B.

26. RESERVES

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the combined statements of changes in equity of the Group.

Capital reserve

The capital reserve of the Group represents the paid-up capital of the subsidiaries comprising the Group prior to the incorporation of the Company. Details of the movements in the capital reserve are set out in the combined statements of changes in equity.

Statutory surplus reserve

In accordance with the Company Law of the PRC, certain 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 surplus reserves until the reserves reach 50% of their respective registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserves may be converted to increase share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

27. PARTLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiary that has material non-controlling interests is set out below:

	As at 31 December 2017	As at 31 December 2018	As at 31 December 2019
Percentage of equity interest held by non-controlling interests:			
Hangzhou Kangji	15%	36%	36%

	Year ended 31 December 2017	Year ended 31 December 2018	Year ended 31 December 2019
	RMB'000	*RMB'000*	*RMB'000*
Profit for the year allocated to non-controlling interests:			
Hangzhou Kangji	20,772	77,092	120,291

	Year ended 31 December 2017	Year ended 31 December 2018	Year ended 31 December 2019
	RMB'000	*RMB'000*	*RMB'000*
Dividend paid to non-controlling interests of Hangzhou Kangji	–	–	106,272
Accumulated balances of non-controlling interests at the end of year:			
Hangzhou Kangji	39,020	174,213	188,232

The following tables illustrate the summarised financial information of the above subsidiary. The amounts disclosed are before any inter-company eliminations:

	Year ended 31 December 2017	Year ended 31 December 2018	Year ended 31 December 2019
	RMB'000	*RMB'000*	*RMB'000*
Revenue	247,506	353,670	503,467
Other income and gains	9,932	36,171	53,601
Cost of sales	(47,801)	(64,373)	(80,292)
Total expenses	(71,160)	(101,675)	(142,635)
Profit for the year	138,477	223,793	334,141
Total comprehensive income for the year	138,477	223,793	334,141
Current assets	230,604	462,394	717,265
Non-current assets	65,598	72,836	75,517
Current liabilities	(32,233)	(48,125)	(267,372)
Non-current liabilities	(3,837)	(3,180)	(2,544)
Net cash flows from operating activities	142,715	204,737	325,842
Net cash flows from/(used in) investing activities	(39,642)	(255,728)	183,135
Net cash flows used in financing activities	(32)	(33)	(106,293)
Net increase/(decrease) in cash and cash equivalents	103,041	(51,024)	402,684

28. NOTE TO THE COMBINED STATEMENTS OF CASH FLOWS

Changes in liabilities arising from financing activities

	Lease liabilities
	RMB'000
At 1 January 2017	–
Changes from financing cash flows	(32)
Finance costs	1
New leases	83
At 31 December 2017 and 1 January 2018	52
Changes from financing cash flows	(33)
Finance costs	2
At 31 December 2018 and 1 January 2019	21
Changes from financing cash flows	(21)
At 31 December 2019	–

29. COMMITMENTS

The Group had the following capital commitments at the end of each of the Relevant Periods:

	As at 31 December 2017	As at 31 December 2018	As at 31 December 2019
	RMB'000	*RMB'000*	*RMB'000*
Contracted, but not provided for:			
Buildings	12,312	2,780	29
Plant and machinery	166	1,268	85
	12,478	4,048	114

30. RELATED PARTY TRANSACTIONS

The Group's principal related parties are as follows:

Name	Relationship with the Company
Mr. ZHONG Ming	Controlling Shareholder
Ms. SHENTU Yinguang	Controlling Shareholder

(a) Compensation of key management personnel of the Group:

	Year ended 31 December 2017	Year ended 31 December 2018	Year ended 31 December 2019
	RMB'000	*RMB'000*	*RMB'000*
Salaries, allowances and benefits in kind	1,331	2,108	2,359
Pension scheme contributions	104	132	133
Total compensation paid to key management personnel	1,435	2,240	2,492

Further details of directors' emoluments are included in note 8 to the Historical Financial Information.

31. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

As at 31 December 2017

Financial assets

	Financial assets at amortised cost
	RMB'000
Trade receivables	29,040
Financial assets included in prepayments, other receivables and other assets	310
Cash and cash equivalents	173,995
	203,345

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade payables	4,811
Lease liabilities	52
Financial liabilities included in other payables and accruals	6,564
	11,427

As at 31 December 2018

Financial assets

	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Total
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	–	47,786	47,786
Financial assets included in prepayments, other receivables and other assets	–	2,763	2,763
Financial assets at fair value through profit or loss	20,000	–	20,000
Pledged deposits	–	633	633
Cash and cash equivalents	–	352,724	352,724
	20,000	403,906	423,906

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade payables	6,892
Lease liabilities	21
Financial liabilities included in other payables and accruals	15,147
	22,060

As at 31 December 2019

Financial assets

	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Total
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	–	73,012	73,012
Financial assets included in prepayments, other receivables and other assets	–	3,331	3,331
Financial assets at fair value through profit or loss	34,910	–	34,910
Pledged deposits	–	1,440	1,440
Cash and cash equivalents	–	565,148	565,148
	34,910	642,931	677,841

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade payables	9,318
Financial liabilities included in other payables and accruals	27,525
Dividend payable	188,928
	225,771

32. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade receivables, trade payables, financial assets included in prepayments, other receivables and other assets, financial liabilities included in other payables and accruals, and dividend payable approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of lease liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for lease liabilities as at 31 December 2017, 2018 and 2019 were assessed to be insignificant.

The Group invests in unlisted investments, which represent certain financial products issued by commercial banks in Mainland China. The Group has estimated the fair value of these unlisted investments by using the valuation technique based on the sum of principal and interest receivable.

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss	–	20,000	–	20,000

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss	–	34,910	–	34,910

The Group did not have any financial assets measured at fair value as at 31 December 2017. The Group did not have any financial liabilities measured at fair value as at the end of each of the Relevant Periods.

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents and pledged deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between RMB and other currencies in which the Group conducts business may affect the Group's financial condition and results of operations. The Group seeks to limit its exposure to foreign currency risk by minimising its net foreign currency position.

The following table demonstrates the sensitivity at the end of each of the Relevant Periods to a reasonably possible change in the US$ exchange rate, with all other variables held constant, of the Group's profit before tax and the Group's equity.

	Increase/ (decrease) in rate of foreign currency	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity
	%	*RMB'000*	*RMB'000*
Year ended 31 December 2017			
If RMB weakens against US$	5	3,549	3,017
If RMB strengthens against US$	(5)	(3,549)	(3,017)
Year ended 31 December 2018			
If RMB weakens against US$	5	5,568	4,733
If RMB strengthens against US$	(5)	(5,568)	(4,733)
Year ended 31 December 2019			
If RMB weakens against US$	5	2,908	2,472
If RMB strengthens against US$	(5)	(2,908)	(2,472)

Credit risk

The Group trades on credit terms only with recognised and creditworthy third parties. It is the Group's policy that all traders who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification at the end of each of the Relevant Periods.

As at 31 December 2017

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	–	–	–	30,207	30,207
Financial assets included in prepayments, other receivables and other assets					
– Normal**	310	–	–	–	310
Cash and cash equivalents					
– Not yet past due	173,995	–	–	–	173,995
	174,305	–	–	30,207	204,512

As at 31 December 2018

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	–	–	–	49,360	49,360
Financial assets included in prepayments, other receivables and other assets					
– Normal**	2,763	–	–	–	2,763
Pledged deposits					
– Not yet past due	633	–	–	–	633
Cash and cash equivalents					
– Not yet past due	352,724	–	–	–	352,724
	356,120	–	–	49,360	405,480

As at 31 December 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	–	–	–	75,164	75,164
Financial assets included in prepayments, other receivables and other assets					
– Normal**	3,331	–	–	–	3,331
Pledged deposits					
– Not yet past due	1,440	–	–	–	1,440
Cash and cash equivalents					
– Not yet past due	565,148	–	–	–	565,148
	569,919	–	–	75,164	645,083

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 17 to the Historical Financial Information.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. There are no significant concentrations of credit risk.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 17 to the Historical Financial Information.

Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the operations and mitigate the effects of fluctuations in cash flows.

The maturity profile of the Group's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

	31 December 2017				
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	150	4,661	–	–	4,811
Lease liabilities	–	–	33	21	54
Financial liabilities included in other payables and accruals	6,564	–	–	–	6,564
	6,714	4,661	33	21	11,429

	31 December 2018				
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	72	6,820	–	–	6,892
Lease liabilities	–	–	21	–	21
Financial liabilities included in other payables and accruals	15,147	–	–	–	15,147
	15,219	6,820	21	–	22,060

	31 December 2019				
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	86	9,232	–	–	9,318
Financial liabilities included in other payables and accruals	27,525	–	–	–	27,525
Dividend payable	188,928	–	–	–	188,928
	216,539	9,232	–	–	225,771

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure, which includes equity attributable to owners of the parent, and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Group monitors capital using a gearing ratio, which is debt divided by total assets. Debt includes trade payables, other payables and accruals and lease liabilities. The gearing ratios as at the end of each of the Relevant Periods were as follows:

	As at 31 December 2017	As at 31 December 2018	As at 31 December 2019
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	4,811	6,892	9,318
Other payables and accruals	19,571	32,172	47,131
Lease liabilities	52	21	–
Debt	24,434	39,085	56,449
Total assets	296,202	535,230	792,782
Gearing ratio	8.2%	7.3%	7.1%

34. EVENTS AFTER THE RELEVANT PERIODS

(a) The Company and its subsidiaries now comprising the Group underwent the Reorganisation. Pursuant to the Reorganisation, as more fully explained in the paragraph headed "Reorganisation" in the section headed "History, Reorganisation and Corporate Structure" in the Prospectus, the Company became the holding company of the companies now comprising the Group on 13 March 2020.

(b) Pursuant to the Company's board resolution dated 8 April 2020, the Company declared a cash dividend in a total sum of RMB65,700,000.

(c) On 19 May 2020, 2,681 shares were issued and allotted to Fortune Spring KangJi 1 Limited ("ESOP BVI"), representing approximately 2.61% of the total issued share capital of the Company. ESOP BVI is controlled by the Company and managed by an independent trustee.

Pursuant to the written resolutions of the shareholders of the Company dated 6 May 2020, the Company approved and adopted the pre-IPO share option plan (the "Option Plan") and the restricted share unit plan (the "RSU Plan"). On the same day, 412 underlying shares under the Option Plan and a total of 2,119 underlying shares under the RSU Plan were granted to certain management team members and employees.

(d) Since the outbreak of the novel coronavirus ("COVID-19") across Mainland China in January 2020, the Group temporarily suspended operations for approximately two weeks in early February 2020 to mid-February to protect the Group's employees. The Group believes that the COVID-19 outbreak may have a material impact on its results of operations in the first quarter of 2020 considering that the Group suspended production temporarily and many hospitals had lower demand for the Group's products as many minimally invasive surgeries were rescheduled to avoid cross-infections and also hospital resources were redirected to support COVID-19 treatment. However, it is difficult to estimate the full impact at present given the dynamic nature of these circumstances. The Group will keep continuous attention on the situation of the COVID-19, assess and react actively to its impacts.

35. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2019.

The following information does not form part of the Accountants' Report from Ernst & Young, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I to this prospectus, and is included for information purposes only. The unaudited pro forma financial information should be read in conjunction with "Financial Information" and the Accountants' report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED 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 Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants for illustration purposes only, and is set out here to illustrate the effect of the Global Offering on the net tangible assets of the Group attributable to owners of the Company as at 31 December 2019 as if the Global Offering had taken place on that date.

The unaudited pro forma statement of adjusted net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not provide a true picture of the net tangible assets attributable to owners of the Company had the Global Offering been completed as at 31 December 2019 or at any future date.

	Combined net tangible assets attributable to owners of the parent as at 31 December 2019	**Estimated net proceeds from the Global Offering**	**Unaudited pro forma adjusted combined net tangible assets attributable to owners of the Company as at 31 December 2019**	**Unaudited pro forma adjusted combined net tangible assets attributable to owners of the Company per Share as at 31 December 2019**	**Unaudited pro forma adjusted combined net tangible assets attributable to owners of the Company per Share as at 31 December 2019**
	RMB'000 (Note 1)	*RMB'000 (Note 2)*	*RMB'000*	*RMB (Note 3)*	*(HK$ equivalent) (Note 5)*
Based on an Offer Price of HK$12.36 per Share	327,162	2,402,301	2,729,463	2.18	2.38
Based on an Offer Price of HK$13.88 per Share	327,162	2,703,086	3,030,248	2.42	2.65

Notes:

1. The combined net tangible assets attributable to owners of the parent as at 31 December 2019 is 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 estimated offer prices of HK$12.36 or HK$13.88 per Share after deduction of the underwriting fees and other related expenses payable by our Company.

3. The unaudited pro forma adjusted combined net tangible assets attributable to owners of the Company per Share are calculated based on 1,252,207,500 Shares in issue immediately following the completion of the Capitalisation Issue and the Global Offering without taking into account any Shares which may be issued upon exercise of the share options granted under the Pre-IPO Share Option Plan.

4. The unaudited pro forma adjusted combined net tangible assets attributable to owners of the Company have not taken into account the dividend of RMB65,700,000 declared on 8 April 2020. Had the dividend been taken into account, the unaudited pro forma adjusted combined net tangible assets attributable to owners of the Company per Share would be HK$2.33 per Share (based on the Offer Price of HK$12.36 per Share) or HK$2.59 per Share (based on the Offer Price of HK$13.88 per Share).

5. The unaudited pro forma adjusted combined net tangible assets attributable to owners of the Company per Share are converted into Hong Kong dollars at an exchange rate of RMB0.91459 to HK$1.00.

6. No adjustment has been made to reflect any trading results or open transactions of the Group entered into subsequent to 31 December 2019.

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma financial information.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

To the Directors of Kangji Medical Holdings Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of Kangji Medical Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma combined net tangible assets as at 31 December 2019, and related notes as set out on pages II-1 to II-2 of the prospectus dated 16 June 2020 issued by the Company (the "Pro Forma Financial Information"). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in Appendix II (A).

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the global offering of shares of the Company on the Group's financial position as at 31 December 2019 as if the transaction had taken place at 31 December 2019. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the period ended 31 December 2019, on which an accountants' report has been published.

Directors' responsibility 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 ("AG") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "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 behavior.

Our 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*, 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 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 purposes 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 the Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the global offering of shares of the Company on unadjusted financial information of the Group as if 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 the transaction 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 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' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the 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.

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 purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong
16 June 2020

SUMMARY OF THE CONSTITUTION OF THE COMPANY

1 Memorandum of Association

The Memorandum of Association of the Company was conditionally adopted on June 8, 2020 and states, inter alia, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Law or any other law of the Cayman Islands.

The Memorandum of Association is available for inspection at the address specified in Appendix V in "Documents Delivered to the Registrar of Companies and Available for Inspection — Documents Available for Inspection."

2 Articles of Association

The Articles of Association of the Company were conditionally adopted on June 8, 2020 and include provisions to the following effect:

2.1 Classes of Shares

The share capital of the Company consists of ordinary shares. The capital of the Company at the date of adoption of the Articles is US$50,000 divided into 5,000,000,000 shares of US$0.00001 each.

2.2 Directors

(a) Power to allot and issue Shares

Subject to the provisions of the Companies Law and the Memorandum and Articles of Association, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such times and for such consideration as the Directors may determine. Subject to the

Companies Law and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of the Company or the holder thereof, liable to be redeemed.

(b) Power to dispose of the assets of the Company or any subsidiary

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the Articles of Association expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the Articles of Association or the Companies Law expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Companies Law and of the Articles of Association and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or the Articles of Association, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

(c) Compensation or payment for loss of office

Payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must first be approved by the Company in general meeting.

(d) Loans to Directors

There are provisions in the Articles of Association prohibiting the making of loans to Directors or their respective close associates which are equivalent to the restrictions imposed by the Companies Ordinance.

(e) Financial assistance to purchase Shares

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in the Company or any such subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

(f) Disclosure of interest in contracts with the Company or any of its subsidiaries

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the board of Directors at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates (or, if required by the Listing Rules, his other associates) has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

(i) the giving to such Director or any of his close associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

(iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his close associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:

(A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or

(B) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(v) any contract or arrangement in which the Director or any of his close associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(g) Remuneration

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or in connection with the performance of their duties as Directors including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

(h) Retirement, appointment and removal

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next general meeting of the Company and shall then be eligible for re-election at that meeting, but shall not be taken into account in determining the number of Directors and which Directors are to retire by rotation at such meeting.

The Company may by ordinary resolution remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment of office as a result of the termination of this appointment as Director). The Company may by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed.

The Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. No person shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person to

be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated:

(i) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;

(ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;

(iii) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;

(iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;

(vi) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or

(vii) if he shall be removed from office by an ordinary resolution of the members of the Company under the Articles of Association.

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) Borrowing powers

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

(j) Proceedings of the Board

The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.3 Alteration to constitutional documents

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

2.4 Variation of rights of existing shares or classes of shares

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall *mutatis mutandis* apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorised representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.5 Alteration of capital

The Company may, from time to time, whether or not all the shares for the time being authorised shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

(a) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;

(b) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled subject to the provisions of the Companies Law; and

(c) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.

The Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorised and subject to any conditions prescribed by the Companies Law.

2.6 Special resolution – majority required

A "special resolution" is defined in the Articles of Association to have the meaning ascribed thereto in the Companies Law, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an "ordinary resolution" is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

2.7 Voting rights

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for each share registered in his name in the register of members of the Company.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote by any person authorised in such circumstances to do so and such person may vote by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by the Directors, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be reckoned in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairman of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee(s)) which he represents as that recognised clearing house (or its nominee(s)) could exercise as if it were an individual member of the Company holding the number and class of shares specified in such authorisation, including, where a show of hands is allowed, the right to vote individually on a show of hands.

2.8 Annual general meetings and extraordinary general meetings

The Company shall hold a general meeting as its annual general meeting each year, within a period of not more than 15 months after the holding of the last preceding annual general meeting (or such longer period as the Stock Exchange may authorise). The annual general meeting shall be specified as such in the notices calling it.

The board of Directors may, whenever it thinks fit, convene an extraordinary general meeting. General meetings shall also be convened on the written requisition of any one or more members holding together, as at the date of deposit of the requisition, shares representing not less than one-tenth of the paid up capital of the Company which carry the right of voting at general meetings of the Company. The written requisition shall be deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office of the Company, specifying the objects of the meeting and signed by the requisitionist(s). If the Directors

do not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Directors provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Directors shall be reimbursed to them by the Company.

2.9 Accounts and audit

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Companies Law.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection by members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Companies Law or any other relevant law or regulation or as authorised by the Directors or by the Company in general meeting.

The Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up and a Director's report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by the Company as provided in the Articles of Association to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

2.10 Auditors

The Company shall at every annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The removal of an auditor before the expiration of his period of office shall require the approval of an ordinary resolution of the members in general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Directors.

2.11 Notice of meetings and business to be conducted thereat

An annual general meeting shall be called by not less than 21 days' notice in writing and any extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions and the general nature of the business to be considered at the meeting. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

(a) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and

(b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right.

If, after the notice of a general meeting has been sent but before the meeting is held, or after the adjournment of a general meeting but before the adjourned meeting is held (whether or not notice of the adjourned meeting is required), the Directors, in their absolute discretion, consider that it is impractical or unreasonable for any reason to hold a general meeting on the date or at the time and place specified in the notice calling such meeting, it may change or postpone the meeting to another date, time and place.

The Directors also have the power to provide in every notice calling a general meeting that in the event of a gale warning or a black rainstorm warning is in force at any time on the day of the general meeting (unless such warning is cancelled at least a minimum period of time prior to the general meeting as the Directors may specify in the relevant notice), the meeting shall be postponed without further notice to be reconvened on a later date. Where a general meeting is so postponed, the Company shall endeavour to cause a notice of such postponement to be placed on the Company's website and published on the Stock Exchange's website as soon as practicable, but failure to place or publish such notice shall not affect the automatic postponement of such meeting.

Where a general meeting is postponed:

(a) the Directors shall fix the date, time and place for the reconvened meeting and at least seven clear days' notice shall be given for the reconvened meeting; and such notice shall specify the date, time and place at which the postponed meeting will be reconvened and the date and time by which proxies shall be submitted in order to be valid at such reconvened meeting (provided that any proxy submitted for the original meeting shall continue to be valid for the reconvened meeting unless revoked or replaced by a new proxy); and

(b) notice of the business to be transacted at the reconvened meeting shall not be required, nor shall any accompanying documents be required to be recirculated, provided that the business to be transacted at the reconvened meeting is the same as that set out in the notice of the original meeting circulated to the members of the Company.

2.12 Transfer of shares

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof. All instruments of transfer shall be retained by the Company.

The Directors may refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

(a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;

(b) the instrument of transfer is in respect of only one class of shares;

(c) the instrument of transfer is properly stamped (in circumstances where stamping is required);

(d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;

(e) the shares concerned are free of any lien in favour of the Company; and

(f) a fee of such amount not exceeding the maximum amount as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be suspended and the register of members of the Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

2.13 Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles of Association to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the Securities and Futures Commission of Hong Kong. Shares which have been repurchased will be treated as cancelled upon the repurchase.

2.14 Power of any subsidiary of the Company to own shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.15 Dividends and other methods of distribution

Subject to the Companies Law and the Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by them any dividend which may be payable at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other monies payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other monies payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

No dividend shall carry interest against the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

The Directors may, with the sanction of the members of the Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may

disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.16 Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favour of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorised in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

2.17 Calls on shares and forfeiture of shares

The Directors may from time to time make calls upon the members of the Company in respect of any monies unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium or otherwise) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment and to whom such payment shall be made) pay to the person at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by instalments and shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share or other monies due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15% per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or instalment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or instalment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or instalment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or instalments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be re-allotted, sold or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all monies which at the date of forfeiture were payable by him to the Company in respect of the shares, together with (if the Directors shall in their discretion so require) interest thereon at such rate not exceeding 15% per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

2.18 Inspection of register of members

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the Company without charge and by any other person on payment of a fee of such amount not exceeding the maximum amount as may from time to time be permitted under the Listing Rules as the Directors may determine for each inspection.

2.19 Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment, choice or election of a chairman which shall not be treated as part of the business of the meeting.

Two members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of the Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.4 above.

2.20 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.21 Procedure on liquidation

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. If in a winding up the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of the Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Companies Law, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the Companies Law, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.22 Untraceable members

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspapers or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION

1 Introduction

The Companies Law is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Law and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2 Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on February 12, 2020 under the Companies Law. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorised share capital.

3 Share Capital

The Companies Law permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the "share premium account." At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

(a) paying distributions or dividends to members;

(b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law);

(d) writing-off the preliminary expenses of the company;

(e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and

(f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorised either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

4 Dividends and Distributions

With the exception of section 34 of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 3 above for details).

5 Shareholders' Suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is *ultra vires* the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6 Protection of Minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7 Disposal of Assets

The Companies Law contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8 Accounting and Auditing Requirements

The Companies Law requires that a company shall cause to be kept proper books of account with respect to:

(a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;

(b) all sales and purchases of goods by the company; and

(c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

9 Register of Members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

10 Inspection of Books and Records

Members of a company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

11 Special Resolutions

The Companies Law provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorised by the articles of association of the company.

12 Subsidiary Owning Shares in Parent

The Companies Law does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13 Mergers and Consolidations

The Companies Law permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and

liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorised by (a) a special resolution of each constituent company and (b) such other authorisation, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

14 Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75% in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

15 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

16 Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

17 Liquidation

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

18 Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

19 Taxation

Pursuant to section 6 of the Tax Concessions Law (2018 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Financial Secretary of the Cayman Islands:

(a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and

(b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:

  (i) on or in respect of the shares, debentures or other obligations of the Company; or

  (ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2018 Revision).

The undertaking is for a period of twenty years from February 25, 2020.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

20 Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

21 General

Maples and Calder (Hong Kong) LLP, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarising aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in "Documents Delivered to the Registrar of Companies and Available for Inspection — Documents Available for Inspection" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of our Company

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on February 12, 2020. Our registered office address is at the offices of Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. Accordingly, our Company's corporate structure and Memorandum and Articles are subject to the relevant laws of Cayman Islands. A summary of our Memorandum and Articles is set out in "Appendix III — Summary of Our Constitution and Cayman Islands Company Law" to this prospectus.

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 April 3, 2020 with the Registrar of Companies in Hong Kong. Ms. Leung Shui Bing has been appointed as the authorized representative of our Company for the acceptance of service of process in Hong Kong. The address for service of process is 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.

As at the date of this prospectus, our Company's head office is located as at No. 1668, Chunjiang East Road, Tonglu Economic Development Zone, Tonglu County, Hangzhou, PRC.

2. Changes in Share Capital of Our Company

On February 12, 2020, our Company was incorporated in the Cayman Island as an exempted company with limited liability. As at the date of its incorporation, the authorized share capital of US$50,000 divided into 5,000,000,000 Shares with par value of US$0.00001 each. Immediately after incorporation, one Share was issued to an initial subscriber and later transferred to Fortune Spring ZM B Limited. Subsequently on February 22, 2020, 38,849 and 25,150 Shares were allotted and issued to Fortune Spring ZM B Limited and Fortune Spring YG B Limited, respectively.

On March 13, 2020, 25,000 Preferred Shares, 6,578 Preferred Shares, 1,097 Preferred Shares, 2,046 Preferred Shares and 1,279 Preferred Shares were allotted and issued to TPG Keyhole, LYFE Capital Fund, L.P., LYFE Capital Fund-A, L.P., Axiom Asia IV, L.P. and ARDIAN DIRECT ASIA III L.P., respectively.

On March 25, 2020, Fortune Spring YG B transferred 2,000 Shares to Fortune Spring ZM B Limited.

On May 19, 2020, 2,681 Shares were allotted and issued to Fortune Spring KangJi 1 Limited (the "**ESOP BVI**").

See "History, Reorganization and Corporate Structure — Reorganization" for details of the Reorganization of the Company.

See "Share Capital" for details of our share capital during the Reorganization and following completion of the Capitalization Issue and the Global Offering.

Save as disclosed above, there has been no alteration in the share capital of our Company since its incorporation.

3. Changes in Share Capital of Our Subsidiaries

The following changes in the share capital of our subsidiaries have taken place within the two years immediately preceding the date of this prospectus:

Hangzhou Kangji

On September 10, 2018, the registered capital of Hangzhou Kangji was increased from RMB75,000,000 to RMB360,000,000.

On March 13, 2020, the registered capital of Hangzhou Kangji was reduced from RMB360,000,000 to RMB36,000,000. Upon completion of such capital reduction, Hangzhou Kangji became a wholly foreign-owned enterprise owned by TPG Success and LYFE Capital as to 69% and 31%, respectively.

On June 1, 2020, Kangji Hong Kong subscribed for RMB64,000,000 registered capital of Hangzhou Kangji. Upon completion of the subscription, the registered capital of Hangzhou Kangji was increased from RMB36,000,000 to RMB100,000,000, and Hangzhou Kangji became owned by TPG Success and Kangji Hong Kong as to 25% and 75%, respectively.

TPG Success and Kangji Hong Kong

Pursuant to a share swap agreement entered into among Mr. Zhong, Ms. Shentu, TPG Keyhole, LYFE Capital Fund, L.P., LYFE Capital Fund-A, L.P., Axiom Asia IV, L.P., ARDIAN DIRECT ASIA III L.P. and the Company on March 13, 2020 (amended on March 25, 2020), TPG Success and LYFE Capital became wholly-owned subsidiaries of our Company.

On April 21, 2020, LYFE Capital changed its name to Kangji Hong Kong.

On June 10, 2020, the share capital of Kangji Hong Kong was increased from US$1,003.3 to US$9,060,093.9 by increasing its share capital of US$9,059,090.6 without allotting or issuing new shares to the Company.

As of the Latest Practicable Date, the share capital of TPG Success was US$229,951,796, comprising of 1 ordinary share and 229,951,795 preference shares with par value of US$1 for each ordinary share and preference share.

4. Resolutions in Writing of Our Shareholders on June 8, 2020

(i) Pursuant to written resolutions of the Shareholders of our Company passed on June 8, 2020:

(a) our Company approved and adopted the Memorandum of Association and Articles, which will come into effect upon the Listing;

(b) conditional upon (i) the Listing Committee of the Stock Exchange granting the approval for the listing of, and permission to deal in the Shares in issue and to be issued pursuant to the Capitalization Issue, the Global Offering and the exercise of the Over-allotment Option and share options granted under the Pre-IPO Share Option Plan; and (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Joint Global Coordinators (on behalf of the Underwriters)) and the Underwriting Agreements not being terminated in accordance with their terms or otherwise:

(1) the Global Offering (including the Over-allotment Option) was approved and our Directors were authorized to effect the same and to allot and issue the new Shares pursuant to the Global Offering;

(2) the proposed listing of the Shares on the Stock Exchange as mentioned in this prospectus was approved and our Directors were authorized to implement such listing;

(3) conditional further upon the share premium account of our Company having sufficient balance, or otherwise being credited with the proceeds of the Global Offering, the Directors were authorized to allot and issue a total of 666,743,319 Shares and 359,964,000 Preferred Shares, credited as fully-paid at par, to the holder(s) of Shares and Preferred Shares whose name(s) appear on the register of members of our Company at the close of business on the business day immediately preceding the Listing Date (or any such other date as the Directors may direct) in proportion (as nearly as possible without involving fractions) to their then respective existing shareholding(s) in our Company or in accordance with the direction of such member by way of capitalization of the sum of US$10,267.08 standing to the credit of the share premium account of our Company, and the Shares and Preferred Shares to be allotted and issued pursuant to the Capitalization Issue shall rank *pari passu* in all respects with the existing issued Shares and Preferred Shares, and the Directors were authorized to allot and issue the Shares and Preferred Shares under the Capitalization Issue and give effect to such capitalization and allotment and issue of Shares and Preferred Shares; and

(4) subject to and immediately after the Capitalization Issue, each of the Preferred Shares be converted into Shares on an one-to-one basis by the re-designation and re-classification thereof into Shares, such that the authorized share capital of the Company shall be US$50,000 divided into 5,000,000,000 Shares of US$0.00001 each.

(c) a general unconditional mandate was granted to our Directors to, *inter alia*, issue, allot and deal with Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such convertible securities and to make or grant offers, agreements or options which would or might require the exercise of such powers, provided that the aggregate nominal value of Shares allotted or agreed to be allotted by the Directors shall not exceed the aggregate of 20% of the total nominal value of the share capital of our Company in issue immediately following the completion of the Capitalization Issue and the Global Offering (but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option or share options granted under the Pre-IPO Share Option Plan).

The total nominal value of the Shares which our Directors are authorized to allot and issue under this mandate will not be reduced by the allotment and issue of Shares pursuant to:

(1) a rights issue;

(2) any scrip dividend scheme or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with our Articles; or

(3) any specific authority granted by the Shareholders in general meeting.

This general mandate to issue Shares will expire at the earliest of:

(1) the conclusion of our next annual general meeting;

(2) the end of the period within which we are required by any applicable law or our Articles to hold our next annual general meeting; or

(3) when varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting.

(d) a general unconditional mandate was given to our Directors to exercise all powers of our Company to repurchase Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Capitalization Issue and the Global Offering (excluding Shares which may be allotted and issued upon the exercise of the Over-allotment Option or share options granted

under the Pre-IPO Share Option Plan). This general mandate relates only to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and made in accordance with the Listing Rules and all applicable laws. Such mandate will expire at the earliest of:

(1) the conclusion of our next annual general meeting;

(2) the end of the period within which we are required by any applicable law or our Articles to hold our next annual general meeting; or

(3) when varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting;

(e) the general unconditional mandate as mentioned in paragraph (c) above was extended by the addition to the aggregate nominal value of the Shares which may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the Shares purchased by our Company pursuant to the mandate to purchase Shares referred to in paragraph (d) above (up to 10% of the aggregate nominal value of the Shares in issue immediately following the completion of the Capitalization Issue and the Global Offering, excluding any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option or share options granted under the Pre-IPO Share Option Plan).

5. Pre-IPO Share Option Plan and RSU Plan

A. Pre-IPO Share Option Plan

Summary of the Principal Terms

The following is a summary of the principal terms of the Pre-IPO Share Option Plan (the "**Option Plan**") approved and adopted pursuant to the written resolutions of Shareholders of the Company dated May 6, 2020. The terms of the Option Plan are not subject to the provisions of Chapter 17 of the Listing Rules.

(a) Purpose of the Option Plan

The purpose of the Option Plan is to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentives to selected employees, Directors and consultants and to promote the success of the Company's business by offering these individuals an opportunity to acquire a proprietary interest in the Company or to increase this interest, by granting them options to purchase Shares (the "**Options**", and each of them, an "**Option**").

(b) Administration

The Option Plan shall be subject to the administration of the Board (the "**Administrator**") whose decision shall be final and binding on all parties. The Board may by resolution authorise a committee comprising of any three Directors to exercise any or all of its powers in administration of the Option Plan.

Subject to specific provisions in the Option Plan, the Administrator has the power, authority and discretion to:

(1) designate Participants to receive the Options;

(2) determine the number of Options to be granted and/or the number of Shares to which an Option will relate;

(3) determine the terms and conditions of any Option granted pursuant to the Option Plan, including but not limited to, the exercise price, any restrictions or limitations on the Options, any schedule for vesting, forfeiture, restrictions on the exercisability of an Option, accelerations or waivers thereof, and any provisions related to non-solicitation, non-competition, non-disclosure and the related recapture of gain on an Option;

(4) determine whether, to what extent, and pursuant to what circumstances an Option may be settled in cash, or the exercise price of an Option will be paid in cash or other property;

(5) determine pursuant to what circumstances the Options under the Option Plan may be in substitution for outstanding awards previously granted by the Company (if any);

(6) prescribe the form of the agreement to grant Options under the Option Plan (the "**Option Agreement**");

(7) subject to other provisions in the Option Plan, establish, adopt, or revise any term as it may deem necessary or advisable to administer the Option Plan;

(8) interpret the terms of, and any matter arising pursuant to, the Option Plan or any Option Agreement; and

(9) make all other decisions and determinations that may be required pursuant to the Option Plan or as the Administrator deems necessary or advisable to administer the Option Plan.

(c) Who May Join

The participants of the Option Plan (the "**Participants**") are the employees, Directors and consultants of the Company and/or any of its subsidiaries as selected by the Administrator at its discretion.

(d) Maximum Number of Shares

The maximum number of underlying Shares that may be granted and sold under the Option Plan is 4,120,000 with a par value of US$0.00001 each assuming completion of the Capitalization Issue. The number of Shares that are subject to Options outstanding under the Option Plan at any time shall not exceed the aggregate number of Shares that then remain available for issuance under the Option Plan.

To the extent that an Option terminates, expires, lapses, or is cancelled or forfeited for any reason, any Shares corresponding to such Option shall again be available for grant pursuant to the Option Plan.

(e) Term of the Option Plan and the Options

The Option Plan will expire on, and no Option may be granted pursuant to the Option Plan thereafter, the sixth anniversary of the date that the Option Plan is adopted and approved by the Shareholders of the Company. In addition, the term of any Option granted under the Option Plan shall not exceed six years. All the granted but unexercised Options shall expire on the sixth anniversary of the grant date.

(f) Exercise Price and Payment

The exercise price per Option shall be determined by the Administrator and set forth in the Option Agreement and subject to the rules or requirements of any applicable securities exchange (if any) which may be a fixed or variable price related to the fair market value of the Shares.

The Administrator shall determine the methods of payments by any Participant with respect to the exercise price of any Option granted under the Option Plan, including without limitation: (i) cash, check or cash equivalent; (ii) at the discretion of the Administrator and to the extent permitted by applicable laws, consideration received by the Company under a formal cashless exercise program adopted by the Company in connection with the Option Plan; (iii) wire transfer; or (iv) other form of legal consideration acceptable to the Administrator.

(g) Exercise of Options

Options granted under the Option Plan shall only be exercisable at such time and upon such terms and conditions as may be determined by the Option Agreement. An exercisable Option may be exercised in whole or in part. However, an Option shall not be exercisable with respect to fractional shares and the Administrator may require that, by the terms of the Option Agreement, a partial exercise must be with respect to a minimum number of Shares.

All or a portion of exercisable Options shall be deemed exercised upon delivery of all of the notice, representations, foreign exchange registration files (if applicable) and certificate of payments, etc. as set out in the Option Plan, to the Secretary of the Company, or such other person or entity designated by the Board, or his, her or its office, as applicable.

The Administrator may determine the methods by which Shares shall be delivered or deemed to be delivered to Participants.

(h) Rights Attached to Shares

The Shares underlying the Option Plan shall rank *pari passu* in all respects with the other fully paid Shares in issue.

(i) Transferability of Options

The Administrator may determine to permit a Participant to transfer an Option to certain persons or entities, including but not limited to, members of the Participant's family, or trusts, or other entities whose beneficiaries or beneficial owners are the Participant or members of the Participant's family, pursuant to such conditions and procedures as the Administrator may establish, including the following conditions: (i) an Option transferred shall not be transferred again other than by will or the laws of descent; (ii) an Option transferred shall continue to be subject to all the terms and conditions of the Option Agreement as applicable to the original Participant (other than the ability to further transfer the Option); and (iii) the Participant and the permitted transferee shall execute any and all documents requested by the Administrator, including without limitation: documents to confirm the status of the transferee as a permitted transferee, satisfaction of any requirements to allow for transfer under applicable laws and evidence of the transfer.

(j) Termination or Lapse of Options

Except as otherwise provided in the applicable Option Agreement or other side agreement between the Participant and the Company, any unexercised Option will automatically lapse/terminate immediately or after a limited time period in the following circumstances under the Option Plan:

(1) termination of Participant's employment;

(2) participant's death or disability;

(3) violation of non-competition, non-solicitation or any confidentiality requirements after termination of the Participant's employment, in which case, any proceeds, gains or other economic benefit (including Shares) received by the Participant from any exercise of the Options, or sale of any Shares, shall be returned to the Company.

(k) Restriction on Grant of Options

The Administrator may not grant any Option to any Participant in any of the following circumstances:

(1) where the requisite approval from any applicable regulatory authorities has not been granted;

(2) the securities laws or regulations require that a document or other offering documents be issued in respect of the grant of the Options or in respect of the Option Plan;

(3) where granting the Options would result in a breach by the Company, any member of the Group or any of their directors of any applicable laws, rules or regulations (including but not limited to the Listing Rules); or

(4) where such grant of any Option would result in a breach of the limits of the Option Plan.

Outstanding Options Granted

The overall limit on the number of shares to be issued under the Option Plan is 4,120,000 Shares (assuming completion of the Capitalization Issue), representing approximately 0.33% of the total issued Shares immediately following the completion of the Capitalization Issue and the Global Offering (assuming the share options granted under the Pre-IPO Share Option Plan are not exercised).

Based on the number of Shares in issue immediately upon completion of the Global Offering, assuming the share options granted under the Pre-IPO Share Option Plan have been exercised in full, there will be a dilutive effect on (a) the shareholding of the Shareholders by approximately 0.33%, and (b) earnings per Share by approximately 0.33%.

As of the Latest Practicable Date, after adoption of the Option Plan and entry into the Option Agreement, one senior management member has been approved to be the sole grantee under the Option Plan, and no further Option may be granted under the Option Plan after the Listing.

Name of grantee	Position	Address	Exercise price[(1)]	Number of underlying Shares subject to Option[(1)]	Date of grant	Vesting schedule[(1)]	Approximate percentage of issued shares immediately after completion of the Global Offering[(2)]
Ms. Frances Fang Chovanec	Chief financial officer	150 E. 77th Street, APT 11C, New York, NY, 10075	RMB6.7870 per Share	4,120,000	May 6, 2020	580,000 Shares upon Listing; 1,180,000 Shares on the first year anniversary of the vesting commencement date; 1,180,000 Shares on the second year anniversary of the vesting commencement date; 1,180,000 Shares on the third year anniversary of the vesting commencement date	0.33%

Notes:

(1) Subject to other provisions in the Option Plan and the Option Agreement, assuming completion of the Capitalization Issue.

(2) Assuming the share options granted under the Option Plan are not exercised.

B. RSU Plan

Summary of the Principal Terms

The following is a summary of the principal terms of the Restricted Share Unit Plan (the "**RSU Plan**") approved and adopted pursuant to the written resolutions of Shareholders of the Company dated May 6, 2020. The terms of the RSU Plan are not subject to the provisions of Chapter 17 of the Listing Rules.

(a) Purpose of the RSU Plan

The purpose of the RSU Plan is to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentives to selected employees, Directors and consultants and to promote the success of the Company's business by offering these individuals an opportunity to acquire a proprietary interest in the Company or to increase this interest, by issuing them certain units of Shares with restrictive rights (the "**RSUs**", and each of them, an "**RSU**").

(b) Administration

The RSU Plan shall be subject to the Administrator whose decision shall be final and binding on all parties. The Board may by resolution authorise a committee comprising of any three Directors to exercise any or all of its powers in administration of the RSU Plan.

Subject to specific provisions in the RSU Plan, the Administrator has the power, authority and discretion to:

(1) designate Participants to receive the RSUs;

(2) determine the number of RSUs to be granted and/or the number of Shares to which an RSU will relate;

(3) determine the terms and conditions of any RSU granted pursuant to the RSU Plan, including but not limited to, the purchase price, any restrictions or limitations on the RSUs, any schedule for vesting, forfeiture, restrictions on the RSUs, accelerations or waivers thereof, and any provisions related to non-solicitation, non-competition, non-disclosure and the related recapture of gain on the RSUs;

(4) determine whether, to what extent, and pursuant to what circumstances an RSU may be settled in cash, or the purchase price of an RSU will be paid in cash or other property;

(5) determine pursuant to what circumstances the RSUs under the RSU Plan may be in substitution for outstanding awards previously granted by the Company (if any);

(6) prescribe the form of the agreement to grant RSUs (the "**RSU Agreement**"), which need not be identical for each Participant;

(7) subject to provisions in the RSU Plan, establish, adopt, or revise any rules and regulations as it may deem necessary or advisable to administer the RSU Plan;

(8) interpret the terms of, and any matter arising pursuant to, the RSU Plan or any RSU Agreement; and

(9) make all other decisions and determinations that may be required pursuant to the RSU Plan or as the Administrator deems necessary or advisable to administer the RSU Plan.

(c) Who May Join

The participants of the RSU Scheme (the "**Participants**") are the employees, directors and consultants of the Company and/or any of its subsidiaries as selected by the Administrator at its discretion.

(d) Maximum Number of Underlying Shares pursuant to the RSU Plan

The underlying Shares of the RSU Plan are ordinary Shares held by the ESOP BVI. The maximum number of RSUs that may be granted under the RSU Plan in aggregate shall be such number of Shares held or to be held by the ESOP BVI from time to time.

To the extent that an RSU terminates, expires, lapses, or is cancelled, forfeited for any reason, then any Shares corresponding to such an RSU shall again be available for the grant of an RSU pursuant to the RSU Plan.

(e) Term of the RSU Plan and the RSUs

The RSU Plan will expire on, and no RSU may be granted pursuant to the RSU Plan thereafter, the sixth anniversary of the date that the RSU Plan is adopted and approved by the Shareholders of the Company. In addition, the term of any RSU granted under the RSU Plan shall not exceed six years. All the granted but unvested RSUs shall expire on the sixth anniversary of the grant date.

(f) Vesting and Payment

RSUs granted under the RSU Plan shall only be vested at such time and upon such terms and conditions as determined by the RSU Plan and the RSU Agreement and/or subject to the approval of the Administrator. No Shares or cash corresponding to the granted RSUs will be issued to any Participant prior to the Global Offering, regardless of whether the purchase consideration has been paid or not.

The consideration for vesting the RSUs shall be determined by the Administrator and set forth in the RSU Agreement and subject to the rules or requirements of any applicable securities exchange on which the Shares are listed (if any) which may be a fixed or variable price related to the fair market value of the underlying Shares.

All or a portion of granted RSUs shall be deemed vested upon delivery of all of the notice, representations, foreign exchange registration files (if applicable) and certificate of payments, etc. as set out in the RSU Plan, to the Secretary of the Company, or such other person or entity designated by the Administrator, or his, her or its office, as applicable.

The Administrator may determine the methods by which RSUs shall be delivered or deemed to be delivered to Participants.

(g) Rights Attached to RSUs

Pursuant to the terms of the RSU Plan, no right to vote or receive dividends or any other rights as a Shareholder shall exist with respect to the RSUs, notwithstanding the vesting of the RSUs.

(h) Transferability of RSUs

The Administrator may determine to permit a Participant to transfer an RSU to certain persons or entities, including but not limited to, members of the Participant's family, or trusts, or other entities whose beneficiaries or beneficial owners are the Participant or members of the Participant's family, pursuant to such conditions and procedures as the Administrator may establish, including the following conditions: (i) an RSU transferred shall not transferred again other than by will or the laws of descent; (ii) an RSU transferred shall continue to be subject to all the terms and conditions of the RSU Agreement as applicable to the original Participant (other than the ability to further transfer the RSU); and (iii) the Participant and the permitted transferee shall execute any and all documents requested by the Administrator, including without limitation: documents to confirm the status of the transferee as a permitted transferee, satisfaction of any requirements to allow for transfer under applicable laws and evidence of the transfer.

(i) Termination or Lapse of RSUs

Except as otherwise provided in the applicable RSU Agreement or other side agreement between the Participant and the Company, any unvested RSU will automatically lapse/terminate immediately or after a limited time period in the following circumstances under the RSU Plan:

(1) termination of Participant's employment;

(2) participant's death or disability;

(3) violation of non-competition, non-solicitation or any confidentiality requirements after termination of the Participant's employment, in which case, any proceeds, gains or other economic benefit received by the Participant from any purchase of the RSUs, or sale of any RSUs or Shares (if applicable), shall be returned to the Company.

Restriction on Grant of RSUs

The Administrator may not grant any RSU to any Participant in any of the following circumstances:

(1) where the requisite approval from any applicable regulatory authorities has not been granted;

(2) the securities laws or regulations require that a document or other offering documents be issued in respect of the grant of the RSUs or in respect of the RSU Plan;

(3) where granting the RSUs would result in a breach by the Company, any member of the Group or any of their directors of any applicable laws, rules or regulations (including but not limited to the Listing Rules); or

(4) where such grant of any RSU would result in a breach of the limits of the RSU Plan.

Outstanding RSUs Granted

The overall limit on the number of underlying Shares to be granted under the RSU Plan is 26,810,000 Shares (assuming completion of the Capitalization Issue), which have been reserved by the ESOP BVI. No additional Shares will be issued by the Company under the RSU Plan in the Global Offering.

On May 6, 2020, 6 management team members and employees were approved by the Board to be grantees under the RSU Plan with a total of 21,190,000 underlying Shares under the RSU Plan granted on the same day. Save as disclosed above, no Director and connect person (under the definition of the Listing Rules) of the Company has been identified to be the grantees under the RSU Plan prior to the Global Offering.

6. Restriction on Share Repurchase

(i) Provisions of the Hong Kong Listing Rules

The Listing Rules permit companies whose primary listing is on the Main Board of the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the more important of which are summarized below:

(a) Shareholders' approval

All proposed repurchases of securities on the Stock Exchange by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of its shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to the written resolutions passed by the Shareholders of our Company on June 8, 2020, a general unconditional mandate (the "**Buyback Mandate**") was granted to our Directors authorizing the repurchase of shares by our Company on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, with the total number of Shares not exceeding 10% of the total number of Shares in issue and to be issued as mentioned herein, at any time until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by an applicable law or the Articles to be held or when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever is the earliest.

(b) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with our Articles and the laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange in effect from time to time.

(c) Trading Restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock

Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(d) Status of Repurchased Shares

A listed company may not make any repurchase of securities after inside information has come to its knowledge until the inside has been made publicly available. In particular, during the period of one month immediately preceding the earlier of: (i) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (ii) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules) and ending on the date of the results announcement, the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(e) Reporting Requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such purchase, where relevant, and the aggregate prices paid.

(f) Core Connected Persons

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "core connected person," that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or their close associates and a core connected person is prohibited from knowingly selling his securities to the company.

(ii) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to have general authority from our Shareholders to enable our Directors to repurchase Shares in the market. Repurchases of Shares will only be made when our Directors believe that such repurchases will benefit our Company and its members. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of our Company and its assets and/or its earnings per Share.

(iii) Funding of repurchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws of the Cayman Islands.

It is presently proposed that any repurchase of Shares will be made out of the profits of our Company, the share premium amount of our Company or the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, subject to the Cayman Companies Law, out of capital and, in the case of any premium payable on the purchase over the par value of the Shares to be repurchased must be provided for, out of either or both of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, subject to the Cayman Companies Law, out of capital.

Our Directors do not propose to exercise the Buyback Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or its gearing levels which, in the opinion of our Directors, are from time to time appropriate for our Company. However, there might be a material adverse impact on the working capital or gearing level as compared with the position disclosed in this prospectus in the event that the Buyback Mandate is exercised in full.

(iv) Share capital

Exercise in full of the Buyback Mandate, on the basis of 1,252,207,500 Shares in issue immediately after the Listing (but not taking into account our Shares which may be issued pursuant to the exercise of the share options granted under the Pre-IPO Share Option Plan), could accordingly result in up to 125,220,750 Shares being repurchased by our Company during the period until:

(a) the conclusion of the next annual general meeting of our Company;

(b) the expiration of the period within which the next annual general meeting of our Company is required by any applicable law or the Articles to be held; or

(c) the date on which the Buyback Mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever occurs first.

(v) General

None of our Directors nor, to the best of their knowledge, information and belief, having made all reasonable enquiries, any of their respective close associates (as defined in the Listing Rules), has any present intention to sell any Shares or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Buyback Mandate in accordance with the Listing Rules, the Articles of Association, and the applicable laws of the Cayman Islands.

No core connected person (as defined in the Listing Rules) has notified us that he/she/it has a present intention to sell Shares to us, or has undertaken not to do so, if the Buyback Mandate is approved and exercised by the Directors.

If as a result of a securities repurchase pursuant to the Buyback Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a shareholder, or a group of shareholders acting in concert (within the meaning of the Takeovers Code), depending on the level of increase of the shareholders' interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Our Directors are not aware of any other consequences which may arise under the Takeovers Code if the Buyback Mandate is exercised.

If the Buyback Mandate is fully exercised immediately following completion of the Capitalization Issue and the Global Offering (but not taking into account any Shares which may be issued pursuant to the exercise of the share options granted under the Pre-IPO Share Option Plan), the total number of Shares which will be repurchased pursuant to the Buyback Mandate will be 125,220,750 Shares, being 10% of the total number of Shares based on the aforesaid assumptions. Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than the prescribed percentage of our Shares then in issue could only be implemented with the approval of the Stock Exchange to waive the Listing Rules requirements regarding the public float under Rule 8.08 of the Listing Rules. However, our Directors have no present intention to exercise the Buyback Mandate to such an extent that, in the circumstances, there is insufficient public float as prescribed under the Listing Rules.

Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than the prescribed percentage of the Shares then in issue may only be implemented with the approval of the Stock Exchange to waive the requirement regarding the public float under Rule 8.08 of the Listing Rules. However, our Directors have no present intention to exercise the Buyback Mandate to such an extent that, under the circumstances, there would be insufficient public float.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by us or any of our subsidiaries within the two years preceding the date of this prospectus that are or may be material:

(i) a share swap agreement dated March 13, 2020 (and its amendment dated March 25, 2020) entered into among Mr. Zhong, Ms. Shentu, TPG Keyhole, LYFE Capital Fund, L.P., LYFE Capital Fund-A, L.P., Axiom Asia IV, L.P., ARDIAN DIRECT ASIA III L.P. and the Company;

(ii) a cornerstone investment agreement dated June 11, 2020 entered into among the Company, the Joint Sponsors, Fidelity Select Portfolios: Pharmaceuticals Portfolio, Fidelity Central Investment Portfolios LLC: Fidelity Emerging Markets Equity Central Fund, Fidelity Investment Trust: Fidelity Series Emerging Markets Opportunities Fund, Fidelity Investment Trust: Fidelity Total Emerging Markets Fund, Fidelity Investment Trust: Fidelity Pacific Basin Fund, Fidelity Investment Trust: Fidelity International Discovery Fund, Fidelity Investment Trust: Fidelity Worldwide Fund, Fidelity Investment Trust: Fidelity International Discovery K6 Fund, Fidelity Investment Trust: Fidelity Emerging Asia Fund, Fidelity Investment Trust: Fidelity China Region Fund, Fidelity Emerging Markets Equity Multi-Asset Base Fund, Fidelity Advisor Series VIII: Fidelity Advisor Emerging Asia Fund, FIAM Group Trust for Employee Benefit Plans: FIAM Emerging Markets

Opportunities Commingled Pool, Fidelity Emerging Markets Opportunities Institutional Trust, Fidelity Group Trust for Employee Benefit Plans: Fidelity International Discovery Commingled Pool, Fidelity Investment Trust: Fidelity Emerging Markets Fund, Fidelity Investment Trust: Fidelity Emerging Markets Discovery Fund and Fidelity Investment Trust: Fidelity International Small Cap Fund;

(iii) a cornerstone investment agreement dated June 11, 2020 entered into among the Company, the Joint Sponsors, BlackRock Strategic Funds - BlackRock Asia Pacific Absolute Return Fund, BlackRock Emerging Frontiers Fund Ltd - CS Investment Portfolio, BlackRock Health Sciences Opportunities Portfolio, a Series of BlackRock Funds, BlackRock Health Sciences Trust II, BlackRock Health Sciences Trust, BlackRock Global Funds – World Healthscience Fund and BlackRock Health Sciences Master Unit Trust;

(iv) a cornerstone investment agreement dated June 12, 2020 entered into among the Company, the Joint Sponsors, Gaoling Fund, L.P. and YHG Investment, L.P.;

(v) a cornerstone investment agreement dated June 11, 2020 entered into among the Company, the Joint Sponsors and Lake Bleu Prime Healthcare Master Fund Limited;

(vi) a cornerstone investment agreement dated June 11, 2020 entered into among the Company, the Joint Sponsors and Cormorant Asset Management, LP (as the investment advisor for and on behalf of Cormorant Global Healthcare Master Fund, LP);

(vii) a cornerstone investment agreement dated June 11, 2020 entered into among the Company, the Joint Sponsors, CLSA Limited, OrbiMed Partners Master Fund Limited, Worldwide Healthcare Trust PLC, OrbiMed Genesis Master Fund, L.P. and OrbiMed New Horizons Master Fund, L.P.;

(viii) a cornerstone investment agreement dated June 11, 2020 entered into among the Company, the Joint Sponsors and Oaktree Capital Management, L.P. (as investment manager for and on behalf of Oaktree Emerging Markets Equity Fund, L.P., Vanguard Emerging Markets Select Stock Fund, Harbor Emerging Markets Equity Fund, Harbor Capital Group Trust for Defined Benefit Plans, The Boeing Company Employee Retirement Plans Master Trust, Lockheed Martin Corporation Master Retirement Trust, Lockheed Martin Corporation Defined Contribution Plans Master Trust, National Pension Service, Russel Investments Japan Co. Ltd. (TCSB15406), Russel Investments Japan Co. Ltd. (MTBJ400039039-17), Russel Emerging Markets Extended Opportunities Fund AND Lockheed Martin Corporation Defined Contribution Plans Master Trust (DCMT GLOBAL EQ-OAKTREE GEM)); and

(ix) the Hong Kong Underwriting Agreement.

2. Intellectual Property Rights of Our Group

(i) Trademarks

As at the Latest Practicable Date, our Group has registered the following trademarks, which we considered to be or may be material to our business:

No.	Trademark	Class	Registered Owner	Place of Registration	Registration Number	Registration Period
1.	康基	5	Hangzhou Kangji	PRC	8255816	2011.05.28-2021.05.27
2.	康基	10	Hangzhou Kangji	PRC	3668604	2015.04.21-2025.04.20
3.	康基	35	Hangzhou Kangji	PRC	13709246	2015.02.14-2025.02.13
4.	康基	37	Hangzhou Kangji	PRC	8255707	2011.08.21-2021.08.20
5.	康基	42	Hangzhou Kangji	PRC	8255653	2012.07.07-2022.07.06
6.		10	Hangzhou Kangji	PRC	7629632	2010.11.21-2030.11.20
7.		37	Hangzhou Kangji	PRC	8251241	2011.12.07-2021.12.06
8.		42	Hangzhou Kangji	PRC	8251285	2011.12.07-2021.12.06
9.	KANG JI	5	Hangzhou Kangji	PRC	8255482	2011.10.07-2021.10.06
10.	KANG JI	35	Hangzhou Kangji	PRC	14070807	2015.09.07-2025.09.06
11.	KANG JI	37	Hangzhou Kangji	PRC	8255567	2011.11.14-2021.11.13
12.	KANG JI	42	Hangzhou Kangji	PRC	8255393	2011.05.07-2021.05.06
13.	康基 KANG JI	10	Hangzhou Kangji	PRC	13023665	2014.12.21-2024.12.20
14.	太夹	10	Hangzhou Kangji	PRC	11744413	2014.04.28-2024.04.27
15.	康基	10	Hangzhou Kangji	PRC	25586008	2018.07.21-2028.07.20
16.	KONKEY	10	Hangzhou Kangji	PRC	41017988	2020.04.28-2030.04.27
17.	CANKEY	10	Hangzhou Kangji	PRC	41019743	2020.04.28-2030.04.27
18.		10	Hangzhou Kangji	the United States of America	4644032	2014.11.25-2024.11.24
19.	KANG JI	10	Hangzhou Kangji	the United States of America	4636074	2014.11.11-2024.11.10

No.	Trademark	Class	Registered Owner	Place of Registration	Registration Number	Registration Period
20.		10	Hangzhou Kangji	Malaysia	2014000940	2014.01.23-2024.01.22
21.		10	Hangzhou Kangji	Korea	1237361	2014.10.21-2024.10.20
22.		10	Hangzhou Kangji	New Zealand	1237361	2014.10.21-2024.10.20
23.		10	Hangzhou Kangji	European Union	1237361	2014.10.21-2024.10.20
24.		10	Hangzhou Kangji	Australia	1237361	2014.10.21-2024.10.20
25.		10	Hangzhou Kangji	Russian Federation	1237361	2014.10.21-2024.10.20
26.		10	Hangzhou Kangji	Mexico	1237361	2014.10.21-2024.10.20
27.		10	Hangzhou Kangji	Vietnam	1237361	2014.10.21-2024.10.20
28.	KANG JI	10	Hangzhou Kangji	India	2661214	2014.01.17-2024.01.16
29.		10	Hangzhou Kangji	Thailand	Kor398663	2014.02.11-2024.02.10
30.		10	Hangzhou Kangji	Indonesia	D002014003016	2014.01.24-2024.01.23

As at the Latest Practicable Date, our Group has applied for the registration of the following trademarks in Hong Kong, which we consider to be material to our business:

No.	Trademark	Class	Applicant	Place of Application	Application Number	Date of Application
1.		10	Hangzhou Kangji	Hong Kong	305198789	2020.02.25
2.	康基	5, 10, 35, 37, 42	Hangzhou Kangji	Hong Kong	305209669	2020.03.05
3.	KANG JI	5, 10, 35, 37, 42	Hangzhou Kangji	Hong Kong	305209678	2020.03.05
4.	KONKEY	5, 10, 35, 37, 42	Hangzhou Kangji	Hong Kong	305209687	2020.03.05

(ii) Patents

As of the Latest Practicable Date, we had 136 registered patents and 45 pending patent applications.

Our key registered patents are as follows:

No.	Patent	Registered Owner	Place of Registration	Patent Number	Date of Application
1.	A model of hemoclip	Hangzhou Kangji	PRC	200910097174.3	2009.03.26
2.	Special forceps used for hysterotomy	Hangzhou Kangji	PRC	201110320605.5	2011.10.20
3.	Multi-functional operating forceps used for endoscope	Hangzhou Kangji	PRC	201110320767.9	2011.10.20
4.	Retractor used for laparoscopic surgery, retractor head used for laparoscopic surgery, the body of retractor head and its manufacturing method	Hangzhou Kangji	PRC	201110320583.2	2011.10.20
5.	Light show uterine manipulators	Hangzhou Kangji	PRC	201110453552.4	2011.12.30
6.	Multifunctional external sealing device specially used for medical trocars	Hangzhou Kangji	PRC	201310204885.2	2013.05.29
7.	synchronous and anisotropic operation device for disposable titanium forceps	Hangzhou Kangji	PRC	201310336194.8	2013.08.05
8.	Improved trocars	Hangzhou Kangji	PRC	201410072509.7	2014.03.01
9.	Bifurcated handle for medical devices	Hangzhou Kangji	PRC	201410492305.9	2014.09.24
10.	Pneumoperitoneum spreader	Hangzhou Kangji	PRC	201410727496.2	2014.12.03
11.	Rectal dilating and irrigating sets	Hangzhou Kangji	PRC	201410083410.7	2014.03.08
12.	Device for amphiarthrosis surgery	Hangzhou Kangji	PRC	201410495666.9	2014.09.24
13.	Visual suction tubes for medical purpose	Hangzhou Kangji	PRC	201410852368.0	2014.12.31
14.	Bipolar forceps head with enhanced insulativity	Hangzhou Kangji	PRC	201610191145.3	2016.03.30
15.	Purse-string forceps used for hysteroscopy	Hangzhou Kangji	PRC	201610190296.7	2016.03.30

No.	Patent	Registered Owner	Place of Registration	Patent Number	Date of Application
16.	Aspirators used for laparoscopy	Hangzhou Kangji	PRC	201220268414.9	2012.06.08
17.	Unidirectional liquid supply devices for disposable aspirators	Hangzhou Kangji	PRC	201220268411.5	2012.06.08
18.	Bipolar forceps with suction devices	Hangzhou Kangji	PRC	201320300042.8	2013.05.29
19.	Puncture needles used for high frequency bipolar electrocautery	Hangzhou Kangji	PRC	201320300009.5	2013.05.29
20.	Puncture needles used for locking and limiting	Hangzhou Kangji	PRC	201320300043.2	2013.05.29
21.	Disposable specimen retrieval bags	Hangzhou Kangji	PRC	201320300041.3	2013.05.29
22.	Synchronous and anisotropic operation device for titanium forceps	Hangzhou Kangji	PRC	201320473198.6	2013.08.05
23.	Automatic forceps feeding devices for titanium multi-forceps	Hangzhou Kangji	PRC	201320473344.5	2013.08.05
24.	Tie rod connecting devices for disposable medical scissors	Hangzhou Kangji	PRC	201320879577.5	2013.12.30
25.	Tie rod connecting devices for disposable medical forceps	Hangzhou Kangji	PRC	201320878773.0	2013.12.30
26.	A type of fixed access device for ligation clips	Hangzhou Kangji	PRC	201320609651.1	2013.09.30
27.	Sealing sets for trocar sleeves	Hangzhou Kangji	PRC	201320894992.8	2013.12.31
28.	Trocar protection sets and sealing ring suitable for trocar protection sets	Hangzhou Kangji	PRC	201320893950.2	2013.12.31
29.	Sealing devices for trocars	Hangzhou Kangji	PRC	201320893874.5	2013.12.31
30.	Trocars	Hangzhou Kangji	PRC	201320893956.X	2013.12.31
31.	Conjunction structure for trocar cannulas and trocar rod ends	Hangzhou Kangji	PRC	201320893907.6	2013.12.31

No.	Patent	Registered Owner	Place of Registration	Patent Number	Date of Application
32.	Connection structure for the converter caps and trocar sleeves	Hangzhou Kangji	PRC	201320893824.7	2013.12.31
33.	Seals suitable for trocar cannulas	Hangzhou Kangji	PRC	201320893821.3	2013.12.31
34.	Bipolar electrocoagulation transecting knife	Hangzhou Kangji	PRC	201420067544.5	2014.02.17
35.	Mounting structure for choke valve of trocars	Hangzhou Kangji	PRC	201420084008.6	2014.02.26
36.	Late-model trocars	Hangzhou Kangji	PRC	201420084813.9	2014.02.26
37.	Blade and telescopic puncture needle	Hangzhou Kangji	PRC	201420084194.3	2014.02.26
38.	Umbrella-shaped sealing gaskets for late-model trocars	Hangzhou Kangji	PRC	201420091753.3	2014.03.01
39.	Sealing caps for trocars	Hangzhou Kangji	PRC	201420090876.5	2014.03.01
40.	Umbrella-shaped sealing gaskets for trocars	Hangzhou Kangji	PRC	201420091317.6	2014.03.01
41.	Sealing gaskets for trocar cannulas	Hangzhou Kangji	PRC	201420091562.7	2014.03.01
42.	Connecting mechanism for trocar cannula seats and converter caps of late-model trocars	Hangzhou Kangji	PRC	201420091766.0	2014.03.01
43.	Mounting structure for trocar valves	Hangzhou Kangji	PRC	201420091304.9	2014.03.01
44.	Rectal dilating and irrigating sets	Hangzhou Kangji	PRC	201420103753.0	2014.03.08
45.	Sealing gaskets for late-model trocar cannulas	Hangzhou Kangji	PRC	201420090958.X	2014.03.01
46.	Flexible and triple-folded medical forceps	Hangzhou Kangji	PRC	201420133027.3	2014.03.24
47.	Sealing mechanism for trocars	Hangzhou Kangji	PRC	201420229433.X	2014.05.06
48.	Assembling mechanism for trocar seals	Hangzhou Kangji	PRC	201420228568.4	2014.05.06
49.	Retrieval bag with stripline	Hangzhou Kangji	PRC	201420234742.6	2014.05.07
50.	Purse-string forceps used for minimally invasive surgeries	Hangzhou Kangji	PRC	201420516640.3	2014.09.10

No.	Patent	Registered Owner	Place of Registration	Patent Number	Date of Application
51.	Orthoptic closers	Hangzhou Kangji	PRC	201420532719.5	2014.09.16
52.	Quick connectors	Hangzhou Kangji	PRC	201420534185.X	2014.09.17
53.	Mounting structure for flow subs	Hangzhou Kangji	PRC	201420550728.7	2014.09.24
54.	Flow subs for medical devices	Hangzhou Kangji	PRC	201420549983.X	2014.09.24
55.	Device for amphiarthrosis surgery	Hangzhou Kangji	PRC	201420553057.X	2014.09.24
56.	Bendable organ separators	Hangzhou Kangji	PRC	201420812180.9	2014.12.18
57.	Two-way uterine manipulators	Hangzhou Kangji	PRC	201520079323.4	2015.02.04
58.	Fixed trocars with balloon	Hangzhou Kangji	PRC	201520312345.0	2015.05.15
59.	Sealing caps for trocars with edges	Hangzhou Kangji	PRC	201520670163.0	2015.08.31
60.	Handle assembly in camera suction tubes	Hangzhou Kangji	PRC	201620100281.2	2016.01.31
61.	Mounting structure of camera assembly in camera suction tubes	Hangzhou Kangji	PRC	201620102136.8	2016.01.31
62.	Trocars with balloon	Hangzhou Kangji	PRC	201620244650.5	2016.03.25
63.	Inner rod assembly of purse-string forceps used for hysteroscopy	Hangzhou Kangji	PRC	201620254101.6	2016.03.30
64.	Outer rod assembly of purse-string forceps used for hysteroscopy	Hangzhou Kangji	PRC	201620254847.7	2016.03.30
65.	Purse-string forceps used for cushioned grip hysteroscopy	Hangzhou Kangji	PRC	201620255534.3	2016.03.30
66.	Isolated retrieval bags used for laparoscopy	Hangzhou Kangji	PRC	201620544918.7	2016.06.06
67.	Isolated retrieval bags used for intraluminal tumor resection	Hangzhou Kangji	PRC	201620546713.2	2016.06.06
68.	Reinforced structure of medical device handle and reinforced medical device handle	Hangzhou Kangji	PRC	201620383375.5	2016.04.29

No.	Patent	Registered Owner	Place of Registration	Patent Number	Date of Application
69.	Pocket positioning structure of isolated retrieval bags used for intraluminal tumor resection	Hangzhou Kangji	PRC	201620542928.7	2016.06.06
70.	Locking structure for trocars	Hangzhou Kangji	PRC	201620389351.0	2016.05.03
71.	Audio line-in for disposable visual suction tube wire	Hangzhou Kangji	PRC	201621035511.8	2016.08.31
72.	Mounting structure of camera module in camera suction tubes	Hangzhou Kangji	PRC	201720083114.6	2017.01.21
73.	Bipolar forceps with knife	Hangzhou Kangji	PRC	201720089054.9	2017.01.21
74.	Pivoting joint of uterine manipulators with balloon	Hangzhou Kangji	PRC	201720089336.9	2017.01.21
75.	Camera suction tubes with module advanced	Hangzhou Kangji	PRC	201720089407.5	2017.01.21
76.	Head structure of camera suction tubes	Hangzhou Kangji	PRC	201720089422.X	2017.01.21
77.	Uterine manipulators with balloon	Hangzhou Kangji	PRC	201720088716.0	2017.01.21
78.	Tube mounting structure of camera suction tubes	Hangzhou Kangji	PRC	201720084566.6	2017.01.21
79.	Suction and irrigation sets	Hangzhou Kangji	PRC	201820217726.4	2018.02.07
80.	Single-hole and multi-channel access system for laparoscopic surgery	Hangzhou Kangji	PRC	201721220908.9	2017.09.21
81.	Connection structure between single-hole and multi-channel access devices for laparoscopic surgery and trocars	Hangzhou Kangji	PRC	201721218886.2	2017.09.21
82.	Single-hole and multi-channel access devices with sealing function for laparoscopic surgery	Hangzhou Kangji	PRC	201721219261.8	2017.09.21
83.	Open ring with flexible jaw used for laparoscopic surgery	Hangzhou Kangji	PRC	201721262052.1	2017.09.28
84.	Electrocoagulation medical device with operating range adjustable	Hangzhou Kangji	PRC	201721267091.0	2017.09.29

No.	Patent	Registered Owner	Place of Registration	Patent Number	Date of Application
85.	Pipeline structure of Electrocoagulation medical device	Hangzhou Kangji	PRC	201721263327.3	2017.09.29
86.	Organ lifter	Hangzhou Kangji	PRC	201820482720.X	2018.04.04
87.	Intake and exhaust structure of access device for laparoscopic surgery	Hangzhou Kangji	PRC	201721219252.9	2017.09.21
88.	Connection structure between single-hole and multi-channel access devices for laparoscopic surgery and lap-protector	Hangzhou Kangji	PRC	201721221342.1	2017.09.21
89.	Gun-type electrocoagulation medical device	Hangzhou Kangji	PRC	201721286596.1	2017.09.29
90.	Double control switch of electrocoagulation medical device	Hangzhou Kangji	PRC	201721263548.0	2017.09.29
91.	Fixing device and assembly of trocars	Hangzhou Kangji	PRC	201821025551.3	2018.06.29
92.	Fixer and assembly of trocars	Hangzhou Kangji	PRC	201821025642.7	2018.06.29
93.	Fixer and assembly of pediatric trocars	Hangzhou Kangji	PRC	201821026155.2	2018.06.29
94.	Single-hole and multi-channel access device for laparoscopic surgery	Hangzhou Kangji	PRC	201721219008.2	2017.09.21
95.	Cutter head of Liquid-conducting ultrasonic scalpel	Hangzhou Kangji	PRC	201820926457.9	2018.06.14
96.	Connection structure of forceps head in ultrasonic scalpel	Hangzhou Kangji	PRC	201820926191.8	2018.06.14
97.	Assembled needle seat for trocars	Hangzhou Kangji	PRC	201821141755.3	2018.07.18
98.	Electrocoagulation medical device	Hangzhou Kangji	PRC	201721265993.0	2017.09.29
99.	Trocars	Hangzhou Kangji	PRC	201821141758.7	2018.07.18
100.	Titanium forceps (auto-fire)	Hangzhou Kangji	PRC	201330214924.8	2013.05.29
101.	Puncture needle (for locking and limiting in trocars)	Hangzhou Kangji	PRC	201330214935.6	2013.05.29

No.	Patent	Registered Owner	Place of Registration	Patent Number	Date of Application
102.	Trocars	Hangzhou Kangji	PRC	201330657909.0	2013.12.31
103.	Rectal dilating and irrigating sets	Hangzhou Kangji	PRC	201430044658.3	2014.03.08
104.	Retrieval bag	Hangzhou Kangji	PRC	201430033969.X	2014.02.25
105.	Trocars	Hangzhou Kangji	PRC	201430038414.4	2014.03.01
106.	Trocars	Hangzhou Kangji	PRC	201430112282.5	2014.04.30
107.	Handle of medical device	Hangzhou Kangji	PRC	201430355405.8	2014.09.24
108.	Purse-string forceps used for hysteroscopy	Hangzhou Kangji	PRC	201630098575.1	2016.03.30
109.	Imaging system by uterine cavity attraction (1)	Hangzhou Kangji	PRC	201630457570.3	2016.08.31
110.	Bipolar forceps with knife	Hangzhou Kangji	PRC	201730024797.3	2017.01.21
111.	Single-hole and multi-channel access device for laparoscopic surgery	Hangzhou Kangji	PRC	201730450912.3	2017.09.21
112.	Open ring with flexible jaw used for laparoscopic surgery	Hangzhou Kangji	PRC	201730466113.5	2017.09.28
113.	Electrocoagulation medical device	Hangzhou Kangji	PRC	201730467944.4	2017.09.29
114.	Forceps with prickles	Hangzhou Kangji	PRC	201830058507.1	2018.02.07
115.	Trocars for thyroid	Hangzhou Kangji	PRC	201830382240.1	2018.07.16
116.	Uterine manipulators with balloon	Hangzhou Kangji	PRC	201930047835.6	2019.01.28
117.	Handle of electrocoagulation forceps	Hangzhou Kangji	PRC	201930047964.5	2019.01.28
118.	Single-hole and multi-channel access device for laparoscopic surgery	Hangzhou Kangji	PRC	201930089971.1	2019.03.06
119.	Handle of surgical forceps	Hangzhou Kangji	PRC	201930050433.1	2019.01.29
120.	Winding base of ultrasonic transducer	Hangzhou Kangji	PRC	201930211146.4	2019.05.01
121.	Floating supported gasket of ultrasonic transducer	Hangzhou Kangji	PRC	201930211141.1	2019.05.01

No.	Patent	Registered Owner	Place of Registration	Patent Number	Date of Application
122.	Ultrasonic guided sealing support	Hangzhou Kangji	PRC	201930211147.9	2019.05.01
123.	Manual and electrocoagulation surgical knife for pylorus myo-incision	Hangzhou Kangji	PRC	201930051216.4	2019.01.29
124.	Thread hooking device (Type T)	Hangzhou Kangji	PRC	201930051671.4	2019.01.29
125.	Removable strap for fixation and connection	Hangzhou Kangji	PRC	201920142622.6	2019.01.28
126.	Support ring used for human cavity expansion	Hangzhou Kangji	PRC	201920146963.0	2019.01.28
127.	Uterine manipulators for positioning cut	Hangzhou Kangji	PRC	201920146760.1	2019.01.28
128.	Manual electrocoagulation hook with suction function	Hangzhou Kangji	PRC	201920146945.2	2019.01.28
129.	Bipolar forceps with delay switch	Hangzhou Kangji	PRC	201920167540.7	2019.01.30
130.	Manual and electrocoagulation surgical knife for pylorus myo-incision	Hangzhou Kangji	PRC	201920156371.7	2019.01.29
131.	Transvaginal wound protector and connector to link with single-hole and multi-channel access devices	Hangzhou Kangji	PRC	201920397876.2	2019.03.27
132.	Ultrasonic scalpel mainframe	Hangzhou Kangji	PRC	201930537371.7	2019.09.29
133.	Winding base for ultrasonic transducer	Hangzhou Kangji	PRC	201920623219.5	2019.05.01
134.	Winder for ultrasonic transducer	Hangzhou Kangji	PRC	201920623228.4	2019.05.01
135.	Disposable abdominal wall stitching instrument	Hangzhou Kangji	PRC	201930537703.1	2019.09.29
136.	Ultrasonic scalpel handle	Hangzhou Kangji	PRC	201930537701.2	2019.09.29

Our key patents that have been applied for registration are as follows:

No.	Patent	Applicant	Place of Application	Application Number	Date of Application
1.	Isolated retrieval bags used for laparoscopy and usage	Hangzhou Kangji	PRC	201610395521.0	2016.06.06
2.	Isolated retrieval bags used for intraluminal tumor resection and usage	Hangzhou Kangji	PRC	201610397605.8	2016.06.06
3.	Bipolar forceps with knife	Hangzhou Kangji	PRC	201710048003.6	2017.01.21
4.	Uterine manipulators with balloon	Hangzhou Kangji	PRC	201710046111.X	2017.01.21
5.	Camera suction tubes with module advanced	Hangzhou Kangji	PRC	201710048656.4	2017.01.21
6.	Single-hole and multi-channel access system for laparoscopic surgery	Hangzhou Kangji	PRC	201710862324.X	2017.09.21
7.	Single-hole and multi-channel access device for laparoscopic surgery	Hangzhou Kangji	PRC	201710862325.4	2017.09.21
8.	Electrocoagulation medical device	Hangzhou Kangji	PRC	201710902692.2	2017.09.29
9.	Double control switch of electrocoagulation medical device	Hangzhou Kangji	PRC	201710902683.3	2017.09.29
10.	Organ lifter	Hangzhou Kangji	PRC	201810298237.0	2018.04.04
11.	Fixing device and assembly of trocars	Hangzhou Kangji	PRC	201810700975.3	2018.06.29
12.	Trocars	Hangzhou Kangji	PRC	201810789907.9	2018.07.18
13.	Bipolar forceps with delay switch	Hangzhou Kangji	PRC	201910090495.4	2019.01.30
14.	Flexible forceps used for laparoscopy	Hangzhou Kangji	PRC	201910198037.2	2019.03.15
15.	Hook fixation support used for hepatic surgery	Hangzhou Kangji	PRC	201910363215.2	2019.04.30
16.	Electrocoagulation electrode used for cervical cancer	Hangzhou Kangji	PRC	201911240772.1	2019.12.06
17.	Thread hooking device (Type T)	Hangzhou Kangji	PRC	201920157000.0	2019.01.29
18.	Flexible forceps used for laparoscopy	Hangzhou Kangji	PRC	201920334638.7	2019.03.15
19.	Control assembly of laparoscopic forcep head	Hangzhou Kangji	PRC	201920334440.9	2019.03.15
20.	Suction and irrigation sets	Hangzhou Kangji	PRC	201920335140.2	2019.03.15
21.	Multi-joint fixture system	Hangzhou Kangji	PRC	201920397213.0	2019.03.27

No.	Patent	Applicant	Place of Application	Application Number	Date of Application
22.	Liver fixture with retractors	Hangzhou Kangji	PRC	201920621245.4	2019.04.30
23.	Disposable abdominal wall stitching instrument	Hangzhou Kangji	PRC	201921649180.0	2019.09.29
24.	Disposable self-opening two-hole tissue excision isolation bag	Hangzhou Kangji	PRC	201921647781.8	2019.09.29
25.	Disposable external controlled clamshell piercing device	Hangzhou Kangji	PRC	201921649165.6	2019.09.29
26.	Stable gripper with multiple claws	Hangzhou Kangji	PRC	201921649177.9	2019.09.29
27.	Reinforcing connection structure for insulated head of electric hook	Hangzhou Kangji	PRC	201921650513.1	2019.09.29
28.	Abdominal wall suture pressing line device	Hangzhou Kangji	PRC	201921814431.6	2019.10.25
29.	Double hook abdominal wall suture needle	Hangzhou Kangji	PRC	201921815678.X	2019.10.25
30.	Insulation components of electrocoagulation cutter for cervical cancer	Hangzhou Kangji	PRC	201922177097.4	2019.12.06
31.	Adjusting mechanism of cutting components of electrocoagulation scissor for cervical cancer	Hangzhou Kangji	PRC	201922177132.2	2019.12.06
32.	Single hole multi-path device for robot surgery	Hangzhou Kangji	PRC	202020716935.0	2020.04.30

(iii) Domain Names

As at the Latest Practicable Date, we had registered the following internet domain names in the PRC which we consider to be or may be material to our business:

No.	Domain Name	Registered Owner	Registration Date	Expiry Date
1.	kangjimed.com	Hangzhou Kangji	2015.11.04	2023.11.04
2.	kangjimedical.com	Hangzhou Kangji	2015.11.04	2023.11.04
3.	hzkangji.com	Hangzhou Kangji	2006.12.04	2020.12.04

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Directors

(i) Disclosure of Interests – Interests and short positions of the Directors and the chief executive in the Shares, underlying shares or debentures of our Company and our associated corporations

After completion of the capitalization issue and 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 share options granted under the Pre-IPO Share Option Plan, so far as our Directors are aware, each of the following persons will have an interests and short positions in the Shares, underlying Shares and debentures of our Company and its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange (for this purpose, the relevant provisions of the SFO will be interpreted as if they applied to the chief executive), in each case once the Shares are listed:

Name	**Nature of interest**	**Shares held as of the Latest Practicable Date**		**Shares held immediately following the completion of the Capitalization Issue and Global Offering (assuming that the share options granted under the Pre-IPO Share Option Plan are not exercised)**	
		Number	*Approximate percentage*	*Number*	*Approximate percentage*
Mr. Zhong	Beneficiary of a trust[(1)],	40,850	39.78%	408,500,000	32.62%
	Interest of spouses[(3)]	23,150	22.55%	231,500,000	18.49%

Name	Nature of interest	Shares held as of the Latest Practicable Date		Shares held immediately following the completion of the Capitalization Issue and Global Offering (assuming that the share options granted under the Pre-IPO Share Option Plan are not exercised)	
		Number	*Approximate percentage*	*Number*	*Approximate percentage*
Ms. Shentu	Beneficiary of a trust[(2)],	23,150	22.55%	231,500,000	18.49%
	Interest of spouses[(3)]	40,850	39.78%	408,500,000	32.62%

Notes:

(1) Fortune Spring ZM B Limited ("**ZM B**") is owned by Fortune Spring ZM AA Limited and Fortune Spring ZM A Limited as to 99.9% and 0.1%, respectively. Fortune Spring ZM AA Limited is wholly owned by the Fortune Spring ZM Trust, for which Credit Suisse Trust Limited serves as the trustee and Mr. Zhong acts as the settlor and protector.

On October 5, 2019, a charge was created by ZM B over its accounts, assets and property with Credit Suisse AG, Singapore Branch ("**Credit Suisse SG**") in favour of Credit Suisse SG for a credit line of US$10 million, in which ZM B warranted and undertook that it will not sell, lease, transfer or otherwise dispose of or create mortgage on any of the charged assets. The utilized amount is nil as of the date of this prospectus. Such charge will be released prior to the Listing.

(2) Fortune Spring YG B Limited is owned by YG AA Limited and Fortune Spring YG A Limited as to 99.8% and 0.2%, respectively. YG AA Limited is wholly owned by The YG Trust, for which BOS Trustee Limited serves as the trustee, and Ms. Shentu acts as the settlor and Mr. Zhong acts as the protector.

(3) Mr. Zhong and Ms. Shentu are spouses, and therefore are deemed to be interested in the Shares held by each other under the SFO.

(ii) Particulars of service agreements and letters of appointment

(a) Executive Directors

Each of our executive Directors, has entered into a service agreement with our Company with an initial term of three years commencing from the Listing Date, and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other.

(b) Non-executive Directors

Each of our non-executive Directors has entered into an appointment letter with our Company. The initial term for their appointment letters shall commence from the date of this prospectus and shall continue for three years after or commence from the date of this prospectus until the third annual general meeting of the Company since the Listing Date, whichever ends earlier, (subject always to re-election as and when required under the Articles of Association) until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than one month's prior notice in writing.

(c) Independent non-executive Directors

Each of the independent non-executive Directors has entered into an appointment letter with our Company. The initial term for their appointment letters shall be three years from the date of this prospectus or commence from the date of this prospectus until the third annual general meeting of the Company since the Listing Date, whichever ends sooner, (subject always to re-election as and when required under the Articles of Association) until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than three months' prior notice in writing.

(iii) Directors' remuneration

The aggregate remuneration (including fees, salaries, contributions to pension schemes, discretionary bonuses, housing and other allowances and other benefits in kind) attributable to our Directors for the years ended December 31, 2017, 2018 and 2019 was approximately RMB591,000, RMB793,000 and RMB867,000, respectively, which included the aggregate contributions to pension schemes for our Directors in respect of the years ended December 31, 2017, 2018 and 2019 approximately RMB36,000, RMB38,000 and RMB38,000, respectively.

Pursuant to the existing arrangements that are currently in force as of the date of this prospectus, the amount of remuneration (including benefits in kind but excluding discretionary bonuses) payable to our Directors by our Company for the year ended December 31, 2020 is estimated to be approximately RMB1,120,000 in aggregate.

There has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the three years ended December 31, 2017, 2018 and 2019.

2. Substantial Shareholders

(i) For information on the persons who will, immediately following the completion of the Capitalization Issue and the Global Offering, (without taking into account any Shares which may be sold and offered upon the exercise of the share options granted under the Pre-IPO Share Option Plan), have or be deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO, see "Substantial Shareholders" of this prospectus.

(ii) Save as set out above, as of the Latest Practicable Date, our Directors are not aware of any person who will, immediately following the completion of the Capitalization Issue and the Global Offering (without taking into accounts any Shares which may be sold and offered upon the exercise of the share options granted under the Pre-IPO Share Option Plan), be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group or had option in respect of such capital.

3. Agency fees or commissions received

Save as disclosed in this prospectus, no commissions, discounts, brokerage or other terms were granted in connection with the issue or sale of any capital of any member of our Group within the two years immediately preceding the date of this prospectus.

4. Disclaimers

Save as disclosed in this prospectus:

(a) none of our Directors or chief executive of our Company has any interests and short positions in the shares, underlying shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he has taken or deemed to have taken 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 will be required, pursuant to the Model Code for Securities Transactions by Directors and Listed Companies to be notified to our Company and the Stock Exchange, once the Shares are listed on the Stock Exchange;

(b) so far as is known to any Director or chief executive of our Company, no person has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group;

(c) none of our Directors nor any of the persons listed in "— D. Other Information — 6. Qualification of Experts" has any direct or indirect interest in our promotion, or in any assets which have, within the two years immediately preceding the issue of this prospectus, been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;

(d) none of our Directors nor any of the parties listed in "— D. Other Information — 6. Qualification of Experts" is materially interested in any contract or arrangement with the Group subsisting at the date of this prospectus which is unusual in its nature or conditions or which is significant in relation to the business of the Group as a whole;

(e) save in connection with the Underwriting Agreements, none of the persons listed in "— D. Other Information — 6. Qualification of Experts" below has any shareholding in any member of the Group or right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and

(f) save as contemplated under the Underwriting Agreements, none of our Directors or their respective close associates (as defined under the Listing Rules) or any Shareholders who are interested in more than 5% of our issued share capital of the Company has any interest in our five largest suppliers or our five largest customers;

(g) none of the Directors is interested in any business (other than the business of our Group) which competes or is likely to compete, directly or indirectly, with our business.

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.

2. Litigation

As of the Latest Practicable Dare, we were not engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened by or against us, that would have a material adverse effect on our results of operations or financial conditions.

3. Joint Sponsors

The Joint Sponsors have 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 Shares in issue, the Shares to be issued pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the share options granted under the Pre-IPO Share Option Plan). All necessary arrangements have been made to enable such Shares to be admitted into CCASS. Each of the Joint Sponsors satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. Each of the Joint Sponsors is entitled to a fee of US$300,000 for acting as our sponsor in connection with the Global Offering.

4. Preliminary Expenses

The preliminary expenses of our Company are approximately US$7,092.92 and are payable by us.

5. Taxation of holder of Shares

(a) Hong Kong

The sale, purchase and transfer of 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 or, if higher, of the value of the Shares being sold or transferred. Profits from dealings in the shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) Cayman Islands

Under present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfers of Shares if they are executed and remain outside the Cayman Islands and the Company does not hold any interest in land in Cayman Islands.

(c) PRC

We may be treated as a PRC resident enterprise for PRC EIT purposes as described in "Risk Factors — Risks Relating to Conducting Business in China — We may be deemed to be a PRC resident enterprise under the Enterprise Income Tax Law and our global income may be subject to Chinese corporate withholding tax under the Enterprise Income Tax Law." In that case, distributions to our Shareholders may be subject to PRC withholding tax and gains from dispositions of our Shares may be subject to PRC tax. See "Risk Factors — Risks Relating to Conducting Business in China — Dividends payable by us to our foreign investors and gains on the sale of our Shares may become subject to withholding taxes under Chinese tax laws."

(d) Consultation with professional advisors

Potential investors in the Global Offering are urged to consult their professional tax advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, and dealing in our shares (or exercising rights attached to them). None of us, the Selling Shareholder, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors 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. Qualification of Experts

The following are the qualifications of the experts (as defined under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) who have given opinions or advice which are contained in this prospectus:

	Name	Qualification
1	Goldman Sachs (Asia) L.L.C.	Licensed corporation to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities as defined under the SFO
2	CLSA Capital Markets Limited	Licensed corporation to conduct Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO

	Name	Qualification
3	Merrill Lynch Far East Limited	A licensed corporation to conduct Type 1 (dealing in securities), Type 2 (dealing in future contracts), Type 4 (advising on securities) and Type 6 (advising on corporate finance) of the regulated activities as defined under the SFO
4	Ernst & Young	Certified public accountants
5	Tian Yuan Law Firm	PRC Legal Advisors
6	Maples and Calder (Hong Kong) LLP	Cayman Islands legal advisors
7	China Insights Industry Consultancy Limited	Industry consultant

7. Consent of Experts

Each of the experts whose names are set out in paragraph 6 above has given and has not withdrawn its consent to the issue of this prospectus with the inclusion of its report and/or letter and/or legal opinion (as the case may be) and references to its name included herein in the form and context in which it respectively appears.

None of the experts named above has 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 our Company or any of our subsidiaries.

8. Promoters

Our Company has no promoter for the purpose of the Listing Rules. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to the promoters named above in connection with the Global Offering and the related transactions described in this prospectus.

9. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance on the exemption provided in Section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

10. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, 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 in so far as applicable.

11. Particulars of the Selling Shareholder

The particulars of the Selling Shareholder are set out as follows:

Name	Description	Address	Maximum number of Shares offered for sale assuming full exercise of the Over-allotment Option
Keyhole Holding Limited	an exempted company incorporated under the laws of the Cayman Islands on December 29, 2017, an affiliate of TPG Capital	PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands	33,809,500

12. No Material Adverse Change

Our Directors confirm that, save as disclosed in this there has been no material adverse change in the financial or trading position or prospects of our Group since December 31, 2019 (being the latest date to which the latest audited combined financial statements of our Group were prepared).

13. Miscellaneous

(a) Save as disclosed in this prospectus:

(i) within the two years immediately preceding the date of this prospectus, no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;

(ii) within the two years immediately preceding the date of this prospectus, no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) within the two years immediately preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries;

(iv) within the two years immediately preceding the date of this prospectus, no commission has been paid or payable (except commission to sub-underwriters) to any persons for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares of our Company or any of our subsidiaries;

(v) no founder, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued;

(vi) there is no arrangement under which future dividends are waived or agreed to be waived.

(b) Our Directors confirm that there has not been any interruption in the business of our Company which may have or have had a material adverse effect on the financial position of our Company in the 12 months immediately preceding the date of this prospectus.

(c) Our Directors confirm that our Company has no outstanding convertible debt securities or debentures.

(d) the Hong Kong register of members of our Company will be maintained in Hong Kong by Computershare Hong Kong Investor Services Limited. All necessary arrangements have been made to enable the Shares to be admitted to CCASS.

(e) No Company within our Group is presently listed on any stock exchange or traded on any trading system.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

(a) a copy of each of the **WHITE, YELLOW** AND **GREEN** Application Forms;

(b) the written consents referred to in "Appendix IV — Statutory and General Information — D. Other information — 7. Consent of experts";

(c) a copy of each of the material contracts referred to in "Appendix IV — Statutory and General Information — B. Further Information about Our Business — 1. Summary of Material Contracts"; and

(d) the statement of particulars of the Selling Shareholder referred to in "Appendix IV — Statutory and General Information — D. Other Information — 11. Particulars of the Selling Shareholder".

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the Company's principal place of business in Hong Kong at 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) the Memorandum and Articles of Association of the Company;

(b) the Accountants' Report prepared by Ernst & Young, the text of which is set out in "Appendix I — Accountants' Report";

(c) the audited financial statements of the companies comprising our Group for the three years ended December 31, 2017, 2018 and 2019;

(d) the report on unaudited pro forma financial information of our Group from Ernst & Young, the text of which is set out in "Appendix II — Unaudited Pro Forma Financial Information";

(e) the PRC legal opinions issued by Tian Yuan Law Firm, our PRC Legal Advisors in respect of general matters and property interests of our Group in the PRC;

(f) the letter of advice from Maples and Calder (Hong Kong) LLP, the legal advisor to the Company as to the law of the Cayman Islands, summarizing certain aspects of the Cayman Companies law referred to in "Appendix III — Summary of our Constitution and Cayman Islands Company Law";

(g) the industry report prepared by CIC;

(h) the material contracts referred to in "Appendix IV — Statutory and General Information — B. Further Information about Our Business — 1. Summary of Material Contracts";

(i) the written consents referred to in "Appendix IV — Statutory and General Information — D. Other Information — 7. Consent of Experts";

(j) the service contracts or letters of appointment referred to in "Appendix IV — Statutory and General Information — C. Further Information about Our Directors and Substantial Shareholders — 1. Directors — (ii) Particulars of service agreements and letters of appointment";

(k) the Cayman Companies Law;

(l) the statement of particulars of the Selling Shareholder;

(m) the terms of the Pre-IPO Share Option Plan and the list of grantee; and

(n) the terms of the RSU Plan.

康基医疗控股有限公司
Kangji Medical Holdings Limited