Post Hearing Information Pack of

Rainmed Medical Limited
潤邁德醫療有限公司

(Incorporated in the Cayman Islands with limited liability)

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Rainmed Medical Limited
潤邁德醫療有限公司

(Incorporated in the Cayman Islands with limited liability)

[REDACTED]

Number of [REDACTED] under the [REDACTED]	**:**	**[REDACTED] Shares (subject to the [REDACTED])**
Number of [REDACTED]	**:**	**[REDACTED] Shares (subject to reallocation)**
Number of [REDACTED]	**:**	**[REDACTED] Shares (subject to reallocation and the [REDACTED])**
Maximum [REDACTED]	**:**	**HK$[REDACTED], plus brokerage fee of 1%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.005% and FRC transaction levy of 0.00015% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	**:**	**HK$0.0001 per Share**
[REDACTED]	**:**	**[REDACTED]**

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[REDACTED]

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[**REDACTED**]

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[**REDACTED**]

EXPECTED TIMETABLE

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[**REDACTED**]

EXPECTED TIMETABLE

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SUMMARY

This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you. You should read this document in its entirety before you decide to invest in the* [REDACTED]*. There are risks associated with any investment. Some of the particular risks in investing in the* [REDACTED] *are set out in "Risk Factors" of this document. You should read that section carefully before you decide to invest. In particular, we are a biotechnology company seeking to* [REDACTED] *on the* [REDACTED] *of the* [REDACTED] *under Chapter 18A of the Listing Rules on the basis that we are unable to meet the requirements under Rule 8.05(1), (2) or (3) of the Listing Rules. There are unique challenges, risks and uncertainties associated with investing in companies such as ours.

OVERVIEW

Founded in 2014, we are a China-based medical device company, with our current focus on the design, development and commercialization of coronary angiography-derived fractional flow reserve system ("**caFFR System**") and coronary angiography-derived index of microvascular resistance system ("**caIMR System**"). Our Core Products, caFFR System and caIMR System, are innovative medical devices used to evaluate the severity of myocardial ischemia arising from coronary artery stenosis and microvascular dysfunction, which are the underlying causes of coronary artery diseases ("**CAD**"). They are designed to eliminate the usage of pressure wires, significantly reduce the risk of technical errors and operation time, and improve physiological assessment. These two systems are currently utilized singularly for precision diagnosis of CAD. As fractional flow reserve ("**FFR**") measures the macro-circulation of arteries which account for 5% of all arteries and index of microcirculatory resistance ("**IMR**") measures the micro-circulation of arteries which account for 95% of all arteries, therefore, using a combination of IMR and FFR can provide a comprehensive evaluation on coronary circulation status of CAD patients. These two systems are expected to form the center and crucial modules for our future vascular interventional surgical robots.

Our caFFR System has obtained both certificates of CE Mark in Europe and NMPA approval in China. With the high accuracy rate of over 95% and convenient operation process that takes less than five minutes, our caFFR System has become a leading domestic FFR measurement product and is currently competing closely with an international leading medical device company for the national leader position in FFR measurement market in China, according to CIC. We plan to expand the indication of our caFFR System from the current scope (covering patients with stable angina pectoris, unstable angina pectoris and post-acute phase of myocardial infarction) to further cover patients experiencing acute ST segment elevation myocardial infarction ("**STEMI**"), acute Non-ST segment elevation myocardial infarction ("**NSTEMI**") and heart failure with preserved ejection fraction ("**HFpEF**"). In addition, we are also developing our caIMR System, which is the only less-invasive IMR measurement product having completed a confirmatory clinical trial globally and is expected to become the first less-invasive IMR system approved for commercialization globally,

according to CIC. Building on our caFFR System and caIMR System, we aim to launch our vascular interventional surgical robot, a one-stop hybrid procedure, that can be carried out for diagnostic and therapeutic purposes by connecting and integrating all our clinical applications, to automate the whole process of percutaneous coronary intervention ("**PCI**") by 2024.

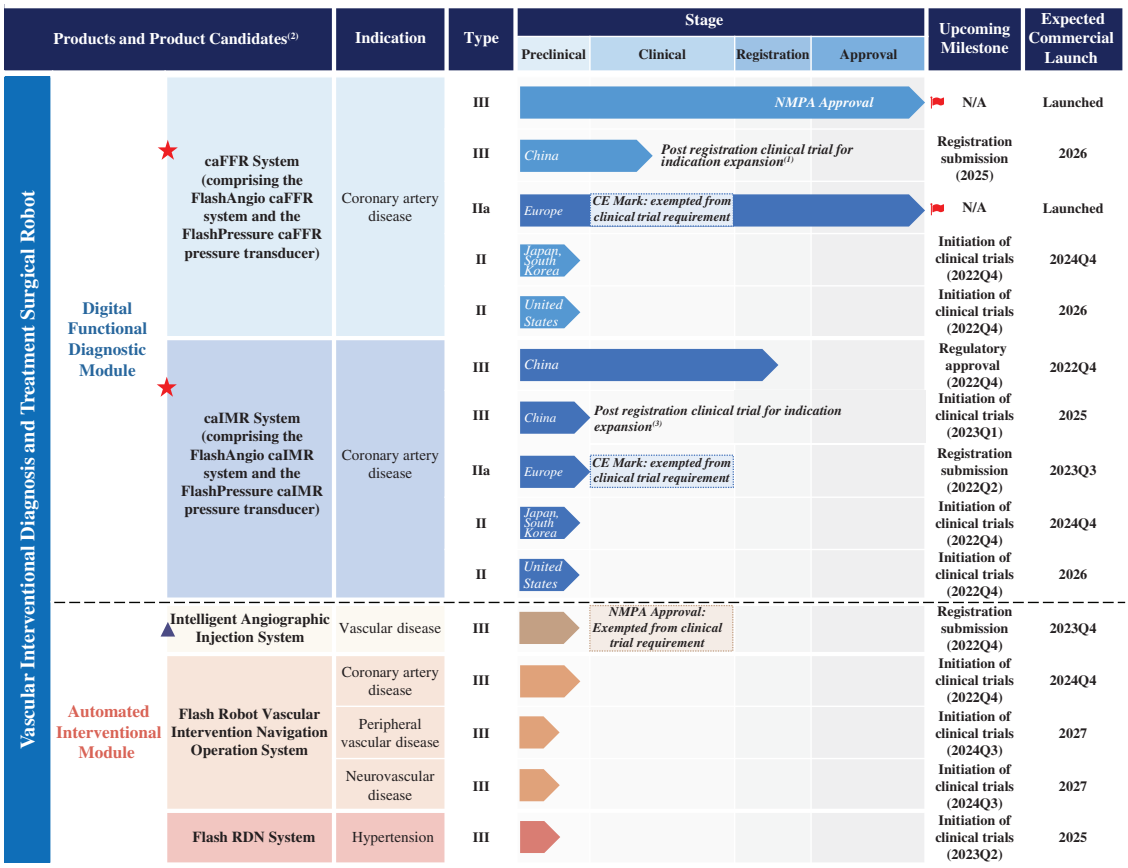
WE MAY NOT BE ABLE TO SUCCESSFULLY DEVELOP AND/OR MARKET OUR CAFFR SYSTEM AND CAIMR SYSTEM, INCLUDING THE EXPANSION OF THE INDICATION OF OUR CAFFR SYSTEM.

We are deeply rooted in precision diagnosis for CAD in China, which is an underpenetrated market. Among all the precision diagnostic methods, FFR, a physiological functional parameter, is an important precision diagnosis measurement to assess the functional significance of coronary artery stenosis that is strongly recommended by multiple authorities globally, including the European Society of Cardiology and the Chinese Society of Cardiology, to guide PCI together with coronary angiography ("**CAG**"). Despite the high prevalence of CAD and the benefits of precision diagnostic methods, however, the penetration rate of FFR is rather low, leaving the market underpenetrated. According to CIC, in 2020, the number of FFR measurement procedures performed per million CAD patients was approximately 800, and the penetration rate of FFR measurement procedures among all patients receiving CAG was 0.4% in China, as compared to approximately 16,300 and 22.5% in the U.S., respectively. This low penetration rate in China is expected to reach 22.5% in 2030, according to CIC. One particular reason for the current low penetration of FFR measurement in China is the inefficiency and complexity of the conventional pressure wire-based approach. According to CIC, each Chinese cardiologist performs approximately four times the number of CAG each day as compared to U.S. cardiologists, and the conventional FFR measurement, which takes 15-30 minutes to complete, significantly limits Chinese cardiologists' capability to perform time-consuming wire-based diagnosis procedures. In comparison, FFR measurement can be completed within five minutes using our caFFR System, at a high accuracy rate of over 95%. When calculating accuracy rates, the results of wire-free measurement (including FFR) are compared with the results of wire-based measurement, which is considered as the reference measurement standard with a theoretical 100% accuracy rate given it remains the gold standard in guiding the decision to proceed with PCI.

IMR is a quantitative method to assess the microvascular function of blood vessels, and is used to identify effective adjunctive treatment to reduce microcirculatory dysfunction and improve future prognosis after PCI. According to CIC, up to 70% of patients receiving CAG have microvascular dysfunction, and thus are in need of IMR measurement. However, it has been impossible to obtain a precise measurement of IMR without invasive procedures thus far, which makes IMR measurement time-consuming and unstable due to the complexity of the operation. Our caIMR System is an innovative and less-invasive product that is designed to address these shortcomings in the diagnosis of microcirculation disorders. It achieved a high evaluation accuracy of 84.2% in the feasibility clinical trial and 93.8% in the confirmatory clinical trial. Our caIMR System can significantly reduce the measurement time of IMR and diagnosis of coronary microvascular diseases ("**CMVD**") to less than five minutes on average compared with 40-60 minutes in wire-based IMR measurements.

OUR PRODUCTS AND PRODUCT CANDIDATES

We adopt a self-development business model, with all the key technologies used in our products and product candidates developed in-house. To capitalize on the market opportunity of precision diagnosis and treatment and to fulfill the unmet medical needs, we have developed a product pipeline covering digital functional diagnosis and automated interventional operation. We have successfully developed and commercially launched our caFFR System which comprises a console (the FlashAngio caFFR system) and its proprietary consumable (the FlashPressure caFFR pressure transducer). We are also expanding the indications of our caFFR System and developing four other product candidates, including our caIMR System which comprises a console (the FlashAngio caIMR system) and its proprietary consumable (the FlashPressure caIMR pressure transducer), Intelligent Angiographic Injection System, Flash Robot Vascular Intervention Navigation Operation System and Flash Renal Denervation ("**RDN**") System. The following chart summarizes the development status of our products and product candidates as of the Latest Practicable Date.



★ Core Product

▲ This device is exempted from clinical trial requirements in accordance with the Catalogue of Medical Devices Exempted from Clinical Evaluation (《免於臨床評價醫療器械目錄》) promulgated by the NMPA.

Notes:

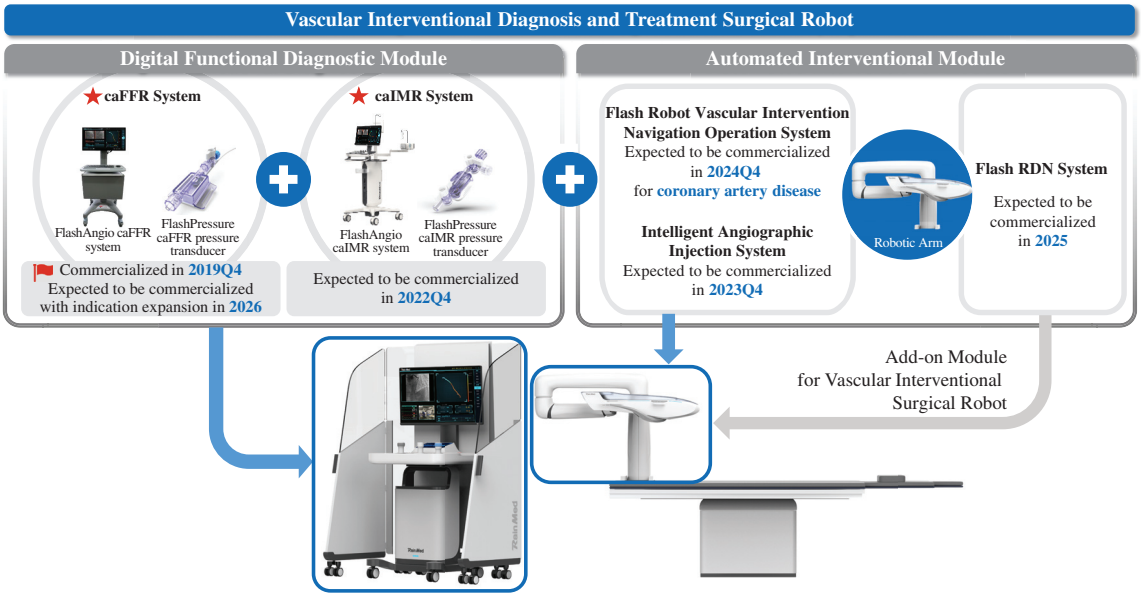
(1) Indication expansion includes acute STEMI, acute NSTEMI and HFpEF.

(2) We have global commercial rights for all of our products and product candidates.

(3) Indication expansion includes STEMI immediately after successful revascularization of targeted vessels.

SUMMARY

With our caFFR System and caIMR System to function as the center and crucial diagnostic modules, it is our ultimate mission to produce industry-leading vascular interventional surgical robots that are equipped with the full-suite functionalities of angiography imaging, functional precision diagnosis and operation navigation, and surgical operation that can be applied to different vascular disease areas including coronary artery and hypertension. Below is our roadmap to build vascular interventional surgical robots in the next few years.



Vascular Interventional Surgical Robot is a one-stop hybrid procedure that can be carried out for diagnostic and therapeutic purposes by connecting and integrating all our clinical applications
Expected to be launched in **2024Q4**

caFFR System – Our Core Product

Our caFFR System is a less-invasive physiological assessment of coronary artery ischemia severity based on CAG images, and it is indicated for monitoring real-time aortic pressure in all stages of the cardiac cycle and assessing various physiological parameters for patients with stable angina pectoris, unstable angina pectoris and acute myocardial infarction (at least seven days after myocardial infarction). Our caFFR System is a Class III medical device under the classification criteria of the NMPA.

We are among the first to have commercially-launched coronary angiography-derived FFR systems in China as we see great market potential in FFR systems. Our proprietary caFFR System achieves an accuracy rate of 95.7%, which is the highest accuracy rate among all domestic FFR measurement products. According to numerous prevalent guidelines, CAD patients with FFR >0.80 are better treated with conservative medication, while CAD patients with FFR ≤0.80 are better treated with PCI. However, substantially all PCI procedures in China are guided only by CAG without physiology evaluation of FFR. Such approach relies on physicians' credentials and experience in determining the degree of coronary artery stenosis with CAG alone. As a result, there is a high probability of misdiagnosis and overtreatment. According to CIC, over 30% of the CAD patients with moderate stenosis are being ignored or

fail to receive necessary intervention treatment; while approximately 20% of patients with severe stenosis are excessively treated with interventional procedures. Therefore, FFR has become widely recommended by global and domestic guidelines for the diagnosis of myocardial ischemia and PCI treatment because of its superior accuracy in diagnosis when compared to CAG alone.

FFR is traditionally measured using a pressure wire. The use of wire-guided FFR measurement remains the gold standard in guiding the decision to proceed with PCI in eligible patients and is considered as the reference measurement standard with a theoretical 100% accuracy rate. However, the conventional wire-based FFR systems suffer from several shortcomings, including unstable measurement, risk of complications, and long operation time.

Currently, we expect to primarily compete with FFR measurement products manufactured by domestic brands (including the peer company manufacturing FFR measurement product with microcatheter), and will focus on demonstrating to users the advantages of our caFFR System in terms of accuracy rate, product designs, technical features, pricing model, patients' out-of-pocket expenses and reimbursement coverage. As compared with other domestic FFR measurement products, we believe that the retail price of our caFFR System will not affect the market demands for our products as our caFFR System is more time-efficient (namely, convenient operation process that takes less than five minutes) with a better accuracy rate. In addition, our consumables offer competitive prices, which is approximately RMB2,000 to RMB5,000 lower than the price of microcatheters. The price advantage in consumables is expected to increase patients' willingness for using our products since consumables generally are patients' out-of-pocket expenses. In addition, adenosine injections are required while using FFR measurement products with microcatheters, and such extra injections will incur additional costs to patients. By contrast, our caFFR System does not need such extra costs for injections.

Furthermore, we believe our FFR measurement product enjoys advantages in pricing model as compared with FFR measurement products sold primarily based on consoles. Firstly, our sales model consists of sales of consoles as well as sales of consumables. Our recurring revenue generated from selling consumables will contribute to our financial performance in the long run as each patient needs to purchase at least one consumable for his or her FFR measurement procedure; however, for FFR measurement products sold primarily based on consoles, they primarily rely on upfront revenue from the sale of consoles, and to a lesser extent, from the provision of technical services. We believe our product-based sales model will diversify our revenue streams and is more stable in generating recurring revenue in the long run. Secondly, the price of console-based FFR measurement products may be significantly higher than the price of our products, which we believe, to some extent, limits the console-based FFR measurement products' accessibility to hospitals. We believe the competitive prices of our consoles lead to our robust sale performance since commercialization. For instance, our revenue generated from sales of consoles increased significantly from RMB3.8 million in 2020 to RMB23.3 million in 2021 and our revenue generated from sales of consumables increased significantly from RMB2.1 million in 2020 to RMB56.9 million in 2021. Thirdly, we obtained the patient charging price of RMB12,000 for our consumable in 28 provinces and regions among which 15 provinces and regions (such as

Shanghai, Guangdong, Chongqing, Henan, etc.) also included our consumables into the medical insurance reimbursement list. We believe that the inclusion of medical devices into the governmental medical insurance reimbursement list in China will enhance patients' willingness to use our products.

The table below sets forth the competitive landscape of FFR measurement products approved and marketed in China:

Application Stages	Modality Basis	Company Name	Product Name	Category	Less-invasive Assess	Diagnostic Accuracy[1]	Average Procedure Time	NMPA Approval Time	CE Mark	Retail Price RMB[2]	
										Console	Consumables[3]
Intra-operation	CAG-based FFR	Rainmed 潤邁德	caFFR System	Wire Free	√	95.7%	<5min	2019-12-09	2019	340,000~430,000	12,000
		Pulse 博動醫學	QFR System (QFR®)	Wire Free	√	92.4%	<5min	(V1) 2018-07-12 (V2) 2020-12-07	2020	1,900,000 ~4,900,000[3]	N/A
		Insight Lifetech 北芯生命科技	TRUEPHYSIO®	Pressure Microcatheter	×	93.4%	15-30min	2020-09-29	2020	270,000~310,000	13,000~17,000
		Abbott 雅培	PressureWire Certus	Pressure Wire	×	–	15-30min	2013-05-16	2012	300,000~400,000	9,000~12,000
			Pressurewire X Guidewire	Pressure Wire	×	–	15-30min	2019-04-16	2016		
			PressureWire Aeris	Pressure Wire	×	–	15-30min	2013-06-13	2009		
		Philips 飛利浦	Verrata	Pressure Wire	×	–	15-30min	2019-09-29	2013	800,000~1,200,000[4]	11,000~13,000
		Boston Scientific 波士頓科學	COMET	Pressure Wire	×	–	15-30min	2021-05-12	2016	900,000~2,000,000[4]	12,000~13,000
Pre-operation	CTA-based FFR	Keya (CuraCloud) 科亞	DeepVessel FFR®	Wire Free	√	90.8%	<10min	2020-01-14	2018	N/A*	N/A*
		Raysight 睿心	RuiXin-FFR	Wire Free	√	92.0%	<5min	2021-04-14	N/A	N/A*	N/A*
		Heart Century 心世紀	HCPRD001	Wire Free	√	84.9%	1h	2021-07-29	N/A	N/A*	N/A*
		GuanShengYuen 冠生雲	HemoDyna®	Wire Free	√	N/A	<10min	2021-10-20	N/A	N/A*	N/A*
Intra-operation (Post CAG-FFR)	OCT-based FFR	Pulse 博動醫學	OFR® (Coronary Artery OCT Quantitative Flow Ratio System)	Wire Free	√	90%	<5min	2021-11-09	N/A	N/A**	N/A**

Notes:

(1) As conventional wire-based FFR measurement (such as the wire-based products of Abbott, Phillips and Boston Scientific) are considered as the reference standard, it is defined as a diagnostic standard with 100% accuracy rate theoretically. The diagnostic accuracy is calculated comparing with the results of wire-based FFR. Accuracy represents the percentage of true positive results (both true positive and true negative) in the total sample population. The accuracy rate of our caFFR system is calculated based on the cut-off value FFR 0.80.

(2) The pricing information forth herein are provided by CIC, based on the expert interview, public wholesale tender prices of over 15 provinces as well as provincial and territorial government procurement platform of the relevant products in China as of the Latest Practicable Date. The prices of such products may be subject to changes, over which we do not have control.

(3) The price of Pulse's FFR measurement product was based on its business model of primarily selling consoles, and to a lesser extent, from the provision of technical service.

(4) The FFR consoles by Philips and Boston Scientific are all-in-one suit that measure both FFR and IVUS.

* CTA-based FFR measurement products are software-based products, and therefore they are not equipped with console or consumable. According to CIC, the service fee paid by patient per session of CTA-based FFR measurement is approximately RMB1,700 to RMB1,900.

** OCT-based FFR has only been approved recently. The price of the product was not publicly available yet.

Source: NMPA; ClinicalTrials; Expert Interview; Company websites; CIC Analysis

Our caFFR System achieves a high accuracy of 95.7%[(1)], which is the highest among all domestic FFR measurement products, and at the same time significantly shortens operation time and improves safety profile due to its less-invasive nature, according to CIC. The accuracy rate of our wire-free caFFR system is close to the accuracy rate of conventional wire-based FFR measurement products approved in the global market, while exhibiting reduced clinically significant drift (level of drift by the measuring device that exceeds clinically acceptable limits and would require a second measurement of the vessel/lesion) caused by the wire-based FFR measurement products. As of the Latest Practicable Date, we held six material patents and four material patent applications in relation to our caFFR System. Our caFFR System was certified to be eligible for the Special Approval Procedures of Innovative Medical Devices (創新醫療器械特別審查程序) promulgated by the NMPA in April 2018. We commenced the confirmatory clinical trial for our caFFR System in March 2018 and completed such trial in May 2019. We obtained the CE Mark in the EU in September 2019 and started to commercialize our caFFR System in overseas markets (such as the Czech Republic, France and Austria) in October 2019. In addition, we received the registration certificate of Class III medical device from the NMPA in December 2019 and began to commercialize our caFFR System in China in January 2020. For more details of our customers and distribution channels, please refer to the paragraph headed "– Sales and Marketing" in this section and "Business – Sales, Distribution and Marketing" in this document.

As FFR plays an increasingly important role in clinical practice, the global FFR measurement market is expected to grow from approximately USD504.1 million in 2020 to approximately USD1,200.0 million in 2025 at a CAGR of 18.9%, and further increase to approximately USD2,250.7 million in 2030 at a CAGR of 13.4% from 2025 to 2030, according to CIC. Benefiting from the increasing penetration of FFR due to (i) strong clinical evidence and recommendations by multiple guidelines and expert consensus in China and overseas; (ii) technology developments and (iii) growing public awareness, the FFR measurement market in China is expected to grow from RMB78.6 million in 2020 to approximately RMB2,385.7 million in 2025 at a CAGR of 97.9%, and expected to reach approximately RMB5,385.5 million in 2030 at a CAGR of 17.7% from 2025 to 2030. In 2020, the penetration rate of FFR measurement performed along with CAG in China was 0.4%, which was far below 22.5% in the U.S., 17.2% in Japan, and 6.9% in the EU.

Note:

(1) According to CIC, our caFFR System achieves a high accuracy of 95.7%, which is the highest among all domestic FFR measurement products (specifically, the products of Rainmed, Pulse and Insight Lifetech, had an accuracy rate of 95.7%, 92.4%, and 93.4%, respectively), and at the same time significantly shortens operation time and improves safety profile due to its less-invasive nature. The accuracy rate of our wire-free caFFR system is close to the accuracy rate of conventional wire-based FFR measurement products (which is considered as the standard and thus defined to have 100% accuracy rate theoretically), while exhibiting reduced clinically significant drift (level of drift by the measuring device that exceeds clinically acceptable limits and would require a second measurement of the vessel/lesion) caused by the wire-based FFR measurement products. For details, please refer to the competitive landscape of FFR systems in Summary, Business and Industry Overview sections.

Our research and development in relation to our caFFR System has been a continuing effort. We initiated a post-registration clinical trial in China in August 2020 to expand the indication of our caFFR System from its current scope to further cover patients experiencing acute STEMI, acute NSTEMI and HFpEF. For details of our continuing research and development efforts in relation to our caFFR System, please refer to the paragraph headed "Business – Our Products and Product Candidates – caFFR System – Our Core Product – Development Plan" in this document. Further, we intend to apply a portion of the [**REDACTED**] from the [**REDACTED**] to such continuing research and development efforts in relation to our caFFR System. For details, please refer to the paragraph headed "Future Plans and [**REDACTED**]" in this document.

caIMR System – Our Core Product

IMR is a quantitative method to assess the microvascular function of blood vessels, and is used to identify effective adjunctive treatment to reduce microcirculatory dysfunction and improve future prognosis after PCI. IMR can guide the diagnosis and management of patients with CAD without obstructive coronary arteries. Multiple authoritative studies globally have indicated a significant correlation between IMR value and risk for cardiac death or readmission due to heart failure: patients with IMR ≥25 showed significantly higher risk for cardiac death or readmission due to heart failure than those with IMR <25. In addition, as FFR measures the macro-circulation of epicardial arteries which account for 5% of all arteries and IMR measures the microcirculation of pre-arterioles, arterioles and capillaries, which account for 95% of all arteries, therefore, using a combination of IMR and FFR can provide a comprehensive evaluation on coronary circulation status of CAD patients. According to CIC, up to 70% of patients receiving CAG have microvascular dysfunction, and thus are in need of IMR measurement. However, it has been impossible to obtain a precise measurement of IMR without invasive procedures thus far, which makes IMR measurement time-consuming and unstable due to the complexity of the operation. Our caIMR System is an innovative and less-invasive product that is designed to address these shortcomings in the diagnosis of microcirculation disorders. It achieved a high evaluation accuracy of 84.2% in the feasibility clinical trial and 93.8% in the confirmatory clinical trial. Our caIMR System can significantly reduce the measurement time of IMR and diagnosis of CMVD to less than five minutes on average compared with 40-60 minutes in wire-based IMR measurements. Our caIMR System was certified to be eligible for the Special Approval Procedures of Innovative Medical Devices (創新醫療器械特別審查程序) promulgated by the NMPA in April 2022.

We are currently developing our caIMR System, which is the only less-invasive IMR measurement product having completed a confirmatory clinical trial globally and is expected to become the first less-invasive IMR system approved for commercialization globally, according to CIC. Our caIMR System is a Class III medical device under the classification criteria of the NMPA. As of the Latest Practicable Date, we held four material patents and three material patent applications in relation to our caIMR System. In March 2022, we completed the confirmatory clinical trial of our caIMR System in China with 116 subjects enrolled. Subsequently, we submitted the confirmatory clinical trial results of caIMR System to the NMPA for regulatory approval in April 2022. Currently, we expect to obtain NMPA approval for commercialization of our caIMR System in the fourth quarter of 2022.

As the value of IMR in the diagnosis of microcirculation has been continuously identified and more convenient detection methods appear, we expect the IMR measurement market will grow significantly. According to CIC, the potential patient pool of IMR measurement, namely patients receiving CAG and having microvascular dysfunction, reached 9.4 million globally in 2020, and is expected to reach 21.8 million in 2030 at a CAGR of 8.8%. Meanwhile, in China this potential patient pool reached 2.7 million in 2020, and is expected to reach 7.6 million in 2030 at a CAGR of 10.8%. Along with the expected introduction of convenient IMR measurement devices, the market size of IMR measurement in China is expected to increase from approximately RMB24.2 million in 2023 to RMB2,116.3 million in 2030 at a CAGR of 89.4%, and the IMR measurement penetration rate is expected to increase from 0.3% in 2023 to 17.3% in 2030.

In China, the IMR measurement market is still at its early stage of development, and the use of IMR measurement in CAD diagnosis and PCI guidance is currently uncommon. According to CIC, as of the Latest Practicable Date, one IMR product received NMPA approval, namely, PressureWire Certus, a pressure-wire product of Abbott. As of the Latest Practicable Date, there were two IMR product candidates, including our caIMR System that completed the confirmatory clinical trial in China. Based on literatures and interviews from relevant experts, currently the PressureWire Certus by Abbott is mainly for research use in China. The table below illustrates the IMR systems that had been approved or at clinical stage as of the Latest Practicable Date:

Region	Company Name	Product Name	Less-invasive Assess	Category	Average Procedure Time	NMPA Approval Time
China	Rainmed 潤邁德	caIMR	√	Wire Free	<5min	2022-Q4(1)
China	ESCOPE 閱影科技	XAscope	√	Wire Free	Not publicly available yet	N/A(2)
U.S.	Abbott 雅培	PressureWire Certus(3)	×	PressureWire	40-60min	2014-11-14

Notes:

(1) caIMR is expected to receive NMPA approval in the fourth quarter of 2022.

(2) XAscope is expected to complete the clinical trial in December 2022.

(3) The IMR measurement function is an indication expansion of the PressureWire Certus, which is mainly for research use, and its retail price in China is not publicly available yet.

Source: NMPA; ClinicalTrials; Expert Interview; Company websites; CIC Analysis

As the IMR measurement market is still at a nascent stage, we will focus on educating physicians, patients and hospital administrators on the benefits of IMR measurements as well as our advantages in providing less-invasive IMR system. We plan to work closely with influential hospitals and cardiovascular centers in China by sponsoring industry conferences. We also plan to continue providing training to hospitals and physicians to introduce our caIMR System. In particular, to commercialize our caIMR System in Europe and further increase awareness of our products and brand name, we will support our overseas consultants to participate in well-known local conferences for cardiovascular diseases and share our cases through seminars and academic events.

In terms of pricing strategies of our caIMR System, we plan to conduct extensive market research with KOLs, hospitals, physicians and patients as well as consult with regulatory bodies before pricing, and will take into account various factors, such as feedback collected from these parties, our production costs, the estimated demand for our products, and the clinical value we bring to patients. As our caIMR System is expected to be launched in China in the fourth quarter of 2022, we intend to determine the price with reference to that of the then launched comparable products in China, if any. The pricing in overseas markets may vary according to the specific conditions in each territory including, among others, the pricing of multinational competitors in the same markets, and we will conduct extensive market research on the overseas markets where we plan to sell the product to determine the appropriate price for each such market in due course.

Intelligent Angiographic Injection System

Our intelligent Angiographic Injection System is an automated contrast delivery system. It is indicated for controlled administration of radiopaque contrast media and saline while undergoing angiographic procedures. Intelligent Angiographic Injection System provides precision and control through variable-rate adjustments of contrast flow and volume in real-time. Our Intelligent Angiographic Injection System is designed to work with Flash Robot Vascular Intervention Navigation Operation System. As of the Latest Practicable Date, the Intelligent Angiographic Injection System was at its design stage.

Flash Robot Vascular Intervention Navigation Operation System

Flash Robot Vascular Intervention Navigation Operation System is our proprietary robot-assisted platform designed for navigation and operation. We plan to provide a "one-stop hybrid procedure" that can be carried out for diagnostic and therapeutic purposes at the same time in the future. Robotic-assisted operation enables precise measurement of anatomy and device positioning with the added benefit of radiation protection for the physicians. Consisting of a robotic arm and a control unit (including a console and a surgical image navigation system), our Flash Robot Vascular Intervention Navigation Operation System allows physicians to precisely guide a catheter through the patient's blood vessels and further perform the operation. As of the Latest Practicable Date, the Flash Robot Vascular Intervention Navigation Operation System was at its design stage. In February 2022, our Flash Robot Vascular Intervention Navigation Operation System entered into the animal study stage and successfully passed the first animal trial sample.

Flash Renal Denervation ("RDN") System

The Flash RDN System is a catheter-based device designed to use radio frequency to thermally reduce the drive of the sympathetic nervous system. It is a percutaneous procedure that modulates the output of the sympathetic nerves located outside the renal artery walls. Recent studies have shown promising reductions in blood pressure amongst patients with treatment-resistant hypertension by using RDN. As of the Latest Practicable Date, the Flash RDN System was at its design stage.

Building on our caFFR System and caIMR System, we aim to launch our vascular interventional surgical robot, a one-stop hybrid procedure, that can be carried out for diagnostic and therapeutic purposes by connecting and integrating all our clinical applications, to automate the whole process of PCI by 2024. Our vascular interventional surgical robot is not a standalone and separately designed product, while it is expected to connect our products and product candidates with high compatibility. As Flash Robot Vascular Intervention Navigation Operation System will form a key part of our future vascular interventional surgical robot, we plan to complete such integration progressively upon the commercialization of Flash Robot Vascular Intervention Navigation Operation System in 2024.

We believe our vascular interventional surgical robot, which is an automated platform, enjoys several advantages compared with existing market players. Firstly, the market of vascular interventional surgical robots is underpenetrated with high growth rate both in China and worldwide, thereby leaving ample market opportunities for multiple industry players to thrive. Secondly, in China, the market for vascular interventional surgical robots is still at its early developing stage. As of the Latest Practicable Date, no vascular interventional surgical robot had received NMPA approval in China; there was no dominate vascular interventional surgical robot worldwide. Even though CorPath GRX developed by Corindus received both CE Mark and FDA approval in 2016, it does not necessarily translate into an entrenched competitive advantage in China as it has not yet approved by the NMPA. Thirdly, the clinical benefits of our vascular interventional surgical robot are pronounced. Most vascular interventional surgical robot commercialized overseas only cover interventional navigation procedures. In contrast, our automated platform is expected to cover the whole process from diagnosis to treatment, equipped with the full-suite functionalities of angiography imaging, functional precision diagnosis, operation navigation, and surgical operation that can be applied to different vascular disease areas, including coronary artery and hypertension. We believe that our diversified features headlined by our one-stop hybrid procedure, which covers both diagnostic and therapeutic purposes, will enable us to distinguish ourselves from the existing market players. Fourthly, through our commercialization efforts and continued market penetration in China, the degree of market acceptance and recognition will be further enhanced among hospitals and physicians. Leveraging on our caFFR System's encouraging clinical results, physicians will be more likely to adopt our future approved products, which helps us to achieve expeditious commercial adoption as compared with other foreign products that were not yet commercialized in China. Therefore, we believe our vascular interventional surgical robot, a one-stop hybrid procedure, would be competitive as compared to the other robotic products.

OUR STRENGTHS

We believe the following strengths have contributed to our success and differentiated us from our competitors: (i) caFFR System achieves the highest accuracy rate among all domestic FFR measurement products; (ii) potentially the first and the only less-invasive IMR system approved for commercialization globally; (iii) well-prepared and positioned to harvest the market potential of vascular interventional surgical robots and automate the whole process of

PCI including diagnosis and treatment; (iv) deep and long-term collaboration with industry-leading KOLs, PIs, and hospitals; (v) established marketing and distribution network and growing manufacturing capability; (vi) advanced R&D infrastructure and comprehensive intellectual property portfolio and (vii) seasoned senior management team with profound medical device development experience.

OUR STRATEGIES

Leveraging on our strengths, we plan to implement the following strategies to achieve our mission: (i) continue to build differentiated product portfolio and clinical application around vascular interventional surgical robots; (ii) expand our commercialization network and raise awareness of our products and brand in China; (iii) advance our commercialization network overseas and expand our worldwide footprint; (iv) further enhance our comprehensive research and development capabilities; and (v) expand our production capacity and upgrade our production facilities to support our future growth.

RESEARCH AND DEVELOPMENT

Research and Development Infrastructure

Our research and development team develops innovative products focusing on the field of interventional precision diagnosis and treatment. We have a dedicated in-house research and development team of over 100 members primarily based in Suzhou, Jiangsu province, China. The R&D team accounts for around one third of our total employees and is led by Mr. LIU Guangzhi, our chief technology officer, who has over eight years of experience in medical device development and over 15 years of experience in software and algorithm development as well as rich management experience.

Our four research and development platforms include the medical imaging algorithm and application R&D platform, the fluid dynamics simulating calculation platform, the high-performance device R&D platform and the interventional consumables R&D platform. These platforms adhere to in-house development and innovation, capture market demand and actively explore various clinical applications for our products so as to timely upgrade our products and product candidates catering to the market demands. Our platform technologies complement each other and create a synergistic effect for our research and development efforts.

In 2020 and 2021, we incurred research and development expenses of RMB11.8 million and RMB27.0 million, respectively, within which RMB8.6 million and RMB20.7 million, respectively, were for our Core Products. For more details of our research and development expenses, please refer to the paragraph headed "Financial Information – Description of Selected Items of Consolidated Statements of Comprehensive Income – Research and Development Expenses" in this document. We intend to expand and improve our product portfolio by strengthening our research and development of new products and improving our existing products and product candidates.

We also actively explore opportunities to work with leading medical technology companies and investment management companies. We have entered into framework agreements with Ping An Capital and Hanxiputai relating to future cooperation on research and development, academic communication, training and marketing promotion.

Intellectual Property

As part of our path to achieve global competitiveness, we have strategically designed our IP portfolio corresponding to our pipeline development, geographical expansion and indication expansion strategies, and have established intellectual property entry barriers for other competitors. As of the Latest Practicable Date, we had (i) 81 approved patents, including 79 approved in China, one approved in the U.S. and one approved in Japan; (ii) 145 pending patent applications, including 106 in China and 39 overseas; (iii) 36 active PCT patent applications; (iv) 269 registered trademarks; and (v) 10 registered software copyrights. As of the same date, we held (i) six material patents and four material patent applications in relation to our caFFR System and (ii) four material patents and three material patent applications in relation to our caIMR System. During the Track Record Period and up to the Latest Practicable Date, we were not involved in any material proceedings in respect of intellectual property right infringement claims against us or initiated by us. For details, please refer to the paragraph headed "Business – Intellectual Property" in this document.

Relationships With CROs, SMOs and KOLs

We collaborate with CROs and SMOs in our clinical trials. When selecting CROs and SMOs, we consider a number of factors, including their expertise, experience and reputation. The CROs and SMOs must comply with all applicable laws and regulations as well as follow our protocols to ensure that all clinical trial results are accurate and authentic. We provide the CROs and SMOs with their required materials and information and are responsible for the preparation of test devices. We own all intellectual property and trial results and the CROs and SMOs must maintain strict confidentiality with respect to the information they acquire during clinical trials. The CROs and SMOs are obligated to keep all non-public information and data from the trials confidential. For details, please refer to the paragraph headed "Business – Research and Development – Relationships With CROs and SMOs" in this document.

We have also invited industry-leading KOLs to participate in our product design and clinical trials to raise the awareness of, and confidence in, our products. These KOL advisors include: (i) Dr. GE Junbo, an academician of the Chinese Academy of Sciences and the chief of the cardiology department in the Zhongshan Hospital of Fudan University; (ii) Dr. HUO Yong, a chief physician of Peking University First Hospital; (iii) Dr. XU Yawei, the chief of the cardiology department of Tenth People's Hospital of Shanghai; (iv) Dr. William Fearon, a professor of cardiovascular medicine and a director of Interventional Cardiology at Stanford University Medical Center; and (v) Dr. Joo Myung LEE, an interventional cardiologist in Samsung Medical Center of Korea. For details, please refer to the paragraph headed "Business – Research and Development – Relationships With PIs and KOLs" in this document.

SALES AND MARKETING

We have a proven track record in commercializing our Core Product, caFFR System. Supported by our effective and extensive sales and marketing activities as well as sales network through distributors, our revenue increased from RMB6.1 million in 2020 to RMB81.2 million in 2021; our caFFR Systems were sold to and installed at over ten hospitals through three distributors and one sub-distributor in 2020 to over 130 hospitals through 79 distributors and 18 sub-distributors in 2021. Currently, most of our revenue was generated in China.

Consistent with the industry practice, we sell our caFFR Systems to distributors in China and overseas, which then sell these devices to hospitals directly or through sub-distributors to the extent permitted by applicable laws and regulations. To manage and promote our product sales in China and overseas, we established an in-house sales and marketing team consisting of 113 employees as of the Latest Practicable Date. Our sales team is led by our executive Director and joint chief executive officer, Mr. LYU Yonghui, who has over 20 years of technology development and sales experience in the medical device industry and led the successful and rapid commercialization of our caFFR System. Our in-house sales and marketing team focuses on the selection of distributors, management of our distributor network, regular interactions with physicians and KOLs and offering training programs. Our sales were made through distributors. Our distribution network included 123 domestic distributors who are authorized by us to cover over 1,000 hospitals across 21 provinces, four autonomous regions and four municipal cities in China as of the Latest Practicable Date. In addition, we have and will continue to establish collaborative long-term relationships with distributors that have strong local knowledge and reputation. In particular, we entered into strategic framework agreements with two large nationwide distributors in China, China Resources Pharmaceutical and Jointown Pharmaceutical, in October 2021 to strengthen our relationship and cooperation. We believe that our network of strong local distributors can greatly facilitate the distribution of our products, particularly those located in county level districts.

Our commercialization efforts are well supported by our growing manufacturing capability. As of the Latest Practicable Date, we had two manufacturing facilities located in Suzhou, Jiangsu province, China, including one principal manufacturing facility with an aggregate floor area of 1,019 sq.m. in operation and another under construction with an aggregate floor area of 5,143 sq.m. Our principal manufacturing facility is and the other one under construction will be in compliance with the GMP for medical devices in China. Once our two facilities are put into full operation, it is expected to be able to produce 11,375 units of consoles as well as 1,130,765 units of pressure transducers (disposable consumables) each year. The console and the single-use pressure transducer can be used for assembling our caFFR System and caIMR System.

Pricing Strategy

When determining the price of our products sold to distributors, we conduct extensive market research with KOLs, hospitals, physicians and patients as well as regulatory bodies before pricing our products and take into account various factors such as feedback collected from these parties, the prices of competing products, our costs and differences in features between our products and competing products, and the estimated demands for our products. If the PRC government issues price guidance for caFFR system, the prices of our products may be negatively affected. According to CIC, our caFFR System is not expected to be covered by the centralized procurement regime in the short-to-mid-term, which is common among competing products (including other alternative FFR measurement products, either wire-guided or non-wire-guided, and other FFR measurement products with different imaging modalities) in the market. Furthermore, we may need to lower the prices of our products in order to have them included in the medical insurance reimbursement list, and such price cut and reimbursement may not necessarily lead to increase in our sales and our results of operations may be adversely affected. As of the Latest Practicable Date, we obtained the patient charging price of RMB12,000 for our FlashPressure caFFR pressure transducer in 28 provinces and regions among which 15 provinces and regions (such as Shanghai, Guangdong, Chongqing, Henan, etc.) also included our FlashPressure caFFR pressure transducer into the medical insurance reimbursement list. According to CIC, among our competing products, the consumables of CAG based FFR measurement products are covered by the medical insurance reimbursement list by about ten provinces and regions. For details, please refer to the paragraph headed "Risk Factors – Risks Relating to Commercialization and Distribution of Our Products – Our sales may be affected by the level of medical insurance reimbursement patients receive for using our products" in this document.

Our caFFR System comprises a console (FlashAngio caFFR system) and its proprietary consumable (FlashPressure caFFR pressure transducer). The retail price of our caFFR System generally remains the same each year. The retail price of the FlashAngio caFFR system ranges from RMB340,000 to RMB430,000 per unit and the retail price of FlashPressure caFFR pressure transducer is RMB12,000 per unit. FlashAngio caFFR system and FlashPressure caFFR pressure transducer are registered under two separate registration certificates issued by the NMPA. For an initial sale, we generally sell caFFR Systems in bundle – with one FlashAngio caFFR System and several FlashPressure caFFR pressure transducers. As the FlashPressure caFFR pressure transducers are single-use disposable consumables, following the initial sale, our customers may purchase FlashPressure caFFR pressure transducers separately. We believe the recurring revenue generated from selling consumables will contribute to our financial performance in the long run as each patient needs to purchase at least one consumable for his or her FFR measurement procedure. In addition, we provide installation and training services that are bundled together with the sale of products. In 2020 and 2021, our average installation and training service fee was approximately RMB9,400 and RMB8,800, respectively. For our caIMR System, we plan to adopt a similar selling scheme as our caFFR System.

We determined the price of our caFFR System not only with reference to the up-to-date prices of other comparable FFR measurement products, but also considering the following factors: (i) our caFFR System is an innovative FFR measurement system obtaining both certificates of CE Mark and NMPA approval in China; (ii) as compared with competing FFR measurement products, our caFFR System has demonstrated advantages in various aspects. As compared with the conventional wire-based FFR measurement products, our caFFR System is time efficient as it shortens the operation time to less than five minutes. Furthermore, as an less-invasive measurement approach, our caFFR System is more operator-friendly as it avoids piercing into patients' lesion and instead calculates the FFR value by the computational fluid dynamics algorithm from the real-time images, making the measurement procedure easy for nurses or technicians. Wire-based FFR systems, on the other hand, requires physicians to perform the procedure by passing through a patient's lesion, which relies on the skills and experience of physicians and leaves the accuracy of the measurement uncertain. As compared with physicians, participation of nurses and technicians also improves the accessibility and market acceptance of our caFFR System. Additionally, our caFFR measurement incurs no extra incision and does not need to be used with invasive pressure wire after the CAG, the less-invasiveness provides our caFFR System with favorable safety profile. The accuracy rate of our wire-free caFFR system is close to the accuracy rate of conventional wire-based FFR measurement products approved in the global market, while exhibiting reduced clinically significant drift (level of drift by the measuring device that exceeds clinically acceptable limits and would require a second measurement of the vessel/lesion) caused by the wire-based FFR measurement products. As compared with other domestic FFR systems, our caFFR System has an accuracy rate of 95.7%, which is the highest among all domestic FFR measurement products.

The sales performance of our caFFR Systems has also demonstrated its strong market penetration capabilities and potentials. In 2020 and 2021, sales of our caFFR Systems amounted to RMB5.9 million and RMB80.2 million, respectively.

CUSTOMERS AND SUPPLIERS

Our Customers

During the Track Record Period, substantially all of our revenue was generated from the sales of our caFFR System and related installation and training services. We launched our caFFR System in October 2019. In 2020 and 2021, sales to our five largest customers were RMB4.9 million and RMB31.0 million, representing 79.6% and 38.2% of our total revenue in each year, respectively. In 2020 and 2021, sales to our largest customer were RMB2.9 million and RMB11.7 million, representing 48.3% and 14.4% of our revenue in each year, respectively.

Our Suppliers and Raw Materials

In 2020 and 2021, purchases from our five largest suppliers accounted for 32.4% and 50.6% of our total purchases for the same year, respectively, and purchases from our largest supplier in each year accounted for 12.8% and 26.6% of our total purchases for the same year, respectively. During the Track Record Period, our suppliers mainly comprised raw material suppliers, equipment and facility providers and other professional service providers.

SUMMARY HISTORICAL FINANCIAL INFORMATION

This summary of key financial information set forth below has been derived from, and should be read in conjunction with, our consolidated audited financial statements, including the accompanying notes, set forth in the Accountant's Report set out in Appendix I to this document, as well as the information set forth in the section headed "Financial Information."

Our Consolidated Statements of Comprehensive Income

The table below sets forth the components of our consolidated statements of comprehensive income for the years indicated:

	Year Ended December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
Revenue	6,097	81,199
– Sales of FlashAngio caFFR system	*3,843*	*23,335*
– Sales of FlashPressure caFFR pressure transducer	*2,096*	*56,909*
– Installation and training services	*158*	*955*
Cost of sales	(837)	(12,167)
Gross profit	5,260	69,032
Research and development expenses	(11,826)	(26,970)
Selling expenses	(17,934)	(70,120)
General and administrative expenses	(11,739)	(115,206)
Net impairment reversal/(losses) of impairment on financial assets	70	(6)
Other income	3,490	447
Other gains, net	320	45
Operating loss	(32,359)	(142,778)
Finance costs, net	(349)	(2,047)
Fair value loss of financial liabilities	(118,250)	(493,864)

	Year Ended December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
Loss before income tax	(150,958)	(638,689)
Income tax credit	5,718	5,043
Loss for the year	(145,240)	(633,646)
Loss attributable to:		
Owners of the Company	(145,240)	(633,645)
Non-controlling interests	–	(1)
	(145,240)	(633,646)

Non-HKFRS Measures

To supplement our consolidated statements of comprehensive income which are presented in accordance with the Hong Kong Financial Reporting Standards ("**HKFRSs**"), we also use adjusted net loss as a non-HKFRS measure, which is not required by, or presented in accordance with, HKFRS. We believe that the presentation of non-HKFRS measure when shown in conjunction with the corresponding HKFRS measures provides useful information to investors and management in facilitating a comparison of our operating performance from year to year by eliminating potential impacts of certain non-cash or other expenses that do not affect our ongoing operating performance, including fair value loss of financial liabilities, share-based payment expenses and [**REDACTED**]. Fair value loss of financial liabilities represents the changes in fair value of the preferred shares in relation to our Series Angel-1, Series Angel-2, Series A+, Series B, Series C-1, Series C-2 and Series D Preferred Shares, and that is a non-cash item and pertains to financial instruments that will cease upon the [**REDACTED**]. Share-based payment expenses are non-cash expenses arising from share awards and Pre-[**REDACTED**] Share Option Scheme granted to certain general management personnel and employees, which are commonly not included in similar non-HKFRS measures adopted by other companies in our industry. [**REDACTED**] are expenses in relation to the [**REDACTED**] and the [**REDACTED**] and commonly not included in similar non-HKFRS measures. The non-HKFRS measure is used by our management as an additional measure of our operating performance and to compare our operating performance with peer companies. We believe that this measure provides useful information to investors to understand and evaluate the Group's consolidated results of operations in the same manner as it helps our management. The use of the non-HKFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for or superior to analysis of, our results of operations or financial condition as reported under HKFRS. In addition, the non-HKFRS financial measure may be defined differently from similar terms used by other companies and therefore may not be comparable to similar measures presented by other companies.

The following table shows reconciliation of net loss for the year to our adjusted net loss for the years indicated:

	Year Ended December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
Loss for the year	(145,240)	(633,646)
Add:		
Fair value loss of financial liabilities	118,250	493,864
Share-based payment expenses	–	67,171
[REDACTED]	–	**[REDACTED]**
Adjusted net loss for the year (unaudited)	(26,990)	**[REDACTED]**

During the Track Record Period, we only started to generate revenue after the commercialization of our caFFR System in October 2019. For the years ended December 31, 2020 and 2021, we recorded revenue of RMB6.1 million and RMB81.2 million, respectively. The sales of our caFFR System in China accounted for 94.9% and 99.5% of total revenue in 2020 and 2021, respectively, and the remainings were generated from overseas markets, especially Europe. We incurred net losses of RMB145.2 million and RMB633.6 million for the years ended December 31, 2020 and 2021, respectively, primarily due to (i) a significant increase in fair value loss of financial liabilities mainly as a result of the increase in the fair value of our Preferred Shares in line with the increase of the Group's valuation in 2021 and (ii) significant increases in general and administrative expenses and selling expenses mainly as a result of the share awards we granted in 2021. For more details, please refer to the paragraph headed "Financial Information – Description of Selected Items of Consolidated Statements of Comprehensive Income" in this document.

Selected Items of Our Consolidated Statements of Financial Position

The following table sets forth selected items from our consolidated balance sheets as of the dates indicated:

	As of December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
ASSETS		
Non-current assets		
Property, plant and equipment	5,123	28,870
Right-of-use assets	12,459	14,327
Intangible assets	16	244
Deferred income tax assets	13,880	19,163
Other receivables	673	1,089
Prepayments	–	854
	32,151	64,547

	As of December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
Current assets		
Inventories	5,313	9,908
Other receivables	1,105	379
Prepayments	1,358	6,218
Financial assets at FVTPL	3,007	–
Cash and cash equivalents	27,588	559,140
	38,371	575,645
Total assets	70,522	640,192
LIABILITIES		
Non-current liabilities		
Financial liabilities at FVTPL	227,206	1,361,749
Borrowings	3,060	–
Lease liabilities	8,212	8,860
	238,478	1,370,609
Current liabilities		
Borrowings	7,960	–
Trade and other payables	17,740	29,518
Contract liabilities	22,969	6,730
Lease liabilities	4,316	7,819
	52,985	44,067
Total liabilities	291,463	1,414,676
Net current (liabilities)/assets	(14,614)	531,578
DEFICIT		
Share capital	–	1
Convertible preferred shares	13,000	13,000
Accumulated losses	(239,949)	(873,594)
Other reserves	6,016	86,109
Deficit attributable to the owners of the Company	(220,933)	(774,484)
Non-controlling interests	(8)	–
Total deficit	(220,941)	(774,484)

We had net current liabilities of RMB14.6 million as of December 31, 2020. Such net current liability position was primarily attributable to (i) our large amount of contract liabilities of RMB23.0 million, representing the increasing advanced payments made by our distributors in 2020, which is in line with our commercialization of caFFR System in China; and (ii) our trade and other payables of RMB17.7 million, mainly because we continued to invest on our research and development, and to build our sales network, while our current assets increased at a relatively slower rate during the relevant period.

We had net current assets of RMB531.6 million as of December 31, 2021, compared to net current liabilities of RMB14.6 million as of December 31, 2020. The increase was primarily due to an increase of RMB531.6 million in cash and cash equivalents, mainly caused by the completion of Series C and Series D Financing and the increasing sales of our caFFR System.

We had net liabilities of RMB220.9 million and RMB774.5 million as of December 31, 2020 and 2021, respectively, primarily due to the increasing value of our convertible Preferred Shares which are recorded as a liability item and measured at fair value at the end of each of the Track Record Period. We expect to turn to a net asset position upon the automatic and irrevocable conversion of the convertible Preferred Shares into ordinary shares upon the [**REDACTED**], at which time we will reclassify them from liabilities to equity. For more details regarding our Preferred Shares, please refer to Note 28 to the Accountant's Report set out in Appendix I to this document.

Summary Consolidated Statements of Cash Flows

The following table provides information regarding our cash flows for the periods indicated:

	Year Ended December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
Cash outflows from operating activities before movements in working capital	(30,579)	(64,724)
Changes in working capital	32,816	(9,919)
Interest received	34	1,811
Net cash generated/(used in) from operating activities	2,271	(72,832)
Net cash generated/(used in) from investing activities	8,685	(27,983)
Net cash generated from financing activities	9,526	633,847

	Year Ended December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
Net increase in cash and cash equivalents	20,482	533,032
Cash and cash equivalents at beginning of the year	7,106	27,588
Exchange losses on cash and cash equivalents	–	(1,480)
Cash and cash equivalents at end of the year	27,588	559,140

We had a net cash inflow from operating activities in an amount of RMB2.3 million in 2020, but had a net cash outflow from operating activities in an amount of RMB72.8 million in 2021.

Our net cash outflow from operating activities in 2021 was primarily attributable to our loss before income tax of RMB638.7 million, which was primarily because we incurred significant general and administrative expenses, selling expenses and research and development expenses as a result of our business expansion and the development of our pipeline products in 2021. For more details, please refer to the paragraph headed "Financial Information – Liquidity and Capital Resources – Operating Activities" in this document.

We monitor and maintain a level of cash and cash equivalents deemed adequate to finance our operations and mitigate the effects of fluctuations in cash flows. As our business develops and expands, we expect to generate more net cash from our operating activities, through increasing sales revenue of the existing commercialized products. In view of our net operating cash outflows in 2021, we plan to improve such position by (i) further increase the sales of our approved products, caFFR System. For example, we plan to enhance our sales efforts and engage more distributors to cover more hospitals and further increase the sales of our products. In particular, our revenue from product sales increased significantly since caFFR System's commercialization, and we expect our revenue from product sales will continue to achieve robust growth going forward; (ii) optimizing our production plan based on our expected sales volumes to shorten our inventory turnover days in order to keep a stable cash flow; (iii) rapidly advancing our pipeline products towards commercialization to generate revenue from product sales. In particular, we submitted the confirmatory clinical trial results of our caIMR System to the NMPA for regulatory approval in April 2022 and expect to obtain the NMPA approval for the commercialization in China in the fourth quarter of 2022. After the commercialization of our caIMR System, we expect to generate more net cash from our operating activities. We also plan to kickstart academic promotional activities for our other product candidates by educating target hospitals and physicians to prepare for the formal commercial launch in the following years. As we optimize our product portfolio and cost structure, increase the sales of our products, and continue to grow our business, we expect to generate a steady inflow of cash from operations in the foreseeable future, which will be applied to our working capital; (iv)

adopting comprehensive measures to effectively control our cost and operating expenses. For example, by leveraging economies of scale, we plan to negotiate volume discounts with our suppliers when necessary. In particular, for third-party contractors, for example, raw material suppliers, we would enjoy stronger bargaining power as we have an increasing number of projects with them; (v) enhancing working capital management efficiency. For example, we plan to adopt technological solutions to optimize our operational process and enhance our efficiency; (vi) successfully launching the [**REDACTED**] to obtain the [**REDACTED**]; and (vii) seeking additional funding through public or private [**REDACTED**], debt financing, collaboration and licensing arrangements or other sources, if needed.

The Directors are of the opinion that, taking into account the financial resources available to our Group, including cash and cash equivalents, internally generated funds and the estimated net [**REDACTED**] from the [**REDACTED**], we have sufficient working capital to cover at least 125% of our costs, including research and development expenses, selling expenses, general and administrative expenses, and other operating costs, for at least the next 12 months from the date of this document.

Our cash burn rate refers to the average monthly (i) net cash used in operating activities, (ii) capital expenditures, and (iii) lease payments. Assuming an average cash burn rate going forward of [**REDACTED**] the level in 2021, which is primarily based on the difference between the average monthly burn rate in 2021 and the prospective burn rate based on the average monthly net cash used in operating activities and capital expenditure in 2022 and the first half of 2023, even without taking into account the estimated net [**REDACTED**] from the [**REDACTED**], we estimate that our cash and cash equivalents as of December 31, 2021, will be able to maintain our financial viability for [**REDACTED**] or, if we take into account the estimated net [**REDACTED**] from the [**REDACTED**] (based on the mid-point of the [**REDACTED**] stated in this document), for [**REDACTED**]. We will continue to monitor our cash flows from operations closely and expect to raise our next round of financing, if needed, with a minimum buffer of 12 months. Our Directors and our management team will continue to monitor our working capital, cash flows, and our business development status. In the event our business operations experience any material and adverse impact, we will proactively manage our cash flows and control our costs and expenses; on the other hand, in the event we identify any additional promising research and development projects, or identify any suitable target for investment or acquisition, we may adjust our financing plans to take advantage of such opportunities. We may also diversify our source of funding to further support the development of our product candidates going forward.

KEY FINANCIAL RATIOS

The table below sets forth our key financial ratios as of the dates indicated:

	As of December 31,	
	2020	2021
Current ratio[(1)]	0.7	13.1
Quick ratio[(2)]	0.6	12.8

Notes:

(1) Current ratio represents current assets divided by current liabilities as of the same dates.

(2) Quick ratio represents current assets less inventories and divided by current liabilities as of the same dates.

For more information on our key financial ratios, please refer to the paragraph headed "Financial Information – Key Financial Ratios" in this document.

SUMMARY OF MATERIAL RISK FACTORS

We believe that there are certain risks involved in our operations, many of which are beyond our control. These risks are set out in the section headed "Risk Factors" in this document. Some of the major risks we face include: (i) we have incurred net losses since our inception and may incur net losses for the foreseeable future; (ii) we have only recently begun commercializing our first product, caFFR System, which may make it difficult for us to evaluate our future prospects; (iii) our future growth depends substantially on the success of our products and product candidates; (iv) we face uncertainties in our clinical trials; (v) our results of earlier studies and trials may not be predictive of future trial results and we may suffer setbacks in clinical trials; (vi) we may fail to achieve broad market acceptance or maintain good reputation within the medical device industry; (vii) we may not be able to obtain and maintain sufficient protection for our product candidates through our patent or other intellectual property rights; (viii) we may become involved in lawsuits to protect or enforce our intellectual property, which could be expensive, time-consuming and unsuccessful; (ix) the medical device industry in China and other jurisdictions is highly regulated in all material aspects and such regulations are subject to change which may affect approval and commercialization of our product candidates; (x) we may be subject to penalties under relevant PRC laws and regulations due to failure in full compliance with social insurance and housing provident fund regulation; and (xi) no public market currently exists for our Shares, and an active trading market for our Shares may not develop, especially taking into account that certain of our existing shareholders may be subject to a lock-up period.

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

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Research and Development Progress

In March 2022, we completed the confirmatory clinical trial of our caIMR System in China with 116 subjects enrolled. Based on the clinical trial results, our caIMR System showed significant accuracy of 93.8% (95% CI 87.7%–97.5%). For details, please refer to the paragraph headed "Business – Our Products and Product Candidates – caIMR System – Our Core Product – Summary of Confirmatory Clinical Trial Results." Subsequently, we submitted the results to the NMPA for regulatory approval in April 2022.

Financial Performance After the Track Record Period

Since the end of the Track Record Period, we have continuously developed our business, but we expect that our net losses will increase in 2022, primarily because we expect to continue to incur significant research and development expenses to fund our ongoing and future clinical trials for our Core Products, and the preclinical studies for our other product candidates. We expect to record an increased net losses for the year ending December 31, 2022, primarily due to (i) the significant research and development expenses and (ii) [**REDACTED**] in relation to the [**REDACTED**] and the [**REDACTED**]. We also expect that fair value loss of financial liabilities will contribute a significant proportion of our net loss for the year ending December 31, 2022, but will cease upon [**REDACTED**]. Additionally, we expect to continue to incur significant expenses and operating losses in the future as we further the clinical development and/or preclinical studies of our product pipeline, expand our team and grow our business. We expect that our financial performance will fluctuate from period to period due to the status of the development of our product candidates, the regulatory approval process and commercialization of our product candidates.

To further enhance our liquidity position, in late May 2022, we obtained the letters of intent from two commercial banks in China for loan facilities of RMB500 million from each.

Impact of COVID-19 Outbreak

Due to PRC governments' measures to contain the spread of the virus such as restrictions on mobility and travel and cancellation of public activities, our operations have, to a certain extent, been impacted by delays in research and development activities and commercial transactions as well as general uncertainties on the duration of the governments' extended business and travel restrictions. The recent emergence of the Omicron virus variant, a COVID-19 virus variant that is significantly more infectious than its predecessors, has created more uncertainties for our business operations under the COVID-19 pandemic. Specifically, the COVID-19 pandemic affects our business in the following ways:

- Clinical trials: We experienced slight delays in the patient enrollment, data collection and data analysis for certain of our clinical trials. However, the outbreak of COVID-19 did not cause any early termination of our clinical trials or necessitate removal of any patients enrolled in our clinical trials or any material delay in registration progress. For instance, although we experienced some minor delays in

trial subject enrollment for caFFR post-registration clinical trial for indication expansion due to travel restrictions and social distancing, the entire patient enrollment process for such clinical is expected to be completed as originally scheduled. We have employed various measures to mitigate the negative impact the COVID-19 outbreak on our ongoing clinical trials in China, including continuing patient follow-ups through remote access. Based on the foregoing, we currently do not expect the COVID-19 outbreak will have any material long-term impact on our clinical trials or our overall clinical development plans.

- Operations: We took a series of measures in response to the outbreak to protect our employees and business operations. As of the Latest Practicable Date, all of our facilities had resumed normal operations, and we had no suspected or confirmed COVID-19 cases on our premises or among our employees. Due to the recent emergence of the Omicron virus variant, we adopted flexible working hours and instructed employees from high/medium risk zones to undergo a self-imposed quarantine upon returning to workspace in accordance with governments' measures and requirements. During the remote working period, we closely monitored all employees' health conditions and instructed all employees to file the daily temperature record. Furthermore, we instructed all employees to follow good hygiene practices, promptly report any issue of concern, and make constructive suggestions about hygiene issues.

- Product sales: The sales of our caFFR System have been slightly affected by the COVID-19 pandemic. Lockdowns and limitation on mobility affected our abilities to conduct offline sales and marketing activities, which were lifted but reintroduced recently in many countries in light of the emergence of Omicron variant. For example, we were unable to provide offline trainings to certain of our overseas customers due to travel restrictions. In addition, due to the surge to the Omicron variant in early 2022 in China, residents in cities like Beijing, Shenzhen and Shanghai have been urged to cancel all unnecessary travel, and all inbound and outbound travelers are required to present negative nucleic acid test results taken within the previous 48 hours. In some extreme situations, public transport were suspended and COVID testing were carried out across the cities. As a result, many of our sales and marketing activities were postponed and cancelled, or otherwise negatively affected, due to the Omicron variant in early 2022. In addition, we experienced a lowered demand from hospitals for our products as many patients rescheduled their visits to hospitals to avoid cross-infections. Furthermore, due to the recent emergence of the Omicron virus variant, we experienced shipping delays from our manufacturing facility in Suzhou, Jiangsu, which could also have a slight impact on our product sales. Recently, we also experienced some slight delays in hospital procurement, for approximately one month, primarily due to the hospitals' lower efficiencies and shortage of human resources in their bidding and approval procedures, as they had to devote more attention and resources to dealing with the recent emergence of the Omicron variant. However, we believe the impact of the COVID-19 pandemic on our sales performance is temporary and we expect a gradual recovery in markets in China and overseas as the pandemic becomes contained.

- Supply chain: We have not experienced any shortage of raw materials from our suppliers. We currently do not expect our supply chain will be materially and negatively impacted by COVID-19. Our major domestic suppliers maintained normal operations, and none of our overseas suppliers had reported any material disruption to their business operations as a result of COVID-19, as of the Latest Practicable Date. We have not experienced any material difficulties in procuring our major raw materials and have not experienced significant fluctuations in the prices of our supplies.

The above analysis is made by our management based on currently available information concerning COVID-19. Although we expect the situation to continue to improve with the sustained implementation of the disease prevention and containment policies in China and the development of vaccines, it is uncertain whether the COVID-19 outbreak can continue to be largely contained in China. If the situation of the pandemic deteriorates in China or in any other countries or regions where we or any of our major suppliers are located in, it may have a material adverse effect on our results of operations, financial position or prospects.

No Material Adverse Change

Our Directors confirm that, as of the date of this document, there has been no material adverse change in our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects since December 31, 2021, the end of the period reported on in the Accountant's Report set out in Appendix I to this document.

[REDACTED] STATISTICS[(1)]

	Based on the [REDACTED] of HK$[REDACTED] per [REDACTED]	**Based on the [REDACTED] of HK$[REDACTED] per [REDACTED]**
[REDACTED] of our Shares[(2)]	HK$[**REDACTED**] million	HK$[**REDACTED**] million
[REDACTED] adjusted consolidated net tangible assets per Share[(3)]	HK$[**REDACTED**]	HK$[**REDACTED**]

Notes:

(1) All statistics in this table are on the assumption that the [**REDACTED**] is not exercised.

(2) The calculation of [**REDACTED**] is based on [**REDACTED**] Shares expected to be in issue immediately after completion of the [**REDACTED**].

(3) The [**REDACTED**] adjusted consolidated net tangible assets of the Group attributable to owners of the Company per [**REDACTED**] is calculated after making the adjustments referred to in "Financial Information – [**REDACTED**] Statement of Adjusted Consolidated Net Tangible Assets" and on the basis that [**REDACTED**] Shares were in issue assuming the [**REDACTED**] has been completed on December 31, 2021.

OUR SHAREHOLDERS AND PRE-[REDACTED] INVESTMENTS

We do not have any controlling shareholders (as defined under the Listing Rules). So far as our Directors are aware, immediately following completion of the [**REDACTED**] and the [**REDACTED**] (assuming the [**REDACTED**] is not exercised and the options granted under the Pre-[**REDACTED**] Share Option Scheme are not exercised), each of Opera Rose Limited and Vermilion Bird Limited will hold approximately [**REDACTED**]% and [**REDACTED**]% of the total issued share capital of our Company, respectively, and will be regarded as our substantial shareholder. For further information of our substantial shareholders, please refer to the section headed "Substantial Shareholders" in this document.

Throughout the development of our Group, we received several rounds of Pre-[**REDACTED**] Investments. Our broad and diverse base of Pre-[**REDACTED**] Investors include investors focusing on investment in biotech and healthcare industry. For further details, please refer to the paragraph headed "History, Reorganization and Corporate Structure – Pre-[**REDACTED**] Investments" in this document.

DIVIDENDS

We have never declared or paid regular cash dividends on our shares. Any declaration and payment as well as the amount of dividends will be subject to our Memorandum and Articles and the Cayman Companies Act. The declaration and payment of any dividends in the future will be determined by our Board of Directors, in its discretion, and will depend on a number of factors, including our earnings, capital requirements, overall financial condition and contractual restrictions. In addition, our Shareholders in a general meeting may approve any declaration of dividends, which must not exceed the amount recommended by our Board. As advised by our Cayman counsel, under the Cayman Companies Act, a Cayman Islands company may pay a dividend out of either profits or share premium account, provided that in no circumstances may a dividend be paid if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business. In light of our accumulated losses as disclosed in this document, it is unlikely that we will be eligible to pay a dividend out of our profits in the foreseeable future. We may, however, pay a dividend out of our share premium account unless the payment of such a dividend would result in our Company being unable to pay our debts as they fall due in the ordinary course of business. There is no assurance that dividends of any amount will be declared to be distributed in any year.

If we pay dividends in the future, in order for us to distribute dividends to our Shareholders, we will rely to some extent on any dividends distributed by our PRC subsidiaries. Any dividend distributions from our PRC subsidiaries to us will be subject to PRC withholding tax. In addition, regulations in the PRC currently permit payment of dividends of a PRC company only out of accumulated distributable after-tax profits as determined in accordance with its articles of association and the accounting standards and regulations in China. For details, please refer to paragraph headed "Risk Factors – Risks Relating to Doing Business in China" in this document.

[**REDACTED**]

We estimate that we will receive net [**REDACTED**] from the [**REDACTED**] of approximately HK$[**REDACTED**] million, after deducting [**REDACTED**] commissions, fees and estimated expenses payable by us in connection with the [**REDACTED**], and assuming the [**REDACTED**] is not exercised and an [**REDACTED**] of HK$[**REDACTED**] per Share, which is the mid-point of the indicative [**REDACTED**] stated in this document. We intend to use the net [**REDACTED**] from the [**REDACTED**] for the following purposes, subject to changes in light of our evolving business needs and changing market conditions:

- [**REDACTED**]%, or approximately HK$[**REDACTED**] million, will be allocated to our Core Products, namely, caFFR System and caIMR System. In addition to the net [**REDACTED**] from the [**REDACTED**] to be received and allocated, we also plan to utilize our internal liquidity sources to fund the research and development as well as commercialization of our Core Products.

  - o [**REDACTED**]%, or approximately HK$[**REDACTED**] million, will be allocated to fund the ongoing research and development, further clinical studies, preparation for registration filings, manufacturing and commercialization of our caFFR System; and

  - o [**REDACTED**]%, or approximately HK$[**REDACTED**] million, will be allocated to fund the ongoing research and development, further clinical studies, preparation for registration filings, manufacturing and commercialization of our caIMR System;

- [**REDACTED**]%, or approximately HK$[**REDACTED**] million, will be allocated to fund the ongoing research and development, manufacturing and commercialization of our other pipeline products; and

- [**REDACTED**]%, or approximately HK$[**REDACTED**] million, will be allocated to our general working capital and general corporate purposes.

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

[**REDACTED**]

Our [**REDACTED**] mainly include [**REDACTED**] fees and commissions and professional fees paid to legal advisers and the Reporting Accountant for their services rendered in relation to the [**REDACTED**] and the [**REDACTED**]. Assuming full payment of the discretionary incentive fee, the estimated total [**REDACTED**] (based on the mid-point of our indicative [**REDACTED**] range for the [**REDACTED**] and assuming that the [**REDACTED**] is not exercised) for the [**REDACTED**] are approximately RMB[**REDACTED**] million and are expected to represent approximately [**REDACTED**]% of

the gross [**REDACTED**] of the [**REDACTED**], comprising of (i) [**REDACTED**]-related expenses, including [**REDACTED**] commission and other expenses, of RMB[**REDACTED**] million; and (ii) non-[**REDACTED**]-related expenses of RMB[**REDACTED**] million, including (a) fee paid and payable to Legal Advisors and Reporting Accountant of RMB[**REDACTED**] million; and (b) other fees and expenses, including sponsor fees, of RMB[**REDACTED**] million. We recorded [**REDACTED**] of RMB[**REDACTED**] million recognized in profit or loss in 2021. The rest of the expenses in connection with the [**REDACTED**] is expected to be RMB[**REDACTED**] million, of which an estimated amount of RMB[**REDACTED**] million is expected to be recognized as administrative expenses and the remaining amount of RMB[**REDACTED**] million is expected to be recognized directly as a deduction from equity upon the [**REDACTED**]. The [**REDACTED**] above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate. Our Directors do not expect such [**REDACTED**] to have a material adverse impact on our results of operations for the year ended December 31, 2022.

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

"affiliate(s)"	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"Articles" or "Articles of Association"	the third amended and restated articles of association of our Company adopted on June 18, 2022 with effect from the [**REDACTED**] Date, a summary of which is set out in Appendix III to this document
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of our Board
"Beijing Runxin"	Beijing Runxin Medical Technology Co., Ltd. (北京潤心醫療科技有限公司), a limited liability company incorporated under the laws of PRC on August 4, 2020, being a wholly-owned subsidiary of our Company
"Board of Directors", "Board" or "our Board"	the board of directors of our Company
"Business Day"	a day on which banks in Hong Kong are open generally for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"BVI"	the British Virgin Islands
"[**REDACTED**]"	the issue of [**REDACTED**] Shares upon [**REDACTED**] of certain sums standing to the credit of the share premium account of our Company referred to in the section headed "Share Capital" in this document
"Cayman Islands Company Law" or "Cayman Companies Act"	the Companies Act (As Revised) of the Cayman Islands, Cap. 22 (Law 3 of 1961), as amended or supplemented or otherwise modified from time to time
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC

"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant

[**REDACTED**]

"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant, who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"China" or "PRC"	the People's Republic of China, which for the purpose of this document and for geographical reference only, excludes Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"CIC" or "Industry Consultant"	China Insights Industry Consultancy Limited, our industry consultant
"close associate(s)"	has the meaning ascribed thereto under the Listing Rules

"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company", "our Company" or "the Company"	Rainmed Medical Limited (潤邁德醫療有限公司), an exempted company with limited liability incorporated in the Cayman Islands on April 9, 2021
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"core connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Core Product"	has the meaning ascribed to it under Chapter 18A of the Listing Rules and in this context, refers to each of caFFR system and caIMR system
"Director(s)"	the director(s) of our Company
"EOM"	30 days after the end of the month in which the invoice was sent
"Extreme Conditions"	extreme conditions caused by a super typhoon as announced by the government of Hong Kong
"FDA"	U.S. Food and Drug Administration
"FRC"	the Financial Reporting Council of Hong Kong

[**REDACTED**]

"Group", "our Group", "we", "us" or "our"	our Company and its subsidiaries from time to time or, where the context so requires, in respect of the period prior to our Company became the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time

[**REDACTED**]

"HK$" or "Hong Kong dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"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 People's Republic of China

[**REDACTED**]

"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited

[**REDACTED**]

"Independent Third Party(ies)"	any person(s) or entity(ies) who is not a connected person of our Company within the meaning of the Listing Rules

[**REDACTED**]

[**REDACTED**]

"Latest Practicable Date"	June 18, 2022, being the latest practicable date for the purpose of ascertaining certain information contained in this document before its publication

[**REDACTED**]

"Listing Committee"	the listing committee of the Stock Exchange

[**REDACTED**]

"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"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
"Memorandum" or "Memorandum of Association"	the third amended and restated memorandum of association of our Company adopted on June 18, 2022 with effect from the [**REDACTED**] Date, a summary of which is set out in Appendix III to this document

"MFDS"	the Ministry of Food and Drug Safety, the governmental agency that regulates food, pharmaceuticals, medical devices, and cosmetics in South Korea
"MOF"	Ministry of Finance of the PRC (中華人民共和國財政部)
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"Mr. Huo"	Mr. Huo Yunfei (霍雲飛), an executive Director, the chairman of Board, chief executive officer of the Company
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"NMPA"	National Medical Products Administration of the PRC (國家藥品監督管理局), the successor to the China Food and Drug Administration (國家食品藥品監督管理總局)
"Nomination Committee"	the nomination committee of our Board
"NPC"	the National People's Congress of the PRC (中華人民共和國全國人民代表大會)

[**REDACTED**]

"PCT"	the Patent Cooperation Treaty

"PMDA"	the Pharmaceuticals and Medical Devices Agency, the government organization in Japan in charge of reviewing drugs and medical devices
"PRC Legal Adviser"	Jingtian & Gongcheng, the legal adviser to our Company as to the PRC laws
"Preferred Share(s)"	the Series Angel-1 Preferred Shares, the Series Angel-2 Preferred Shares, the Series A Preferred Shares, the Series A+ Preferred Shares, the Series B Preferred Shares, the Series C-1 Preferred Shares, the Series C-2 Preferred Shares, and the Series D Preferred Shares
"Pre-[**REDACTED**] Investments"	the investment(s) in our Group before the [**REDACTED**], details of which are set out in the section headed "History, Reorganization and Corporate Structure – Pre-[**REDACTED**] Investments" in this document
"Pre-[**REDACTED**] Investors"	the investor(s) who acquired interest in our Group pursuant to the relevant capital increase agreement(s), equity transfer agreement(s) and share purchase agreement(s), details of which are set out in the section headed "History, Reorganization and Corporate Structure" in this document
"Pre-[**REDACTED**] Share Option Scheme"	the share option scheme adopted by our Company on December 10, 2021, the principal terms of which are set out in "Statutory and General Information – D. Pre-[**REDACTED**] Share Option Scheme" in Appendix IV to this document

[**REDACTED**]

"Principal Share Registrar"	Campbells Corporate Services Limited
"QIB"	a qualified institutional buyer as defined in Rule 144A
"Rainmed HK"	Hong Kong Rainmed Medical Limited (香港潤邁德醫 療有限公司), a limited liability company incorporated under the laws of Hong Kong on March 31, 2021, being a wholly-owned subsidiary of our Company

"Rainmed US"	Rainmed Medical Inc., a corporation incorporated under the laws of Delaware, United States on November 13, 2019, being a wholly-owned subsidiary of the Company
"Rianmed BVI"	RIANMED (BVI) LIMITED, a limited liability company incorporated under the laws of BVI on March 12, 2021, being a wholly-owned subsidiary of our Company
"Regulation S"	Regulation S under the U.S. Securities Act
"Remuneration Committee"	the remuneration committee of our Board
"Reorganization"	the reorganization undertaken by our Group in preparation for the [**REDACTED**], the details of which are set out in the section headed "History, Reorganization and Corporate Structure – Reorganization" in this document
"RMB" or "Renminbi"	Renminbi, the lawful currency of China
"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)
"SAT"	the State Administration of Taxation of the PRC (中華人民共和國國家税務總局)
"Series Angel-1 Preferred Shares"	the series angel-1 preferred share of our Company with a par value of HK$0.0001 each
"Series Angel-2 Preferred Shares"	the series angel-2 preferred share of our Company with a par value of HK$0.0001 each
"Series A Preferred Shares"	the series A preferred share of our Company with a par value of HK$0.0001 each
"Series A+ Preferred Shares"	the series A+ preferred share of our Company with a par value of HK$0.0001 each
"Series B Preferred Shares"	the series B preferred share of our Company with a par value of HK$0.0001 each

"Series C-1 Preferred Shares"	the series C-1 preferred share of our Company with a par value of HK$0.0001 each
"Series C-2 Preferred Shares"	the series C-2 preferred share of our Company with a par value of HK$0.0001 each
"Series D Preferred Shares"	the series D preferred share of our Company with a par value of HK$0.0001 each
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) in the share capital of our Company with a par value of HK$0.0001 each
"Shareholder(s)"	holder(s) of our Shares

[**REDACTED**]

"Sole Sponsor"	Huatai Financial Holdings (Hong Kong) Limited
"Sophisticated Investor(s)"	has the meaning ascribed to it under Guidance Letter HKEX-GL92-18 issued by the Stock Exchange
"Stabilizing Manager"	[●]
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Suzhou Rainmed"	Suzhou Rainmed Medical Technology Co., Ltd. (蘇州潤邁德醫療科技有限公司), a limited liability company incorporated under the laws of PRC on December 5, 2016, being a wholly- owned subsidiary of our Company
"Takeovers Code"	the Code on Takeovers and Mergers and Share Buybacks published by the SFC, as amended, supplemented or otherwise modified from time to time

"Track Record Period"	the two years ended December 31, 2020 and 2021

[**REDACTED**]

"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. Securities Act"	the United States Securities Act of 1933, as amended, supplemented or otherwise modified from time to time
"USD" or "U.S. dollars"	United States dollars, the lawful currency of the United States
"%"	per cent

GLOSSARY OF TECHNICAL TERMS

This glossary contains definitions of certain technical terms used in this document in connection with us and our business. These may not correspond to standard industry definitions, and may not be comparable to similarly terms adopted by other companies.

"3D"	three-dimensional
"5G"	the fifth-generation technology standard for broadband cellular network
"ACS"	acute coronary syndromes, any heart condition resulting from the sudden reduction of blood flow to the heart, which leads to shortness of breath and sudden chest pain
"AI"	artificial intelligence, simulation of human intelligence by machines
"algorithm"	a procedure or formula for solving a problem, based on conducting a sequence of specified actions
"angiography"	a medical imaging technique visualizing vascular lumen and organs via injecting contrast medium under X-ray
"atrial fibrillation"	the cardiac arrhythmia characterized by the rapid and irregular beating of the atrium
"CABG"	coronary artery bypass grafting, an open-heart surgery to stitch in place an artery or vein taken from other part of the body to reroute blood around the blocked artery
"CAD"	coronary artery diseases, a condition where the major blood vessels supplying the heart are narrowed to reduce blood flow that can cause chest pain and shortness of breath
"caFFR"	coronary angiography-derived fractional flow reserve, a novel less-invasive index to determine the FFR in patients with stable or unstable angina
"CAG"	coronary angiography, a percutaneous procedure that uses contrast dye and X-ray images to detect coronary artery diseases

"caIMR"	coronary angiography-derived index of microvascular resistance, which is proposed for physiological assessment of microvascular diseases in coronary circulation
"CCS"	chronic coronary syndromes (or stable angina), coronary artery diseases except for ACS
"CE Mark"	a certification mark that indicates conformity with health, safety, and environmental protection standards for products sold within the European Economic Area
"CFD"	computational fluid dynamics
"CI"	confidence interval, a range of estimates for an unknown parameter. The interval has an associated confidence level. A 95% confidence level is most common
"Class III Grade A hospital"	Class III hospital that is divided into A grade
"Class III hospital"	a top-level hospital in China. Among the hospital classes, Class III hospitals are the highest level, typically having at least 501 beds, providing inter-regional as well as nationwide medical and health services, and are medical and preventive technology centers with comprehensive medical, teaching and research capabilities. Their main functions include to provide specialized medical services, solve critical and difficult diseases, accept referrals from Class II hospitals, provide operational and technical guidance and train talents for lower-level hospitals, train various advanced medical professionals and undertake scientific research projects above the provincial level. Class III hospitals are divided into Special, A, B, and C grades
"CMVD"	coronary microvascular diseases, the narrowing of the small blood vessels that branch off the coronary arteries and send oxygen-rich blood to the heart muscle. This decreases the amount of blood that goes to the heart muscle, which leads to chest pain (angina)

"CRO"	contract research organization, a company that provides support to the pharmaceutical, biotechnology, and medical device industries in the form of research services outsourced on a contractual basis
"CT"	computed tomography, a medical imaging technique that uses computer-processed combinations of multiple X-ray measurements taken from different angles to produce cross-sectional images of internal organs, bones, soft tissue and blood vessels
"DEFER"	deferral versus performance of percutaneous coronary intervention of functionally non-significant coronary stenosis. The DEFER study is a prospective, randomized, multicenter study that evaluated lesion significance with FFR (< 0.75) and followed patients for future events
"DICOM"	Digital Imaging and Communications in Medicine, the standard for the communication and management of medical imaging information and related data, or a kind of image file format
"FAME"	fractional flow reserve versus angiography for multivessel evaluation. The FAME study is the first large-scale, randomized, prospective, multi-center clinical trial that compares stenting guided by FFR to stenting guided by angiography alone in patients with two or more diseased coronary arteries. The goal of the FAME study is to explore whether routine use of FFR can guide physicians to place stents optimally when assessing patients with multivessel disease
"FAME II"	fractional flow reserve-guided percutaneous coronary intervention plus optimal medical treatment versus optimal medical treatment alone in patients with stable coronary artery disease. The FAME II study is the first of its kind and has shown that targeting fractional flow reserve guided PCI and optimal medical treatment ("**OMT**") to patients with ischemia (having at least one stenosis with FFR $\leq$ 0.80) can reduce the need for revascularization by a factor of between 6 – 11 compared with OMT alone. This study also provides clear evidence that patients without ischemia do not need to undergo PCI and can be successfully managed using OMT alone

"FAME III"	fractional flow reserve versus angiography for multivessel evaluation. The FAME III study is an investigator-initiated, multicenter, international, randomized, controlled trial that compares fractional flow reserve-guided percutaneous coronary intervention and coronary artery bypass graft surgery in patients with multivessel coronary artery disease
"FAS"	full analysis set
"FFR"	fractional flow reserve, a technique used in coronary catheterization to measure pressure differences across a coronary artery stenosis at maximal hyperemia to determine the likelihood that the stenosis impedes oxygen delivery to the heart muscle and diagnose myocardial ischemia
"GCP"	good clinical practice, an international ethical and scientific quality standard for the performance of a clinical trial on medicinal products involving humans
"GMP"	good manufacturing practice, the quality assurance that ensures that medical products are consistently produced and controlled to the quality standards appropriate to their intended use and as required by the product specification
"HFpEF"	heart failure with preserved ejection fraction, a condition which occurs when the lower left chamber (left ventricle) is not able to fill properly with blood during the diastolic (filling) phase and the amount of blood pumped out to the body is less than normal
"IMR"	index of microcirculatory resistance, the quantitative assessment of the minimum microcirculatory resistance in a target coronary arteriolar territory
"IVUS"	intravascular ultrasound, a catheter-based diagnostic procedure used to diagnose and treat coronary artery disease
"JACC"	Journal of the American College of Cardiology

"KOL(s)"	key opinion leader(s), renowned physicians who are able to influence their peers' medical practice
"myocardial infarction"	damage to the heart muscle caused by a loss of blood supply due to blocks in the arteries, also known as "heart attack"
"NSTEMI"	non-ST segment elevation myocardial infarction, a heart attack that occurs without ST segment elevation on the electrocardiogram
"OCT"	optical coherence tomography, a non-invasive imaging technology used to obtain high resolution cross-sectional images of the blood vessel
"PCI"	percutaneous coronary intervention, a percutaneous procedure to open a narrowed or blocked coronary artery and restore arterial blood flow to heart tissue that does not involve open-chest surgery
"PI(s)"	principal investigator(s)
"PVI"	peripheral vascular intervention, a percutaneous procedure used to treat peripheral artery diseases
"QFR"	quantitative flow ratio, a method for evaluating the functional significance of coronary stenosis, which is assessed by calculation of the pressure in the vessel based on two angiographic projections
"RDN"	renal denervation, a percutaneous procedure to treat resistant hypertension and uncontrolled hypertension
"revascularization"	the restoration of perfusion to a body part or organ that has suffered ischemia in medical and surgical therapy
"ROC"	receiver operating characteristic. The ROC curve is a graphical plot that illustrates the diagnostic ability of a binary classifier system as its discrimination threshold is varied

"R-PCI"	robotic-assisted percutaneous coronary intervention, which allows operators to manipulate devices remotely, sitting at a cockpit located several meters away from the patient, to minimize the radiation exposure and the amount of person-to-person contact
"RTD"	resistance temperature detector, a sensor whose resistance changes as its temperature changes
"SMO"	site management organization, an organization that provides clinical trial related services to medical device companies
"sq.m."	square meter, a unit of area
"STEMI"	ST segment elevation myocardial infarction, which occurs due to occlusion of one or more coronary arteries, causing transmural myocardial ischemia
"vasodilator"	a medicine that widens blood vessels increasing the blood flow

FORWARD-LOOKING STATEMENTS

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

- our business strategies and plans to achieve these strategies;
- our ability to complete the development and obtain the relevant requisite regulatory approvals of our products;
- our product candidates under development or planning;
- our ability to attract customers and further enhance our brand recognition;
- our future debt levels and capital needs;
- changes to the political and regulatory environment in the industry and markets in which we operate;
- changes in competitive conditions and our ability to compete under these conditions;
- future developments, trends and conditions in the industry and markets in which we operate;
- general economic, political and business conditions in the markets in which we operate;
- effects of the global financial markets and economic crisis;
- our financial conditions and performance;
- our dividend policy; and
- change or volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends.

FORWARD-LOOKING STATEMENTS

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

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

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

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

An investment in our Shares involves significant risks. You should carefully consider all of the information in this document, including the risks and uncertainties described below, as well as our financial statements and the related notes, and the "Financial Information" section, before deciding to invest in our Shares. The following is a description of what we consider to be our material risks. Any of the following risks could have a material adverse effect on our business, financial condition, results of operations and growth prospects. In any such an event, the market price of our Shares could decline, and you may lose all or part of your investment.

The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in the section headed "Forward-Looking Statements" in this document.

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

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

RISKS RELATING TO COMMERCIALIZATION AND DISTRIBUTION OF OUR PRODUCTS

We have only recently begun commercializing our first product, caFFR System, which may make it difficult for us to evaluate our future prospects.

We began to commercialize our first product, caFFR System, in Europe since October 2019 and in China since January 2020. As a result, substantially all of our revenue in 2020 and 2021 was derived from the sales of caFFR System. We expect that sales of our caFFR System will continue to account for a significant portion of our total sales in the near future. However, we cannot assure you that demand for our caFFR System will continue to grow as anticipated. There is also no assurance that we will be able to maintain our sales and profit margin for our caFFR System, which may be adversely affected by many factors outside of our control, including downward pricing pressure, epidemics, change in physician preferences, expiration of patent protection, introduction of substitute products, disruptions in manufacturing or sales, issues with respect to product quality or severe adverse events incurred after the procedure, coverage of medical insurance and disputes over intellectual property or other matters with third parties. Moreover, there is no guarantee that we may be able to develop or acquire new products that would diversify our product portfolio and reduce our dependence on our caFFR System, or to do so in a timely or competitive manner.

Guidelines, recommendations, studies and expert consensus published by various organizations could disfavor our products.

Government agencies, professional societies, practice management groups, private health and science foundations and organizations focused on various diseases may publish guidelines, recommendations or studies that affect our or our competitors' products and product candidates. In recent years, for instance, the application of FFR to evaluate the functional severity of coronary stenosis has continued to gain recognition and been recommended by global and domestic guidelines, including 2021 ACC/AHA/SCAI Guideline for Coronary Artery Revascularization, 2018 ESC/EACTS Guidelines on Myocardial Revascularization and 2016 Chinese Society of Cardiology Guidelines for Percutaneous Coronary Intervention in China. However, any changes to such guidelines, recommendations or studies that reflect negatively on FFR, or our other product candidates, could result in current or potential decreased use, sales of, and revenue from one or more of our products and product candidates. Furthermore, our success depends in part on our ability to educate healthcare providers and patients about our products and product candidates, and these education efforts could be rendered ineffective by, among other things, third-parties' guidelines, recommendations or studies.

We may fail to achieve broad market acceptance or maintain good reputation within the medical device industry.

We cannot guarantee that our caFFR System and any future approved product candidates will gain sufficient market acceptance by physicians, patients, medical payors and others in the industry. For example, current FFR systems developed by some of our competitors are well established in the global precision diagnostic medical device industry, and physicians may continue to rely on these products to the exclusion of our products and product candidates upon commercialization. In particular, as of the Latest Practicable Date, there were a number of commercialized FFR measurement products in China. Our caFFR System, a pressure-wire free FFR, has been commercialized recently, with relatively less market acceptance than the conventional FFR measurement products (namely, the pressure-wire FFR, such as FFR measurement products developed by Abbott, Philips and Boston Scientific) as the use of wire-guided FFR measurement remains the gold standard in FFR quantification. As a result, we may need to make substantial investments in hospital penetration and physician training in order to gain market acceptance. In addition, physicians, patients and medical payors may prefer other novel products to ours as more pressure-wire free FFR measurement products are expected to be launched within the next few years. The degree of market acceptance of our products and product candidates, if approved for commercialization, will depend on a number of factors, including:

- the clinical indications for which our products and product candidates are approved;
- physicians, hospitals, cardiovascular centers and patients considering our products as a safe and effective treatment;

- the potential and perceived advantages of our products over alternative products;
- the prevalence and severity of any side effects, adverse effects or complications;
- product labeling or product insert requirements of regulatory authorities, such as the limitations or warning contained in the labeling;
- the timing of market introduction of our products and product candidates as well as competitive products;
- learning curves to adapt to innovative products;
- the cost of diagnosis and treatment in relation to alternative solutions;
- the availability of adequate coverage, reimbursement and pricing by medical payors and government authorities;
- the willingness of patients to pay out-of-pocket in the absence of coverage and reimbursement by medical payors and government authorities; and/or
- the effectiveness of our sales and marketing efforts.

We only have relatively limited experience in marketing and sales of our products.

In October 2019 and January 2020, we began to commercialize our first approved product, caFFR System, in Europe and China, respectively. As we just recently began to commercialize our products, compared with other companies within the same industry, we have relatively limited experience in launching and commercializing our pipeline products and sales and marketing of our products in China or worldwide. For example, we have limited experience in building a commercial team, conducting a comprehensive market analysis, obtaining licenses and approvals, or managing distributors and sales force for our products. As a result, our ability to successfully commercialize our products may involve more inherent risks, take longer and cost more than it would if we were a company with richer experience of launching products.

We rely on third parties to market and sell our products through collaboration.

Consistent with the industry practice, we sell our caFFR System to third-party distributors in China and overseas, which then sell these devices to hospitals directly or through sub-distributors. To manage and promote our product sales in China and overseas, we established an in-house sales and marketing team consisting of 113 employees as of the Latest Practicable Date. If we are unable to, or decide not to, further develop internal sales, marketing and commercial distribution capabilities for any or all of our products, we will likely further pursue collaborative arrangements regarding the sales and marketing of our products. However, there can be no assurance that we will be able to establish or maintain such collaborative

arrangements, or if we are able to do so, that they will have effective sales forces. Any revenue we receive will depend upon the efforts of such third parties. We would have little or no control over the marketing and sales efforts of such third parties, and our revenue from product sales may be lower than if we had commercialized our products ourselves. We also face competition in our search for third parties to assist us with the sales and marketing efforts for our products.

We face substantial competition in our industry and our competitors may discover, develop or commercialize competing products before us or more successfully than we do.

The development and commercialization of new interventional cardiovascular medical devices is highly competitive and rapidly changing. We face competition from major medical device companies worldwide. As of the Latest Practicable Date, a number of international companies, such as Abbott, Philips and Boston Scientific, had commercialized conventional pressure-wire based FFR measurement products in China. As compared with our caFFR System (namely, a pressure-wire free FFR), such conventional FFR measurement products were well-established in the market and were regarded as the standard of care with dominant market shares in the past few years. Furthermore, the differences in accuracy, sensitivity and specificity among the currently available pressure-wire free FFR measurement products and our caFFR System may not be that significant. If we are not able to enhance our product awareness and receive market recognition, our products and future approved products may not be widely accepted.

Potential competitors also include other domestic FFR measurement players, academic institutions, government agencies and other public and private research organizations that conduct research, seek patent protection and establish collaborative arrangements for research, development, manufacturing and commercialization of pressure-wire free FFR measurement products. Furthermore, there are also potential collaborations and acquisitions among international and domestic competitors, as they are separately working on the FFR products and robot domains, which would lead to more competition in this field. In addition, new technologies and emerging clinical studies of FFR measurements based on other single or hybrid modalities (e.g., IVUS and OCT) are being developed in recent years. Although such technique only has limited clinical evidence at present, we cannot assure you that it will not obtain additional clinical evidence in the future and intensify the competition against us.

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

Many of the companies against which we are competing have significantly greater financial resources and expertise in R&D, manufacturing, obtaining regulatory approvals and marketing than we do. Mergers and acquisitions in the medical device industries may result in even more resources being concentrated among a small number of our competitors. Smaller and other early-stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies. They compete with us in recruiting and retaining qualified R&D, management and sales personnel, engaging clinical trial sites, enrolling patients and cooperating with distributors, as well as in acquiring technologies complementary to, or necessary for, our programs.

Our products may cause, or may be perceived to cause severe adverse events.

Our products may cause undesirable or unintended severe adverse events as a result of a number of factors, many of which are beyond our control. These factors include potential complications not revealed in clinical trials, unusual but severe complications and adverse events in isolated cases, defective products not detected by our quality control system or misuse of our products. Our products may also be perceived to cause adverse events when a conclusive determination as to the cause of the adverse events is not obtained or is unobtainable.

If our products cause, or are perceived to cause, severe adverse events, we may face a number of consequences, including:

- injury or death of patients;
- a severe decrease in the demand for, and sales of, the relevant products;
- the recall or withdrawal of the relevant products;
- revocation of regulatory approvals for the relevant products or the relevant production facilities;
- damage to the brand name of our products and the reputation of our Company;
- removal of relevant products from the medical insurance coverage;
- failure to be covered by the relevant medical insurance; and/or
- exposure to lawsuits and regulatory investigation relating to the relevant products that result in liabilities, fines or penalties.

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

Our ability to sell our products is related to the availability of governmental and private health insurance in China, Europe and other overseas countries for treatments using our products. China has a complex medical insurance system that is undergoing reform. The governmental insurance coverage or reimbursement level in China for new medical device is subject to significant uncertainty and varies from region to region, as local government approvals for such coverage must be obtained in each geographic region in China.

In addition, patients in China tend to be reimbursed for a higher percentage of the product cost if they use a medical device manufactured by a Chinese domestic company as opposed to an imported device. We cannot be certain that insurers will continue to adopt this favorable policy in the future.

In the absence of sufficient medical insurance coverage for the use of our products, patients may choose alternative treatment methods, and hospitals may recommend such alternative treatments. Moreover, we may need to lower the prices of our products in order to have them included in the medical insurance reimbursement list, and such price cut and reimbursement may not necessarily lead to an increase in our sales and our results of operations may be adversely affected.

We may fail to expand our sales network to cover new sales and distribution channels and new hospitals.

Our sales and marketing team assists in providing introduction and education to KOLs, leading physicians and hospitals on the application of our products in medical procedures. We plan to expand our sales network to cover more hospitals to increase our market share and penetration in the China and global market to drive future growth. We may seek to expand our sales network to cover additional hospitals which are not able to independently conduct diagnosis and treatment procedures for CAD and hospitals in emerging markets and developed countries where we have limited experience or resources.

There are some distinctions between our business models in China and overseas markets. To expand our sales network and cover more distribution channels in China, we rely on our own sales and marketing team. However, for overseas markets, as we are still in the process of forming our own overseas sales and marketing team, we may rely on a few major distributors to carry on our overseas commercialization strategies at this stage. In terms of the differences in business models for our products, we plan to emphasize the advantages of our caFFR System in our sales and marketing activities as it shortens operation time and improves safety profile due to its less-invasive nature, whereas we plan to emphasize the uniqueness of our caIMR System as it may be potentially the first approved less-invasive IMR system globally, which may provide us with more flexibility in commercialization. As a result, given the differences in our business models for caFFR System and caIMR System in China and overseas markets, we cannot assure you that we will be able to expand our sales network as planned.

The success of our marketing model depends on our ability to attract, motivate and retain qualified employees in our marketing, promotion and sales teams who have, among other things, the sufficient expertise in the medical device areas and are able to communicate effectively with medical professionals or our sales channels. There, however, is no guarantee that we will be able to attract, motivate and retain a sufficient number of qualified sales personnel.

Our delivery, exchange, return and warranty policies may adversely affect our results of operations.

Our internal policy is to assume responsibility as required by law if the competent regulatory authorities find that our products are defective. We provide warranties for our products, committing that product quality complies with the quality standards issued by relevant authorities. If distributors suffer losses due to quality issues with the product which is attributable to us, we will be liable for damages suffered by them. If we experience any deterioration in the quality of our products, we will incur higher costs associated with returns, exchanges and warranties. We may also be required by law to adopt new or amend existing return, exchange and warranty policies from time to time. These policies also subject us to additional costs and expenses which we may not recoup through increased revenue. We cannot assure you that our return, exchange and warranty policy will not be misused by our customers, which may significantly increase our costs. If we revise these policies to reduce our costs and expenses, our customers may be dissatisfied, which may result in loss of existing customers or failure to acquire new users at a desirable pace, which may materially adversely affect our results of operations.

We may fail to maintain or renew relationships with distributors.

We sell our products through a network of distributors, which is in line with industry practice according to CIC. We sold all of our caFFR Systems through distributors during the Track Record Period. As of December 31, 2020 and 2021, we had 25 and 150 distributors who entered into distribution agreements with us. Our ability to maintain and grow our business will largely depend on our ability to maintain or renew relationships with our distributors. However, our distributors are all third parties over whom we have limited control. We typically enter into agreements with our distributors for a prescribed term ranging from three months to three years. For details, please refer to the paragraph headed "Business – Sales, Distribution and Marketing – Sale to Distributors" in this document. There is no assurance that they will continue the distribution arrangement with us, whether on similar terms as the existing arrangements or at all, and the termination or unfavorable change in the terms of such arrangements may significantly affect our operations and revenue. For example, if price controls or other factors substantially reduce the profit margin our distributors can obtain through the sale of our products to hospitals, our distributors may terminate their relationships with us.

In addition, we may not be able to identify or engage a sufficient number of distributors with an extensive sales network, and our distributors may fail to maintain or expand their sales network, or otherwise encounter any difficulties in selling our products. Our distributors face a learning process with respect to our products, particularly for those newly introduced to the market. We cannot assure you that our distributors will be able to gain the required knowledge in order to market our products effectively in a timely manner or at all.

We may fail to effectively manage our distributors or completely avoid the occurrence of channel stuffing among our distributors.

We have implemented a series of policies and measures to prevent channel-stuffing of our products. We believe we are able to ensure that our sales to distributors reflect genuine market demand. In particular, we have implemented strict product return policy that we do not allow distributors to return any unsold goods unless there are quality defects within the warranty period. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any product return. However, we cannot guarantee that we will be able to effectively manage our distributors, or that our distributors would continue follow our policies and measures to prevent channel-stuffing, or our strict product return policy will continue to be effective. Any failure by us to effectively prevent the occurrence of channel stuffing could have a material adverse effect on our financial condition and results of operations.

We may fail to effectively manage our network of distributors.

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. For details, please refer to the paragraph headed "Business – Sales, Distribution and Marketing – Sale to Distributors" in this document. If our distributors take one or more of the following actions, we may be unable to accurately identify market demand for our products, and therefore our business, results of operations, prospects and reputation may be adversely affected:

- breaching the distribution agreements or our policies and measures, including selling products outside their designated territories;
- failing to provide timely delivery and other services to hospitals and physicians;
- failing to adequately promote our products;
- failing to provide proper training, clinical support, 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 local or national laws and regulations of China or other jurisdictions.

Moreover, some of our distributors may engage sub-distributors to distribute our products within its respective sales region with prior notice. We do not engage these sub-distributors directly or maintain contractual relationships with them, but we review the qualification of sub-distributors and issue the authorization letters to sub-distributors. For more details, please refer to the paragraph headed "Business – Sales, Distribution and Marketing" in this document. There is no assurance that the sub-distributors will comply with the geographical restrictions or other distribution requirements under our distribution agreements and policies we have agreed with our distributors. 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. 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. Further, the implementation of the "Two-invoice System" limits the distribution to a single level of distributors from manufacturers to public hospitals or similar systems in the medical device industry. See "Regulatory Overview – Laws and Regulations Relating to Medical Device – Two-invoice System." Related changes may have a negative impact on us, as there would be a smaller pool of distributors, which may in turn increase the bargaining power of distributors. If we engage more than one layer of distributors in the provinces or municipal cities that have implemented the Two-invoice System, we may be subject to regulatory measures imposed by the relevant local government authorities.

The growth and success of our business depends on the performance of our distributors in hospital tender processes.

Our future growth and success significantly depend on our ability to successfully market our products to hospitals and other medical institutions through our distributors. Hospitals and medical institutions may organize public tenders for procurement of medical devices. The procedures of such public tenders vary from hospital to hospital and from region to region, and there could be uncertainties with respect to the timing of such procedures.

As a result, we are primarily dependent on experienced local distributors during such procedures. However, we may not always be able to locate a sufficient number of experienced local distributors to sell our products to hospitals and other medical institutions. Furthermore, even if we could locate a sufficient number of experienced distributors, if our distributors fail in the tender process, we may still face difficulties in maintaining the existing level of sales of our products.

We may fail to effectively expand our overseas business.

We obtained CE Mark in September 2019 and commercialized our caFFR System in Europe in October 2019. In line with our marketing strategies, we will build our commercialization network overseas, broaden our overseas sales and expand our presence globally. However, our limited experience in overseas markets may expose us to risks and uncertainties, including but not limited to the following:

- dealing with regulatory regimes, regulatory bodies and government policies which may differ materially from those in the PRC or with which we may be unfamiliar;
- substantial time which may be required for us to obtain approval for conducting clinical trials for, registering and selling our products in additional countries;
- commercializing our products in new markets where we have limited experience with the dynamics and no sales and marketing infrastructure;
- working with overseas partners for the commercialization and marketing of our products;
- product liability litigation and regulatory scrutiny arising from the marketing and sales of products in overseas markets and the costs incurred dealing with such procedures, as well as our ability to obtain insurance to adequately protect us from any resulting liabilities;
- substantial time or costs which may be required by us to comply with all applicable laws, regulations, standards and obligations relating to data privacy, security, and transfers in local jurisdiction;
- unexpected changes in tariffs, trade barriers and regulatory requirements;
- economic weakness and inflation;
- difficulty of effective enforcement of contractual provisions in local jurisdictions;
- insufficient intellectual property protection and infringement risk in overseas jurisdictions;
- compliance with tax, employment, immigration and labor laws for employees traveling abroad;
- the effects of applicable foreign tax structures and potentially adverse tax consequences;
- currency fluctuations;

- workforce uncertainty and labor unrest; and

- business interruptions resulting from geo-political actions, including war and terrorism, or trade wars, natural disasters, including earthquakes, volcanoes, typhoons, floods, hurricanes and fires as well as sanction law, anti-money laundering, counter-financing of terrorism, export control, anti-terrorism financing.

RISKS RELATING TO OUR FINANCIAL POSITION AND NEED FOR ADDITIONAL CAPITAL

We have incurred net losses since our inception and may incur net losses for the foreseeable future.

Investment in innovative medical device development is highly speculative and entails substantial upfront capital expenditures and significant risk that product candidates may fail to obtain regulatory approval or become commercially viable.

We continue to incur significant expenses related to our ongoing operations, and as a result, we incurred losses during the Track Record Period. We incurred losses of RMB145.2 million and RMB633.6 million for the years ended December 31, 2020 and 2021, respectively, primarily due to our substantial amounts of fair value loss of financial liabilities, general and administrative expenses, selling expenses and research and development expenses during the Track Record Period.

We may continue to incur losses for the foreseeable future, and the losses may increase as we expand our development of our products and product candidates, seek regulatory approvals for our product candidates, and commercialize our products. Typically, it takes many years to develop one new product from the commencement of its design to when it is ready for commercialization. In addition, we will start incurring costs associated with being and maintaining the status of a [**REDACTED**] company in Hong Kong after the [**REDACTED**]. The size of our future net losses will depend, in part, on the number and scale of our product development programs and the associated costs of those programs, the cost of commercializing any products, our ability to generate revenue and other payments we make or receive with arrangements with third parties. Our failure to become and remain profitable would decrease the value of our Company and could impair our ability to raise capital, maintain our R&D efforts, expand our business or continue our operations.

We had net liabilities position during the Track Record Period.

We had net liabilities of RMB220.9 million and RMB774.5 million as of December 31, 2020 and 2021, respectively. Our net liabilities were mainly due to the increasing value of the Preferred Shares which are recorded as a liability item and measured at fair value at the end of the relevant periods as financial liabilities. For more detail regarding financial liabilities at FVTPL, please refer to the paragraph headed "Financial Information – Discussion of Selected Items from the Consolidated Balance Sheets – Financial Liabilities at FVTPL" in this

document. Upon the [**REDACTED**], the Preferred Shares will be automatically and irrevocably converted into ordinary shares, after which we do not expect to recognize any further loss or gain on fair value changes of the Preferred Shares. However, there can be no assurance that we will not experience liquidity problems in the future.

Any decreases in our future sales to our limited amount of current customers could adversely affect our financial condition and results of operations.

For the years ended December 31, 2020 and 2021, the aggregate revenue generated from our top five customers were RMB4.9 million and RMB31.0 million, representing approximately 79.6% and 38.2% of our revenue for the same period, respectively. For the years ended December 31, 2020 and 2021, the aggregate revenue generated from our largest customer were RMB2.9 million and RMB11.7 million, representing approximately 48.3% and 14.4% of our revenue for the same period, respectively. Our major customers during the Track Record Period included medical device distributors and companies in China and overseas. It is likely that we will continue to be dependent upon a limited number of customers for a significant portion of our revenue for the foreseeable future and, in some cases, the portion of our revenue attributable to one single customer may increase in the future. The loss of one or more major customers or a reduction in purchase from any major customer would reduce our revenue.

We had net cash outflows from our operating activities during the Track Record Period and we may not be able to obtain additional financing to fund our operations.

Our product candidates will require completion of clinical development, regulatory review, significant marketing efforts and substantial investment before they can generate revenue. Our operations have consumed substantial amount of cash since inception. We cannot assure you that we will be able to generate positive cash flows from operating activities in the future. Our liquidity and financial condition may be materially and adversely affected by negative net cash flows, and we cannot assure you that we will have sufficient cash from other sources to fund our operations and planned research and development activities. If we resort to other financing activities to generate additional cash, we will incur financing costs and we cannot guarantee that we will be able to obtain the financing on terms acceptable to us, or at all. If we are unable to raise capital when needed or on attractive terms, we would be forced to delay, postpone, reduce or eliminate our research and development programs or future commercialized efforts.

We expect to continue to spend substantial amounts on research and development, advancing the clinical development of our product candidates, commercializing our products and expanding our manufacturing facilities. Our existing cash and cash equivalents may not be sufficient to enable us to complete all global development or commercially launch all of our current product candidates for the anticipated uses and to invest in additional programs. Accordingly, we may require further funding through public or private equity offerings, debt financing, collaboration and licensing arrangements or other sources, if needed.

We may not continue to receive government grants or subsidies in the future.

We have historically received government grants in the form of subsidies for certain of our product development projects. For the years ended December 31, 2020 and 2021, we recognized government grants as other income of RMB2.8 million and RMB0.4 million, respectively.

Moreover, our growth has also been supported by favorable government policies. The timing, amount and criteria of government grants and other favorable policies are determined within the sole discretion of the local government authorities and cannot be predicted with certainty before we actually receive any financial incentive. Local governments may decide to reduce or eliminate such grants or policies at any time. Our eligibility for government grants and other favorable policies is dependent on a variety of factors, including the assessment of our improvement on existing technologies, relevant government policies, the availability of funding at different granting authorities and the research and development progress made by other peer companies. In addition, some of the government grants and policies are on a project basis and subject to the satisfaction of certain conditions, including compliance with the applicable financial incentive agreements and completion of the specific projects therein. In addition, the policies under which we historically received government grants may be halted by the relevant government entities at their sole discretion. There is no assurance of the continued availability of the government grants and other favorable policies currently enjoyed by us. Any reduction or elimination of such government grants and other policies would materially adversely affect our business, financial condition, results of operations and prospects.

Future tax payments or the discontinuation of any of the preferential tax treatments currently available to use could reduce our profitability.

Under the relevant laws and regulations promulgated by the SAT that has been effective from 2018 onwards, enterprise engaging in research and development activities are entitled to claim additional 75% of their eligible research and development expenses incurred as tax deductible expenses when determining their assessable profits for that year. Under the relevant laws and regulations promulgated by the SAT that have been effective from 2021 onwards, manufacturing enterprises are entitled to claim additional 100% of their eligible research and development expenses incurred as tax deductible expenses when determining their assessable profits for that year. Our eligibility to receive these preferential tax treatment requires that we continue to qualify for them. The incentives are provided to us at the discretion of the central government or relevant local government authorities, which could determine at any time to eliminate or reduce these preferential tax treatment, generally with prospective effect. Since our receipt of the preferential tax treatment is subject to periodic time lags and changing government practice, as long as we continue to receive these preferential tax treatment, our net income in a particular period may be higher or lower relative to other periods depending on the potential changes in these preferential tax treatment in addition to any business or operational factors that we may otherwise experience. The discontinuation of preferential tax treatment currently available to us could have an adverse effect on our financial condition, results of operations, cash flows and prospects.

Our result of operations, financial condition and prospects may be adversely affected by the fluctuation in our convertible Preferred Shares at FVTPL.

We issued the Series Angel-1 Preferred Shares, Series Angel-2 Preferred Shares, Series A+ Preferred Shares, Series B Preferred Shares, Series C-1 Preferred Shares, Series C-2 and Series D Preferred Shares issued from 2016 to 2021, all of which are designated as financial liabilities at FVTPL for the Track Record Period. The estimated changes in fair value involve the exercise of professional judgment and the use of certain bases, assumptions and unobservable inputs, which, by their nature, are subjective and uncertain. For more details, please refer to the paragraph headed "Financial Information – Critical Accounting Policies, Judgments and Estimates – Critical Accounting Estimates and Judgements – Fair Value of Financial Liabilities at FVTPL." The assessment of fair value of our financial liabilities at FVTPL requires the use of unobservable inputs including discount rate, risk-free interest rate, volatility, discount for lack of marketability and [**REDACTED**] possibility. As such, fair-value changes in financial liabilities have been, and will continue to be, subject to uncertainties in accounting estimation, which may not reflect actual fair value of these financial liabilities and result in significant fluctuations in profit or loss from period to period. Changes of these unobservable inputs will change the fair value of our financial liabilities at FVTPL, which leads to uncertainty in our financial results. In 2020 and 2021, our fair value loss of financial liabilities was RMB118.3 million, and RMB493.9 million, respectively. Upon the [**REDACTED**], the Preferred Shares will be automatically and irrevocably converted into ordinary shares, after which we do not expect to recognize any further loss or gain on fair value changes of the Preferred Shares.

Changes in these unobservable inputs will also affect the estimated fair value of our level 3 financial liabilities at fair value through profit or loss, which leads to uncertainty in our financial results. A range of factors, many of which are beyond our control, may influence and cause adverse changes to the estimates we use and thereby affect the fair value of these liabilities. These factors include, but are not limited to, general economic conditions, change in market interest rates and stability of the capital markets. Any of these factors, as well as others, could cause our estimates to vary from actual results and cause the fair value of our financial liabilities at fair value through profit or loss to fluctuate substantially.

Our results of operations, financial conditions, and prospects may be adversely affected by fair value changes and credit risk associated with our financial assets at FVTPL.

As of December 31, 2020 and 2021, we recorded financial assets at FVTPL of RMB3.0 million and nil, respectively. Our financial assets at FVTPL represented wealth management products denominated in RMB and issued by reputable banks in the PRC. As these wealth management products were not traded in active market, their fair values were determined based on the expected rate of return on our investment. The valuation involves the exercise of professional judgment and the use of certain bases, assumptions and unobservable inputs. For more details about the fair value estimation, please see Note 3.3 to the Accountant's Report in Appendix I to this document. As a result, such treatment of carrying amounts of our financial assets measured at FVTPL may cause significant volatility in or materially and adversely affect our period-to-period earnings, financial condition and results of operations.

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

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

Any future increase in finance costs on borrowings for funding may affect our expansion in business and growth prospects.

We did not incur significant amount of interest-bearing liabilities (including bank and other borrowings) during the Track Record Period. In order to enhance our liquidity position going forward, we may consider bank and other borrowings to finance our business. Currently, we were negotiating with several PRC commercial banks for potential loan facilities. Please refer to the paragraph headed "Summary – Recent Developments and no Material Adverse Change – Financial Performance After the Track Record Period" in this document for details. As bank borrowings may become one of the major funding sources for our business expansion in the future, we may incur substantial amount of finance costs. In addition, any increase in interest rates on our outstanding borrowings will increase our finance costs and reduce our interest spread. As a result, a higher level of interest-bearing liabilities could have a material adverse effect on our expansion in business and growth prospects.

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

We granted share awards and Pre-[**REDACTED**] Share Option Scheme to our management and employees as remuneration for their services provided to us to incentivize and reward the eligible persons who have contributed to the success of our Group. For the years ended December 31, 2020 and 2021, we incurred share-based payment expenses of nil and RMB67.2 million, respectively. To further incentivize our employees to contribute to us, we may grant additional share-based compensation in the future. Issuance of additional Shares with respect to such share-based payment may dilute the shareholding percentage of our existing Shareholders. Expenses incurred with respect to such share-based payment may also increase our operating expenses and therefore have a material and adverse effect on our financial performance.

We may face risk regarding the recoverability of deferred tax assets.

As of December 31, 2020, and 2021, our deferred tax assets amounted to RMB13.9 million and RMB19.2 million, which mainly represent accumulated deductible losses and accumulated deductible temporary difference. For details on the movements of our deferred tax assets during the Track Record Period, see Note 17 to Appendix I to this document. Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and losses can be utilized. This requires significant judgment on the tax treatments of certain transactions and assessment on the probability that adequate future taxable profits will be available for the deferred tax assets to be recovered. We cannot guarantee the recoverability or the estimated movement of our deferred tax assets. If we fail to recover our deferred tax assets, our future financial condition and results of operations may be adversely affected.

We may not be able to fulfill our obligations in respect of contract liabilities.

Our recognition of contract liabilities as revenue is subject to future performance obligations and may not be representative of revenues for future periods. Our contract liabilities primarily represented the advance payments made by customers while the underlying services and products are not yet provided. After we deliver our products or provide relevant services, contract liabilities will be recognized as revenue. For further details of our contract liabilities, see "Financial Information – Discussion of Selected Items from the Consolidated Balance Sheets – Contract liabilities." If we fail to fulfill our obligations or if our customers dispute the products or services we provided, we may not be able to reclassify the full amount of contract liabilities as revenue.

RISKS RELATING TO THE RESEARCH AND DEVELOPMENT OF OUR PRODUCTS AND PRODUCT CANDIDATES

Our future growth depends substantially on the success of our products and product candidates.

We have five product candidates under development, including caFFR System, caIMR System, Intelligent Angiographic Injection System, Flash Robot Vascular Intervention Navigation Operation System and Flash RDN System. Our business substantially depends on the successful development, regulatory approval and commercialization of these product candidates, and other product candidates we may develop in the future. For our commercialized product, caFFR System (comprising the FlashAngio caFFR system and the FlashPressure caFFR pressure transducer), we have initiated its clinical trials for the indication expansion since August 2020. Clinical development involves a lengthy and expensive process with uncertain outcomes. A failure in one or more of our clinical trials can occur at any stage of testing and clinical trials or procedures may experience significant setbacks even after earlier trials have shown promising results. Further, there can be significant variability in safety and/or efficacy results between trials of the same products and product candidates due to numerous factors, including changes in trial procedures set forth in protocols, differences in the size and type of the patient populations and the rate of dropout among clinical trial participants.

The success of our products and product candidates will depend on several factors, including but not limited to:

- successful enrollment in, and completion of, clinical trials, as well as completion of preclinical studies;
- favorable safety and efficacy data from our clinical trials and other studies;
- receipt of regulatory approvals from the relevant regulatory authorities, including the NMPA and other applicable regulatory authorities for ongoing and planned clinical trials;
- obtaining and maintaining patent, trade secret and other intellectual property protection and regulatory exclusivity; and
- ensuring we do not infringe, misappropriate or otherwise violate patents, trade secrets or other intellectual property rights of third parties.

We face uncertainties in our clinical trials.

Before obtaining regulatory approval for commercialization, we may be required to conduct extensive clinical trials to demonstrate the safety and efficacy of our products and product candidates. We may experience numerous unexpected events during clinical trials that could delay or prevent us from receiving regulatory approval or commercializing our product candidates, including but not limited to:

- regulators, institutional review boards, or ethics committees not authorizing us or our investigators to commence a clinical trial or conduct a clinical trial at a prospective trial site;
- our inability to reach agreements on acceptable terms with prospective CROs, SMOs and hospitals as trial centers;
- manufacturing issues, including problems with manufacturing, supply quality, or obtaining sufficient quantities of a product candidate for use in clinical trials;
- insufficient testing capabilities to meet the needs for clinical trials;
- failure of our product candidates to demonstrate superior results than competing or alternative products, if applicable;
- failure of clinical trials of our products and product candidates to demonstrate the effectiveness and safety as anticipated;
- failure to enroll sufficient number of subjects required for clinical trials;

- subjects dropping out of clinical trials at a higher rate than we anticipate;
- failure of third-party contractors to comply with regulatory requirements or meet their contractual obligations to us in a timely manner, or at all;
- lack of clinical response or occurrence of other unexpected characteristics; and
- subjects in clinical trials exposed to unacceptable health risks or reasons outside of our control, such as occurrences of epidemics like the outbreak of COVID-19.

If our clinical trials fail to proceed as we planned, we may:

- be delayed in obtaining, or not obtain regulatory approval for our product candidates;
- obtain approval for indications that are not as broad as intended;
- have the product removed from the market after obtaining regulatory approval;
- be subject to additional post-registration testing requirements;
- be subject to restrictions on how the product is distributed or used; or
- be unable to obtain reimbursement for use of the product.

Our results of earlier studies and trials may not be predictive of future trial results and we may suffer setbacks in clinical trials.

Clinical testing and trials are expensive and can take many years to complete, and their outcomes are inherently uncertain. Failure can occur at any time during the clinical trial process. The results of preclinical studies and early clinical trials of our products and product candidates may not be predictive of the results of later-stage clinical trials, and initial or interim results of a trial may not be predictive of the final results. Product candidates in later stages of clinical trials or product in post-registration clinical trials may fail to show the desired safety and effectiveness traits despite having progressed through preclinical studies and initial clinical trials. In some instances, there can be significant variability in safety and/or effectiveness results between different trials of the same product or product candidate due to numerous factors, including changes in trial protocols and differences in the size and type of the patient populations. Results may also differ from earlier trials because of the larger number of clinical trial sites and additional countries involved.

We may encounter difficulties enrolling patients in our clinical trials.

The timely completion of clinical trials in accordance with their protocols depends, among other things, on our ability to enroll a sufficient number of patients who remain in the trial until its conclusion. We may experience difficulties in patient enrollment in our clinical trials for a variety of reasons, including the nature and size of the patient population and the patient eligibility criteria defined in protocols. We also rely on CROs and SMOs to enroll patients for our clinical trials. Our enrollment of patients may therefore also be affected if we fail to reach agreements on acceptable terms with prospective CROs, SMOs and hospitals as trial centers.

Specifically, our clinical trials will likely compete with other clinical trials for product candidates that are in the same diagnostic and therapeutic areas as our products and product candidates. This competition will reduce the number and types of patients available to us, because some patients who might have opted to enroll in our trials may instead opt to enroll in a trial being conducted by one of our competitors. In addition, because the number of qualified clinical investigators and clinical trial sites are limited, we expect to conduct some of our clinical trials at the same clinical trial sites that some of our competitors use, which will reduce the number of patients who are available for our clinical trials at such clinical trial sites.

External service providers with which we contract for preclinical studies and clinical trials may do not perform in an acceptable manner.

We rely on third parties, including public hospitals, CROs, SMOs and other service providers, to assist us in implementing, monitoring and conducting our preclinical studies and clinical trials. If any of these parties terminates its agreements with us, the development of the products and product candidates covered by those agreements could be substantially delayed. In addition, these third parties may not successfully carry out their contractual obligations, meet expected deadlines or follow regulatory requirements, including clinical, laboratory and manufacturing guidelines. Our reliance on these third parties may result in delays in completing, or in failing to complete, these studies if they fail to perform in accordance with the contractual arrangements. Furthermore, if any of these parties fails to perform their obligations under our agreements with them in the manner specified in those agreements, the NMPA, the Notified Body of EU and/or other comparable regulatory authorities may not accept the data generated by those studies, which would increase the cost of and the development time for the relevant product or product candidate.

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

We must keep pace with new technologies and methodologies in research and development to maintain our competitive position, therefore we must continue to invest significant amounts of human and capital resources to develop or acquire new and more advanced technologies. We cannot assure you that we will be able to successfully identify new technological opportunities, enhance or adapt to new technologies and methodologies.

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

Without the timely introduction of new products, our products could become technologically obsolete or more susceptible to competition and our revenue and operating results would suffer. Even if we manage to develop new products, our ability to market them could be limited by the need for regulatory clearance, restrictions imposed on approved indications, entrenched patterns of clinical practice, uncertainty over medical insurance reimbursement, or other factors. The process to develop a new product is lengthy and entails considerable uncertainty. Products we are currently developing may not complete the development process or obtain the regulatory or other approvals required to market such products in a timely manner or at all.

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

We may fail to maintain existing or develop new collaborative relationships with medical institutions or any third-party collaboration partners.

We may from time to time establish or seek strategic alliances, form joint ventures or collaborations, or enter into licensing arrangements with third parties that we believe will complement or augment our development and commercialization efforts with respect to our products and product candidates.

We face significant competition in seeking appropriate strategic partners and the negotiation process for the collaboration, alliances or licensing arrangements can be time-consuming and complex. If and when we collaborate with a third party for development and/or commercialization of a product or product candidate, we may relinquish some or all of the control over the future success of that product or product candidate to the third party. For any products or product candidates that we may seek to in-license from third parties, we may face significant competition from other medical device companies with greater resources or capabilities than us.

We may not realize the benefits of collaborations, alliances or licensing arrangements entered in the future.

Collaborations are subject to numerous risks that prevent us from realizing the anticipated benefits, including:

- collaboration partners may no longer be as competitive in the market as they are now;

- collaboration partners have significant discretion in determining the efforts and resources that they will apply to a collaboration;

- collaboration partners may not pursue development and/or commercialization of our products and product candidates or may elect not to continue or renew development or commercialization programs based on clinical trial results, or change their strategic focus due to the acquisition of competitive products, availability of funding, or other factors, such as a business combination that diverts resources or creates competing priorities;

- collaboration partners may delay clinical trials, stop a clinical trial, abandon a product candidate, repeat or conduct new clinical trials, or require a new design of a product candidate for clinical testing;

- collaboration partners could independently develop, or develop with third parties, products that compete directly or indirectly with our products or product candidates;

- collaboration partners with marketing and distribution rights to one or more products may not commit sufficient resources;

- collaboration partners may not properly maintain or defend our intellectual property rights or may use our intellectual property or proprietary information in a way that gives rise to actual or threatened litigation that could jeopardize or invalidate our intellectual property or proprietary information;

- disputes may arise between us and collaboration partners that cause the delay or termination of the research, development or commercialization of our products and product candidates, or that result in costly litigation or arbitration that diverts management attention and resources;

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

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

- collaborations may not be established between us and the parties with whom we have entered into frameworks for future cooperation.

As a result, we may not be able to realize the benefit of current or future collaborations, strategic partnerships or licensing of products if we are unable to successfully integrate such products with our existing operations. We also cannot be certain that, following a strategic collaboration, transaction or license, we will achieve the profits that justifies such transaction. If we are unable to reach agreements with suitable collaboration partners on a timely basis, on acceptable terms, or at all, we may have to curtail the development of a product candidate, reduce or delay related development program and potential commercialization or reduce the scope of any sales or marketing activities, or increase our expenditures and undertake development or commercialization activities at our own expense.

RISKS RELATING TO MANUFACTURING AND SUPPLY OF OUR PRODUCTS

We may encounter manufacturing or quality problems.

Quality is extremely important due to the serious and costly consequences of a product failure. Problems can arise during the manufacturing process for a number of reasons, including equipment malfunction, failure to follow protocols and procedures, failure of our inspection procedures, raw material problems, software problems, or human error. Furthermore, if contaminants are discovered in our supply or in the manufacturing facilities, such manufacturing facilities may need to be closed for an extended period of time to investigate and remedy the contamination. Stability failures and other issues relating to the manufacture of our products or product candidates could occur in the future. Although closely managed, disruptions can still occur during implementation of new equipment and systems to replace aging equipment, as well as during production line transfers and expansions. As we expand into new markets, we may face unanticipated surges in demand for our products which could strain our production capacity. If these problems arise or if we otherwise fail to meet our internal quality standards or those of the NMPA or other applicable regulatory body, our reputation could be damaged, we could become subject to a safety alert or a recall, we could incur product liability and other costs, product approvals could be delayed, and our business could otherwise be adversely affected.

Failure to comply with regulatory requirements for our manufacturing facilities could delay our development plans or commercialization efforts.

We produce and assemble our products at our manufacturing facilities located in Suzhou, Jiangsu province, China, including one principal manufacturing facility with an aggregate floor area of 1,019 sq.m. in operation and the other under construction with an aggregate floor area of 5,143 sq.m. The facilities may encounter unanticipated expenses due to a number of factors, including regulatory requirements. Our manufacturing facilities will be subject to ongoing, periodic inspection by the NMPA, the Notified Body of EU or other comparable regulatory agencies to ensure relevant compliance. During the Track Record Period and up to the Latest Practicable Date, we had not received any complaints from our customers and our products had not been subjected to any claim, litigation or investigation. During the Track Record Period and up to the Latest Practicable Date, we had not been the subject of any review, enquiry or investigation by any regulatory agency. However, there is no assurance that we will be able to

maintain compliance in the future, any failure to comply with applicable regulations could also result in sanctions being imposed on us, including fines, injunctions, civil penalties, requirement to suspend or put on hold one or more of our clinical trials, failure of regulatory authorities to grant marketing approval of our product candidates, delays, suspension or withdrawal of approvals, supply disruptions, license revocation, seizures or recalls of products or product candidates, operating restrictions and criminal prosecutions, any of which could harm our business.

We may face damage to, destruction of or interruption of production at our manufacturing facilities.

As of the Latest Practicable Date, we had one principal manufacturing facility in operation and one facility under construction located in Suzhou, Jiangsu province, China. Those facilities may be harmed or rendered inoperable by physical damage from fire, floods, earthquakes, typhoons, tornadoes, power loss, telecommunications failures, break-ins, health epidemic, termination of lease by lessor, and loss of licenses, certifications and permits and similar events. If our manufacturing facilities or the equipment are damaged or destroyed, we may not be able to quickly or inexpensively replace our manufacturing capacity or replace it at all. In the event of a temporary or protracted loss of the facilities or equipment, we might not be able to transfer manufacturing to a third party. Even if we could transfer manufacturing to a third party, the shift would likely be expensive and time-consuming, particularly since the new facility would need to comply with the necessary regulatory requirements and we would need approval from applicable regulatory body before selling any products manufactured at that facility. Any interruption in manufacturing operations at our manufacturing facilities could result in our inability to satisfy the demands of our clinical trials or commercialization.

We may fail to increase our production capacity as planned.

To produce our products in the quantities to meet anticipated market demand, we may need to increase the production capacity and the utilization rate. For the year ended December 31, 2021, our facility can reach a production capacity of 53,846 units of single-use pressure transducers and 875 units of consoles. To enhance our production capacity, we will need to expand our production facilities, further upgrade our automated production lines and employ more workers. However, there can be no assurance that we will be able to increase our overall production capacity in the manner we contemplate, or at all.

The expansion of production capacity is subject to a number of risks, including our ability to obtain requisite permits, licenses and approvals for the construction and operation of new production facilities, the risk of construction delays, as well as our ability to timely recruit sufficient qualified staff. The expansion process may be lengthy and costly and may divert our management attention and development resources. Moreover, the actual costs of our expansion plan may exceed our original estimates, which could materially and adversely affect the realization of expected return on our expenditures.

In addition, we may have to engage third-party manufacturers if we fail to expand our own production capacity timely enough in response to demand increase. Consequently, we are exposed to the risks of increased pricing for our sub-contracted production and that the third parties may not comply with our specifications or meet market demand. We may also face changes in regulatory requirements in relation to engaging external subcontractors for manufacturing. For example, in November 2021, the NMPA published the formal regulations of "Guidelines for the Preparation of Quality Agreement for Commissioned Production of Medical Devices (Draft for Comment)" (《醫療器械委託生產質量協議編製指南(徵求意見稿)》), which proposed a number of more stringent requirements in relation to engaging external subcontractors for the manufacturing of medical devices. Please refer to the paragraph headed "Regulatory Overview – Laws and Regulations Relating to Medical Device – Production and Quality Management of Medical Devices" in this document for details. If such guidelines come into effect substantially in the same form as currently proposed, or if the regulators promulgate any similar laws and regulations in the future, it might be more difficult, or costly, for us to increase the manufacturing capacity of our products by engaging external subcontractors.

We may experience fluctuations in prices and availability of our raw materials and components or supply interruptions that could harm our ability to manufacture products.

We purchase certain of the materials and components used in the manufacture of our products from external suppliers. We typically conduct an all-department screening and selection of the qualifications of a potential supplier by our R&D, quality control and procurement teams to assess the stability of relative raw material supplies by such potential supplier. We also conduct annual reviews of our suppliers based on their supply performance and regulatory compliance.

Some raw materials and components required by our production processes may be susceptible to fluctuations in price and availability, which has a direct impact on our gross margin. The prices of raw materials and components of our products or product candidates may be affected by a number of factors, including market supply and demand, regulatory requirements, natural disasters including outbreak of epidemics or diseases such as COVID-19 and the PRC and global economic conditions.

General economic conditions could adversely affect the financial viability of our suppliers, resulting in their inability to provide materials and components used in the manufacture of our products. In addition, due to the rigorous regulations and requirements of the NMPA and/or foreign regulatory authorities regarding the manufacturing of our products (including the need for approval of any change in supply arrangements), we may have difficulty establishing additional or replacement sources in a timely manner or at all if the need arises. Certain suppliers may also elect to no longer service medical device companies due to the high standards of requirements and rigorous regulation.

A change in suppliers could require significant effort or investment in circumstances where the items supplied are integral to product performance or incorporate unique technology, and the loss of any existing supply contract could have a material adverse effect on us.

We may fail to maintain and predict inventory levels properly, and may consequently lose sales or face excess inventory risks and holding costs.

To operate our business successfully and meet our customers' demands and expectations, we must maintain a certain level of inventory for our products to ensure timely delivery as required. Furthermore, we are required to maintain an appropriate level of inventory of our raw materials for our commercial production. We maintain our inventory levels based on our internal forecasts which are inherently uncertain. In addition, given the precision diagnosis and treatment medical device market in China is still at its early development stage, demand for our products is hard to predict, and therefore it is difficult for us to maintain an adequate inventory level. If our forecast demand is lower than actual demand, we may not be able to maintain an adequate inventory level of our products or produce our products in a timely manner, and may lose sales and market share to our competitors. On the other hand, we may be exposed to increased inventory risks due to accumulated excess inventory of our products or raw materials. During the Track Record Period and up to the Latest Practicable Date, all of products, namely, our caFFR System, we sold were within its shelf life. As our business expands, our inventory level may increase accordingly. Excess inventory levels may increase our inventory holding costs, risk of inventory obsolescence or write-offs.

We actively monitor our inventory level and track the flow of our products, but there is no guarantee that the inventory information we collect is complete and accurate or that such information would allow us to effectively manage our inventory level.

RISKS RELATING TO OUR INTELLECTUAL PROPERTY RIGHTS

We may not be able to obtain and maintain sufficient protection for our product candidates through our patent or other intellectual property rights.

We seek to protect the technology, products and product candidates that we consider commercially important by filing patent applications in the PRC and overseas, relying on trade secrets or medical regulatory protection or employing a combination of these methods. As of the Latest Practicable Date, we had (i) 81 approved patents including 79 approved in China, one approved in the U.S. and one approved in Japan; (ii) 145 pending patent applications, including 106 in China and 39 overseas; (iii) 36 active PCT patent applications; (iv) 269 registered trademarks; and (v) ten registered software copyrights.

We may however fail to identify patentable aspects of our R&D output before it is too late to obtain patent protection. As a result, we may not be able to prevent competitors from developing and commercializing competitive products in all such fields and territories.

In addition, patents may be invalidated and patent applications may not be granted for a number of reasons, including known or unknown prior deficiencies in the patent application or the lack of novelty of the underlying invention or technology. Although we enter into non-disclosure and confidentiality agreements or include such provisions in our relevant agreements with parties who have access to confidential or patentable aspects of our R&D output, any of these parties may breach such agreements and disclose such output before a patent application is filed, jeopardizing our ability to seek patent protection.

One particularly important reason for potential rejection of patent applications is that we cannot be certain that we were the first to make the inventions claimed in our patents or pending patent applications or that we were the first to file for patent protection of such inventions. Patent applications in China and other jurisdictions are typically not published until 18 months after filing, or in some cases, not at all. Under the Patent Law of the PRC (中華人民共和國專利法) as well as under the European patent convention and the International Patent System, patent applications can be maintained in confidence until their publication at the end of 18 months from the filing date. The publication of discoveries in the scientific or patent literature frequently occurs substantially later than the date on which the underlying discoveries were made and the date on which patent applications were filed.

Furthermore, the PRC and the European patent convention both have adopted the "first-to-file" system under which whoever first files a patent application will be awarded the patent if all other patentability requirements are met. Under the first-to-file system, even after reasonable investigation we may be unable to determine with certainty whether any of our products, processes, technologies, inventions, improvement and other related matters have infringed upon the intellectual property rights of others, because such third party may have filed a patent application without our knowledge while we are still developing that product. Therefore, the validity of issued patents, patentability of pending patent applications and applicability of any of them to our programs may be lower in priority than third-party patents issued on a later date if the application for such patents was filed prior to ours and the technologies underlying such patents are the same or substantially similar to ours. In addition, under PRC patent law, any organization or individual that applies for a patent in a foreign country for an invention or utility model accomplished in China is required to report to China National Intellectual Property Administration ("**CNIPA**"), for confidentiality examination. Otherwise, if an application is later filed in China, the patent right will not be granted.

The coverage claimed in a patent application can be significantly reduced before the patent is issued, and its scope can be reinterpreted after issuance. The patent position of medical device companies generally is highly uncertain, involves complex legal and factual questions, and has been the subject of much litigation in recent years. As a result, the issuance, scope, validity, enforceability and commercial value of our patent rights are subject to uncertainties.

Furthermore, the life of a patent and the protection it affords is limited. The issued patents and pending patent applications which are material to our business, if issued, for our products and product candidates are expected to expire on various dates as described in "Business – Intellectual Property Rights" in this document. Upon the expiration of our issued patents or patents that may issue from our pending patent applications, we will not be able to assert such patent rights against potential competitors.

Given the amount of time required for the development, testing and regulatory review of new product candidates, patents protecting such product candidates might expire before or shortly after such product candidates are commercialized. As a result, our patents and patent applications may not provide us with sufficient rights to exclude others from commercializing products similar or identical to ours.

In addition, protection of intellectual property rights varies across jurisdictions. Consequently, we may not be able to prevent third parties from practicing our inventions in all countries, or from selling or importing medical products made using our inventions in and into certain jurisdictions. Competitors may use our technologies in jurisdictions where we have not obtained patent protection to develop their own products and further, may export otherwise infringing products to certain jurisdictions where we have patent protection but where enforcement rights are not as strong as those in certain other countries. These products may compete with our products and product candidates and our patent rights or other intellectual property rights may not be effective or adequate to prevent them from competing.

We may become involved in lawsuits to protect or enforce our intellectual property, which could be expensive, time-consuming and unsuccessful.

Competitors may infringe our patent rights or misappropriate or otherwise violate our intellectual property rights. To counter infringement or unauthorized use, litigation may be necessary in the future to enforce or defend our intellectual property rights, to protect our trade secrets or to determine the validity and scope of our own intellectual property rights or the proprietary rights of others. This can be expensive and time-consuming. Any claims that we assert against perceived infringers could also provoke these parties to assert counterclaims against us alleging that we infringe their intellectual property rights. Many of our current and potential competitors have the ability to dedicate substantially greater resources to enforce and/or defend their intellectual property rights than we can. Accordingly, despite our efforts, we may not be able to prevent third parties from infringing upon or misappropriating our intellectual property.

The patent rights relating to our products and product candidates could be found invalid or unenforceable if being challenged in courts, the CNIPA or related intellectual property agencies in other jurisdictions.

An adverse result in any litigation proceeding could put our patents, as well as any patents that may issue in the future from our pending patent applications, at risk of being invalidated, held unenforceable or interpreted narrowly. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, some of our confidential information could be compromised by disclosure during this type of litigation.

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

We may be sued for infringing intellectual property rights of third parties.

The precision diagnosis and treatment medical device industry, on which we primarily focus, is rapidly growing and there are an increasing number of patents registered in respect of such product candidates. There may be third-party patents or patent applications which we are currently unaware of, or in respect of which our initial assessment proves incorrect. Given the dynamic nature of the industry in which we operate, it is expected that more and more patents will be issued in China, Europe and our other target markets. As a result, the risk that our products may give rise to intellectual right disputes may further increase.

We are aware of a number of third-party patents or patent applications in the fields of our approved products or product candidates in development. Even if the risk of us being found by courts or other applicable authorities in China or Europe to have infringed such third-party patents or patent applications, if granted, is remote due to reasons such as a high likelihood of relevant third-party patents being invalidated under the relevant patent laws or a low likelihood of relevant third-party patent applications being granted, we cannot guarantee that third parties will not assert that we are using technology in violation of their patent or other proprietary rights.

Defense of these claims, regardless of their merit, could involve substantial litigation expense and divert our technical personnel, management personnel, or both from their normal responsibilities. Even if litigation or other proceedings are resolved in our favor, there could be public announcements of the results of hearings, motions, or other interim proceedings or developments, and if securities analysts or investors perceive these results to be negative, it could have a substantial adverse effect on the market price of our Shares. Even in the absence of litigation, we may seek to obtain licenses from third parties to avoid the risks of litigation, and if a license is available, it could impose costly royalty and other fees and expenses on us.

We may be subject to claims challenging the inventorship or ownership of our patents and other intellectual property.

We may be subject to claims that former employees, collaborators or other third parties have an interest in our patents, trade secrets, or other intellectual property as an inventor or co-inventor. For example, we may have inventorship disputes arise from conflicting obligations of employees, consultants or others who are involved in developing our product candidates. Litigation may be necessary to defend against these and other claims challenging inventorship or our ownership of our patents, trade secrets or other intellectual property.

Our patent protection could be reduced or eliminated for non-compliance with various procedural, document submission, fee payment, and other requirements imposed by governmental patent agencies.

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

We may not be able to protect the confidentiality of our trade secrets.

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

We may be subject to claims that our current and former employees have wrongfully used or disclosed alleged intellectual properties of their former employers.

Some of our current and former employees, including our senior management, executed proprietary rights, non-disclosure and non-competition agreements in connection with their previous employment. Although we try to ensure that our current and former employees do not use the intellectual properties of others, including proprietary information or know-how, in their work for us, we may be subject to claims that we or these employees have used or disclosed intellectual property, including trade secrets or other proprietary information, of any such employee's former employer. If we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel.

Our trademarks and trade names may not be adequately protected.

We currently hold issued trademark registrations and have trademark applications pending, any of which may be the subject of a governmental or third-party objection, which could prevent the registration or maintenance of the same. If we are unsuccessful in obtaining trademark protection for our primary brands, we may be required to change our brand names, which could materially adversely affect our business.

Our trademarks 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. At times, competitors or other third parties 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.

RISKS RELATING TO EXTENSIVE GOVERNMENT REGULATIONS

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

China and other jurisdictions all have strict regulation on medical devices, in particular Class III medical devices. However, there are differences in the regulatory regimes in different regions, which makes regulatory compliance more complex and costly for companies like us that plan to operate in each of these regions.

Failure to comply with the applicable requirements at any time during the product development process, approval process, or after approval process such as manufacturing compliant handling, and post-registration surveillance, may subject an applicant to administrative or judicial sanctions. These sanctions could include a regulator's refusal to approve pending applications, withdrawal of an approval, license revocation, a clinical hold, voluntary or mandatory product recalls, product seizures, total or partial suspension of production or distribution, injunctions, fines, refusals of government contracts, restitution, disgorgement or civil or criminal penalties.

We currently conduct the majority of our operations in China. In recent years, the regulatory framework in China regarding the medical device industry has undergone significant changes, and we expect that it will continue to undergo significant changes. Any such changes or amendments may (i) result in increased compliance costs on our business; (ii) cause delays in or prevent the successful development or commercialization of our product candidates in China; and (iii) reduce the benefits we believe are available to us from developing and manufacturing interventional medical device in China.

We may not be able to obtain, or experience delays in obtaining, regulatory approvals.

To obtain regulatory approvals for the commercialization of any product candidate for a target indication, we must demonstrate in preclinical studies and well-controlled clinical trials that the product candidate is safe and effective for use for that target indication and that the manufacturing facilities, processes and controls are adequate.

Our product candidates could fail to receive regulatory approval for many reasons, including but not limited to:

- failure to begin or complete clinical trials due to disagreements with regulatory authorities or clinical trial sites;
- failure to demonstrate that a product candidate is safe and effective;
- failure of clinical trial results to meet the level of statistical significance required for approval;
- failure of completing type testing;
- data integrity issues related to our clinical trials;
- disagreement with our interpretation of data from preclinical studies or clinical trials;
- changes in approval policies or regulations that render our preclinical and clinical data insufficient for approval or require us to amend our clinical trial protocols;
- unexpected overall slowing down of regulatory agencies in review process;

- emergence of new information regarding our product candidates or other products; and/or

- failure to conduct a clinical trial in accordance with regulatory requirements or our clinical trial protocols.

Regulatory authorities outside of China, such as the Notified Body of EU, also have requirements for approval of medical devices for commercialization with which we must comply prior to marketing in those areas. Regulatory requirements can vary widely from country to country and could delay or prevent the introduction of our product candidates. Clinical trials conducted in one country may not be accepted by regulatory authorities in other countries. Seeking foreign regulatory approval could require additional nonclinical studies or clinical trials, which could be costly and time-consuming. The foreign regulatory approval process may include all of the risks associated with obtaining NMPA approval. For these reasons, we may not obtain foreign regulatory approvals on a timely basis, if at all.

Even if our product candidates were to successfully obtain approval from the regulatory authorities, any approval might significantly limit the approved indications for use, or require that precautions, contraindications or warnings be included on the product labeling, or require expensive and time-consuming post-approval clinical trials or surveillance as conditions of approval. Following an approval for commercialization of our product candidates, certain changes to the product, such as changes in manufacturing processes and additional labeling claims, may be subject to additional review and approval by the NMPA, the Notified Body of EU and/or comparable regulatory authorities. Regulatory approvals for any of our product candidates may also be withdrawn.

The policies of centralized procurement of high-value medical consumables set by the PRC government may affect our pricing strategy and cause potential downward change in our product price.

The Chinese government has recently implemented a number of policies to gradually improve the affordability of medical devices, including combining a list of high-value medical consumables, requiring public hospitals to have zero margin for high-value medical consumables, and establishing provincial-level platforms for procurement. In particular, in order to improve the pricing mechanism and reduce the high prices of high-value medical consumables, the General Office of the State Council issued the Reform Plan for Governance of High-value Medical Consumables (《治理高值醫用耗材改革方案》) on July 19, 2019, exploring the classified and centralized procurement of high-value medical consumables. Although such centralized procurement is not directly affecting the pricing of our products currently, there are uncertainties whether the centralized procurement scope would be expanded in the future, resulting in the inclusion of our products. If our products were covered by the centralized procurement in the future, the price of our products may decrease, which could harm our profitability if any increase in sales volume fails to fully compensate for such decrease in price. Moreover, if any products comparable or similar to our products were included in the centralized procurement, patients' willingness to use our products might be materially and adversely affected and we might be forced to change our pricing strategy.

Our products and product candidates may cause undesirable adverse events and serious adverse events which could affect our regulatory approval or the commercial profile of an approved production label, or result in significant negative consequences following any regulatory approval.

Undesirable adverse events and serious adverse events caused by our approved products or product candidates could (i) cause us or regulatory authorities to interrupt, delay or halt clinical trials; (ii) affect patient recruitment or enrolled patients to complete the trial; (iii) adversely impact our ability to obtain regulatory approval; (iv) result in a narrowed scope of indications or a more restrictive label on our products; and/or (v) subject us to product liability claims as well as substantial liabilities.

By their nature, clinical trials only assess a sample of the potential patient population. If undesirable adverse events and serious adverse events caused by our products are identified after we receive regulatory approval for such products, a number of potentially significant negative consequences could follow, including, among others:

- the relevant products may be recalled, withdrawn or seized;
- regulatory authorities may withdraw or limit their approval of our products;
- we may be required to change the way our products are distributed or administered, conduct additional clinical trials, change the labeling or add additional warnings on the labeling of such products;
- we may be required to develop risk evaluation and mitigation measures for the products, or if risk evaluation and mitigation measures are already in place, to incorporate additional requirements under the risk evaluation and mitigation measures;
- we may be subject to regulatory investigations and government enforcement actions;
- we may be required to suspend marketing or remove relevant products from the marketplace; and
- we could be sued and held liable for injury caused to individuals using our products.

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

Our products and any product candidates that are approved by the regulators are and will be subject to ongoing regulatory requirements of regulatory authorities in China, the EU and/or other countries where our products are approved.

Manufacturers and manufacturers' facilities are required to comply with extensive regulatory requirements from the NMPA, the Notified Body of EU and/or other comparable authorities. As such, we are and will be subject to continual review and inspections by the regulators in order to assess our compliance with applicable laws and requirements. Accordingly, we must continue to devote time, financial resources and effort in all areas of regulatory compliance.

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

The NMPA or comparable regulatory authorities may seek to impose a consent decree or withdraw marketing approval if we fail to maintain compliance with these ongoing regulatory requirements. Later discovery of previously unknown problems with our products or product candidates or with our manufacturing processes may result in (i) revisions to the approved labeling or requirements to add new safety information; (ii) imposition of post-registration studies or clinical studies to assess new safety risks; or (iii) imposition of distribution restrictions or other restrictions. Other potential consequences include, among other things:

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

The NMPA and other regulatory authorities strictly regulate the marketing, labeling, advertising and promotion of products placed on the market. Products may be promoted only for their approved indications and for use in accordance with the provisions of the approved label. The NMPA, the Notified Body of EU and other regulatory authorities actively enforce the laws and regulations prohibiting the promotion of off-label uses, and a company that is found to have improperly promoted off-label uses may be subject to significant liability.

Our current and new products may not meet the quality standards required under applicable laws.

Our manufacturing, storage and logistic processes are required to meet certain quality standards. We have established a quality control and assurance system and adopted standardized operating procedures in order to prevent quality issues with respect to our products and operation processes. However, we cannot eliminate the risk of product defects or failure completely. Quality defects may fail to be detected or remediated as a result of a number of factors, many of which are outside of our control, including manufacturing errors, technical or mechanical malfunctions in the manufacturing process, human error or malfeasance by our quality control personnel, tampering by third parties, and quality issues with the raw materials we produce or purchase.

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

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

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

Legislative and regulatory proposals have been made to expand post-approval requirements and restrict sales and promotional activities for medical devices. The revised regulations, from time to time, may result in changes to the requirements of clinical trials, regulation on market authorization of medical devices, etc. The impact of these more specific requirements and whether it will adversely affect the registration of our products with the NMPA is yet to be observed. For more details, please refer to the paragraph headed "Regulatory Overview – Laws and Regulations Relating to Medical Device" in this document.

Further, although the Reform Plan for Governance of High-value Medical Consumables encourages local governments to adopt the "Two-invoice System" on a case-by-case basis in order to reduce the circulation of high-value medical consumables and promote the transparency of purchase and sales, the implementation of the "Two-invoice System" may vary

in practice in different provinces, 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. For more details, please refer to the paragraph headed "Business – Sales, Distribution and Marketing – Sale to Distributors" and "Regulatory Overview – Laws and Regulations Relating to Medical Device – Two-invoice System."

We, our CROs or SMOs may fail to comply with environmental, health and safety laws and regulations.

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

We could also be liable for actions taken by our CROs or SMOs that violate environmental, health and safety laws and regulations in China or other countries in certain cases. We consider their records of compliance in environmental, health and safety laws and regulations when selecting our CROs and SMOs and require them to comply with all applicable laws and regulations, including environmental, health and safety laws and regulations in China and other countries contractually. However, we cannot assure you that we will be able to identify or correct all of their practices that violate environmental, health and safety laws and regulations, if any, in a timely manner or at all. Our reputation, our sales activities or the price of our Shares could be adversely affected if our Company is associated with any negative publicity as a result of illegal or improper actions, or allegations of illegal or improper actions, taken by our CROs or SMOs.

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

RISKS RELATING TO OUR GENERAL OPERATIONS

We rely on a limited number of suppliers for certain raw materials and equipment and may not be able to find substitutes or immediately transition to alternative suppliers.

We rely on several suppliers for certain raw materials and equipment and other supplies which we use in our operations. For the years ended December 31, 2020 and 2021, purchases from our five largest suppliers in aggregate accounted for 32.4% and 50.6% of our total purchases, respectively, and purchases from our largest supplier accounted for 12.8% and 26.6% of our total purchases for the same periods, respectively. The significant increase in the purchases from our five largest suppliers was mainly caused by the building furnishing services we purchased in 2021, which accounted for 26.6% of our total purchases in 2021. However, certain of our suppliers are subject to various regulations and are required to obtain and maintain various qualifications, government licenses and approvals. If any of these suppliers loses its qualification or eligibility because of its failure to comply with regulatory requirements, we may not be able to find alternative suppliers in a timely manner or at all. Some of our suppliers may import certain equipment and materials from manufacturers located outside China and resell to us, while some of our suppliers are located abroad. As a result, trade or regulatory embargoes imposed by foreign countries or China could also result in delays or shortages that could harm our business. If we are unable to identify alternative materials or suppliers and secure approval for their use in a timely manner, our business, operations and the development of product candidates could be harmed. Any change in suppliers could require significant effort or investment in circumstances where the items supplied are integral to product performance or incorporate unique technology, and the loss of any existing supply contract could have a material adverse effect on us. A significant interruption in the operations of our suppliers could potentially affect our operations and any material misconduct or disputes against our suppliers could potentially harm our business and reputation.

Our operations and business plans may be adversely affected by natural disasters, health epidemics and pandemics, civil and social disruption and other outbreaks, in particular the COVID-19 outbreak.

In March 2020, the World Health Organization characterized the COVID-19 outbreak as a global pandemic. Significant rises in COVID-19 cases have been reported since then, causing governments around the world to implement unprecedented measures such as city lockdowns, travel restrictions, quarantines and business shutdowns. The COVID-19 outbreak is expected to have an unprecedented impact on the global economy as it has significantly reduced market liquidity and depressed economic activities.

The COVID-19 outbreak has caused and may continue to cause a long-term adverse impact on the economy and social conditions in China and other affected countries, which may have an adverse impact on our industry and cause temporary suspension of projects and shortage of labor and raw materials, which would severely disrupt our operations and have a material adverse effect on our business, financial condition and results of operations. Our operations could also be disrupted if any of our employees or employees of our distributors, suppliers and other business partners were suspected of contracting or contracted COVID-19,

since this could require us and our distributors, suppliers and other business partners to quarantine some or all of these employees and disinfect facilities used for operations. In addition, the commencement of new clinical trials for other product candidates in our development pipeline could also be delayed or prevented by any delay or failure in subject recruitment or enrollment. Our commercialization plan for our approved products could also be disrupted.

Since the start of 2021, there have been re-occurrence of COVID-19 cases in certain cities of China, in response to which, the government has taken further measures and actions in such areas, where our sales activities were affected temporarily. The extent to which COVID-19 will impact our results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of COVID-19, the scope and duration of restricted measures to contain COVID-19 or treat its impact, evolvement of variants of the virus and effectiveness of the vaccines, among others. If the COVID-19 situation in China deteriorates, it may affect the sales of our products and the supply of raw materials and production equipment. We cannot assure you that the outbreak will not persist, or that there will not be similar events in the future. If the COVID-19 outbreak continues, our business, results of operations and financial condition will continue to be adversely affected.

In addition, any future occurrence of force majeure events, natural disasters or outbreaks of other epidemics and contagious diseases, including avian influenza, severe acute respiratory syndrome, swine influenza caused by the H1N1 virus, or H1N1 influenza or the Ebola virus, may materially and adversely affect our business, financial condition and results of operations. Moreover, the PRC has experienced natural disasters such as earthquakes, floods and droughts in the past few years. Any future occurrence of severe natural disasters or outbreaks of epidemics and contagious diseases in China or globally, or the measures taken by the Chinese government or other countries in response to such contagious diseases, may materially and adversely affect their economy and our business.

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

We are highly dependent on the expertise of the members of our research and development team, as well as the contributions of the principal members of our management, many of whom have been instrumental for us and have substantial experience with our business and operations. Some members of our senior management joined us within the past year. While these members may need time to fully integrate into their managerial roles in our Company and carry out their visions for our long-term growth, we cannot assure you that the integration will be successful. We have entered into employment agreements with our executive officers, but each of them may terminate their employment with us with prior written notice. In addition, Dr. Huo Yunlong, one of our substantial shareholders with academic background in mechanical engineering and mechanobiological researches on heart failure, even though he is not our Director and is not involved in our daily business operations, if he leaves our Company for any reasons, there may be still negative publicity or reputational damage to us.

Recruiting, retaining and motivating qualified management, scientific, clinical, manufacturing and sales and marketing personnel will also be critical to our success. The loss of the services of our executive officers or other key employees could impede the achievement of our research, development and commercialization objectives and seriously harm our abilities to successfully implement our business strategy. Further, because of the limited number of individuals in our industry with the breadth of skills and experience required to successfully develop, gain regulatory approval of and commercialize medical devices, competition to hire from this limited pool is intense, and we may be unable to hire, train, retain or motivate these key personnel on acceptable terms given the competition for the hiring of scientific and clinical personnel from universities and research institutions.

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

We were founded in 2014. Our operations to date have focused on the design, development and commercialization of our caFFR System and caIMR System. Other than our caFFR System, we have not yet obtained regulatory approvals for our other products and product candidates. We have not manufactured any products other than our caFFR System on a commercial scale and have substantially generated revenue from our caFFR System. Our limited operating history, particularly in light of the rapidly evolving interventional cardiovascular field, may make it difficult to evaluate our current business and reliably predict our future performance. We may encounter unforeseen expenses, difficulties, complications, delays and other known and unknown factors. If we do not address these risks and difficulties successfully, our business will suffer.

In the future we may acquire emerging assets and we may fail to achieve successful and efficient synergy or we may fail to manage the acquired company.

We may not achieve the operational or economic synergies expected from our future acquisition. These synergies are inherently uncertain, and are subject to significant business, economic and competitive uncertainties and contingencies, many of which are difficult to predict and are beyond our control. If we achieve the expected benefits, they may not be achieved within the anticipated time frame. Also, the synergies from our future acquisition may be offset by costs incurred in the acquisition.

Additionally, our future acquired target may not provide us with the intellectual property rights, technology, R&D capability, production capacity or sales and marketing infrastructure we had anticipated, or they may be subject to unforeseen liabilities. We may be unable to successfully increase the efficiencies of the acquired businesses in the manner we contemplated or devote more resources and management attention than desirable to the integration and management of the acquired businesses. Hence, there can be no guarantee that we will be able to enhance our post-acquisition performance or grow our business through our recent or future acquisitions.

Our relationships with certain key physicians and leading hospitals may affect the clinical development and marketing of our products.

We collaborate with hospitals and physicians in China and other countries in many aspects of our business, and our success in part depends on our ability to maintain our relationships with our existing partner hospitals and physicians and continue to build relationships with additional hospitals and physicians.

We focus on professional clinical support and academic promotion to market our products to physicians and hospitals. We have entered into collaboration agreements with a number of clinical trial centers to develop our pipeline products. Any deterioration or termination of our relationships with these partner hospitals could result in temporary or permanent loss of our revenue. In addition, we will need to continue to expand our collaboration with new hospitals, which may involve a lengthy and costly process, including going through tender procedures, the outcome of which is subject to uncertainties, and complying with the respective hospitals' operating protocols. If we fail to enter into collaboration with additional hospitals in a timely and cost-effective manner, our business and prospects could be adversely affected.

Products and professional liability claims or lawsuits could cause us to incur substantial liabilities.

Our current products and product candidates are primarily classified as Class III medical devices. Such classifications represent a high risk to the human body and requires a high level of supervision to ensure safety and effectiveness. We may be subject to product liability claims if our products have quality issues. Any such product liability claims may include allegations of defects in manufacturing, defects in design, a failure to warn of dangers inherent in the medical device product, negligence, strict liability or a breach of warranties. If our products or product candidates are used incorrectly by physicians, injury may result, which could require review and corrective action by the manufacturer or even give rise to product liability claims against us. Claims could also be asserted under applicable consumer protection acts. If we cannot successfully defend ourselves against or obtain indemnification from our collaboration partners for product liability claims, we may incur substantial liabilities or be required to limit commercialization of our products and product candidates. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material customer complaint or product return from customers.

Regardless of the merits or eventual outcome, liability claims may result in:

- decreased demand for our products;
- injury to our reputation;
- withdrawal of clinical trial participants and inability to continue clinical trials;
- initiation of investigations by regulators;

- a diversion of management's time and our resources;
- substantial monetary awards to trial participants or patients, product recalls, withdrawals or labeling, marketing or promotional restrictions;
- loss of revenue;
- exhaustion of any available insurance and our capital resources;
- the inability to commercialize any product candidate; and/or
- a decline in our Share price.

If we are unable to obtain sufficient product liability insurance at an acceptable cost, potential product liability claims could prevent or inhibit the commercialization of our products and product candidates. We have purchased insurance for our clinical trials as required by applicable laws and regulations, and have purchased product liability insurance in China. Our insurance policies may also have various exclusions, and we may be subject to a product liability claim for which we have no coverage. We may have to pay any amounts awarded by a court or negotiated in a settlement that exceed our coverage limitations or that are not covered by our insurance, and we may not have, or be able to obtain, sufficient capital to pay such amounts.

We may be subject to any litigation, legal or contractual disputes, government investigations or administrative proceedings and our management's attention may be diverted.

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. 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, which further materially and adversely affect our business.

We, our employees, suppliers, distributors, consultants and commercial partners may engage in bribery, corrupt practices, unfair competition or other improper conduct.

We are subject to the anti-bribery laws of various jurisdictions, particularly in China. As our business expands, the applicability of the applicable anti-bribery laws to our operations has increased. We established relevant procedures and controls to monitor compliance with anti-bribery law. However, we could still be liable for actions taken by our employees, third-party suppliers, distributors, consultants and commercial partners that violate anti-bribery, anti-corruption, anti-unfair competition and other related laws and regulations in China or other countries. The government authorities may seize the products involved in any illegal or improper conduct engaged in by our employees, third-party suppliers, distributors, consultants and commercial partners. We may be subject to claims, fines or suspension of our operations. Our reputation, our sales activities or the price of our Shares could be adversely affected if our Company is associated with any negative publicity as a result of illegal or improper actions, or allegations of illegal or improper actions, taken by our employees, third-party suppliers, distributors, consultants and commercial partners.

Any new or different regulations adopted by the Chinese government or other government authorities in countries where we sell our products could possibly increase the costs incurred by us, our employees, suppliers, distributors, consultants and commercial partners in selling our products or impose restrictions on sales and marketing activities, which could in turn increase our costs. As we currently depend on distributors for the sale of our products, any misconduct by our distributors or changes in the regulatory environment regarding the sale of medical devices may have a material adverse impact on our business, financial condition and results of operations.

Our employees, suppliers, distributors, consultants and commercial partners may engage in misconduct or other improper activities, including non-compliance with regulatory standards and requirements.

We are exposed to the risk of fraud, misconduct or other illegal activities by our employees, suppliers, distributors, consultants and commercial partners. Misconduct by these parties could include intentional, reckless and negligent conduct that fails to:

- comply with the laws of the NMPA and other comparable regulatory authorities;
- provide true, complete and accurate information to the NMPA and other comparable regulatory authorities;
- comply with manufacturing standards we have established;
- comply with healthcare fraud and abuse laws in the PRC and similar fraudulent misconduct laws in other applicable jurisdictions; or
- report financial information or data accurately or to disclose unauthorized activities to us.

In particular, sales, marketing, and business arrangements in the healthcare industry are subject to extensive laws and regulations intended to prevent fraud, misconduct, kickbacks, self-dealing and other abusive practices. These laws and regulations may restrict or prohibit a wide range of pricing, discounting, marketing and promotion, sales commission, customer incentive programs and other business arrangements. Such misconduct could also involve the improper use of information, including sensitive information such as personal data and other privacy, obtained in the course of clinical studies, which could result in regulatory sanctions and cause serious harm to our reputation. We provide training to our employees on a regular basis, but it is not always possible to identify and deter employee misconduct. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could result in the imposition of significant civil, criminal and administrative penalties, which could have a significant impact on our business.

In addition, we may have disputes with our employees, suppliers, distributors, consultants and commercial partners due to such misconduct or for other reasons, such as quality of products or services provided by these third-parties, which may result in suspension or termination of supply of products or services to us, suspension or termination of certain of our production or research and development activities, litigation or arbitrations, contractual damages and other payments by us, other liabilities of ours, write off of amounts paid or receivables, and other negative impacts on our business operations, and such results may have a material adverse effect on our business, financial condition and results of operations.

We or our business partners may fail to protect patient and customer data and privacy.

The personal information of patients or subjects for our clinical trials and other clinical and business activities is highly sensitive and we are subject to strict requirements under the applicable privacy protect regulations in the relevant jurisdictions. Whilst we have adopted security policies and measures to protect our proprietary data and patients' privacy, privacy leakage incidents might not be avoided due to human error, employee misconduct or system breakdown. We also cooperate with third parties including principal investigators, hospitals, CROs, SMOs and other related parties for our clinical trials. Any leakage or abuse of patient and customer data by our third-party partners may be perceived by the patients and customers as a result of our failure. It is possible that the laws and regulations in China or overseas markets regarding the storage, transfer, process and protection of data privacy may be interpreted and applied in a manner that is inconsistent with our practices in relation to our research and development and commercial activities. Furthermore, any change in such laws and regulations could affect our ability to process patient and customer data and subject us to liability for processing such data for previously permitted purposes. Any failure or perceived failure by us to prevent information security breaches or to comply with privacy policies or privacy-related legal obligations, or any compromise of information security that results in the unauthorized release or transfer of personally identifiable information or other patient data, could cause our customers to lose trust in us and could expose us to legal claims.

Moreover, regulatory authorities in China are considering a number of legislative and regulatory proposals concerning data protection. The PRC Data Security Law (《中華人民共和國數據安全法》) or the Data Security Law, which was promulgated by the Standing Committee of the NPC on June 10, 2021 and came into effect on September 1, 2021, outlines the regulatory framework of data security protection. The Opinions on Strictly Cracking Down on Illegal Securities Activities in Accordance with the Law (《關於依法從嚴打擊證券違法活動的意見》), which were issued by the General Office of the State Council and another authority on July 6, 2021, require to speed up the revision of legislation on strengthening the confidentiality and archives coordination between regulators related to overseas [**REDACTED**] and [**REDACTED**] of securities, and improvement to the legislation on data security, cross-border data flow, and management of confidential information. On November 14, 2021, the CAC publicly solicited opinions on the Regulations on the Administration of Cyber Data Security (Draft for Comment) (《網絡數據安全管理條例(徵求意見稿)》), which reiterates the circumstances under which data processors shall apply for cybersecurity review, including, among others, (i) the data processors who process personal information of at least one million users apply for "foreign" [**REDACTED**] (國外[**REDACTED**]); and (ii) the data processors' [**REDACTED**] in Hong Kong affects or may possibly affect national security. On January 4, 2022, the Cyberspace Administration of China ("**CAC**") jointly with other government authorities released the revised Measures for Cybersecurity Reviews (《網絡安全審查辦法》), or the Review Measures, which came into force on February 15, 2022. Based on the article 7 of the Review Measures, a network platform operator that holds the personal information of more than one million users needs to apply for a cybersecurity review when it seeks a [**REDACTED**] in a foreign country. According to the oral consultation with the China Cybersecurity Review Technology and Certification Center, which is authorized by the Cybersecurity Review Office of the CAC to accept public consultation and cybersecurity review submissions, conducted by our PRC Legal Adviser, it is confirmed, that the [**REDACTED**] in Hong Kong is not subject to the cybersecurity review under the article 7 of the Review Measures. According to the article 2 of the Review Measures, if critical information infrastructure operators purchase network products and services, and network platform operators carry out data processing activities that affect or may affect national security, cybersecurity review shall be conducted in accordance with the Review Measures. However, the Review Measures provides no further explanation or interpretation for "affect or may affect national security", which remains to be clarified and elaborated by the CAC. As advised by our PRC Legal Advisors, the PRC government authorities may have wide discretion in the interpretation for "affect or may affect national security." If we were deemed as a network platform operator that "affect or may affect national security", we would be subject to cybersecurity review. As of the date of this document, we have not received any investigation, notice, warning, or sanctions from applicable government authorities in relation to national security. Complying with all applicable laws, regulations, standards and obligations relating to data privacy, security, and transfers may cause us to incur substantial operational costs or require us to modify the practices and processes of our data storage, transfer and protection. Whilst we have made efforts to ensure our compliance with the applicable privacy regulations in various jurisdictions, we may not be capable of adjusting our internal policies in a timely manner and any failure to comply with applicable regulations could also result in regulatory enforcement actions against us. In addition, we could be subject to regulatory actions and/or

claims made by individuals and groups in private litigation involving privacy issues related to data collection and use practices and other data privacy laws and regulations, including claims for misuse or inappropriate disclosure of data, as well as unfair or deceptive practices.

There may be failure in our internal computer systems, information technology infrastructure, storage systems or equipment.

Despite the implementation of security measures, our internal computer systems are vulnerable to damage from computer viruses and unauthorized access. If any material system failure or security breach were to occur and cause interruptions in our operations, it could result in a material disruption of our development programs and our business operations.

In the ordinary course of our business, we collect and store sensitive data, including, among other things, legally protected patient health information, personally identifiable information about our employees, intellectual property, and proprietary business information. We manage and maintain our applications and data utilizing on-site systems and outsourced vendors. To achieve our goals towards data protection, we adopt advanced technologies which ensure the implementation of data protection policies. We have developed our own local database in Suzhou, Jiangsu province, to store and protect the sensitive data, and have assigned specific employees in our technical support department to manage such database. There may be disruptions at our Company or vendors that provide information systems, networks, or other services to us that may be caused by events such as computer hacking, phishing attacks, ransomware, dissemination of computer viruses, worms and other destructive or disruptive software, denial of service attacks and other malicious activity, as well as power outages, natural disasters (including extreme weather), terrorist attacks or other similar events. Our disaster recovery planning may not be sufficient to cover all eventualities and significant events could result in a disruption of our operations, damage to our reputation or a loss of revenue.

We could be subject to risks caused by misappropriation, misuse, leakage, falsification or intentional or accidental release or loss of information maintained in the information systems and networks of our Company and our vendors, including personal information of our employees and patients, and company and vendor confidential data. We have also established internal systems to prevent data leakage, including the data we collected in relation to our research and development and commercial activities. Our internal policies towards data protection primarily include (i) data de-identification. Such data should be processed to remove personal identifiers; (ii) data isolation. Such data should be physically and logically isolated from other data; (iii) moving restriction. Such data should not be moved from isolated area; (iv) access management. Only authorized employees are allowed to access such data through designated reviewing process, and the accessing of the data would be recorded for further monitoring; (v) data usage limitation. Such data should only be used in agreed ways. In addition, outside parties may attempt to penetrate our systems or those of our vendors or fraudulently induce our personnel or the personnel of our vendors to disclose sensitive information in order to gain access to our data and/or systems. If a material breach of our information technology systems or those of our vendors occurs, the market perception of the

effectiveness of our security measures could be harmed and our reputation and credibility could be damaged. We could be required to expend significant amounts of financial and other resources to repair or replace information systems or networks. Although we develop and maintain systems and controls designed to prevent these events from occurring, and we have a process to identify and mitigate threats, the development and maintenance of these systems, controls and processes is costly and requires ongoing monitoring and updating as technologies change and efforts to overcome security measures become increasingly sophisticated.

We or parties on whom we rely fail to maintain the necessary licenses for the development, production, sales and distribution of our products.

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

Our cross-border transfer of data may be limited or restricted.

The clinical trials, registration and post-registration surveillance of our products and product candidates in different jurisdictions involve the collection and storage of personal health information for scientific purposes, and it may require cross-border transfer of personal or scientific data, which subjects us to relevant laws and regulations. Although we have not initiated our overseas clinical trials as of the Latest Practicable Date, our future clinical trials may involve cross-border data transfer as we expect to initiate our overseas clinical trials by the end of 2022. As of the Latest Practicable Date, we had not been restricted from transferring data across jurisdictions for the purposes of medical device registration, however, our transfer of data may be limited or even restricted if the information is considered of national security interest in certain jurisdictions or if we fail to continue to comply with the requirement on data protection, in which case, our business may be harmed as a result.

On March 17, 2018, the General Office of the State Council promulgated the Measures for the Management of Scientific Data (《科學數據管理辦法》), ("**Scientific Data Measures**"), which provide a broad definition of scientific data and relevant rules for the management of scientific data. According to the Scientific Data Measures, enterprises in China must seek governmental approval before any scientific data involving a state secret may be transferred abroad or to foreign parties. Further, any researcher conducting research funded at least in part by the Chinese government is required to submit relevant scientific data for management by the entity to which such researcher is affiliated before such data may be published in any foreign academic journal. Given the term state secret is not clearly defined, if and to the extent our R&D of medical device product candidates will be subject to the Scientific Data Measures and any subsequent laws as required by the relevant government authorities, we cannot assure you that we can always obtain relevant approvals for sending scientific data (such as the results of our preclinical studies or clinical trials conducted within China) abroad or to our foreign partners in China. If we are unable to obtain necessary approvals in a timely manner, or at all, our R&D of product candidates may be hindered, which may materially and adversely affect our business, results of operations, financial conditions and prospects. If the relevant government authorities consider the transmission of our scientific data to be in violation of the requirements under the Scientific Data Measures, we may be subject to fines and other administrative penalties imposed by those government authorities.

Moreover, CAC issued the Measures on Security Assessment of the Cross-border Transfer of Personal Information (Draft for Comment) (《個人信息出境安全評估辦法(徵求意見稿)》) in June 2019, pursuant to which, any cross-border transfer of information that may endanger national security, damage public interest, or fail to offer effective protection of personal information security, as assessed by relevant regulatory bodies, will be prohibited. On October 29, 2021, CAC issued the Measures on Security Assessment of the Cross-border Data Transfer (Draft for Comment) (《數據出境安全評估辦法(徵求意見稿)》), which adjusts the thresholds for triggering mandatory security assessments not only in the cross-border transfers of personal information, but also in the cross-border transfers of "important data" collected and generated in China under certain circumstance. Given that the government body will have full discretion in the assessment, it is unclear if and the extent to which our clinical data will be considered as an endangerment to national or personal information security, if the regulation becomes effective.

Cross-border data transfer from other jurisdictions may also be limited if we fail to comply with relevant requirements, such as obtaining authorization from patients regarding the use, transfer and retrieval of their personal information or data and adopting measures to ensure the safety of personal information or data in the transfer. Also, cross-border transfer of personal data by its nature is subject to general data privacy regulations in various jurisdictions, and thus any failure to comply with data privacy protection may lead to a restriction of transferring our data across different jurisdictions.

In addition, we may not detect, prevent or control all risks during our data transfer, including viruses, Trojan horses, malicious software, break-ins, phishing attacks, third-party manipulation, security breaches, employee misconduct or negligence. If we are unable to prevent these attacks and security breaches, we may be subject to legal and financial liabilities.

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

Our operations are subject to hazards and risks associated with our research and manufacturing operations, which may cause significant harm to persons or damage to properties. We maintain different types of insurance policies, including group accident insurance for our employees, property insurance, employer liability insurance, product liability insurance and supplemental medical insurance to our employees in China. However, there is no assurance that our insurance policies will be adequate to cover all losses incurred.

We do not own the real property for our current major operation sites and may be subject to risks relating to leased properties.

We do not own any real property for our operations. As of the Latest Practicable Date, we leased four properties with an aggregate area of approximately 12,621 sq.m. in China. Upon expiration of the leases, we will need to negotiate for renewal of the leases and may have to pay increased rent. We cannot assure you that we will be able to renew our leases on terms which are favorable or otherwise acceptable to us, or at all. If we fail to renew any of our leases or if any of our leases are terminated or if we cannot continue to use any of our leased property, we may need to seek an alternative location and incur expenses related to such relocation, and our operation and businesses may also be disrupted or even suspended if we are not able to complete the relocation, including the reconstruction of relevant facilities in the new location, in a timely manner.

If we fail to maintain or implement an effective internal control system, our financial reporting accuracy and our stock price may be adversely affected.

If we fail to maintain or implement an effective internal control system over financial reporting, we could suffer material misstatements in our financial statements and fail to meet our reporting obligations, which would likely cause investors to lose confidence in our reported financial information. This could, in turn, limit our access to capital markets, harm our results of operations and lead to a decline in the trading price of our Shares. Additionally, ineffective internal control over financial reporting could expose us to increased risk of fraud or misuse of corporate assets and subject us to potential penalties, regulatory investigations and civil or criminal sanctions.

Negative publicity and allegations involving us, our Shareholders, Directors, officers, employees and business partners may harm our reputation and business.

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

RISKS RELATING TO DOING BUSINESS IN CHINA

Changes in the political and economic policies of the PRC government may materially and adversely affect our business.

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

While the PRC economy has experienced significant growth over the past 40 years, growth has been uneven across different regions and among various economic sectors of China. The PRC government has implemented various measures to encourage economic development and guide the allocation of resources. Some of these measures may benefit the overall PRC economy, but may have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations that are currently applicable to us. In addition, in the past the PRC government implemented certain measures, including interest rate increases, to control the pace of economic growth. These measures may cause decreased economic activity in China, which may adversely affect our business and results of operation. More generally, if the business environment in China deteriorates from the perspective of domestic or international investment, our business in China may also be adversely affected.

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

The PRC legal system is a civil law system based on written statutes. Unlike the common law system, prior court decisions may be cited for reference but have limited precedential value. In 1979, the PRC government began to promulgate a comprehensive system of laws, rules and regulations governing economic matters in general. The overall effect of legislation over the past four decades has significantly enhanced the protections afforded to various forms of foreign investment in China. However, China has not developed a fully integrated legal system, and recently enacted laws, rules and regulations may not sufficiently cover all aspects of economic activities in China or may be subject to significant degrees of interpretation by PRC regulatory agencies. In particular, because these laws, rules and regulations are relatively new and often give the relevant regulator significant discretion in how to enforce them, and because of the limited number of published decisions and the non-binding nature of such decisions, the interpretation and enforcement of these laws, rules and regulations involve uncertainties and can be inconsistent and unpredictable. In addition, the PRC legal system is based in part on government policies and internal rules, some of which are not published on a timely basis or at all, and which may have a retroactive effect. As a result, we may not be aware of our violation of these policies and rules until after the occurrence of the violation.

For example, two draft regulations relating to overseas [**REDACTED**] – namely the Provisions of the State Council on the Administration of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) (《國務院關於境內企業境外發行證券和上市的管理規定(草案徵求意見稿)》) and Administrative Measures for the Filing of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) (《境內企業境外發行證券和上市備案管理辦法(徵求意見稿)》) – were recently released in December 2021 for public comments. Pursuant to such draft regulations, domestic companies that apply for overseas [**REDACTED**] are required to, among others, file and report to the CRSC. Uncertainties exist regarding the final form of these regulations as well as the interpretation and implementation thereof after promulgation. If those two rules were adopted in the current form, we may be required to file documents regarding of this [**REDACTED**] with the CRSC, which could take up to 20 business days for the CRSC to review and approve after submitting all required documents.

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

We may be classified as a PRC resident enterprise for PRC income purpose.

The Enterprise Income Tax Law of the PRC and the Implementation Rules of the Enterprise Income Tax Law of the PRC define the term "de facto management bodies" as "bodies that substantially carry out comprehensive management and control on the business operation, employees, accounts and assets of enterprises." Under the Enterprise Income Tax Law, an enterprise incorporated outside of PRC whose de facto management bodies are located in PRC may be considered a "resident enterprise" and will be subject to a uniform 25% enterprise income tax rate on its global income. In 2009, the SAT in 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》), or SAT Circular 82, further specified certain criteria for the determination of what constitutes de facto management bodies. If all of these criteria are met, the relevant foreign enterprise may be regarded to have its de facto management bodies located in China and therefore be considered a PRC resident enterprise. These criteria include: (i) the enterprise's day-to-day operational management is primarily exercised in China; (ii) decisions relating to the enterprise's financial and human resource matters are made or subject to approval by organizations or personnel in China; (iii) the enterprise's primary assets, accounting books and records, company seals, and board and

shareholders' meeting minutes are located or maintained in China; and (iv) 50% or more of voting board members or senior executives of the enterprise habitually reside in China. Although SAT Circular 82 only applies to foreign enterprises that are majority-owned and controlled by PRC enterprises, not those owned and controlled by foreign enterprises or individuals, the determining criteria set forth in SAT Circular 82 may be adopted by the PRC tax authorities as the test for determining whether the enterprises are PRC tax residents, regardless of whether they are majority-owned and controlled by PRC enterprises.

We believe that neither our Cayman Islands holding company nor any of our subsidiaries outside of China is a PRC resident enterprise for PRC tax purposes. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities, and uncertainties remain with respect to the interpretation of the term "de facto management body." If the PRC tax authorities determine that our Cayman Islands holding company or any of our subsidiaries outside of China is a PRC resident enterprise for enterprise income tax purposes, that entity would be subject to a 25% enterprise income tax on its global income. If such entity derives income other than dividends from its subsidiaries in China, a 25% enterprise income tax on its global income may increase our tax burden. Dividends paid to a PRC resident enterprise from its subsidiaries in China may be regarded as tax-exempt income if such dividends are deemed to be "dividends between qualified PRC resident enterprises" under the Enterprise Income Tax Law and its implementation rules. However, we cannot assure you that such dividends will not be subject to PRC withholding tax, as the PRC tax authorities, which enforce the withholding tax, have not yet issued relevant guidance.

In addition, if our Cayman Islands holding company or any of our subsidiaries outside of China is classified as a PRC resident enterprise for PRC tax purposes, we may be required to withhold tax at a rate of 10% from dividends we pay to our shareholders that are non-resident enterprises. In addition, non-resident enterprise shareholders may be subject to a 10% PRC withholding tax on gains realized on the sale or other disposition of ordinary shares, if such income is treated as sourced from within China. Furthermore, gains derived by our non-PRC individual shareholders from the sale of our Shares may be subject to a 20% PRC withholding tax. It is unclear whether our non-PRC individual shareholders would be subject to any PRC tax (including withholding tax) on dividends received by such non-PRC individual shareholders in the event we are determined to be a PRC resident enterprise. If any PRC tax were to apply to such dividends, it would generally apply at a rate of 20%. The PRC tax liability may be reduced under applicable tax treaties. However, it is unclear whether our non-PRC shareholders would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that our Cayman Islands holding company nor any of our subsidiaries outside of China is treated as a PRC resident enterprise.

Our operations are subject to and may be affected by changes in PRC tax laws and regulations.

We are subject to periodic examinations on fulfillment of our tax obligation under the PRC tax laws and regulations by PRC tax authorities. Although we believe that in the past we had acted in compliance with the requirements under the relevant PRC tax laws and regulations in all material aspects, we cannot assure you that future examinations by PRC tax authorities would not result in fines, other penalties or actions that could adversely affect our business, financial condition and results of operations, as well as our reputation. Furthermore, the PRC government from time to time adjusts or changes its tax laws and regulations. For example, under the Individual Income Tax Law ("**IIT Law**") which was last amended on August 31, 2018 and came into effect on January 1, 2019, foreign nationals have no domicile in China but have resided in the PRC for a total of 183 days or more in a tax year, would be subject to PRC individual income tax on their income gained within or outside the PRC. Should such rule be strictly enforced, our ability to attract and retain highly skilled foreign scientists and research technicians to work in China may be materially affected, which may in turn have a material adverse effect on our business, financial condition, results of operations, cash flows and prospects.

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

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

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

We may be subject to penalties under relevant PRC laws and regulations due to failure in full compliance with social insurance and housing provident fund regulation.

According to the Social Insurance Law of the PRC promulgated in 2010 and most recently amended in 2018 and the Regulations on Management of Housing Provident Funds promulgated in 1999 and most recently amended in 2019, within a prescribed time limit, we need to register with the relevant social security authority and housing provident fund management center, and to open the relevant accounts and make full contributions to social insurance and housing funds for our employees, and this obligation cannot be delegated to any third party.

During the Track Record Period, we did not make full contributions to the social insurance and housing funds for our employees in accordance with the relevant PRC laws and regulations. As a result, we may be required by competent authorities to pay the outstanding amount, and could be subject to late payment penalties or enforcement application made to the court. We made sufficient provisions in connection with our Track Record Period's shortfall amount of the social insurance and housing provident fund contribution. In view of the above, we have made provisions in the amounts of RMB1.1 million and RMB0.5 million, respectively, during the years ended December 31, 2020 and 2021. Such amount equals the total shortfall amount for the respective period. During the Track Record Period and up to the Latest Practicable Date, we engaged third-party human resources agencies to pay social insurance and housing funds for some of our employees, primarily due to the preference of such employees to participate in local social insurance and housing fund schemes in their place of residency. Pursuant to the PRC laws and regulations, we are required to pay social insurance premium and housing provident funds for our employees under our own accounts instead of making payments under third-party accounts. The contributions to social insurance premium and housing provident funds made through third-party accounts may not be viewed as contributions made by us, and as a result, we may be required by competent authorities to pay the outstanding amount, and could be subject to late payment penalties or enforcement application made to the court. We plan to take practical measures immediately to ensure that the payments of social insurance and housing fund contribution will be made from our own accounts going forward. We will establish subsidiaries or branches in places where we have employees whose contributions are made by a third-party human resource agency. However, we cannot assure you that no fines, penalties or actions will be imposed on us in this regard in the future. We have enhanced our internal control measures, including implementing a policy on social insurance and housing provident fund contributions in compliance with relevant PRC laws and regulations. In addition, we have designated our human resources department to review and monitor the reporting and contributions of social insurance and housing provident funds on a monthly basis, and we will consult our PRC legal counsel on a regular basis for advice on relevant PRC laws and regulations to keep us abreast of relevant regulatory developments. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any administrative actions, fines or penalties due to such non-compliance. As of the Latest Practicable Date, we had not received any notification from the relevant PRC authorities requiring us to pay for the shortfalls or any overdue charges with respect to social insurance and housing funds, nor had we received any administrative penalty or labor arbitration application from employees for our agency arrangement with third-party human resources agencies.

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

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

We are incorporated under the laws of the Cayman Islands, but substantially all of our assets are located in the PRC. In addition, a majority of our Directors and all of our senior management personnel reside within the PRC, and substantially all their assets are located within the PRC. As a result, it may not be possible to effect service of process within the United States or elsewhere outside the PRC upon us or most of our Directors and senior management personnel. Furthermore, the PRC does not have treaties providing for the reciprocal enforcement of judgments of courts with the United States, the United Kingdom, Japan or many other countries. In addition, Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. As a result, recognition and enforcement in the PRC or Hong Kong of judgments of a court obtained in the United States and any of the other jurisdictions mentioned above may be difficult or impossible.

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

On January 18, 2019, the Supreme People's Court of the PRC and the government of the Hong Kong Special Administrative Region entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (關於內地與香港特別政區法院相互認可和執行民商事案件判決的安排) (the "**2019 Arrangement**"). Under the 2019 Arrangement, any party concerned may apply to the relevant PRC court or Hong Kong court for recognition and enforcement of the effective judgments in civil and commercial cases subject to the conditions set forth in the 2019 Arrangement. Although the 2019 Arrangement has been signed, the outcome and effectiveness of any action brought under the 2019 Arrangement may still be uncertain. We cannot assure you that an effective judgment that complies with the 2019 Arrangement can be recognized and enforced in a PRC court.

Regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC subsidiaries to liabilities or penalties, limit our ability to inject capital or distribute profits to us, or otherwise adversely affect us or our PRC resident beneficial owners.

In 2014, SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles (《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》), or SAFE Circular 37. SAFE Circular 37 requires PRC residents to register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests, referred to in SAFE Circular 37 as a "special purpose vehicle." The term "control" under SAFE Circular 37 is broadly defined as the operation rights, beneficiary rights or decision-making rights acquired by the PRC residents in the offshore special purpose vehicles or PRC companies by such means as acquisition, trust, proxy, voting rights, repurchase, convertible bonds or other arrangements. SAFE Circular 37 further requires amendment to the registration in the event of any changes with respect to the basic information of or any significant changes with respect to the special purpose vehicle. If the shareholders of the offshore holding company who are PRC residents do not complete their registration with the local SAFE branches, the PRC subsidiaries may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to the offshore company, and the offshore company may be restricted in its ability to contribute additional capital to its PRC subsidiaries. Moreover, failure to comply with SAFE registration and amendment requirements described above could result in liability under PRC law for evasion of applicable foreign exchange restrictions. Due to the inherent uncertainty in PRC government authorities' implementation of its regulations, SAFE Circular 37 registration may not always be practically available under all circumstances prescribed in these regulations.

On February 13, 2015, SAFE promulgated the Notice on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知), or SAFE Circular 13, which came into effect on June 1, 2015, pursuant to which local banks shall review and handle foreign exchange registration for overseas direct investment, including the initial foreign exchange registration and amendment registration under SAFE Circular 37, while the application for remedial registrations shall still be submitted to, reviewed and handled by the relevant local branches of SAFE.

Due to the inherent uncertainty in PRC government authorities' implementation of its regulations, such SAFE registration may not always be practically available under all circumstances prescribed in these regulations.

We have requested any PRC residents who we know hold direct or indirect interests in our Company to make the necessary applications, filings and amendments required under SAFE Circular 37 and other related rules. However, we may not be informed of the identities of all

the PRC residents holding direct or indirect interests in our Company, and we cannot provide any assurance that these PRC residents will comply with our request to make or obtain any applicable registrations or comply with other requirements under SAFE Circular 37 or other related rules. In addition, we cannot assure you that all of our shareholders or beneficial owners who are PRC residents have complied with, and will in the future make or obtain any applicable registrations or approvals required by, SAFE regulations. The failure or inability of our PRC resident shareholders to comply with the registration procedures set forth in these regulations may subject us to fines and legal sanctions, restrict our cross-border investment activities, and limit the ability of our PRC subsidiaries to distribute dividends and the proceeds from any reduction in capital, share transfer or liquidation to us, and we may also be prohibited from injecting additional capital into these subsidiaries. Moreover, failure to comply with the various foreign exchange registration requirements described above could result in liability under PRC law for circumventing applicable foreign exchange restrictions. As a result, our business operations and our ability to distribute profits to you could be materially and adversely affected.

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

The PRC government imposes controls on the convertibility of RMB into foreign currencies and, in certain cases, the remittance of currency out of China. The RMB is currently convertible under the "current account," which includes dividends, trade and service-related foreign exchange transactions, but not under the "capital account," which includes foreign direct investment and loans, including loans we may secure from our onshore subsidiary. Currently, we and our PRC subsidiaries may purchase foreign currency for settlement of "current account transactions," including payment of dividends to us, without the approval of SAFE by complying with certain procedural requirements. However, the relevant PRC governmental authorities may limit or eliminate our ability to purchase foreign currencies in the future for current account transactions. Since a portion of our revenue is denominated in RMB, any existing and future restrictions on currency exchange may limit our ability to utilize revenue generated in RMB to fund our business activities outside of the PRC or pay dividends in foreign currencies to holders of our Shares. Foreign exchange transactions under the capital account remain subject to limitations and require approvals from, or registration with, SAFE and other relevant PRC governmental authorities. This could affect our ability to obtain foreign currency through debt or equity financing for our subsidiary.

Fluctuations in exchange rate could result in foreign currency exchange losses and could materially reduce the value of your investment.

The change in the value of Renminbi against the Hong Kong dollar and other currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions and China's foreign exchange policies. Our [**REDACTED**] from the [**REDACTED**] will be denominated in Hong Kong dollars. Any significant change in the exchange rates of the Hong Kong dollar against Renminbi may materially and adversely affect the value of and any dividends payable on, our Shares in Hong Kong dollar.

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

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

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

In the event that China and/or the United States impose import tariffs, trade restrictions or other trade barriers affecting the importation of raw materials or equipment, we may not be able to obtain a steady supply of raw materials or equipment at competitive prices, and our business and operations may be materially and adversely affected. Furthermore, our products or product candidates may be subject to punitive tariffs or other trade barriers, if we engage in cross-border sales between the U.S. and China. As of the Latest Practicable Date, none of our products or product candidates was subject to any punitive tariff due to the trade tension between the U.S. and China.

RISKS RELATING TO THE [REDACTED]

No [REDACTED] currently exists for our Shares, and an active [REDACTED] market for our Shares may not develop, especially taking into account that certain of our existing shareholders may be subject to a lock-up period.

No [**REDACTED**] currently exists for our Shares. The initial [**REDACTED**] for our [**REDACTED**] to the public will be the result of negotiations between our Company and the [**REDACTED**] (on behalf of the [**REDACTED**]), and the [**REDACTED**] may differ significantly from the market price of the Shares following the [**REDACTED**]. We have applied to the Hong Kong Stock Exchange for the [**REDACTED**] of, and permission to [**REDACTED**] in, the [**REDACTED**]. A [**REDACTED**] on the Hong Kong Stock Exchange, however, does not guarantee that an active and liquid trading market for our Shares will develop, or if it does develop, that it will be sustained following the [**REDACTED**], or that the market price of the Shares will rise following the [**REDACTED**].

[In particular, certain part of the Shares in issue as of the date of this Document will be subject to a lock-up period from the [**REDACTED**] Date, which may significantly affect the liquidity and trade volume of our Shares in the short term following the [**REDACTED**].] A [**REDACTED**] on the Hong Kong Stock Exchange does not guarantee that an active and liquid trading market for our Shares will develop, especially during the period when certain portion of our Shares may be subjected to lock-up, or if it does develop, that it will sustained following the [**REDACTED**], or that market price of the Shares will rise following the [**REDACTED**].

The price and trading volume of our [REDACTED] may be volatile, which could lead to substantial losses to investors.

The price and trading volume of our [**REDACTED**] may be subject to significant volatility in response to various factors beyond our control, including the general market conditions of the securities in Hong Kong and elsewhere in the world. In particular, the business and performance and the market price of the shares of other companies engaging in similar business may affect the price and trading volume of our [**REDACTED**]. In addition to market and industry factors, the price and trading volume of our [**REDACTED**] may be highly volatile for specific business reasons, such as the results of clinical trials of our products and product candidates, the results of our applications for approval of our product candidates, regulatory developments affecting our industry, healthcare, health insurance and other related matters, fluctuations in our revenue, earnings, cash flows, investments and expenditures, relationships with our suppliers, movements or activities of key personnel, or actions taken by competitors. Moreover, shares of other companies listed on the Hong Kong Stock Exchange with significant operations and assets in China have experienced price volatility in the past, and our [**REDACTED**] may be subject to changes in price not directly related to our performance.

In addition, the trading price and trading volume of the [**REDACTED**] may be subject to significant volatility in responses to various factors, including:

- our financial results;
- unexpected business interruptions resulting from natural disasters or power shortages;
- major changes in our key personnel or senior management;
- changes in laws and regulations in China;
- our inability to compete effectively in the market;
- our inability to obtain or maintain regulatory approval for our operations;
- fluctuations in stock market prices and volume;
- changes in analysts' estimates of our financial performance;

- political, economic, financial and social developments in China and Hong Kong and in the global economy; and

- involvement in material litigation.

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

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

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

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

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

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

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

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

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

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

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

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

Our management may spend the net [**REDACTED**] from the [**REDACTED**] in ways with which you may not agree or which do not yield a favorable return to our shareholders. We plan to use the net [**REDACTED**] from the [**REDACTED**] to continue the research and development activities of our products and product candidates to commercialization, strengthen our research and development capabilities, and to expand our product portfolio, among others. For details, please refer to the paragraph headed "Future Plans and [**REDACTED**] – [**REDACTED**]" in this document.

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

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

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

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

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

WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, we must have a sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong.

Our headquarters and most of our business operations are based, managed and conducted in the PRC. As our executive Directors play very important roles in our business operation, it is in our best interest for them to be based in the places where our Group has significant operations. We consider it practicably difficult and commercially unreasonable for us to arrange for two executive Directors to be ordinarily reside in Hong Kong, either by means of relocation of our executive Directors to Hong Kong or appointment additional executive Directors. Therefore, we do not have, and in the foreseeable future will not have, sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rule 8.12 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted] us, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules, provided that our Company implements the following arrangements:

(a) we have appointed Mr. Zhang Liang and Ms. Chu Cheuk Ting as our authorized representatives pursuant to Rule 3.05 of the Listing Rules. The authorized representatives will act as our principal channel of communication with the Stock Exchange. The authorized representatives will be readily contactable by phone, facsimile and email to promptly deal with enquiries from the Stock Exchange, and will also be available to meet with the Stock Exchange to discuss any matter within a reasonable period of time upon request of the Stock Exchange;

(b) when the Stock Exchange wishes to contact our Directors on any matter, each of the authorized representatives will have all necessary means to contact all of our Directors (including our independent non-executive Directors) promptly at all times. We will also inform the Stock Exchange promptly in respect of any changes in the authorized representatives. We have provided the Stock Exchange with the contact details (i.e. mobile phone number, office phone number and email address) of all Directors to facilitate communication with the Stock Exchange;

(c) all Directors who do not ordinarily reside in Hong Kong possess or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period upon the request of the Stock Exchange;

(d) we have appointed Opus Capital Limited as our compliance adviser upon the [**REDACTED**] pursuant to Rule 3A.19 of the Listing Rules for a period commencing on the [**REDACTED**] Date and ending 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 [**REDACTED**] Date. Our compliance adviser will serve as the additional channel of communication with the Stock Exchange when the authorized representatives are not available and will have access at all times to our authorized representatives, our Directors and our senior management who will provide to such information and assistance as our compliance adviser may reasonably request in connection with the performance of its duties as set out in Chapter 3A of the Listing Rules; and

(e) meetings between the Stock Exchange and our Directors could be arranged through our authorized representatives or our compliance adviser, or directly with our Directors within a reasonable time frame.

WAIVER IN RESPECT OF APPOINTMENT OF JOINT COMPANY SECRETARY

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, we must appoint a company secretary who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of the company secretary. Note 1 to Rule 3.28 of the Listing Rules provides that the Stock Exchange considers the following academic or professional qualifications to be acceptable:

(a) a member of The Hong Kong Chartered Governance Institute;

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

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

Note 2 to Rule 3.28 of the Listing Rules further provides that the Stock Exchange considers the following factors in assessing the "relevant experience" of the individual:

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

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

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

(d) professional qualifications in other jurisdictions.

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

Pursuant to HKEx-GL108-20, the Stock Exchange will consider a waiver application by an issuer in relation to Rules 3.28 and 8.17 of the Listing Rules based on the specific facts and circumstances. Factors that will be considered by the Stock Exchange include:

(a) whether the issuer has principal business activities primarily outside Hong Kong;

(b) whether the issuer was able to demonstrate the need to appoint a person who does not have the Acceptable Qualification (as defined under HKEx-GL108-20) nor Relevant Experience (as defined under HKEx-GL108-20) as a company secretary; and

(c) why the directors consider the individual to be suitable to act as the issuer's company secretary.

Further, pursuant to HKEx-GL108-20, such waiver, if granted, will be for a fixed period of time (the "**Waiver Period**") and on the following conditions:

(a) the proposed company secretary must be assisted by a person who possesses the qualifications or experience as required under Rule 3.28 of the Listing Rules and is appointed as a joint company secretary throughout the Waiver Period; and

(b) the waiver can be revoked if there are material breaches of the Listing Rules by the issuer.

Our Company has appointed Mr. Zhang Liang ("**Mr. Zhang**"), our executive Director and chief financial officer, as one of our joint company secretaries. He has extensive experience in financing and investment services as well as board and corporate management matters but presently does not possess any of the qualifications under Rules 3.28 and 8.17 of the Listing Rules, and may not be able to solely fulfill the requirements of the Listing Rules. Therefore, we have appointed Ms. Chu Cheuk Ting (朱卓婷) ("**Ms. Chu**"), an associate of The Chartered Governance Institute in United Kingdom and The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries), who fully meets the requirements stipulated under Rules 3.28 and 8.17 of the Listing Rules to act as the other joint company secretary and to provide assistance to Mr. Zhang for an initial period of three years from the [**REDACTED**] Date to enable Mr. Zhang to acquire the "relevant experience" under Note 2 to Rule 3.28 of the Listing Rules so as to fully comply with the requirements set forth under Rules 3.28 and 8.17 of the Listing Rules.

Given Ms. Chu's professional qualification and experience, she will be able to explain to both Mr. Zhang and us the relevant requirements under the Listing Rules and other applicable Hong Kong laws and regulations. Ms. Chu will also assist Mr. Zhang in organizing Board meetings and Shareholders' meetings of our Company as well as other matters of our Company which are incidental to the duties of a company secretary. Ms. Chu is expected to work closely

with Mr. Zhang and will maintain regular contact with Mr. Zhang, the Directors and the senior management of our Company. In addition, Mr. Zhang will comply with the annual professional training requirement under Rule 3.29 of the Listing Rules to enhance his knowledge of the Listing Rules during the three-year period from the [**REDACTED**] Date. He will also be assisted by our compliance adviser and our legal advisers as to the Hong Kong laws on matters in relation to our ongoing compliance with the Listing Rules and the applicable laws and regulations.

Since Mr. Zhang does not possess the formal qualifications required of a company secretary under Rule 3.28 of the Listing Rules, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules such that Mr. Zhang may be appointed as a joint company secretary of our Company. The waiver is valid for an initial period of three years from the [**REDACTED**] Date on the conditions that (a) Mr. Zhang must be assisted by Ms. Chu who possesses the qualifications and experience required under Rule 3.28 of the Listing Rules and is appointed as a joint company secretary throughout the Waiver Period; and (b) the waiver will be revoked immediately if and when Ms. Chu ceases to provide assistance to Mr. Zhang as a joint company secretary or if there are material breaches of the Listing Rules by our Company.

Before the expiration of the initial three-year period, the qualifications of Mr. Zhang will be re-evaluated to determine whether the requirements as stipulated in Rules 3.28 and 8.17 of the Listing Rules can be satisfied and whether the need for ongoing assistance will continue. We will liaise with the Stock Exchange to enable it to assess whether Mr. Zhang, having benefited from the assistance of Ms. Chu for the preceding three years, will have acquired the skills necessary to carry out the duties of company secretary and the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules so that a further waiver will not be necessary.

WAIVER AND EXEMPTION IN RELATION TO THE PRE-[REDACTED] SHARE OPTION SCHEME

Under Rule 17.02(1)(b) of and paragraph 27 of the Part A of Appendix I to the Listing Rules and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, this document is required to include, among other things, details of the number, description, and amount of any shares in or debentures of our Company which any person has, or is entitled to be given, an option to subscribe for, together with certain particulars of each option, namely the period during which it is exercisable, the price to be paid for shares or debentures subscribed for under it, the consideration (if any) given or to be given for it or for the right to it, the names and addresses of the persons to whom it was given, and their potential dilution effect on the shareholding upon [**REDACTED**] as well as the impact on the earnings per share arising from the exercise of such outstanding options (the "**Share Option Disclosure Requirements**").

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

As of Latest Practicable Date, our Company has granted options under the Pre-[**REDACTED**] Share Option Scheme to 146 grantees, including Directors and other connected person of our Company, senior management and other employees of our Group, to subscribe for an aggregate of [**REDACTED**] Shares (or [**REDACTED**] Shares as adjusted after the [**REDACTED**]), representing approximately [**REDACTED**]% of the total issued share capital immediately upon completion of the [**REDACTED**] and the [**REDACTED**] (assuming the [**REDACTED**] is not exercised and the options granted under the Pre-[**REDACTED**] Share Option Scheme are not exercised), on the terms set out in the paragraph headed "D. Pre-[**REDACTED**] Share Option Scheme" in the Appendix IV to this document.

Our Company has applied to (i) the Stock Exchange for a waiver from strict compliance with the requirements under Rule 17.02(1)(b) of and paragraph 27 of Appendix 1A to the Listing Rules; and (ii) to the SFC for a certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting our Company from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, on the ground that strict compliance with the above requirements would be unduly burdensome for our Company and the waiver and the exemption would not prejudice the interest of the investing public for the following reasons:

(a) given that 146 grantees are involved, strict compliance with the Share Option Disclosure Requirements in setting out full details of all the grantees under the Pre-[**REDACTED**] Share Option Scheme in this document would be costly and unduly burdensome for our Company in light of a significant increase in cost and time for information compilation and document preparation;

(b) as of the Latest Practicable Date, save for five grantees who are Directors or other connected person of our Company and three grantees who are senior management of our Company, the remaining 138 grantees are employees of our Group. Strict compliance with the applicable Share Option Disclosure Requirements to disclose names, addresses and entitlements on an individual basis in this document will require number of additional pages of disclosure that does not provide any material information to the investing public;

(c) the grant and exercise in full of the options under the Pre-[**REDACTED**] Share Option Scheme will not cause any material adverse impact on the financial position of our Company;

(d) lack of full compliance with the above disclosure requirements would not prevent our Company from providing its potential investors with information for them to make an informed assessment of the activities, assets, liabilities, financial position, management and prospects of our Company; and

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

The Stock Exchange [has granted] us a waiver from strict compliance with the relevant requirements under the Listing Rules on the conditions that:

(a) full details of the options under the Pre-[**REDACTED**] Share Option Scheme granted to connected persons of our Company (including our Directors) and members of our senior management will be disclosed in the paragraph headed "D. Pre-[**REDACTED**] Share Option Scheme" in Appendix IV to this document on an individual basis as required under the applicable Share Option Disclosure Requirements;

(b) for the remaining grantees, disclosure will be made, on an aggregate basis, of (i) the aggregate number of grantees and the number of Shares underlying the options granted to them under the Pre-[**REDACTED**] Share Option Scheme, (ii) the consideration (if any) paid for the grant of the options under the Pre-[**REDACTED**] Share Option Scheme, and (iii) the exercise period and the exercise price for the options granted under the Pre-[**REDACTED**] Share Option Scheme;

(c) there will be disclosure in this document for the aggregate number of Shares underlying the options under the Pre-[**REDACTED**] Share Option Scheme and the percentage of our Company's total issued share capital represented by such number of Shares;

(d) the dilutive effect and impact on earnings per Share upon full exercise of the options under the Pre-[**REDACTED**] Share Option Scheme will be disclosed in the paragraph headed "D. Pre-[**REDACTED**] Share Option Scheme" in Appendix IV to this document;

(e) a summary of the principal terms of the Pre-[**REDACTED**] Share Option Scheme will be disclosed in the paragraph headed "D. Pre-[**REDACTED**] Share Option Scheme" in Appendix IV to this document;

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

(g) a full list of all the grantees (including those persons whose details have already been disclosed in this document) under the Pre-[**REDACTED**] Share Option Scheme, containing all the particulars as required under the applicable Share Option Disclosure Requirements be made available for public inspection in accordance with Appendix V to this document;

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

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

The SFC [has granted] us the certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance on the conditions that:

(a) full details of the options under the Pre-[**REDACTED**] Share Option Scheme granted to connected persons of our Company (including our Directors) and members of our senior management will be disclosed in the paragraph headed "D. Pre-[**REDACTED**] Share Option Scheme" in Appendix IV to this document as required under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;

(b) for the remaining grantees, disclosure will be made, on an aggregate basis, of (i) the aggregate number of grantees and the number of Shares underlying the options granted to them under the Pre-[**REDACTED**] Share Option Scheme, (ii) the consideration (if any) paid for the grant of the options under the Pre-[**REDACTED**] Share Option Scheme, and (iii) the exercise period and the exercise price for the options granted under the Pre-[**REDACTED**] Share Option Scheme;

(c) a full list of all the grantees (including those persons whose details have already been disclosed in this document) under the Pre-[**REDACTED**] Share Option Scheme, containing all the particulars as required under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, will be made available for public inspection in accordance with Appendix V to this document; and

(d) the particulars of the exemption will be disclosed in this document and this document will be issued on or before [**REDACTED**].

Further details of the Pre-[**REDACTED**] Share Option Scheme are set forth in the paragraph headed "D. Pre-[**REDACTED**] Share Option Scheme" in Appendix IV to this document.

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

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

Paragraph 27 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires a company to include in its document a statement as to the gross trading income or sales turnover (as the case may be) of the company during each of the three financial years immediately preceding the issue of the document, including an explanation of the method used for the computation of such income or turnover and a reasonable breakdown between the more important trading activities.

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

Section 342A(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance provides that the SFC may issue, subject to such conditions (if any) as the SFC thinks fit, a certificate of exemption from the compliance with the relevant requirements under the Companies (Winding Up and Miscellaneous Provisions) Ordinance if, having regard to the circumstances, the SFC considers that the exemption will not prejudice the interest of the investing public and compliance with any or all of such requirements would be irrelevant or unduly burdensome, or would otherwise be unnecessary or inappropriate.

Rule 4.04(1) of the Listing Rules requires that the consolidated results of the issuer and its subsidiaries in respect of each of the three financial years immediately preceding the issue of the [**REDACTED**] document be included in the accountant's report to this document or such shorter period as may be acceptable to the Stock Exchange.

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

Rule 18A.03(3) of the Listing Rules requires that a biotech company must have been in operation in its current line of business for at least two financial years prior to listing under substantially the same management. Rule 18A.06 of the Listing Rules requires that a biotech company must comply with Rule 4.04 of the Listing Rules modified so that references to "three financial years" or "three years" in Rule 4.04 shall instead be references to "two financial years" or "two years", as the case may be. Further, pursuant to Rule 8.06 of the Listing Rules, the latest financial period reported on by the reporting accountant for a new applicant must not have ended more than six months from the date of the [**REDACTED**] document.

In compliance with the abovementioned requirements under the Listing Rules, the accountant's report of our Company set out in Appendix I to this Document is prepared to cover the two financial years ended December 31, 2020 and 2021.

As such, the Sole Sponsor has applied, on behalf of our Company, to the SFC for a certificate of exemption from strict compliance with the requirements under section 342(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance regarding the inclusion of the accountant's report covering the full three financial years immediately preceding the issue of this document on the following grounds:

(a) our Company is primarily engaged in the research and development, application and commercialization of biotech products, and falls within the scope of biotech company as defined under Chapter 18A of the Listing Rules. Our Company will fulfill the additional conditions for [**REDACTED**] required under Chapter 18A of the Listing Rules;

(b) given that our Company is only required to disclose its financial results for each of the two financial years ended December 31, 2020 and 2021 in accordance with Chapter 18A of the Listing Rules and preparation of the financial results for the year ended December 31, 2019 would require additional work to be performed by our Company and our reporting accountant, strict compliance with section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to the requirements of paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule would be unduly burdensome for our Company;

(c) notwithstanding that the financial results set out in this document are only for the two financial years ended December 31, 2020 and 2021 in accordance with Chapter 18A of the Listing Rules, other information required to be disclosed under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance has been adequately disclosed in this document pursuant to the relevant requirements; and

(d) the Accountant's Report covering the two financial years ended December 31, 2020 and 2021 (as set out in Appendix I to this document), together with other disclosures in this document, has already provided adequate and reasonable up-to-date information in the circumstances for the potential investors to make an informed assessment of the business, assets and liabilities, financial position, management and prospects and to form a view on the track record of our Company. Therefore, the exemption would not prejudice the interest of the investing public.

The SFC [has granted] a certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting our Company from strict compliance with section 342(1)(b) in relation to paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule the Companies (Winding Up and Miscellaneous Provisions) Ordinance on the condition that particulars of the exemption are set out in this document and that this document will be issued on or before [**REDACTED**].

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Name	Address	Nationality
Executive Directors		
Mr. Huo Yunfei (霍雲飛)	No. 203, Gate 2 Building 104 Century Oriental Garden Chaoyang District Beijing, PRC	Chinese
Mr. Lyu Yonghui (呂永輝)	Room 402, Unit 2 Building No. 17 Jian An Li Changping District Beijing, PRC	Chinese
Mr. Zhang Liang (張亮)	Room 706, Unit 3, Building 11-1 Honglang Second Village XIX District, Xin'an Street Bao'an District Shenzhen, Guangdong Province PRC	Chinese
Ms. Gu Yang (谷陽)	Room 307, Building 37 Jinyi New Village Suzhou Industrial Park Suzhou, Jiangsu Province PRC	Chinese
Non-executive Directors		
Mr. Wang Lin (王霖)	Room 701, No. 5 Lane 3338, Jinxiu Road Pudong New Area Shanghai, PRC	Chinese
Mr. Heng Lei (衡磊)	Room 503, Building 20 Jinrijiayuan Huqiu District Suzhou, Jiangsu Province PRC	Chinese

Name	Address	Nationality
Independent Non-executive Directors		
Mr. Liu Shuen Kong (廖船江)	Flat 8, 20/F, Block A Manhattan Plaza Yuen Long, New Territories Hong Kong	Chinese
Mr. Li Ho Man (李浩民)	Room 7A, Tower 1 Park Mediterranean 9 Hong Tsuen Road Sai Kung, New Territories Hong Kong	Chinese
Mr. Lau Tsz Ho Tony (劉梓浩)	Room 2303, Building 9 Vanke Zhenshan Mansion 6th Antuoshan Road Futian District Shenzhen, Guangdong Province PRC	Chinese

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

PARTIES INVOLVED IN THE [REDACTED]

Sole Sponsor

Huatai Financial Holdings (Hong Kong) Limited
62/F, The Center
99 Queen's Road, Central
Hong Kong

[**REDACTED**]

[**REDACTED**]

Legal Advisers to our Company

As to Hong Kong law and United States law

O'Melveny & Myers
31/F, AIA Central
1 Connaught Road Central
Hong Kong

As to PRC law

Jingtian & Gongcheng
34th Floor, Tower 3
China Central Place
77 Jianguo Road
Chaoyang District
Beijing, PRC

	As to Cayman Islands law
	Campbells 13/F, 1301 York House The Landmark 15 Queen's Road, Central Hong Kong
Legal Advisers to the Sole Sponsor and the [REDACTED]	*As to Hong Kong law and United States law*
	Herbert Smith Freehills 23/F, Gloucester Tower 15 Queen's Road, Central Hong Kong
	As to PRC law
	Grandall Law Firm (Shanghai) 27/F, Garden Square 968 West Beijing Road Jing'an District Shanghai, PRC
Reporting Accountant and Auditor	**PricewaterhouseCoopers** *Certified Public Accountants and Registered Public Interest Entity Auditor* 22/F, Prince's Building 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
Receiving Bank	**Bank of China (Hong Kong) Limited** 1 Garden Road Hong Kong

CORPORATE INFORMATION

Registered Office	Floor 4, Willow House Cricket Square Grand Cayman KY1-9010 Cayman Islands
Head Office and Principal Place of Business in China	Building 31, Northeast District No. 99, Jinji Lake Avenue Suzhou Industrial Park Suzhou, Jiangsu 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.rainmed.com** (*The information contained in this website does not form part of this document*)
Joint Company Secretaries	Mr. Zhang Liang (張亮) Room 706, Unit 3, Building 11-1 Honglang Second Village XIX District, Xin'an Street Bao'an District Shenzhen, Guangdong Province PRC Ms. Chu Cheuk Ting (朱卓婷) (ACG *HKACG*) 31/F, Tower Two, Times Square 1 Matheson Street Causeway Bay Hong Kong
Audit Committee	Mr. Liu Shuen Kong (廖船江) (*Chairperson*) Mr. Lau Tsz Ho Tony (劉梓浩) Mr. Li Ho Man (李浩民)
Remuneration Committee	Mr. Li Ho Man (李浩民) (*Chairperson*) Mr. Liu Shuen Kong (廖船江) Ms. Gu Yang (谷陽)

Nomination Committee	Mr. Huo Yunfei (霍雲飛) (*Chairperson*) Mr. Liu Shuen Kong (廖船江) Mr. Li Ho Man (李浩民)
Authorized Representatives	Mr. Zhang Liang (張亮) Room 706, Unit 3, Building 11-1 Honglang Second Village XIX District, Xin'an Street Bao'an District Shenzhen, Guangdong Province PRC Ms. Chu Cheuk Ting (朱卓婷) 31/F, Tower Two, Times Square 1 Matheson Street Causeway Bay Hong Kong
Compliance Advisor	**Opus Capital Limited** 18/F, Fung House 19-20 Connaught Road Central Central Hong Kong

[**REDACTED**]

Principal Banker	**China Merchants Bank Co., Ltd.** **Suzhou Dushuhu branch** No. 288, Qiyue Road Suzhou Industrial Park Suzhou, Jiangsu Province PRC

*The information and statistics set out in this section and other sections of this document were extracted from the China Insights Industry Consultancy Limited ("**CIC**"), which was commissioned by us, and from various official government publications and other publicly available publications. We engaged CIC to prepare the CIC Report, an independent industry report, in connection with the* [**REDACTED**]. *The information from official government sources has not been independently verified by us, the Sponsor,* [**REDACTED**]*, any of their respective directors and advisers, or any other persons or parties involved in the* [**REDACTED**]*, and no representation is given as to its accuracy.*

VASCULAR AND CARDIOVASCULAR DISEASES MARKET

Vascular Diseases and Cardiovascular Diseases

The vascular system of the human body is a complex network of arteries, veins and lymphatics. Vascular diseases feature atherosclerosis, mainly harming important organs like the heart, brain, kidney and limbs. Vascular diseases also include small to microvascular venous diseases, neoplasms, diabetes mellitus and autoimmune diseases as well. Cardiovascular disease is a collective term designating all types of affliction affecting the blood circulatory system, including the heart and vasculature. Cardiovascular disease encompasses atherosclerosis subtypes, comprising coronary, cerebral and peripheral artery diseases, with myocardial infarction and ischemic stroke as two major complications. It also encompasses heart failure, cardiac valvopathies and arrhythmias, rheumatic heart disease, congenital heart disease, and deep vein thrombosis with pulmonary embolism as complication.

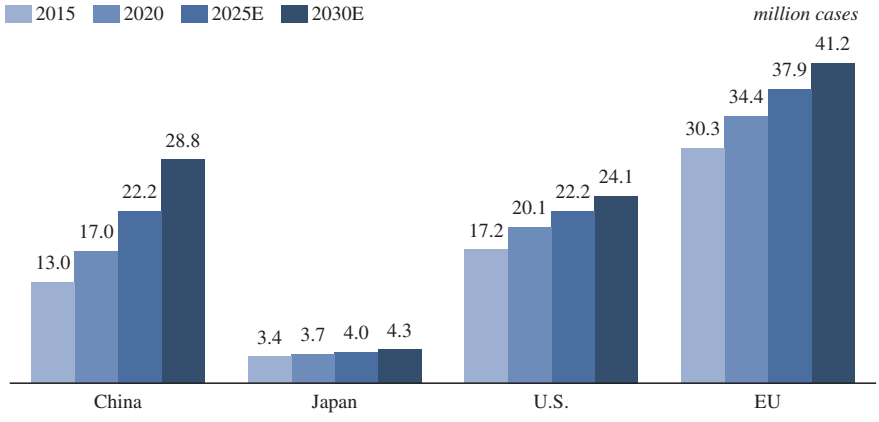
Due to a variety of environmental and habitual risk factors such as air pollution, obesity, high blood pressure and unhealthy lifestyles, cardiovascular diseases, as an important type of vascular diseases, has a high and fast-growing prevalence globally and in China. The number of patients with cardiovascular disease globally increased from 487.1 million in 2015 to 556.6 million in 2020 at a CAGR of 2.7% and is estimated to reach 713.3 million in 2030 at a CAGR of 2.5% from 2020 to 2030. Approximately 18.6 million patients died from cardiovascular diseases in 2019, accounting for approximately 33% of all global death. In China, the patient number increased from 290.0 million in 2015 to 336.6 million in 2020 at a CAGR of 3.0% and is estimated to reach 401.2 million in 2030 at a CAGR of 1.8% from 2020 to 2030. The prevalence of cardiovascular diseases causes more than 40% of all death in China and is expected to continue to increase going forward.

Coronary Artery Diseases

Coronary artery diseases ("**CAD**"), also known as coronary heart diseases or ischemic heart diseases, are narrowing or blockage of coronary arteries usually caused by atherosclerosis which is a buildup process of plaque. Atherosclerosis causes reduction of blood flow to the heart muscle via arteries. In addition to such coronary artery dysfunction, coronary microvascular dysfunction is another underlying cause of CAD. CAD is chronic, most often progressive, and serious even in clinically apparently silent periods, typically due to an acute atherothrombotic event caused by plaque rupture or erosion. The dynamic nature of the CAD process results in various clinical presentations, which can be categorized as acute coronary syndromes ("**ACS**") or chronic coronary syndromes ("**CCS**"). ACS represents a constellation of signs and syndromes associated with insufficient flow through the coronary tree and resultant acute ischemia of the myocardium, including unstable angina, non-ST segment elevation myocardial infraction ("**NSTEMI**") and ST segment elevation myocardial infraction ("**STEMI**"). CCS represents a type of out-of-hospital counterpart ACS, including stable angina, dyspnea, new-onset heart failure and suspected CAD. It also includes stabilized symptoms less than one year after ACS or recent revascularization, symptoms over one year after initial diagnosis or revascularization, suspected vasospastic or microvascular disease and asymptomatic with CAD.

CAD is the most common type of cardiovascular diseases. According to 2019 Global Burden of Diseases Study, the global prevalence of CAD is the highest amongst all cardiovascular diseases, accounting for approximately 36.4% of all prevalence cases of cardiovascular diseases. Given the rapid aging population and the increasing risk of unhealthy diets and lifestyles, the number of CAD patients globally reached 202.8 million in 2020 and is expected to reach 265.4 million in 2030 at a CAGR of 2.7%. In China, the number of CAD patients reached 17.0 million in 2020 and is expected to reach 28.8 million by 2030 at a CAGR of 5.4%. The table below sets for the historical and forecasted prevalence population of CAD from 2015 to 2030.

Global Prevalence of CAD, 2015-2030E



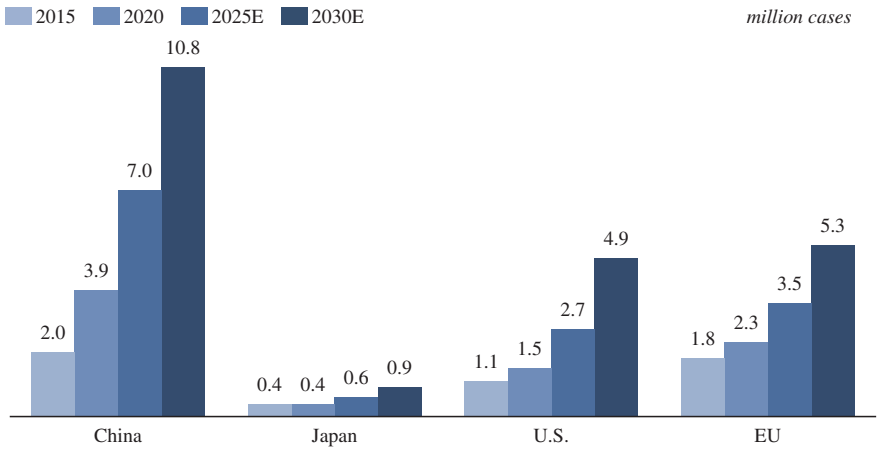
*Source: Global Health Data Exchange ("**GHDx**"); China Cardiovascular Disease Report; CIC Analysis*

PRECISION DIAGNOSIS AND TREATMENT OF CAD

Precision Diagnosis

Currently, treatment for CAD is generally divided into three categories, medical therapy, percutaneous coronary intervention ("**PCI**") and coronary artery bypass grafting ("**CABG**"), among which PCI is currently regarded as the mainstream treatment method and recommended by physicians. To choose the proper treatment for CAD patients of varying severity and symptoms, pre-treatment diagnosis of CAD provides important indicators and guidance. Traditional diagnosis of CAD is mainly conducted by means of structural imaging, primarily consisting of electrocardiogram, echocardiography, computed tomography angiography ("**CTA**"), coronary angiography ("**CAG**") and magnetic resonance angiography. Among these diagnosis measures, CTA is a preliminary screening tool to identify patients with CAD and evaluate the need for CAG; and CAG mainly provides diagnostic testing and guidance to CAD patients on proper treatment. Therefore, CAG is considered the gold standard for diagnosing and guiding PCI. The table below sets for the historical and forecasted global CAG volume from 2015 to 2030.

Global CAG Volume, 2015-2030E



*Source: China Cardiovascular Intervention Forum ("**CCIF**"); Expert Interview; CIC Analysis*

However, in most cases CAG or other traditional diagnosis methods alone is unable to provide precise treatment guidance to CAD patients. According to CIC, under the traditional diagnosis, over 30% of the CAD patients with moderate stenosis are ignored or fail to receive necessary PCI procedures; while approximately 20% of patients with severe stenosis not suitable for coronary stent implantation are excessively treated with PCI procedures.

To address the inadequate or over treatment received by CAD patients under traditional diagnosis, precision diagnosis has emerged to provide more detailed treatment guidance together with CAG by measuring key indicators of patients such as the fractional flow reserve. Precision diagnosis provides an accurate and timely explanation of each patient's health problem and further requires communication of that explanation to patients and surrogate decision-makers. The major techniques of precision diagnosis for CAD includes fractional flow reserve ("**FFR**"), index of microcirculatory resistance ("**IMR**"), intravascular ultrasound ("**IVUS**") and optical coherence tomography ("**OCT**"). FFR and IMR, unlike traditional structural imaging methods, provide functional evaluation to improve diagnosis and treatment precision throughout PCI procedure.

Within functional evaluation methods, FFR is an index evaluating whether stenosis affects the distal blood flow and IMR can be used to address microvascular condition without showing of significant epicardial diseases, which are not detectable by IVUS or OCT. FFR is now strongly recommended by multiple authorities globally to guide PCI together with CAG. Both the European Society of Cardiology and the Chinese Society of Cardiology granted FFR with a recommendation rate of Class IA.

The benefits of precision diagnosis for CAD include:

- *Providing reliable guidance for CAD prognosis and treatment*. Compared with traditional methods of measuring stenosis of coronary artery, precision diagnosis techniques for CAD evaluate the blood flow restriction directly, which touch upon the fundamental cause of CAD – the decrease in myocardial perfusion that leads to the decrease in myocardial function.

- *Avoiding human interpretation mistakes in CAD diagnostic imaging*. In contrast to conventional imaging diagnosis for CAD using CAG only, the application of precision diagnosis techniques help avoid human interpretation mistakes, therefore improve the reliability of diagnosis outcomes.

- *Saving costs.* The "Fractional Flow Reserve versus Angiography in Guiding Management to Optimize Outcomes in Non-ST Elevation Myocardial Infarction (FAMOUS-NSTEMI) Health Economic Analysis" published on the Journal of the American College of Cardiology ("**JACC**") compared the cost of medical resources and outcome effects of physiology-guided management with FFR with standard angiography-guided management in patients with NSTEMI, and concluded that FFR saves costs by delivering precise diagnosis and treatment as compared to standard care.

Treatment Paradigm of CAD

The three treatment approaches for CAD are medical therapy, PCI and CABG. The below chart sets out the details of the three treatment approaches.

	Medical Therapy	PCI	CABG
Definition	Medical therapy is a medical management of CAD patient, which controls symptoms arising from CADs depending on various health conditions, risk factors and overall wellbeing of the specific CAD patient.	PCI is a non-surgical procedure to open a narrowed or blocked coronary artery and restore arterial blood flow to heart tissue.	CABG is an open-heart surgery to stitch in place an artery or vein taken from other part of the body to reroute blood around the blocked artery.
Features	• Low risk as a non-invasive treatment • Applicable to various types of CAD patients • A disease control measure rather than a real cure for CADs	• Low invasiveness • Short procedure duration within one hour • Quick recovery after operation • Few complications • Low cost • The success rate of treatment is similar to that of surgical bypass grafting	• Suitable for patients with serious cardiovascular diseases
Applicable Patients	For patients with (i) diameter stenosis <50%; or (ii) diameter stenosis between 50% and 90% and whose FFR test returns >0.8	For patients with diameter stenosis between 50% and 90% and whose FFR test returns ≤0.8	For patients with diameter stenosis >90%

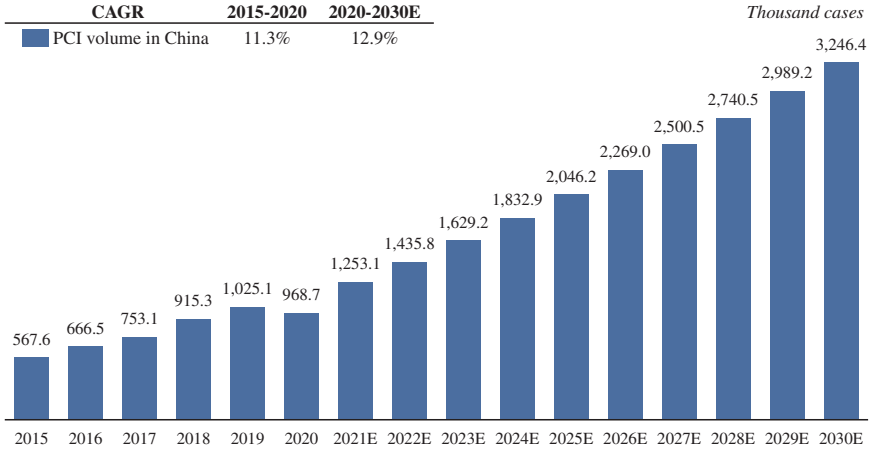
Source: MSD Manuals

PCI Treatment

PCI is performed under certain guidance procedures assessing the severity of artery stenosis such as CAG and is used primarily to open a narrowed or blocked coronary artery and restore arterial blood flow to heart tissue without requiring open-heart surgery. PCI can effectively treat CAD and is the mainstream treatment method recommended by physicians. Among main CAD treatment approaches, PCI has the advantages of less trauma to the patients, shorter hospital stay, faster post-operation recovery and relatively lower medical costs. With the development of technologies, PCI, one of minimal invasive treatments, has been progressing quickly as a replacement of traditional surgeries and has become the favorable choices or combination therapies for many cardiovascular diseases and it is currently the mainstream treatment for CAD patients.

PCI procedures performed in China increased from 0.6 million in 2015 to 1.0 million in 2020 at a CAGR of 11.3% from 2015 to 2020, and the PCI volume is expected to reach 3.2 million in 2030 at a CAGR of 12.9% from 2020 to 2030.

PCI Volume in China, 2015 to 2030E



Source: CCIF; Expert Interview; CIC Analysis

Growth drivers of PCI treatment in China includes:

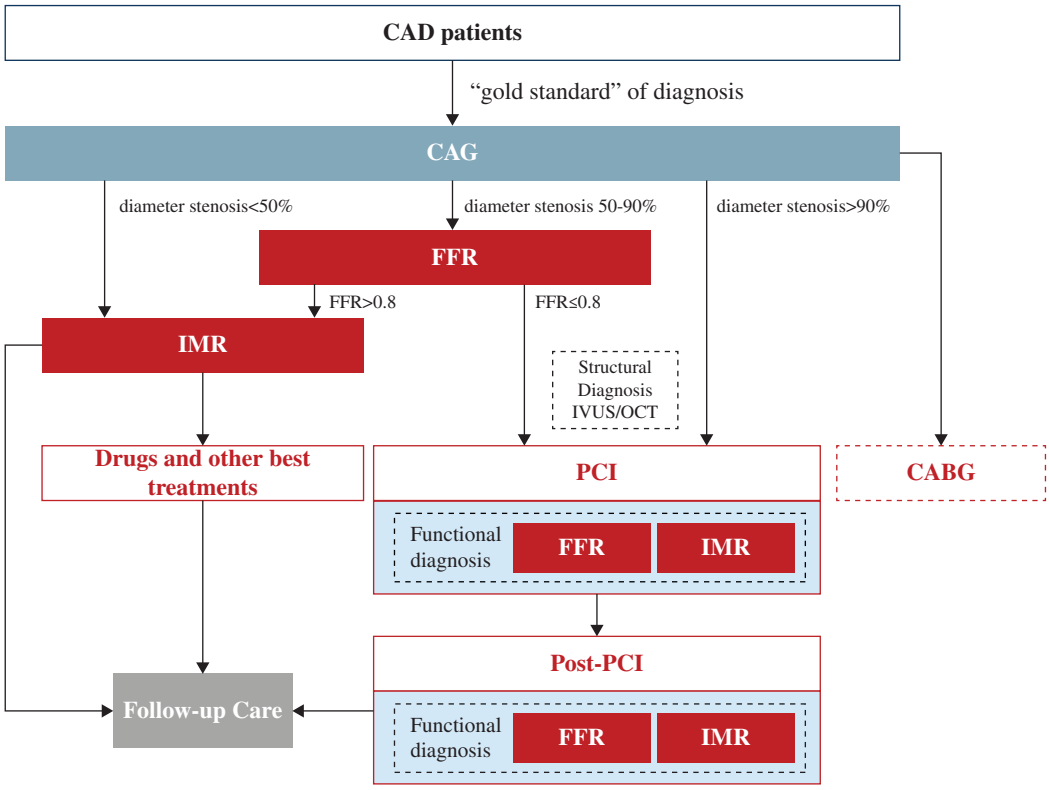
- *Aging population and increasing prevalence of CAD*. According to the National Bureau of Statistics of China, population over the age of 65 was 144.8 million in 2015 and 190.6 million in 2020, and is expected to reach around 339.3 million in 2030 in China. Additionally, the number of CAD patients in China reached 17.0 million in 2020 and is expected to reach 28.8 million in 2030.

- *Improved rate of pre-PCI diagnosis*. With the improving public health awareness over the past decades as well as the development of medical infrastructure, a growing number of people become able to receive early screening and diagnosis of CADs. In addition, the development of imaging technology and its increasing application in clinical practice have increased the diagnosis rate of cardiovascular diseases.

- *New technology promotion*. Precision PCI is aimed to solve the limitation of traditional PCI that have limited evidence to determine whether myocardial ischemia existed in patients with borderline lesion. Nowadays, more medical evidence supports that the application of FFR to guide PCI treatment of coronary artery borderline lesions can significantly improve the prognosis of patients.

- *Policy advocacy.* The medical device market is a highly regulated and typical policy-driven. In 2016, "Healthy China 2030" was promulgated by the State Council, focusing on speeding up the medical device approval process; the newly revised Pharmaceutical Administration Law was officially implemented in December 2019, confirming the future trends of domestic innovation.

The chart below illustrates the current pathway treatment of moderate to severe CAD patients:



Source: European Society of Cardiology, Chinese Journal of Interventional Cardiology, Chinese Journal of Cardiology; Literature Review; Expert Interview; CIC Analysis

FFR MEASUREMENT MARKET

Definition and Measurement Techniques of FFR

FFR is the ratio of maximum flow in the presence of a stenosis to normal maximum flow, used as a lesion-specific index of stenosis severity. It measures the ratio of the mean pressure (Pd) in the coronary artery at the distal end of the stenosis to the mean pressure (Pa) of the coronary orifice or aorta in the state of maximum myocardial hyperemia.

FFR can be applied with various techniques in various stages ranging from pre-operation, to intra-operation and further to post-operation.

In the pre-operation stage, CTA-FFR is the main FFR measurement as a preliminary screening tool to identify patients with CAD. CTA-FFR is performed based on CTA images in the imaging department.

In the intra-operation stage, the FFR measurement generally includes CAG-FFR and FFR measurement using other imaging modalities such as IVUS and OCT images. CAG-FFR are usually performed in the clinical departments on CAD patients to determine the necessity and feasibility of follow-up treatment method such as PCI treatment, and it is recommended by multiple guidelines, including 2021 ACC/AHA/SCAI Guideline for Coronary Artery Revascularization, 2018 ESC/EACTS Guidelines on Myocardial Revascularization and 2016 Chinese Society of Cardiology Guidelines for Percutaneous Coronary Intervention in China. CAG-FFR measurement techniques primarily consist of four categories: (i) pressure wire; (ii) coronary angiography-derived fractional flow reserve such as caFFR; (iii) quantitative flow ratio ("**QFR**"); and (iv) pressure micro-catheters.

In addition, CTA-FFR and CAG-FFR measurement can also be applied in the post-operation stage to evaluate the outcomes of PCI procedures and provide guidance on the follow-up treatments.

Development and Clinical Recognition of FFR Measurement

There are four milestone clinical studies of FFR, including DEFER, FAME, FAME II and FAME III, among which the clinical results of the FAME trial for the first time prove long-term safety and superiority of an FFR-guided approach representing the potential that functional rather than anatomical revascularization should become the standard of care. This trial compared two different revascularisation strategies: a standard angiographic-guided approach (revascularization of lesions with >50% stenosis) and an FFR-guided approach (revascularization of lesions with an FFR≤0.80) on 1,005 patients with stable CAD and multivessel disease.

Since then the application of FFR to evaluate the functional severity of coronary stenosis has continued to gain recognition and been recommended by international and domestic guidelines, including 2021 ACC/AHA/SCAI Guideline for Coronary Artery Revascularization, 2018 ESC/EACTS Guidelines on Myocardial Revascularization and 2016 Chinese Society of Cardiology Guidelines for Percutaneous Coronary Intervention in China, all granting FFR a recommendation rate of Class IA. In addition. FFR is currently the gold standard recognized globally for guiding PCI treatment as an important coronary artery functional indicator.

Intra-Operative FFR Measurement

CAG-FFR measurement works as a precision diagnosis measurement to assess the functional significance of coronary artery stenosis to guide PCI procedures. According to the series experiment of FAME, 0.8 is the reference standard value for FFR assessment of myocardial ischemia as lesions with FFR≤0.8 should be revascularized with treatment of PCI, and lesions with FFR>0.8 are indications for medical therapy. FFR is currently recognized as the gold standard for guiding PCI treatment by evaluating coronary artery function indicators and is recommended by authorities globally, including the European Society of Cardiology and the Chinese Society of Cardiology. In addition to FAME studies, authoritative studies including deferral versus performance of percutaneous coronary intervention of functionally non-significant stenosis ("**DEFER**") study demonstrate safety and improved outcomes of the FFR-guided interventional treatment.

CAG-FFR measurement techniques include four categories: (i) pressure wire; (ii) coronary angiography-derived fractional flow reserve; (iii) QFR; and (iv) pressure micro-catheters.

Pressure wire consists of a special pressure sensor and a hollow stainless steel tube, and it assesses FFR value by measuring the descending pressure of the entire vessel and the corresponding lesion components. During a wire-based FFR procedure, a catheter is inserted into the artery followed by a wire with a pressure sensor at the tip. To achieve high-related and accurate measurement results, wire-based FFR procedures need to be performed when the patient achieves maximal vasodilation by injection of intravenous adenosine or other agents. The complexity of wire-based FFR procedures creates a high learning curve for physicians. Furthermore, as a traditional invasive measurement method, wire-based FFR may cause lesions during the procedure and the measurement usually takes about 15 to 30 minutes. Wire-based FFR procedures have been in practice for long and are more familiar to physicians and patients as compared to other FFR procedures. Theoretically, wire-based FFR procedures can achieve a diagnostic accuracy rate of 100%, which vary with the credentials, experience and operating skills of the physicians.

caFFR is a less-invasive measurement approach that provides fast and accurate determination of FFR value based on 3D images of coronary arteries reconstructed from angiograms. During caFFR procedures, real-time aortic pressure waveform is collected by a non-interventional pressure sensor, based on which FFR value is calculated with a designed computational fluid dynamics algorithm. Unlike wire-based procedures, caFFR measurement procedures do not rely on maximal vasodilation to achieve high-related testing results and thus do not require injection of intravenous adenosine to patients. As our caFFR measurement incurs no extra incision and does not need to be used with invasive pressure wire after the CAG, the less-invasiveness not only makes caFFR a safer solution as compared with traditional wire-based FFR procedures, but also simplifies measurement procedures so that it can be easily conducted by nurses or technicians. caFFR procedures usually take less than five minutes and can achieve a diagnostic accuracy rate of 95.7%, which is the highest among all non-pressure wire techniques.

QFR is a novel method enabling efficient computation of FFR from 3D quantitative coronary angiography and thrombolysis in myocardial infarction frame count. As a less-invasive measurement approach, QFR is safer than wire-based FFR procedures and easy to operate. The procedure of QFR measurement usually takes less than five minutes.

Pressure microcatheter is an invasive measurement approach which detects lesions using a catheter with a pressure sensor implanted at the distal end with fiber optic communication technology. Similar to traditional wire-based FFR, the FFR procedures with pressure microcatheters usually take around 15 to 30 minutes, and are a complicated procedure creating high learning curve for physicians. Its diagnostic accuracy rate relies on the credentials, experience and operating skills of physicians.

Comparison of Traditional Wire-Based and Coronary Angiography-Derived FFR Measurement

Currently, wire-based FFR measurement product remains the gold standard in guiding the decision to proceed with PCI in eligible patients and is considered as the reference measurement standard with a theoretical 100% accuracy rate.

Wire-based FFR measurement is performed by passing a wire through a patient's lesion to measure the descending pressure of the entire vessel and the corresponding lesion components of the patient with adenosine induced hyperemia. Wire-free FFR measurement, such as caFFR, on the other hand, avoids piercing into the patient's lesion by measuring FFR value based on 3D images of coronary arteries reconstructed from angiograms.

When performing FFR measurement together with CAG to guide PCI treatment, a CAD patient will firstly receive a CAG procedure during which a small catheter is inserted through his skin into an artery, slowly advancing to the opening of the coronary arteries. A solution containing iodine is then injected into each coronary artery, where visualization can be observed from an x-ray which reveals the extent and severity of all coronary artery blockages, the strength of heart muscles and performance of the cardiac valves. When CAG procedure is completed, the patient will then go through the FFR measurement procedure. If wire-based FFR measurement is chosen, the patient will have to undergo another procedure to get the wire pierced into the lesion to perform the measurement, which will cause additional invasiveness. However, if the patient chooses wire-free FFR measurement, this additional invasiveness will be avoided.

A comparison of the traditional wire-based and coronary angiography-derived FFR measurement approaches is set forth below:

Traditional Wire-Based FFR Measurement	Coronary Angiography-Derived FFR Measurement
Wire-based FFR measurement sets high standards on operating skills of physicians who have to pass through lesions with pressure wire physically.	caFFR measurement is wire-free and calculates the FFR value by specially-designed computational fluid dynamics algorithm from the real-time image and therefore it can be easily operated by nurses or technicians.
Although the accuracy rate of wire-based FFR can be as high as 100% theoretically, in practice the result is usually uncertain as it largely depends on credentials and experience of the operators.	caFFR can stably reach an accuracy rate of 95.7% which is the highest among non-wire based measurement approaches.
Wire-based FFR measurement bears the risks of piercing the arterial wall, making it unsuitable for patients with certain indication, such as vascular stenosis, diabetes or high-level calcification.	caFFR measurement is wire-free, less-invasive approach and hence a safer solution.
Wire-based FFR measurement usually takes 15 to 30 minutes.	Average procedure time is less than five minutes.

Comparison Between CAG-FFR Measurement and IVUS- and OCT-FFR Measurement

IVUS is a medical imaging methodology that allows the application of ultrasound to see from inside blood vessels out through the blood column, enabling the visualization of the inner wall of blood vessels. OCT is an imaging technique that uses low-coherence light to capture micrometer-resolution, 2D or 3D image from biological tissue creating high-resolution images and achieve lesion assessment. In contrast to CAG-FFR, IVUS and OCT based FFR is an index calculated with IVUS and OCT images, which is barely used by cardiologists and currently at their early stage of development. CAG-FFR is a strongly-recommended step of diagnosis and treatment for CAD in multiple guidelines, whereas IVUS and OCT are optional assessments in complicated CAD situation.

Market Size of FFR Measurement

Market Size and Penetration Rate of FFR Measurement

As FFR plays an increasingly important role in clinical practice, the global market for the pre-operative and intra-operative FFR measurements is expected to grow from approximately USD534.1 million in 2020 to approximately USD2,152.4 million in 2025 at a CAGR of 32.1%, and further increase to approximately USD5,154.6 million in 2030 at a CAGR of 19.1% from 2025 to 2030. Accordingly, the market in China is expected to grow from RMB79.3 million in 2020 to approximately RMB4,548.9 million in 2025 at a CAGR of 124.7%, and is expected to reach approximately RMB11,573.8 million in 2030 at a CAGR of 20.5% from 2025 to 2030. The market size in China is calculated based on the CAG volume and CTA volume in China, the number of catheterization laboratories in China and the number of hospitals capable of conducting CAG and CTA in China, the installed capacity and price of FFR measurement products, and the penetration rate assumption of FFR measurement products.

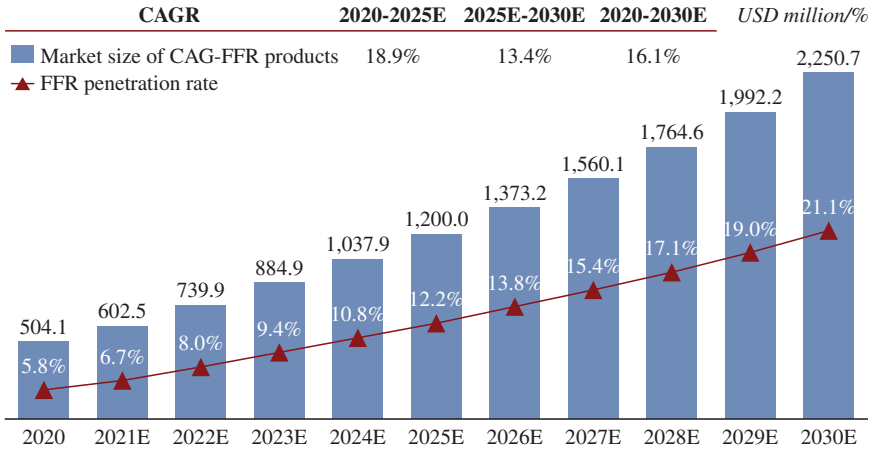
The penetration rate of wire-free FFR measurement accounted for approximately 25% of the overall FFR measurement volume in China in 2020 and is expected to account for over 90% of the overall FFR measurement volume in China in 2030 increasing at a CAGR of approximately 121.4% from 2020 to 2030. Despite wire-based FFR measurement products remaining the gold standard in guiding the decision to proceed with PCI, wire-free FFR measurement is expected to gradually dominate the FFR measurement market according to CIC, considering that (i) the penetration rate of FFR measurement climbed up slowly and remained at less than 0.5% among all CAD patients receiving CAG in China from 2013 (the year when the first wire-based FFR measurement product was introduced) to 2020. Following the commercialization of wire-free FFR measurement product, the penetration rate of FFR measurement has rapidly grown from 0.4% in 2020 and 1.6% in 2021, demonstrating robust market performance and potentials of wire-free FFR measurement products and their positive market acceptance; (ii) except for one pressure microcatheter-based product, all FFR measurement products approved in China since 2020 were wire-free products, and most of the FFR measurement products under preclinical or clinical studies are wire-free products, demonstrating the future trend of the FFR measurement market. Furthermore, the penetration rate of wire-free FFR measurement products in China is expected to increase in future since (i)

most of the domestic FFR measurement products received the NMPA approval in 2021 and after, which will fuel the penetration of FFR measurement products; (ii) the national reimbursement continuously expanded coverage for wire-free FFR measurement products; and (iii) the market recognition is rising driven by constant and joint efforts of FFR industry players, distributors and physicians in the market education.

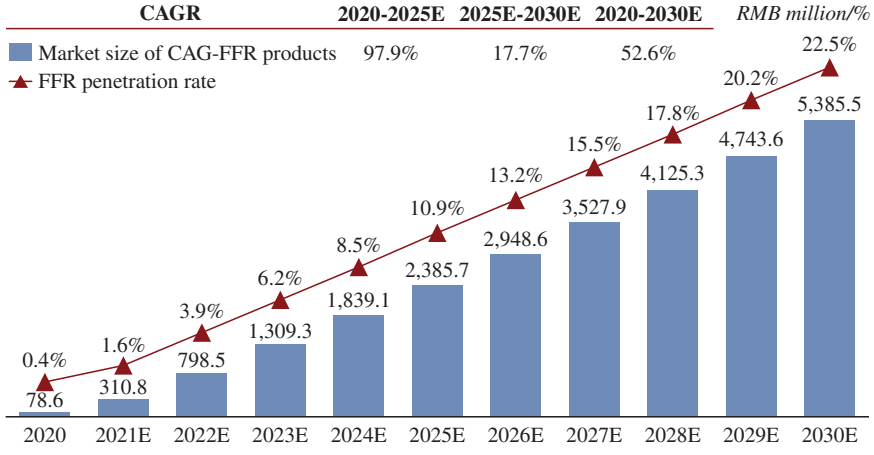
The global market for CAG-FFR measurement is expected to grow from approximately USD504.1 million in 2020 to approximately USD1,200.0 million in 2025 at a CAGR of 18.9%, and further increase to approximately USD2,250.7 million in 2030 at a CAGR of 13.4% from 2025 to 2030. Benefiting from the increasing penetration of FFR due to (i) strong clinical evidence and recommendations by multiple guidelines and expert consensus in China and overseas; (ii) technology developments and (iii) growing public awareness, the market for CAG-FFR measurement in China is expected to grow from RMB78.6 million in 2020 to approximately RMB2,385.7 million in 2025 at a CAGR of 97.9%, and expected to reach approximately RMB5,385.5 million in 2030 at a CAGR of 17.7% from 2025 to 2030. In 2020, the penetration rate of CAG-FFR measurement procedures performed with CAG and PCI in China was 0.4% and 1.4%, respectively, which was far below 22.5% and 36.1% in the U.S., 17.2% and 30.0% in Japan, and 6.9% and 12.6% in the EU. The market size of CAG-FFR measurement products was calculated on the basis of the ex-factory prices of marketed FFR measurement products. The penetration rate of CAG-FFR products was calculated based on the market size together with the FFR measurement volume of around 13,000 to 14,000 in 2020. The assumptions are based on public information including desktop research on government websites, websites of market players, as well as expert interviews with cardiologists and senior employees of market players. In 2020, the penetration rate of CAG-FFR measurement was 0.4% among all CAD patients receiving CAG in China. In 2021, the market share of our caFFR System, which is a CAG-FFR measurement product, accounted for approximately 54.9% by revenue among wire-free CAG-FFR measurement products in China, and accounted for approximately 15.2% by revenue among all FFR measurement products in 2021. In 2021, the penetration rate of our caFFR System was approximately 0.2% among all CAD patients receiving CAG in China.

In 2020, the market size of wire-free FFR measurement products in the U.S. was over USD20 million, representing a market share of over 7% in the overall FFR measurement market in the U.S. So far four wire-free CAG-FFR measurement products and two CTA-based FFR measurement products (one by Heartflow and the other by Keya as the latter obtained FDA approval in early April 2022) were commercialized. In addition, 13 wire-based FFR measurement products by Abbott, Philips, Boston Scientific, Opsens, Zurich Medical and ACIST were commercialized in the U.S. Currently, the U.S. market of wire-free FFR measurement products are dominated by the CTA-FFR products of Heartflow which obtained the FDA approval in 2014 with a well-educated market. Similar to the China CAG-FFR market, the wire-free CAG-FFR measurement products are at a relatively early development stage as these products only obtained FDA approvals in recent few years and the wire-based CAG-FFR measurement is still considered a conventional approach.

Market Size and Penetration Rate of CAG-FFR Measurement Products Globally, 2020-2030E



Market Size and Penetration Rate of CAG-FFR Measurement Products in China, 2020-2030E

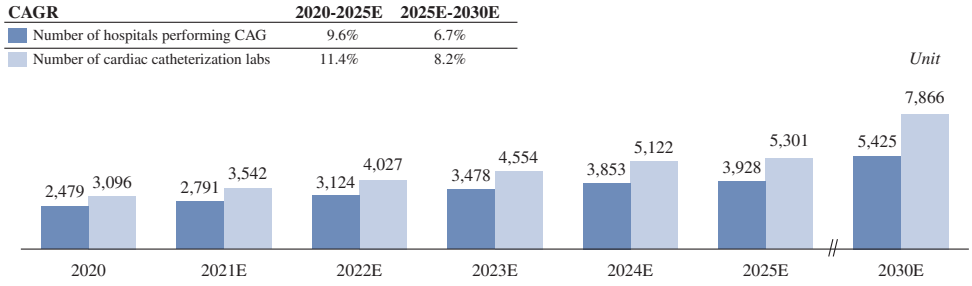


Source: Expert Interview; Government Websites; CIC Analysis

Number of Hospitals Performing CAG and Cardiac Catheterization Laboratories in China

The number of hospitals performing CAG in China is expected to increase from 2,479 to 3,928 at a CAGR of 9.6% from 2020 to 2025, and further increase to 5,425 in 2030 at a CAGR of 6.7% from 2025 to 2030. The number of cardiac catheterization laboratories in China is expected to increase from 3,096 to 5,301 at a CAGR of 11.4% from 2020 to 2025, and further increase to 7,866 in 2030 at a CAGR of 8.2% from 2025 to 2030. Increasing hospitals and catheterization laboratories in China capable of performing CAG will further boost the FFR measurement market.

Hospitals Performing CAG and Cardiac Catheterization Laboratories in China, 2020-2030E



Source: CCIF; CIC Analysis

Growth Drivers of FFR Measurement Market

In addition to the increasing aging population and CAD patients, the FFR measurement market in China is also driven by the following factors:

- *Expanding medical insurance coverage.* Currently, FFR procedures are covered by medical insurance of certain provinces and cities, such as Shanghai and Yunnan. With the development of medical insurance reimbursement and growing geographical coverage of medical insurance over FFR procedures in China, the penetration of FFR procedure will significantly increase. As of the Latest Practicable Date, the consumables of the CAG based FFR measurement products were included by the medical insurance reimbursement list by about ten provinces and regions. The FlashPressure caFFR pressure transducer of our caFFR System is included by the medical insurance reimbursement list of 15 provinces and regions (such as Shanghai, Guangdong, Chongqing, Henan, etc.). Medical insurance coverage reduces the measurement costs born by patients as a portion of the FFR measurement price will be reimbursed by the medical insurance, which greatly improves patient affordability and increases the FFR measurement volume and the penetration rate of FFR measurement. According to CIC, the price paid by patient of wire-based FFR measurement products reduced 50% to 80% after inclusion in the medical insurance reimbursement list (the reimbursement rate varies among provinces and cities) and the FFR measurement volume increased 20% to 50% as a result.

- *Supportive national policy.* In China, the FFR measurement market is supported by several national policies. "Special Review Procedures for Innovative Medical Devices" issued by the NMPA in 2018 accelerated the approval for innovative medical device products. "Thirteenth Five-Year Special Plan for Medical Device Technological Innovation" issued by Ministry of Science and Technology stresses on cultivating innovative companies with strong innovation capability to improve national industrial competitiveness, and expanding the market share of domestic innovative medical device products. In addition, the National Clinical Specialty Capacity Building Plan under the "Fourteenth Five Year Plan" recently issued by the National Health Commission will beef up capacity building of clinical disciplines and provide support to provincial departments to strengthen the construction of platform specialties including cardiovascular surgery.

Competitive Landscape of FFR Measurement Products in Interventional Surgery in China

The table below sets forth the competitive landscape of FFR measurement products approved and marketed in China:

Application Stages	Modality Basis	Company Name	Product Name	Category	Less-invasive Assess	Diagnostic Accuracy[1]	Average Procedure Time	NMPA Approval Time	CE Mark	Retail Price RMB[2]	
										Console	Consumables[3]
Intra-operation	CAG-based FFR	Rainmed 潤邁德	caFFR System	Wire Free	√	95.7%	<5min	2019-12-09	2019	340,000~430,000	12,000
		Pulse 博動醫學	QFR System (QFR®)	Wire Free	√	92.4%	<5min	(V1) 2018-07-12 (V2) 2020-12-07	2020	1,900,000 ~4,900,000[3]	N/A
		Insight Lifetech 北芯生命科技	TRUEPHYSIO®	Pressure Microcatheter[5]	×	93.4%	15-30min	2020-09-29	2020	270,000~310,000	13,000~17,000
		Abbott 雅培	PressureWire Certus	Pressure Wire	×	–	15-30min	2013-05-16	2012	300,000~400,000	9,000~12,000
			Pressurewire X Guidewire	Pressure Wire	×	–	15-30min	2019-04-16	2016		
			PressureWire Aeris	Pressure Wire	×	–	15-30min	2013-06-13	2009		
		Philips 飛利浦	Verrata	Pressure Wire	×	–	15-30min	2019-09-29	2013	800,000~1,200,000[4]	11,000~13,000
		Boston Scientific 波士頓科學	COMET	Pressure Wire	×	–	15-30min	2021-05-12	2016	900,000~2,000,000[4]	12,000~13,000
Pre-operation	CTA-based FFR	Keya (CuraCloud) 科亞	DeepVessel FFR®	Wire Free	√	90.8%	<10min	2020-01-14	2018	N/A*	N/A*
		Raysight 睿心	RuiXin-FFR	Wire Free	√	92.0%	<5min	2021-04-14	N/A	N/A*	N/A*
		Heart Century 心世紀	HCPRD001	Wire Free	√	84.9%	1h	2021-07-29	N/A	N/A*	N/A*
		GuanShengYuen 冠生雲	HemoDyna®	Wire Free	√	N/A	<10min	2021-10-20	N/A	N/A*	N/A*
Intra-operation (Post CAG-FFR)	OCT-based FFR	Pulse 博動醫學	OFR® (Coronary Artery OCT Quantitative Flow Ratio System)	Wire Free	√	90%	<5min	2021-11-09	N/A	N/A**	N/A**

Notes:

(1) As conventional wire-based FFR measurement (such as the wire-based products of Abbott, Phillips and Boston Scientific) is considered as the reference measurement standard, it is hence defined as a diagnostic standard with 100% accuracy rate theoretically. The diagnostic accuracy is calculated comparing with the results of wire-based FFR.

(2) The pricing information forth herein are provided by CIC, based on the expert interview, public wholesale tender prices of over 15 provinces as well as provincial and territorial government procurement platform of the relevant products in China as of the Latest Practicable Date. The prices of such products may be subject to changes, over which we do not have control.

(3) The price of Pulse's FFR measurement product was based on its business model of primarily selling consoles, and to a lesser extent, from the provision of technical service.
(4) The FFR consoles by Philips and Boston Scientific were all-in-one suit that measure both FFR and IVUS.
(5) Microcatheter manufactured by Insight LifeTech is a catheter-based invasive FFR consumable inserted to the coronary artery through a guidewire. However, it is not a traditional pressure-wire FFR measurement product by its structure and technology pathway and hence has an accuracy rate of 93.4%.

* CTA-based FFR measurement products are software-based products, and therefore they are not equipped with console or consumable. According to CIC, the service fee paid by patient per session of CTA-based FFR is approximately RMB1,700 to RMB1,900.
** OCT-based FFR has only been approved recently. The price of the product was not publicly available yet.

Source: NMPA; ClinicalTrials; Expert Interview; Company websites; CIC Analysis

The table below sets forth the competitive landscape of FFR assessment products at clinical trial stage in China as of the Latest Practicable Date:

Application Stages	Modality Basis	Company Name	Product Name	Category	Less-invasive Assess	Clinical Stage	First Posted Date
Pre-operation	**CTA-based FFR**	Shukun 数坤	SK-FFRCT	Wire Free	√	Clinical Trial	2021-9
		ShengShi 岌视	InTo Heart	Wire Free	√	Clinical Trial	2020-9
Intra-operation	**CAG-based FFR**	ESCOPE 閱影科技	XAscope	Wire Free	√	Clinical Trial	2022-1

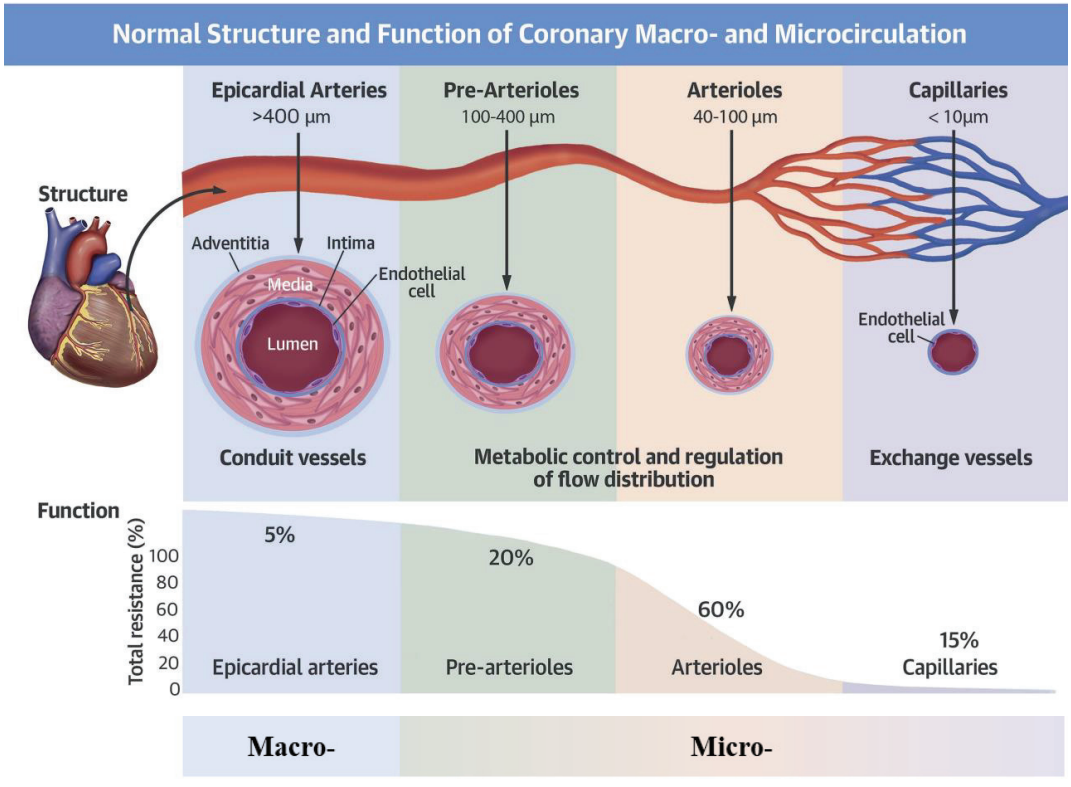
Source: Company prospectuses; CIC Analysis

IMR MEASUREMENT MARKET

Definition and Measurement of IMR

IMR is an index that specifically evaluates the microvascular function of distal coronary artery stenosis and accurately predict the myocardial tissue perfusion level, ventricular remodeling and cardiac function recovery after reperfusion therapy in acute myocardial infarction. IMR can be applied to guiding the diagnosis and management of patients of myocardial ischemia without obstructive coronary arteries, and reducing adverse events particularly in patients with complex lesion.

As FFR measures the macro-circulation of epicardial arteries which account for 5% of all arteries and IMR measures the microcirculation of pre-arterioles, arterioles and capillaries which account for 95% of all arteries, applying IMR along with FFR can provide a comprehensive evaluation on coronary circulation status of patients with CAD. The chart below illustrates the application of FFR and IMR measurement in the macro and microcirculatory systems.



Measurement Method	FFR	IMR
Vessel Diameter	>400 μm	≤400 μm
Proportion	~5%	>90%

Source: Journal of the American College of Cardiology

IMR was first introduced in 2003 and it began to be used in evaluating the resistance of coronary microcirculation in 2004. In 2007, IMR was tested to be useful in direct flow measurement in selective coronary arteries. After about ten years of development, the application of IMR has been greatly expanded, and in 2021 a less-invasive IMR measurement approach was introduced. Currently, IMR measurement, represented by caIMR, is demonstrated after the CAG as a means of precision diagnosis to determine the severity of diseases and follow-up treatments. With the increasing market penetration and the improving patient acceptance, such IMR measurement is expected to be performed along with CAG in the future.

Currently, the two categories of IMR measurement techniques include pressure wire and coronary angiography. Quantitative measurement of IMR by pressure wire is the current mainstream method worldwide, while coronary angiography-derived IMR ("**caIMR**") is developing rapidly as an innovative less-invasive approach.

Pressure wire consists of a hollow stainless-steel catheter and a pressure sensor and a temperature sensor at the tip. It is used to measure the pressure to flow, Pd and t. Wire-based IMR is complex and creates a high learning curve for physicians. Furthermore, as an invasive measurement approach, wire-based IMR measurement may cause lesions during the procedure and usually takes about 40 to 60 minutes. Wire-based IMR measurement has been in practice for long and is more familiar to doctors and patients as compared to other IMR measurement methods. The diagnostic accuracy relies on the credentials, experience and operating skills of the physicians.

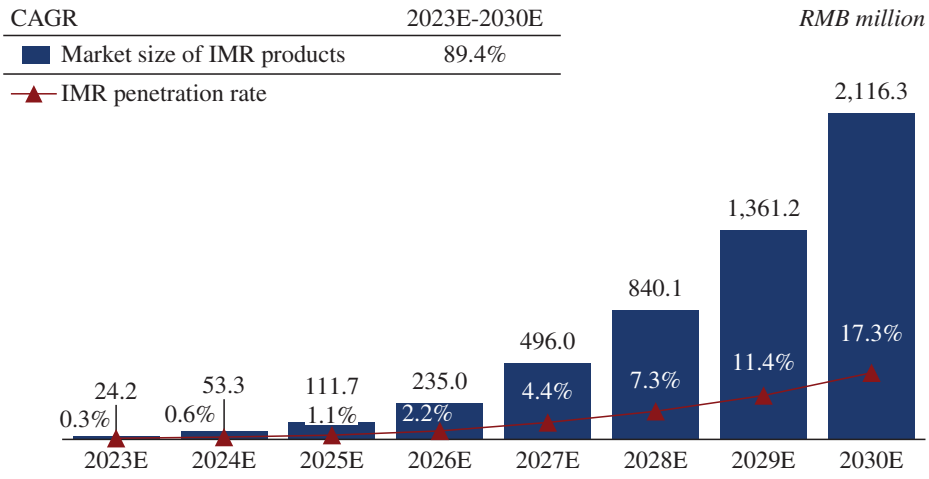
caIMR measures IMR value in 3D images of coronary arteries reconstructed from angiograms. Real-time aortic pressure waveform is collected by the non-interventional pressure sensor, based on which IMR value is calculated with a designed computational fluid dynamics algorithm. As a less-invasive measurement approach, caIMR measurement procedures are safer and it can be easily operated by nurses or technicians. caIMR measurement procedures usually takes less than five minutes with a relatively high diagnostic accuracy rate. However, as a newly-introduced approach, it is expected to take time to gain acceptance by physicians and hospitals.

Market Size of IMR Measurement

IMR measurement is expected to rapidly penetrate CAG operation. Currently up to 70% of patients receiving CAG have microvascular dysfunction, and thus are in need of IMR measurement. The potential patient pool of IMR measurement, namely patients receiving CAG and having microcirculation disorder, reached 9.4 million globally in 2020, and is expected to reach 21.8 million in 2030 at a CAGR of 8.8%. Meanwhile, in China this potential patient pool reached 2.7 million in 2020, and is expected to reach 7.6 million in 2030 at a CAGR of 10.8%. Along with the expected introduction of convenient IMR measurement devices, the market size of IMR measurement in China is expected to increase from approximately RMB24.2 million in 2023 to RMB2,116.3 million in 2030 at a CAGR of 89.4%, and the IMR measurement penetration rate is expected to increase from 0.3% in 2023 to 17.3% in 2030. The IMR measurement penetration rate is calculated based on the potential patient volume of IMR measurement. The market size of IMR measurement is forecasted by CIC based on (i) the prevalence rate reported by literatures and interviews with relevant experts; and (ii) the market researches on both the demand and the supply sides with respect of the relevant marketed and clinical-stage medical devices via various sources including secondary industry report, enterprise sales data, overview of the major and other competitors, and the market development trends. Currently, there is only one wire-based IMR measurement product, namely, PressureWire Certus of Abbott in China, mainly for research use, and its latest generation has disabled the module of IMR measurement due to the procedure complexity and insufficient

market recognition. Meanwhile, both clinical and preclinical IMR measurement product candidates in China are wire-free measurement products. Therefore, the IMR measurement market in China is expected to be dominated by wire-free measurement products in future.

Market Size of IMR Measurement in China, 2023E to 2030E



Source: Expert Interview; Literature Research; GHDx; CIC Analysis

Pain Points of Current IMR Measurement

Though there is an increasing demand for measurement on microcirculatory system, the application of IMR measurement has been limited by the lack of accurate quantitative measurement method for microcirculation disturbance. To observe myocardial coronary microcirculation changes directly, it requires accurate quantitative IMR measurement methods. Currently, pressure wire is the only approved quantitative measurement method. Wire-based IMR requires doctors to pass through the lesion of patients, which relies on skills and experience of the doctor and leaves accuracy of the measurement value uncertain.

Addressing the pain points of current IMR application requires upgrading of IMR quantitative measurement methods by focusing on the development of less-invasive and user-friendly methods. IMR measurement upgrade will then stimulate the evolution of treatment methods, which in turn further drive the upgrading of IMR measurement. Such a development circle will boost the market expansion of IMR measurement.

Growth Drivers of IMR Measurement Market

In addition to the increasing aging population and CAD patients, the IMR measurement market in China is also driven by the following factors:

- *Policy advocation*. As the result of a series of favorable policies of precision medicine since 2015, the Chinese healthcare industry is developing rapidly towards the direction of precision medicine. As one of the important precision diagnosis methods of CAD, IMR is expected to be advocated in the coming years.

- *Increasing CAG procedure*. With the increase of CAG procedures, the demand for IMR measurement is expected to increase as well since IMR is expected to rapidly penetrate CAG operation. 3.9 million CAG procedures were performed for CAD diagnosis in 2020 and are expected to increase to 10.8 million in 2030 in China.

Competitive Landscape of IMR Measurement Products

In China, the IMR measurement market is still at its early stage of development. As of the Latest Practicable Date, one IMR product received NMPA approval, namely, PressureWire Certus, a pressure-wire product of Abbott. As of the Latest Practicable Date, there were two IMR product candidates, including our caIMR System that completed a confirmatory clinical trial and is expected to become the first less-invasive IMR system approved for commercialization globally. Based on literatures and interviews from relevant experts, currently the PressureWire Certus of Abbott is mainly for research use. The table below illustrates the IMR systems that had been approved or at clinical stage as of the Latest Practicable Date:

Region	Company Name	Product Name	Less-invasive Assess	Category	Average Procedure Time	NMPA Approval Time
China	Rainmed 潤邁德	caIMR	√	Wire Free	<5min	2022-Q4(1)
China	ESCOPE 閱影科技	XAscope	√	Wire Free	Not publicly available yet	N/A(2)
U.S.	Abbott 雅培	PressureWire Certus(3)	X	Pressure Wire	40-60min	2014-11-14

Notes:
(1) caIMR is expected to receive NMPA approval in the fourth quarter of 2022.
(2) XAscope is expected to complete the clinical trial in December 2022.
(3) The IMR measurement function is an indication expansion of the PressureWire Certus, which is mainly for research use, and its retail price in China is not publicly available yet.

Source: NMPA; ClinicalTrials; Expert Interview; Company websites; CIC Analysis

Future Trends of FFR and IMR Measurement

- *Increasing penetration.* In 2020, the penetration rate of FFR procedures performed along with CAG remained as low as 0.4%. While in countries with more developed FFR measurement market, such as the U.S., Japan and the EU, the penetration rate of FFR procedures performed along with CAG accounted for 22.5%, 17.2% and 6.9%, respectively, which is attributable to mature insurance systems, better commercial insurance coverage and more experienced physicians. With the technology breakthrough and improving medical system, FFR procedure penetration is expected to keep increasing in China. Since IMR measurement is expected to rapidly penetrate CAG operation, the IMR procedure penetration is expected to grow with the increasing number of CAG procedures.

- *Expanding scope of clinical application*. Currently, FFR is mainly measured to decide whether to carry out PCI. With the development of dynamic measurement of FFR, FFR measurement is expected to be performed both during and post PCI. In addition, a combination of FFR and IMR measurement provides a comprehensive judgement on the severity of blockages in blood vessels and are expected to be applied to pan-vascular system in addition to cardiovascular system.

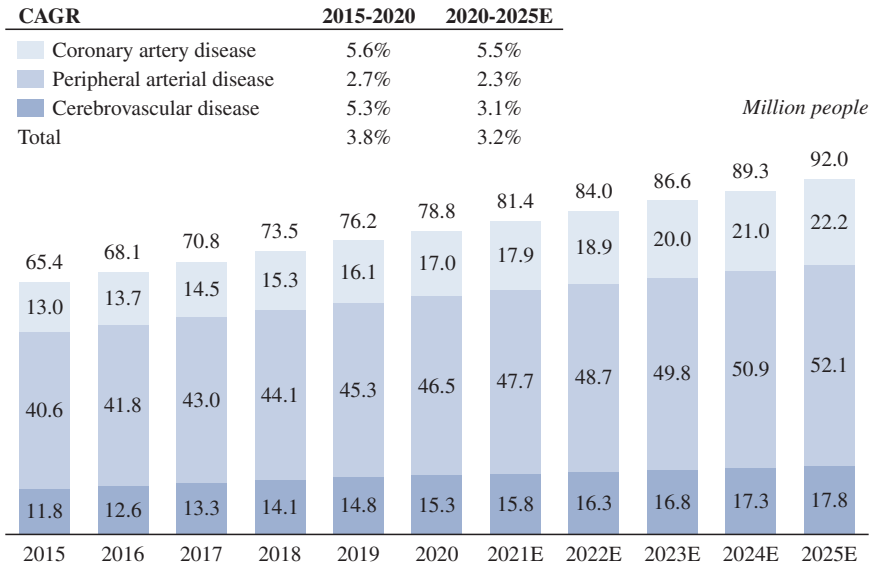
- *Improving procedure precision*. Currently most surgical robots in the market only amplify the operating movements without the function precision guiding. Integration of both FFR and IMR measurement into surgical robots will deliver significant improvement in procedure precision of surgical robots.

VASCULAR INTERVENTIONAL SURGICAL ROBOT MARKET

Vascular interventional surgical robots mainly implement the propulsion and navigation of catheters in vascular interventional surgeries, construct the 3D shape map of the patient's blood vessels according to the image data before and during an operation, and analyze the characteristics of vascular intersection, curve, elasticity and plaque, so as to realize the tracking and positioning of surgical instruments during the operation. Its structure mainly includes a radiation-shielded workstation and a set of joysticks and touchscreen controls that translate physicians' movements into device control.

Interventional surgical robots are currently mainly applied to PCI and are expected to be widely used in the vascular surgeries primarily for treatment of CAD, peripheral arterial disease and cerebrovascular disease, the prevalence of which is set forth below:

Prevalence of Vascular Diseases in China, 2015-2025E



Source: GHDx; China Cardiovascular Disease Report; CIC Analysis

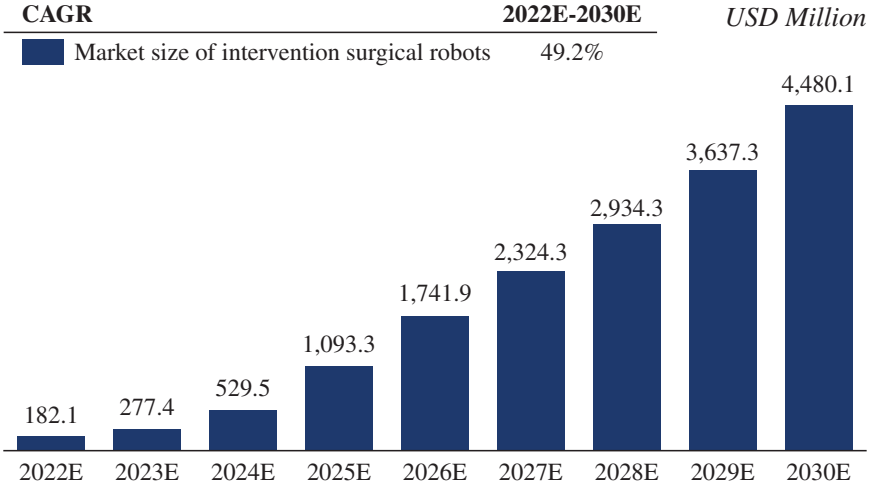
Vascular interventional surgical robots greatly improve the accuracy and efficiency of surgical operation, reduce labor intensity of medical personnel, and reduce reliance on personal technical proficiency of doctors. Interventional surgical robots for the treatment of CAD has presented following advantages over traditional interventional surgeries: (i) automated robotic movements provide more accurate and less-invasive navigation method as well as more precise positioning as compared to wire guided traditional surgeries; (ii) surgical robots are able to present a more proximate and clearer image and perform sub-mm measurement which is more precise than manual operation; and (iii) surgical robots can also reduce radiation exposure. These advantages are proved with recent clinical evidence. The CORA-PCI trial tested on a product from Corindus and the result demonstrated a 99.1% clinical success rate in complex cases while the operation duration stays in line with manual PCI. With regards to reduced radiation exposure, Journal of Invasive Cardiology published a single-center trial presenting a 17% reduction of patient radiation dose; meanwhile a precise trial demonstrated a 95% reduction in radiation exposure to primary operators. In addition, a study revealed that robotic surgeries reduce stent usage, saving 8.3% of related costs.

Intervention surgeries have been evolving from traditional intervention performed manually to current robotic intervention and are expected to being further equipped with robotic capabilities such as full procedural automation, AI decision making, remote access technologies and radiation elimination. In particular, robotics along with the development of 5G and AI have made remote robotic interventional surgeries possible. In 2018, the first-in-man remote PCI operation was performed, marking a ground-breaking step for remote robotics. Five patients located at the Apex Heart Institute in Ahmedabad, India, underwent an elective PCI procedure from a distance of roughly 32km away. Each procedure was remotely performed. The success of this study paves the way for large-scale, long-distance telerobotic platforms globally.

Market Size of Vascular Interventional Surgical Robots

The global market size for vascular interventional surgical robots is expected to reach USD182.1 million in 2022 and further increase to USD4,480.1 million in 2030 at a CAGR of 49.2% from 2022 to 2030.

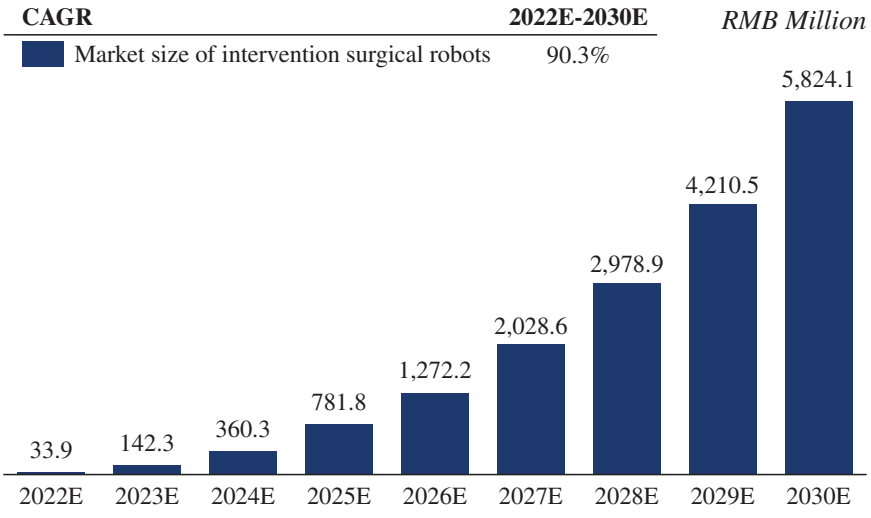
Global Market Size of Vascular Interventional Surgical Robots, 2022E to 2030E



Source: GHDx; China Cardiovascular Disease Report; Expert Interview; CIC Analysis

The vascular interventional surgical robot market in China is expected to reach RMB33.9 million in 2022 and further increase to RMB5,824.1 million in 2030 at a CAGR of 90.3% from 2022 to 2030. According to CIC, the estimated market size of vascular interventional surgical robots in China is calculated on the following basis: (i) the number of patients receiving CAG in China, the volume of percutaneous transluminal angioplasty procedures in China and the volume of neuro-interventional procedures; (ii) the number of catheterization laboratories in China, which is estimated to reach 4,027 in 2022 and 7,866 in 2030; (iii) the assumption of installed capacity and price is based on the data of Da Vinci and Corindus surgical robots; (iv) the penetration rate of robot-assisted surgeries to the total volume of surgeries in each robot-equipped catheterization laboratories.

Market Size of Vascular Interventional Surgical Robots in China, 2022E* to 2030E



Note:

* The market of vascular interventional surgical robots in China in 2022 is estimated on the basis that a vascular interventional surgical robot by Corindus was approved by NMPA in July 2021 to enter the fast-track path pursuant to the "Special Review Procedures for Innovative Medical Devices".

Source: GHDx; China Cardiovascular Disease Report; Expert Interview; CIC Analysis

Drivers of Interventional Surgical Robot Market

The interventional surgical robot market in China is expected to achieve a high growth rate mainly due to the following factors:

- *Policy support.* The "Thirteenth Five-Year Plan" proposes to vigorously develop surgical robots, support the refined and independent development of upstream parts and components of surgical robots, and promote the commercial use of artificial intelligence technology in various fields, laying an important foundation for domestic robots to achieve independent innovation and research and development. In addition, "About Release of the Notice on the Configuration Planning of

Large-scale Medical Equipment from 2018 to 2020" promulgated by the Department of Finance of National Health Commission further confirmed that by the end of 2020, 197 endoscopic surgical instrument control systems would be deployed nationwide.

- *Maturing of remote access technology.* During traditional PCI, doctors need to wear uncomfortable and inconvenient heavy surgical lead clothes protecting them from radiation. With the remote access technology of surgical robots, doctors can operate PCI remotely without exposure to radiation. Remote access also removes the geographic barriers and reduces reliance on doctors' onsite operation, greatly increasing patients' access to treatment.

Competitive Landscape of Vascular Interventional Surgical Robot Market

In China, the market for vascular interventional surgical robots is still at its early developing stage. As of the Latest Practicable Date, no vascular interventional surgical robot had received NMPA approval in China. Globally, R-One by Robocath had received CE Mark; Sensei X2 by Johnson & Johnson and Genesis RMN by Stereotaxis had received FDA approval; and CorPath GRX by Corindus had received both CE Mark and FDA approval.

Future Trends of Interventional Surgical Robot Market

- *Expanding clinical application*. Vascular interventional surgical robots can cover the entire procedure of interventional surgeries, including puncture, angiography, diagnosis and treatment. It can extend to blood vessels in different parts of the human body. In the future, vascular interventional robots are expected to cover coronary artery, cerebrovascular, renal vascular, pulmonary vascular, peripheral, nerve and other fields.

- *Auxiliary intelligence.* Future interventional surgical robots are expected to equip with robust data collection and feedback mechanisms and advanced preoperative planning and intraoperative navigation systems, all of which lay the foundation for the development of augmented or virtual reality, intelligent navigation, and force and tactile feedback software systems.

- *Minimally invasive, cross-departmental procedures.* Interventional surgical robots in the future are expected to perform minimally invasive procedures with delicate incisions and integrate data from multiple hospital departments. These features enable hospitals to improve their surgical performance, and execute cross-departmental and challenging surgical plans.

- *Miniaturization.* Optimization and upgrading of hardware will drive miniaturization and significantly reduce manufacturing costs of interventional surgical robots. In addition, surgical robots with smaller size are more flexible and easier to control.

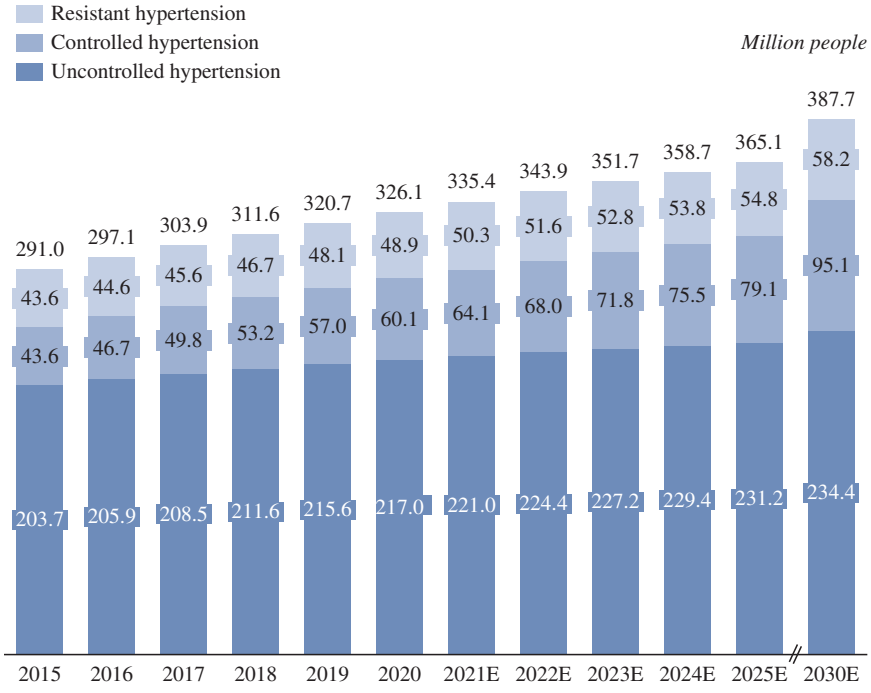
- *Forming of platform.* Surgical robots act directly on patient bodies along with the operation of physician. The surgical robot platform can potentially incorporate other imaging, diagnostic, and evaluation systems, as well as novel high-value medical consumables.

RENAL DENERVATION MARKET

Overview of Renal Denervation

Hypertension, or high blood pressure, is a leading risk factor for cardiovascular disease and a significant cause of morbidity and mortality. Hypertension is considered under control if the blood pressure of the patient is maintained below the treatment goal as average systolic blood pressure below 140 mmHg and average diastolic blood pressure below 90 mmHg. On the other extreme, hypertension is considered resistant when the patient is taking at least three different types of antihypertensive medications (including diuretic) at their maximally tolerated doses, but the blood pressure still cannot be maintained below the 140/90 mmHg treatment goal. For hypertension cases which are more severe than controlled hypertension, but less severe than resistant hypertension, they are referred to as uncontrolled hypertension. The prevalence population of hypertension in China is set forth below:

Prevalence Population of Hypertension in China, 2015 to 2030E



Source: Centers for Disease Control and Prevention; the Lancet; Hopkins Medicine; CIC Analysis

Renal denervation ("**RDN**") is a minimally invasive procedure to treat resistant hypertension and uncontrolled hypertension. The procedure uses radiofrequency or ultrasonic ablation to destroy the nerves in renal arteries without damaging arteries, resulting in a reduction in the nerve activity, which helps decrease blood pressure. RDN treatment typically involves few side effects or systemic adverse reactions and allows quick patient recovery as it does not involve permanent implantation and takes highly selective actions on renal sympathetic nerves. The clinical study results of the Medtronic SPYRAL-HTN OFF MED Trial demonstrates that RDN surgery can bring significant clinical benefits to patients. Meanwhile, the 24-hour average diastolic blood pressure and average office diastolic blood pressure of patients taking RDN surgeries also decreased. The clinical results reveals a 99.9% possibility that the receiving RDN treatment results in better treatment outcomes.

It is estimated that after RDN product candidates are approved by the NMPA, the size of the RDN product market in China will grow rapidly. The China RDN market is expected to reach RMB26.9 million in 2024 and further increase to RMB9,790.6 million in 2030 at a CAGR of 167.2%.

Drivers of RDN Market

The RDN market in China is expected to achieve exponential growth rate mainly due to the following factors:

- *Urgent need for effective treatment*. Conventional medical therapy for hypertension, especially resistant hypertension, requires patients to take large doses of various kinds of drugs every day. Difficulty of adhering to the treatment plan and concern over the potential side effects of taking drugs make medical therapy less appealing. There is an urgent need for an effective treatment that can relieve patients from the long-term daily drug treatment.

- *Potential applications for other diseases*. In addition to treatment of hypertension, RDN can be used in a broader spectrum, such as heart failure, arrhythmia and chronic renal function failure.

Competitive Landscape of RDN

In China, the RDN product market is still at its early stage of development. As of the Latest Practicable Date, no RDN product had received NMPA approval in China, and five companies had their product candidates in clinical trial stage, including Medtronic, Bioheart, SyMap, Golden Leaf and Cryofocus. Globally, there were seven RDN products receiving CE Mark as of the Latest Practicable Date, including Symplicity Spyral™ by Medtronic, TIVUS by SoniVie, Paradise™ by ReCor Medical, St Jude EnligHTN™ by Abbott (ST Jude), Vessix V2 by Boston Scientific, Peregrine System™ by Ablative Solutions, and Iberis™ by Bioheart.

THE CIC REPORT

In connection with the [**REDACTED**], we commissioned CIC, an Independent Third Party, to prepare a report on global and China's cardiovascular disease and its diagnosis and treatment markets. We have agreed to pay a total of RMB0.5 million in fees for the preparation of the CIC Report. CIC is a market research and consulting company that provides market research on a variety of industries including healthcare. In preparing the report, CIC undertook both primary and secondary research using a variety of resources. Primary research involved interviewing key industry experts and leading industry participants, while secondary research involved analyzing data from various publicly available data sources. Except as otherwise noted, all data and forecasts in this section come from the CIC Report. Our Directors confirm that, to the best of their knowledge, after taking reasonable care, there has been no adverse change in market information since the date of the CIC Report which may qualify, contradict or impact the information disclosed in this section.

LAWS AND REGULATIONS RELATING TO MEDICAL DEVICE

Medical device industry of the PRC is subject to a large number of laws and regulations and extensive government supervision. Such laws and regulations encompass the areas including clinical studies and registration, manufacturing, sales of medical devices, labor and intellectual property. Principal regulatory authorities of the industry are the NMPA and its local counterparts. In March 2018, the State Council Institutional Reform Proposal passed by the First Session of the Thirteenth NPC decided to cease the China Food and Drug Administration (國家食品藥品監督管理總局) (the predecessor of NMPA, together with NMPA, collectively referred to as the "**NMPA**"), and the NMPA was established to undertake the duties of the China Food and Drug Administration.

Regulation and Classification of Medical Devices

Pursuant to the Regulations on the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》) (the "**Regulations of Medical Devices (Revision 2021)**") amended by the State Council and came into effect on June 1, 2021, the drug administration of the State Council shall be responsible for the supervision of medical devices of the PRC. The NMPA is in charge of the supervision and administration of medical devices nationwide. All relevant departments of the State Council shall be responsible for the supervision of medical devices within their respective scope of duties. Drug supervision and administration departments of the local people's governments at the county level and above are responsible for the supervision of medical devices within their own administrative jurisdictions. The relevant departments of the local people's governments at the county level and above are responsible for the supervision of medical devices within their respective scope of duties.

In the PRC, medical devices have been classified into three categories based on the degree of risk. Class I medical devices shall refer to those devices with low risk and whose safety and effectiveness can be ensured through routine administration. Class II medical devices shall refer to those devices with medium risk and whose safety and effectiveness should be strictly controlled. Class III medical devices shall refer to those devices with high risk and whose safety and effectiveness must be strictly controlled with special measures. Accordingly, the NMPA issued the Classification Catalogue of Medical Devices (《醫療器械分類目錄》) (the "**Catalogue**"), which was latest modified on March 28, 2022.

According to the Catalogue, our Core Products, namely, the caFFR System and caIMR System, are Class III medical devices in China.

The major amendments to the Regulations on the Supervision and Administration of Medical Devices (Revision 2017), which are reflected in the Regulations of Medical Devices (Revision 2021), can be categorized into scopes as follows: (1) implementing the registrant-or-submitter accountability systems to highlight the entity responsibilities of enterprises; (2) improving the system for medical device innovation; (3) optimizing the approval process and filing process; and (4) reinforcing legal liabilities on the violation.

For the registrant-or-submitter accountability systems, the Regulations of Medical Device (Revision 2021) stipulates that enterprises or research institutions required to obtain a Medical Device Registration Certificate or undergo medical device filings are the registrants or submitters, and they are legally responsible for the safety and effectiveness of their medical devices when developing, producing, operating and using the medical devices; it also enunciates the obligations of registrants or submitters and requires that registrants or submitters should establish and effectively maintain a quality management system, conduct post-marketing research and risk control, adverse event monitoring and re-evaluation, establish and implement a system to trace and recall products, etc. The Regulations of Medical Device (Revision 2021) clarifies the rights and duties of the registrants or submitters as well as other market entities, and specifies the obligations of entrusted manufacturers, e-commerce platform operators, users and other entities. For relevant reforms, the Regulations of Medical Device (Revision 2021) includes medical device innovation as a development focus and improves medical device innovation systems; optimizes the process and reduces the materials for approval, adopts default renewal of registration and clinical trials, and shortens the examination time for the permit of production and operation; optimizes the filing process, reduces the filing matters and implements filing without substantiation.

On the potency of penalties and punishments, the Regulations of Medical Device (Revision 2021) imposes stricter penalties for violating the industry and market prohibitions, such as revoking a wrongdoer's license and prohibiting it from engaging in relevant activities for a certain period of time, subject to the severity of its violation; in terms of serious violations related to quality and safety, a penalty of up to 30 times the value of the goods may be imposed; for persons in charge of the entities committing serious violation, all income that they receive from the entities during the occurrence of the illegal acts may be confiscated, a penalty of up to three times the income may be imposed, and they may also be prohibited from engaging in relevant activities for five years or the whole life.

As of the Latest Practicable Date, to our knowledge, the enforcement of the Medical Device Regulation (Revision 2021) did not have any material adverse impacts on our ongoing and planned sales and registrations within our scope of operations, or our planned clinical trials.

Registration and Filings of Medical Device Products

According to the Measures for the Administration of Medical Devices Registration and Filing (醫療器械註冊與備案管理辦法) (the "**Measures for Medical Devices Registration and Filing**") promulgated by the State Administration for Market Regulation ("**SAMR**") on August 26, 2021 and became effective on October 1, 2021, Class I medical devices shall be subject to product filing-based administration. Class II and Class III medical devices shall be subject to product registration-based administration. For the filing of Class I medical devices in China, the applicant shall submit the filing materials to the municipal departments in charge of drug supervision and administration. Class II medical devices in China shall be examined by the provincial counterparts of NMPA and Class III medical devices in China shall be examined by the NMPA, and after approval, a medical device registration certificate shall be issued. The registration and filing of medical devices shall comply with the relevant requirements of the classification rules and the Catalogue.

Pursuant to the Measures for Medical Devices Registration and Filing, for a Class II or Class III medical device already registered, where there is a change to product name, model, specifications, structure and components, applicable scope, technical specifications for product and production address for imported medical device, the registrant shall apply to the original registration administration for alteration of registration items. Where there is a change to the name and domicile of the registrant or its agent, the registrant shall apply to the original registration administration for filing the relevant items. Where there is a change in the manufacturing address of a domestic medical device, the registrant shall go through the formalities for the alteration of registration items after the corresponding change of production permits.

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

Registration testing

According to the Measures for Medical Devices Registration and Filing, when applying for registration or filing, testing shall be conducted in accordance with the technical requirements of the product, and a testing report shall be submitted. Only those who pass the testing can carry out clinical trials or apply for registration and filing. The testing report of medical device products submitted for registration or filing may be the self-testing report of the applicant and the filing person, or the testing report issued by a qualified medical device testing institution entrusted.

On October 21, 2021, the NMPA issued the Management Regulations on Self-testing of Medical Device Registration (《醫療器械註冊自檢管理規定》) (the "**Self-testing Regulations**"). It was issued to standardize the registration self-testing work of registered applicants and ensure the orderly development of medical device registration review. In the Self-testing Regulations, a series of requirements are listed in detail, including the requirement of self-testing ability, the requirement of self-testing report, the requirement of entrusted testing, the requirement of application materials, the requirement of onsite inspection and responsibility requirement.

Clinical evaluation

Pursuant to the Regulations of Medical Devices (Revision 2021) and the Measures for Medical Devices Registration and Filing, the clinical evaluation of medical devices is required for registration or record-filing of the relevant devices, unless (i) the relevant device has clear working mechanisms, finalized design and mature manufacturing processes, and will not change the general purposes of the medical devices of the same variety that are available on the market and have been used in clinical application for years without records of any serious adverse events; or (ii) where the safety and effectiveness of the medical device can be proved by non-clinical evaluation. The catalogue of medical devices exempted from clinical evaluation was formulated, adjusted and published by the NMPA. Accordingly, the NMPA issued the Catalogue of Medical Devices Exempted from Clinical Evaluation (《免於臨床評價醫療器械目錄》), which came into effect on October 1, 2021 (the "**Exemption Catalogue**").

When a medical device (e.g. the endoscope product) meets the aforementioned criteria (i) or (ii), it would be included into the Exemption Catalogue. The medical devices fall under the Exemption Catalogue are exempted from clinical evaluation. According to the Technical Guiding Principles of Product Comparison and Explanation included in the Catalogue of Medical Devices Exempted from Clinical Evaluation (《列入免於臨床評價醫療器械目錄產品對比說明技術指導原則》) issued by the NMPA on September 18, 2021, for the products fall under the Exemption Catalogue, the registration applicant shall submit the comparison information between the declared products and the contents described in the Exemption Catalogue, and the comparison explanation between the declared products and the medical devices in the Exemption Catalogue has been approved for domestic registration. The information submitted shall prove that the declared products are equivalent to the products described in the Exemption Catalogue. If not, clinical evaluation should be carried out. Pursuant to the Regulations of Medical Devices (Revision 2021) and the Measures for Medical Devices Registration and Filing, based on the product characteristics, clinical risks and existing clinical data, there are two ways to complete the clinical evaluation for proving that medical devices are safe and effective and the registration or recording of the medical devices:

(i) by carrying out clinical trials;

(ii) by analyzing and evaluating clinical literature and data of medical devices of the same variety.

And the NMPA shall formulate guidelines for clinical evaluation of medical devices, specifying the requirements for clinical evaluation through the clinical literature and data of the same variety of medical devices, the situations in which clinical trials need to be carried out, and the requirements for writing clinical evaluation reports.

If clinical evaluation is conducted through analyzing and evaluating clinical literature and data of the same variety of medical devices, the clinical evaluation data include the comparison between the products applied for registration and the same variety of medical devices, the analysis and evaluation of the clinical data of the same variety of medical devices, the scientific evidence and evaluation conclusions when there are differences between the products applied for registration and the products of the same variety, etc.

Clinical trial

Pursuant to the Regulations of Medical Devices (Revision 2021), the Measures for Medical Devices Registration and Filing and the Technical Guidelines for Clinical Evaluation of Medical Devices (《醫療器械臨床評價技術指導原則》) and the Technical Guidelines for Deciding Whether to Carry Out Clinical Trials of Medical Devices (《決策是否開展臨床試驗技術指導原則》), both issued by the NMPA on September 18, 2021, when conducting clinical evaluation of medical devices, if the existing clinical literature and data (such as non-clinical tests, existing clinical data and etc.) are insufficient to confirm the safety and effectiveness of medical devices, and clinical trials should be carried out.

Pursuant to the Regulations of Medical Devices (Revision 2021), before conducting clinical trials for medical devices, the applicants shall complete the record filing for the relevant clinical trials with provincial level Medical Products Administrations having jurisdiction over the applicants. With respect to certain Class III medical devices that post significant risks to the trial subjects, the applicants shall obtain prior approval from the NMPA, before conducting clinical trials for them.

Clinical trials for medical device products shall be conducted in accordance with the Good Clinical Practice for Medical Devices (《醫療器械臨床試驗質量管理規範》) (the "**Good Clinical Practice**"), which was jointly promulgated by the NMPA and the National Health and Family Planning Commission (the predecessor of National Health Commission, together with National Health Commission, collectively referred to as the "**NHC**") on March 1, 2016 and came into effect on June 1, 2016. The Good Clinical Practice includes full procedures of clinical trials of medical devices, including, among others, the protocol design, conduction, monitoring, verification, inspection, and data collection, recording, analysis and conclusion and reporting procedure of a clinical trial. Prior to commencement of a clinical trial, the applicant shall complete the preclinical research of the medical device used in trials, including, among others, protocol design (structure, working principle and functional mechanism, intended use, application scope and applicable technical specifications), quality inspection, animal testing, risk analysis, etc., and the results of which shall be able to support the clinical trial. The clinical trial shall be conducted in two or more clinical trial institutions that are qualified to conduct such trials. Prior to commencement of a clinical trial, the consent of the ethics committee of the relevant clinical trial institution should be obtained, and the applicant, the clinical trial institution and the researchers should enter into agreements in writing in respect of matters such as the design of the trial, quality control of the trial, division of responsibility during the trial, trial-related fees borne by the applicant and the principles of responses to emergencies that may occur during the trial.

Pursuant to the Good Clinical Practice for highly innovative product candidates where there is no existing similar product in the market, the applicant shall first conduct small sample feasibility clinical trials for the product candidates to preliminarily demonstrate their safety profiles, and then proceed to conduct additional clinical trial(s) with larger sample size (which will be determined following the applicable statistical principles) to further demonstrate the product candidates' safety and effectiveness, before making the registration applications for such product candidates.

In order to further implement the Regulations of Medical Devices (Revision 2021), the new Good Clinical Practice for Medical Devices (《醫療器械臨床試驗質量管理規範》) (the "**2022 Good Clinical Practice**") was promulgated by the NMPA on March 24, 2022 and came into effect on May 1, 2022. The 2022 Good Clinical Practice highlights the main responsibility of the sponsor, requires that the quality management system of the sponsor should cover the whole process of clinical trials of medical devices and the sponsor shall, according to the purpose of the clinical trial, comprehensively consider the risks, technical characteristics, application scope and expected use of the medical devices tested, and organize the formulation of scientific and reasonable clinical trial plans, and further simplifies relevant requirements and

supporting documents, including but not limited to the cancellation of the requirements that clinical trials of medical devices should be conducted in "two or more" medical device clinical trial institutions and the qualified product registration inspection report should only be valid for one year.

Medical Device Production Permit

Pursuant to the Regulations of Medical Devices (Revision 2021) and the Administrative Measures on the Supervision of Production of Medical Devices (《醫療器械生產監督管理辦法》) (the "Production Measures of Medical Devices (2022))", which was amended by the NMPA on March 10, 2022 and came into effect on May 1, 2022, an enterprise engaging in the production of Class I medical devices shall complete record-filing with the drug supervision and administration departments of the local people's government at the districted city level where it is located and submit supporting materials evidencing its compliance with the criteria specified in the Regulations of Medical Devices (Revision 2021) for engaging in the production of such medical devices. An enterprise engaging in the production of Class II and Class III medical devices shall apply for a production license from the drug supervision and administration departments of the province, autonomous region or municipality where it is located and submit supporting materials evidencing its compliance with the criteria specified in the Regulations of Medical Devices (Revision 2021) for engaging in the production of such medical devices and the product registration certificates of such medical devices.

The medical device production license is valid for five years and the registrant shall apply to the original drug supervision and administration departments for renewal within 90 to 30 working days before the expiration of the validity period. We have obtained the medical device production license for our Class III medical devices with the expiry date of January 7, 2025, which was issued by the Jiangsu Medical Products Administration on January 8, 2020.

Production and Quality Management of Medical Devices

Pursuant to the Administrative Measures on the Supervision of the Production of Medical Devices (《醫療器械生產監督管理辦法》) amended by the NMPA on November 17, 2017 and the Standards on Production and Quality Management of Medical Devices (《醫療器械生產質量管理規範》) promulgated by the NMPA on December 29, 2014 and came into effect on March 1, 2015, an enterprise engaging in the production of medical devices shall establish and effectively maintain a quality control system in accordance to the requirements of the Standards on Production and Quality Management of Medical Devices. 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 of Medical Devices and submit a self-inspection report to the food and drug supervision and administration departments of the local people's governments of the provinces, autonomous regions, municipalities or at the districted city level before the end of every year. The enterprise shall establish its procurement control procedure and assess its suppliers by establishing an examination system to ensure the purchased products are in compliance with the statutory

requirements. The enterprise shall record the procurement, production and inspection of raw materials. Such records shall be true, accurate, complete and traceable. The enterprise shall apply risk management to the whole process of design and development, production, sales and after-sale services. The measures being adopted shall be applicable to risks of the related products.

Pursuant to the Notice of Four Guidelines including On-site Inspection Guidelines for the Standards on Production and Quality Management of Medical Devices (《關於印發<醫療器械生產質量管理規範現場檢查指導原則>等4個指導原則的通知》) promulgated by the NMPA on September 25, 2015 during the course of on-site verification of the registration of medical devices and on-site inspection of production permit (including the change of production permit), the inspection team will, in accordance with the guidelines, issue recommended conclusions for on-site inspections, which shall be divided into "Passed," "Failed" and "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 a 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 will examine and verify the recommended conclusions and on-site inspection materials submitted by the inspection group, and issue the final inspection results.

The Regulations of Medical Devices (Revision 2021) and the Production Measures of Medical Devices (2022), fully implement the requirements of the medical device registrant and filer system, which not only allows the entrusted production enterprises to apply for production licenses with the registration certificate of the registrant, but also consolidates the main responsibility of the enterprise, and stipulate that the registrant and filer are responsible for the quality and safety of medical devices. According to the Regulations of Medical Devices (Revision 2021) and the Production Measures of Medical Devices (2022), a medical device registrant or filer may commission the enterprises that comply with the provisions of this regulation and meet corresponding conditions to produce medical devices. In case of commissioned production of medical devices, a medical device registrant or filer shall be responsible for the quality of the medical devices produced by the commissioned production enterprises, and strengthen the administration of the production by the commissioned production enterprises to ensure compliance with the regulatory requirement. Commission agreements shall be concluded by the medical device registrant or filer with the commissioned production enterprises. On March 22, 2022, the NMPA published the "Guidelines for the Preparation of Quality Agreement for Commissioned Production of Medical Devices" (《醫療器械委託生產質量協議編製指南》) (hereinafter referred to as the "**Commission Guidelines**"). According to the Commission Guidelines, when a medical device registrant or filer commissions an enterprise with the corresponding conditions to manufacture medical devices, it shall sign a "quality agreement for commissioned production of medical devices" with the commissioned manufacturer to clarify the rights, obligations and responsibilities to be assumed in the whole process of production. Parties applying the Commission Guidelines shall choose to apply all or part of the Commission Guidelines for the formulation of quality agreements through consultation, in light of the actual situation of commissioned production; if necessary,

relevant requirements other than the Commission Guidelines may also be added. The Commission Guidelines apply to the medical devices that have been filed or registered. The formulation of the "quality agreement for commissioned production" of the medical device samples at the research and development stage, may refer to the Commission Guidelines. During the Track Record Period and up to the Latest Practicable Date, our Company had never engaged any external subcontractors or contract manufacturers to produce the medical devices, and does not have any plan to do so in the near future. Therefore, even if such guidelines come into effect in substantially the same form as currently proposed, they would not have any material impact on our Company's business operation.

Permit for Medical Device Operation

According to the Regulations of Medical Devices (Revision 2021) and the Administrative Measures for Supervision of the Operation of Medical Devices (《醫療器械經營監督管理辦法》), which was promulgated by the NMPA on July 30, 2014 and became effective on October 1, 2014, and was amended and implemented on November 17, 2017 and came into effect on the same day, an enterprise engaging in the operations of Class I medical devices is not required to obtain an approval or file a record. An enterprise engaging in the operations of Class II medical devices is required to file a record with the food and drug supervision and administration department of the city with districts where it is located. An enterprise engaging in the operations of Class III medical devices shall obtain an operation permit from the food and drug supervision and administration department of the city with districts where it is located. No operation permit or record filing is required for the registrant, record holder or manufacturer of medical devices to sell its medical devices at its domicile or production sites; while the operation permit or record filing is required for them to store medical devices in other places and conduct spot sales.

In order to further implement the Regulations of Medical Devices (Revision 2021), the Administrative Measures for Supervision of the Operation of Medical Devices (《醫療器械經營監督管理辦法》) (the "**Operation Measures of Medical Devices (2022)**") was amended by the NMPA on March 10, 2022 and came into effect on May 1, 2022. According to the Operation Measures of Medical Devices (2022), the operation permit for medical device is valid for five years and the registrant shall apply to the food and drug supervision and administration departments for renewal between 90 working days to 30 working days before its expiration date. Medical device operation enterprises shall establish and implement a product traceability system to ensure product traceability, and implement the unique identification system for medical devices in accordance with relevant state regulations. The Operation Measures of Medical Devices (2022) adjusted the requirements for operation permits and filings under the medical device registrant system, clarified the specific circumstances of exemption from submitting application materials and operation filings, and simplified the procedure requirements for material submission and other procedures for applying for licenses filings at the same time.

We currently have the valid permit for medical devices operation for Class III medical devices (第三類醫療器械經營許可證) and the record filing for medical devices operation for Class II medical devices (第二類醫療器械經營備案憑證).

Special Procedures for Examination and Approval of Innovative Medical Devices

On October 8, 2017, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council 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 "**Opinions**"), which aims to encourage the innovation for medical devices. Pursuant to the Opinions, the prioritized review and approval will be applicable to innovative medical devices supported by the National Science and Technology Major Projects and the National Key R&D Program of China (國家科技重大專項和國家重點研發計劃), and the clinical trials of which having been conducted by the National Clinical Research Center, and approved by the management department of the National Clinical Research Center.

Pursuant to the Measures for Medical Devices Registration and Filing, to apply for the registration procedure of innovative products, the applicant shall submit an application for examination of innovative medical devices to NMPA after the products are basically finalized. NMPA shall organize experts to conduct examinations, and those that meet the requirements shall be included in the registration procedure of innovative products.

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 was promulgated by the NMPA on November 2, 2018 and came into effect on December 1, 2018, special procedures shall be applicable to the examination and approval for medical devices in the following circumstances: (1) the applicant legally owns the invention patent of the core technology of the product through its technological innovation activities in the PRC, or legally obtained 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 to the date of authorized publication of the patent 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; (2) the applicant has developed the prototype product and completed the preliminary research under a true and controllable process that generated complete and traceable data; (3) the product has a major working mechanism or mechanism of action which is the first of its kind in the PRC, has fundamental improvement in product performance or safety compared with similar products, 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) should give priority to the innovative medical devices in their technical review upon receiving the registration application, after which the NMPA will give priority to the product in their administrative approval.

Two-invoice System

On December 26, 2016, eight government departments including the NMPA issued Notice on Opinions on the Implementation of the "Two-invoice System" in Drug Procurement by Public Medical Institutions (for Trial Implementation) (《關於在公立醫療機構藥品採購中推行"兩票制"的實施意見(試行)的通知》) (the "**Notice**"). According to the Notice, the "Two-invoice System" refers to issuing invoice at the time from a pharmaceutical manufacturer to a circulating enterprise, and issuing invoice again at the time from a circulating enterprise to a medical institution. The Notice requires public medical institutions to gradually implement the "Two-invoice System" for drug procurements and encourages other medical institutions to promote the "Two-invoice System" so that the "Two-invoice System" will strive to be widely promoted nationwide by 2018.

As of the Latest Practice Date, the relevant regulations with respect to the "Two-invoice System" have been promulgated in some provinces in the PRC and the reform of the "Two-invoice System" is under way.

Import and Export of Goods

According to the Customs Law of the PRC (《中華人民共和國海關法》) (the "**Customs Law**") which was passed by the Standing Committee of the NPC on January 22, 1987 and last amended on April 29, 2021, and the last amendment of which became effective on the same day, 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 filed with the Customs in accordance with the law.

According to the Administrative Provisions on the Record-filing of Customs Declaration Entities of the PRC (《中華人民共和國海關報關單位備案管理規定》), which was promulgated by the General Administration of Customs of the PRC on November 19, 2021 and came into effect on January 1, 2022, consignors or consignees of imported or exported goods or customs declaration enterprises that apply for record-filing shall obtain market entity qualifications; in the case of consignors or consignees of imported or exported goods applying for record-filing, they shall also complete the record-filing formalities for foreign trade dealers.

Pursuant to the Regulations on the Administration of Export Sales Certificates of Medical Devices (《醫療器械產品出口銷售證明管理規定》) promulgated by the NMPA on June 1, 2015 and came into effect on September 1, 2015, if the registration certificate and production permit for medical devices 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 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 not exceed two years.

Advertisements of Medical Devices

Pursuant to the Regulations of Medical Devices (Revision 2021) and the Interim Administrative Measures for Censorship of Advertisements for Drugs, Medical Devices, Dietary Supplements and Foods for Special Medical Purpose (《藥品、醫療器械、保健食品、特殊醫學用途配方食品廣告審查管理暫行辦法》) promulgated by SAMR on December 24, 2019, and came into effect on March 1, 2020, an enterprise qualified for engaging in the production or operation of medical devices shall apply for the publication of any medical device advertisement with the market regulation, drug supervision and administration departments of the local people's governments of the provinces, autonomous regions or municipalities, and obtain an approval of such advertisement of medical devices. The validity term of such advertisement approval shall be consistent with that of the registration certificate or record-filing certificate or the production license of the product, whichever is the shortest. Where no validity term is set forth in the registration certificate, record-filing certificate or the production license of the product, the advertisement approval shall be valid for two years.

The advertisement of a medical device shall be true and lawful, and its content shall not be false, exaggerated or misleading. A publisher of a medical device advertisement shall verify approval documents and their authenticity prior to publication. If no approval document was obtained or the authenticity of any approval document has not been verified or the content of the advertisement is inconsistent with the approval documents, such medical device advertisement shall not be published.

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 (《國務院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 since spread to the whole nation. The State Council promulgated the Guiding Opinions of the State Council about the Pilot Urban Resident Basic Medical Insurance (《國務院關於開展城鎮居民基本醫療保險試點的指導意見》) on July 10, 2007, under which urban residents of the pilot district, rather than urban employees, may voluntarily join Urban Resident Basic Medical Insurance. In 2015, the PRC government announced the Outline for the Planning of the National Medical and Health Service System (2015-2020) (《全國醫療衛生服務體系規劃綱要(2015-2020 年)》) which aims to establish a basic medical and health care system that covers both rural and urban citizens by 2020.

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

With regard to reimbursement for medical devices and diagnostic tests, the Notice of Opinion on the Diagnosis and Treatment Management, Scope and Payment Standards of Medical Service Facilities Covered by the National Urban Employees Basic Medical Insurance Scheme (Lao She Bu Fa [1999] No. 22) (《關於印發城鎮職工基本醫療保險診療項目管理、醫療服務設施範圍和支付標準意見的通知》) (劳社部發[1999]22號)) prescribes the coverage of diagnostic and treatment devices and diagnostic tests where part of the fees is paid through the basic medical insurance scheme. It also includes a negative list that precludes certain devices and medical services from governmental reimbursement. At present, there is no unified medical insurance catalogue for medical devices and services (including diagnostic tests and kits) at the national level. Detailed reimbursement coverage and rate for medical devices and medical services (including diagnostic tests and kits) are subject to each province's local policies. For example, according to the Catalogue of Diagnosis and Treatment Items of Basic Medical Insurance and Maternity Insurance in Gansu Province (Trial Edition) issued by Gansu Provincial Medical Insurance Bureau, intravascular pressure guidewire measurement (冠脈血管內壓力導絲測定術) is covered by the medical insurance.

Procurement of Medical Devices

Pursuant to the Notice of the Ministry of Health 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》) promulgated and became effective on June 21, 2007, all non-profit medical institutions organized by all levels of governments, all industries and state-owned enterprises shall participate in centralized procurement of medical devices. No medical institution may evade centralized procurement in any way. The centralized procurement of medical devices shall follow the basic principles of openness, fairness, equity and honesty, and the procurement shall be conducted mainly by public tender.

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.

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 consumables 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.

On July 19, 2019, the General Office of the State Council issued the Circular on Printing and Distributing the Reform Plan for the Management 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》) (the "**Circular on High-Value Medical Consumables**"), the State Council officially proposed to strengthen the standardized administration of high-value medical consumables. It was required to explore the classification of high-value medical consumables in accordance with the principles of volume-based procurement, volume-price linkage, and promotion of market competition, and conduct centralized procurement.

On November 4, 2020, the National Healthcare Security Administration (the "**NHSA**") issued the NHSA Response to Proposal No. 7777 of the Third Session of the Thirteenth NPC (《國家醫療保障局對十三屆全國人大三次會議第7777號建議的答覆》) (Medical Security Letter [2020] No. 165), which clearly indicates that the country is currently promoting the establishment of an integrated provincial bidding and procurement platform for bidding, procurement, trading, settlement and supervision, and promoting the construction of regional and national alliance procurement mechanisms. At the same time, the NHSA is coordinating to establish a drugs and medical supplies procurement management subsystem under a unified national medical security information platform, to achieve national linkage of drug and consumables procurement, distribution, supervision, to meet the unified code, unified model, unified supervision, local management needs.

On March 11, 2021, the NPC approved the Outline of the 14th Five-Year Plan for National Economic and Social Development of the People's Republic of China and the Vision for 2035 (《中華人民共和國國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要》), proposing to promote the reform of centralized and large-scale procurement and use of drugs and consumables organized by the State and develop high-end medical devices. The Guiding Opinions on National Organization of Centralized Volume-based Procurement and Use of High-Value Medical Consumables (《關於開展國家組織高值醫用耗材集中帶量採購和使用的指導意見》) which was issued by NHSA and other seven PRC authorities on April 30, 2021 stipulates that some high-value medical consumables with increased clinical usage, high purchase amount, mature clinical use, sufficient market competition, and high level of homogeneity will be included in the scope of volume-based procurement. On May 24, 2021,

the General Office of the State Council released Notice of the General Office of the State Council on the Key Tasks of Deepening the Reform of the Medical and Health System in 2021 (《國務院辦公廳關於印發深化醫藥衛生體制改革2021年重點工作任務的通知》), the State Council stipulated to expand the scope of volume-based procurement of high-value medical consumables.

Pursuant to the Key Control List of the First Batch of National High-value Medical Consumables (《第一批國家高值醫用耗材重點治理清單》) which was issued by the General Office of the NHC on January 8, 2020, clarifies 18 types of high-value medical consumables for key control. Pursuant to the Notice on the Rapid Collection of the Second Batch of High-value Medical Consumables Centralized Procurement Data and Price Monitoring (《關於開展高值醫用耗材第二批集中採購數據快速採集與價格監測的通知》) which was issued by the NHSA on November 20, 2020, the list of the second batch of medical consumables mainly included six kinds of high-value consumables, such as artificial hip joints, artificial knee joints, defibrillators, occluders, orthopedic materials and staplers.

Reform Plan 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 humans, with strict requirements 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 NHSA, the National Medical Products Administration, and the NHC 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, strengthen the dynamic adjustment mechanism. The access regulations shall be promulgated by the NHC and 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 NHSA, the MOF and the NHC. 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.

Recall of Medical Devices

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

Medical device manufacturers shall determine the recall class based on the 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 website of the NMPA and major media. In terms of Class II and Class III recalls, the recall notice shall be published on the website of the provincial level of food and drug administrative authority.

REGULATIONS RELATING TO HUMAN GENETIC RESOURCES

The Regulation of the PRC on the Administration of Human Genetic Resources (《中華人民共和國人類遺傳資源管理條例》), as promulgated by the State Council on May 28, 2019 and effective on July 1, 2019, and the Biosecurity Law of the PRC (《中華人民共和國生物安全法》), promulgated by the Standing Committee of the NPC on October 17, 2020 and effective on April 15, 2021, further regulate the collection, preservation, utilization and outbound provision of human genetic resources. According to such regulations, "human genetic resource" includes human genetic resource materials and information. Human genetic resource materials refer to organs, tissues, cells and other genetic materials containing human genome, genes and other genetic materials. Human genetic resource information refers to information, such as data, generated by human genetic resources materials. Foreign entities, individuals and such entities established or actually controlled thereby shall not, within the territory of China, collect or preserve human genetic resources of China (including organs, tissues, cells and other genetic materials of the human genome and genes), nor provide human genetic resources of China outward across the border; while a foreign entity is allowed to conduct scientific research activities by utilizing human genetic resources of China through cooperation with scientific research institutions, higher education institutions, medical institutions or enterprises of China. The utilization of human genetic resources of China in any international cooperative scientific research is subject to approval by the Ministry of Science and Technology (the "**MST**"). However, the aforesaid approval is not required, but instead a filing for record with the MST is required, if human genetic resources of China are utilized for international cooperative clinical trials without providing human genetic resources to any overseas persons and for the purpose of obtaining product registration of relevant medicine and medical device in China. The MST under the State Council is responsible for the administration of human genetic resources at the national level, and the administrative departments of science and

technology under the provincial people's governments are responsible for the administration of human genetic resources at their respective scopes of duties and are vertically directed by the Central Government of the PRC.

The MST promulgated the Service Guide for Administrative Approvals concerning Sampling, Collecting, Trading Exporting or Outbound Provision of Human Genetic Resources, or Taking Such Resources out of the PRC (《人類遺傳資源採集、收集、買賣、出口、出境審批行政許可事項服務指南》) on July 2, 2015, according to which, (i) the sampling, collection or research activities of human genetic resources with the participation of a foreign-invested sponsor fall within the scope of international cooperation, and (ii) the export, outbound provision of human genetic resources, shall be subject to the approval of the China Human Genetic Resources Management Office through the online system which is under the supervision of the MST. The MST further promulgated the Circular on Optimizing the Administrative Examination and Approval of Human Genetic Resources (《關於優化人類遺傳資源行政審批流程的通知》) on October 26, 2017, which became effective on December 1, 2017, simplifying the approval procedure of clinical trials which utilize human genetic resources to seek for market authorization of drugs and medical devices in the PRC.

LAWS AND REGULATIONS RELATING TO ANTI-UNFAIR COMPETITION

According to the Anti-Unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》) (the "**Anti-Unfair Competition Law**"), which was promulgated by the Standing Committee of the NPC 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》) (the "**Prohibition Commercial Bribery Provisions**"), which was promulgated by State Administration for Industry and Commerce ("**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.

Pursuant to the provisions of the Criminal Law of the PRC (2020 Amendment) (《中華人民共和國刑法(2020修正)》), which was amended by the Standing Committee of the NPC on December 26, 2020 and came into effect on March 1, 2021, for obtaining business secrets from a business secret owner or the user authorized by a business secret owner (the "**obligee**") by stealing, bribery, fraud, coercion, electronic intrusion or other illegitimate means; disclosing, using, or allowing others to use the business secrets obtained from the obligee by means mentioned in the preceding paragraph; in violation of the confidentiality obligation or against the obligee's requirements for keeping business secrets, disclosing, using, or allowing another person to use the business secrets he has, whoever commits any of the above-mentioned acts of infringing on business secrets and the consequences are serious shall be sentenced to fixed-term imprisonment of not more than three years and shall also, or shall only, be fined; if the consequences are especially serious, he shall be sentenced to fixed-term imprisonment of not less than three years but not more than ten years and shall also be fined.

LAWS AND REGULATIONS RELATING TO PRODUCTION SAFETY

According to the Safety Production Law of the PRC (《中華人民共和國安全生產法》) revised by the Standing Committee of the NPC on June 10, 2021 and effective on September 1, 2021, a production and business operation entity must (i) abide by this law and other laws and regulations related to production safety, strengthen production safety management, and establish a sound production safety responsibility system and formulate a set of production safety rules and regulations for all employees; (ii) increase the efforts to guarantee the input of funds, supplies, technology and personnel to production safety, improve production safety conditions, and strengthen standardization and informatization of production safety; (iii) construct a dual prevention mechanism consisting of graded management and control of safety risks and examination and control of potential risks, improve the risk prevention and resolution mechanism, enhance production safety levels and ensure production safety. Entities that do not have the conditions for safe production shall not engage in production and business activities.

The person-in-charge of an enterprise shall be fully responsible for the production safety of the enterprise. An enterprise having more than 100 employees shall establish a department or engage in personnel managing production safety specifically. Personnel who are responsible for managing production safety shall inspect the production safety 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 promptly and the person-in-charge shall solve such issue immediately. The inspection and measures taken shall be duly recorded. Enterprises 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 meets national or industry standards and supervise and train them to use such equipment.

LAWS AND REGULATIONS RELATING TO PRODUCT LIABILITY AND PROTECTION OF CUSTOMER'S RIGHTS

Pursuant to the Product Quality Law of the PRC (《中華人民共和國產品質量法》) amended by the Standing Committee of the NPC and 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 department of the State Council is 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 no substandard products shall be used 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 human body 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 human body and the safety of lives and property. It shall be prohibited to produce or sell industrial products that do not come to the requirements and demands for physical health and safety of body and property. Producers or sellers shall be responsible for any compensation arising from their unlawful acts such as production or sales of defective, eliminated or ineffective products, faking the place of origin or quality marks, mixing or adulterating products or passing off imitations as genuine, substandard products as quality ones or non-conforming products as conforming. Proceeds from the sales may be confiscated, the business license may be revoked and penalties may be imposed. If the case is serious, criminal responsibilities shall be investigated. Producers or sellers shall be liable for any damage to any person or property due to the defects of products resulting from the default of the producers or sellers.

Pursuant to the PRC Civil Code (Part VII Liability for Tort) (《中華人民共和國民法典》(第七編侵權責任)) which was promulgated by the NPC on May 28, 2020 and came into effect on January 1, 2021, 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.

LAWS AND REGULATIONS RELATING TO COMPANY ESTABLISHMENT AND FOREIGN INVESTMENT

The establishment, operation and management of corporate entities in the PRC is governed by the Company Law of the PRC (《中華人民共和國公司法》) (the "**PRC Company Law**"), which was issued by the Standing Committee of the NPC on December 29, 1993, last revised and became effective on October 26, 2018. Limited liability companies and stock limited companies established in the PRC shall be subject to the PRC Company Law. A foreign-invested company is also subject to the PRC Company Law unless otherwise provided by the foreign investment laws.

On March 15, 2019, the NPC approved the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the "**Foreign Investment Law**"), which became effective on January 1, 2020, replaced the Sino-Foreign Equity Joint Venture Enterprise Law of the PRC (《中華人民共和國中外合資經營企業法》), the Sino-Foreign Cooperative Joint Venture Enterprise Law of the PRC (《中華人民共和國中外合作經營企業法》) and the Wholly Foreign-Invested Enterprise Law of the PRC (《中華人民共和國外資企業法》), and becomes the legal foundation for foreign investment in the PRC. On December 26, 2019, the State Council issued the Regulations on Implementing the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》), which came into effect on January 1, 2020 and replaced the Regulations on Implementing the Sino-Foreign Equity Joint Venture Enterprise Law of the PRC (《中華人民共和國中外合資經營企業法實施條例》), Provisional Regulations on the Duration of Sino-Foreign Equity Joint Venture Enterprise Law of the PRC (《中外合資經營企業合營期限暫行規定》), the Regulations on Implementing the Wholly Foreign Invested Enterprise Law of the PRC (《中華人民共和國外資企業法實施細則》) and the Regulations on Implementing the Sino- foreign Cooperative Joint Venture Enterprise Law of the PRC (《中華人民共和國中外合作經營企業法實施細則》).

The Foreign Investment Law sets out the basic regulatory framework for foreign investments and proposes to implement a management system of pre-establishment national treatment with a negative list for foreign investments, pursuant to which (i) foreign natural persons, enterprises or other organizations (collectively the "**Foreign Investors**") shall not invest in any sector forbidden by the negative list for access of foreign investment, (ii) for any sector restricted by the negative list, Foreign Investors shall conform to the investment conditions provided in the negative list, and (iii) sectors not included in the negative list shall be managed under the principle that domestic investment and foreign investment shall be treated equally. The Foreign Investment Law also sets forth necessary mechanisms to facilitate, protect and manage foreign investments and proposes to establish a foreign investment information report system in which Foreign Investors or foreign-invested enterprises shall submit the investment information to competent departments of commerce through the enterprise registration system and the enterprise credit information publicity system. The organization form and structure and operating rules of foreign-invested enterprises are subject to the provisions of the PRC Company Law, the Partnership Enterprise Law of the PRC (《中華人民共和國合夥企業法》) and other applicable laws, if applicable.

On December 30, 2019, the Ministry of Commerce, and the SAMR issued the Measures for the Reporting of Foreign Investment Information (《外商投資信息報告辦法》), which came into effect on January 1, 2020 and replaced the Interim Administrative Measures for the Record- filing of the Incorporation and Change of Foreign invested Enterprises (《外商投資企業設立及變更備案管理暫行辦法》). Since January 1, 2020, for carrying out investment activities directly or indirectly in China, the foreign investors or foreign-invested enterprises shall submit investment information to the commerce 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) under these measures.

The Catalog for the Guidance of Foreign Investment Industries

Investments in the PRC by foreign investors and foreign-invested enterprises were regulated by the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2021 Version) (《外商投資准入特別管理措施(負面清單)》(2021年版)) (the "**Negative List 2021**") which was promulgated by the NDRC and the Ministry of Commerce on December 27, 2021 and became effective on January 1, 2022 and the Catalog of Industries for Encouraging Foreign Investment (2020 Version) (《鼓勵外商投資產業目錄》(2020年版)) (the "**Encouraging Catalog 2020**") which was promulgated by the NDRC and the Ministry of Commerce on December 27, 2020 and became effective on January 27, 2021. Pursuant to the Encouraging Catalog 2020 and the Negative List 2021, foreign-invested projects are categorized as encouraged, restricted and prohibited. Foreign-invested projects that are not listed in the Negative List 2021 are permitted foreign invested projects.

As advised by our PRC Legal Advisers, according to the Encouraging Catalog 2020 and the Negative List 2021, the industry in which our PRC subsidiaries are primarily engaged does not fall into the category of restricted or prohibited industries.

Provisions on Merger and Acquisition of Domestic Enterprises by Foreign Investors

The M&A Rules promulgated by six PRC ministries including the MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council ("**SASAC**"), the SAT, the SAIC, the China Securities Regulatory Commission ("**CSRC**"), and the SAFE on August 8, 2006, effective from September 8, 2006, amended and became effective on June 22, 2009. The M&A Rules stipulate that foreign investors' merger and acquisition of domestic enterprises shall comply with the requirements stipulated by laws, administrative regulations and rules of China, and policies concerning industry, land and environment. A foreign investor is required to obtain necessary approvals when it: (i) acquires the equity of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (ii) subscribes for the increased capital of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (iii) establishes a foreign-invested enterprise through which it purchases the assets of any domestic enterprise and operates these assets; or (iv) purchases the assets of a domestic enterprise, and then invests such assets to establish a foreign-invested enterprise.

LAWS AND REGULATIONS RELATING TO INTELLECTUAL PROPERTY

The Trademark Law

Trademarks are protected by the Trademark Law of the PRC (Revised in 2019) (《中華人民共和國商標法》(2019年修訂)) which was promulgated on August 23, 1982 and subsequently amended on February 22, 1993, October 27, 2001, August 30, 2013 and April 23, 2019, respectively as well as the Implementation Regulation of the PRC Trademark Law (Revised in 2014) (《中華人民共和國商標法實施條例》(2014年修訂)) adopted by the State Council on August 3, 2002 and amended on April 29, 2014. In China, registered trademarks include commodity trademarks, service trademarks, collective marks and certification marks.

The Trademark Office of the China National Intellectual Property Administration under the SAMR handles trademark registrations and grants a term of ten years to registered trademarks. Trademarks are renewable every ten years where a registered trademark needs to be used after the expiration of its validity term. A registration renewal application shall be filed within twelve months prior to the expiration of the term. A trademark registrant may license its registered trademark to another party by entering into a trademark license contract. Trademark license agreements must be filed with the Trademark Office for the record. The licensor shall supervise the quality of the commodities on which the trademark is used, and the licensee shall guarantee the quality of such commodities. As with trademarks, the PRC Trademark Law has adopted a "first come, first file" principle with respect to trademark registration. Where trademark for which a registration application has been made is identical or similar to another trademark which has already been registered or been subject to a preliminary examination and approval for use on the same kind of or similar commodities or services, the application for registration of such trademark may be rejected. Any person applying for the registration of a trademark may not prejudice the existing right first obtained by others, nor may any person register in advance a trademark that has already been used by another party and has already gained a "sufficient degree of reputation" through such party's use.

The Patent Law

Pursuant to the Patent Law of the PRC (《中華人民共和國專利法》) amended by the Standing Committee of the NPC on December 27, 2008 and came into effect on October 1, 2009 and the Implementation Rules of The Patent Law of the PRC (《中華人民共和國專利法實施細則》) amended by the State Council on January 9, 2010 and came into effect on February 1, 2010, patents in China are divided into invention patent, utility patent and design patent. Invention patent refers to new technical solutions for a product, method or its improvement; utility patent refers to new technical solutions for the shape, structure or the combination of both shape and structure of a product, which is applicable for practical use; design patent refers to new designs of the shape, pattern or the combination of shape and pattern, or the combination of the color, the shape and pattern of a product with esthetic feeling and industrial application value. Invention patent shall be valid for 20 years from the date of application while utility patent shall be valid for 10 years and design patent shall be valid for

15 years from the date of application. The patent right entitled to its owner shall be protected by the laws. Any person shall be licensed or authorized by the patent owner before using such patent. Otherwise, the use constitutes an infringement of the patent right.

The Patent Law of the PRC (revised in 2020) (《中華人民共和國專利法》(2020年修訂)) has been promulgated by the Standing Committee of the NPC on October 17, 2020 and came into effect on June 1, 2021. Compared with the Patent Law which was amended on December 27, 2008 and come into effect on October 1, 2009, the main changes of the Patent Law of the PRC (revised in 2020) are concentrated on the following aspects: (i) clarifying the incentive mechanism for inventor or designer relating to service inventions; (ii) extending the duration of design patent; (iii) establishing a new system of "open licensing" (開放許可); (iv) improving the distribution of burden of proof in patent infringement cases; and (v) increasing the compensation for patent infringement; and (vi) extending the patent term of design patents from 10 years to 15 years.

The Copyright Law

Pursuant to the Copyright Law of the PRC (《中華人民共和國著作權法》) amended by the Standing Committee of the NPC on February 26, 2010 and came into effect on April 1, 2010, and which was further amended on November 11, 2020 and came into effect on June 1, 2021, Chinese citizens, legal persons or other organizations shall, whether published or not, enjoy copyright in their works, which include, among others, works of literature, art, natural science, social science, engineering technology and computer software created in writing or oral or other forms. A copyright holder shall enjoy a number of rights, including the right of publication, the right of authorship and the right of reproduction.

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

Domain Names

Pursuant to the Administrative Measures for Internet Domain Names (《互聯網域名管理辦法》) promulgated by the Ministry of Industry and Information Technology on August 24, 2017 and coming into effect on November 1, 2017, the establishment of any domain name root server and institution for operating domain name root servers, managing the registration of domain name and providing registration services in relation to a domain name within the territory of China shall be subject to the approval of the Ministry of Industry and Information

Technology or provincial, autonomous regional and municipal communications administration. The registration of domain name shall follow the principle of "first apply, first register." The Notice of the Ministry of Industry and Information Technology on Regulating the Use of Domain Names in Internet Information Services (《關於規範互聯網信息服務使用域名的通知》) was promulgated by the Ministry of Industry and Information Technology on November 27, 2017 and coming into effect on January 1, 2018 specifies the obligation of anti-terrorism and maintaining network security of internet information service providers.

REGULATIONS RELATING TO OVERSEAS INVESTMENT

Pursuant to the Administrative Measures for the Outbound Investment of Enterprises (《企業境外投資管理辦法》) promulgated by the NDRC which came into effect on March 1, 2018, overseas investment refers to the investment activities of an enterprise within the PRC (the "**Investor**") directly or through an overseas enterprise controlled by it obtains overseas ownership, control, operation and management rights and other relevant rights and interests by investing assets, interests or providing financing and guarantee.

Pursuant to the Administrative Measures for Outbound Investment (《境外投資管理辦法》) promulgated by the MOFCOM which came into effect on October 6, 2014, overseas investment refers to the investment of enterprises legally established within the PRC to own non-financial enterprises abroad or obtain the ownership, control, operation and management rights and other rights and interests of existing non-financial enterprises through new establishment, M & A and other means. When conducting overseas investment, the investor shall go through the formalities of approval and filing of overseas investment projects. If the investment projects do not fall in the sensitive items stipulated by the abovementioned measures, the investors shall go through the formalities of filling.

REGULATIONS RELATING TO FOREIGN EXCHANGE

General Administration of Foreign Exchange

Under the PRC Foreign Currency Administration Rules (《中華人民共和國外匯管理條例》), promulgated by the State Council on January 29, 1996 and last amended on August 5, 2008 which is formulated to strengthen the administration of foreign exchange, maintain the balance of international payments, and promote the healthy development of the national economy, and various regulations issued by the SAFE and other relevant PRC government authorities, Renminbi is convertible into other currencies for the purpose of current account items, such as trade related receipts and payments, payment of interest and dividends. The conversion of Renminbi into other currencies and remittance of the converted foreign currency outside the PRC territory for the purpose of capital account items, such as direct equity investments, loans and repatriation of investment, requires the prior approval from the SAFE or its regional office. Payments for transactions that take place within the PRC territory must be made in Renminbi. Unless otherwise approved, PRC companies may repatriate foreign currency payments received from abroad or retain the same abroad. Foreign-invested enterprises may retain foreign exchange in accounts with designated foreign exchange banks

under the current account items subject to a cap set by the SAFE or its regional office. Foreign exchange proceeds under the current accounts may be either retained or sold to a financial institution engaging in settlement and sale of foreign exchange pursuant to relevant rules and regulations of the State. For foreign exchange proceeds under the capital accounts, approval from the SAFE is required for its retention or sale to a financial institution engaging in settlement and sale of foreign exchange, except where such approval is not required under the relevant laws and regulations of the PRC.

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 30, 2015 and last 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 operational 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 (except for Article 8.2, which became effective on January 1, 2020). 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 2020 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.

Regulations Relating To Foreign Exchange Registration of Overseas Investment by PRC Residents

The Circular 37, which was promulgated by SAFE on July 4, 2014 and became effective on the same date, requires PRC residents or entities to register with SAFE or its regional local branch with respect to their establishment or control of an offshore entity established for the purpose of overseas investment or financing. In addition, such PRC residents or entities must update their SAFE registrations when the offshore special purpose vehicle undergoes material events relating to any change of basic information (including change of such PRC citizens or residents, name and operation term), increases or decreases in investment amount, transfers or exchanges of shares, or mergers or divisions.

The SAFE promulgated the Circular of the SAFE on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) (the "**Circular 13**") on February 13, 2015, which became effective on June 1, 2015 and was last amended on December 30, 2019. The Circular 13 allows PRC residents or entities to register with qualified banks with respect to their establishment or control of an offshore entity established for overseas investment or financing. However, remedial registration applications made by PRC residents that previously failed to comply with the Circular 37 continue to fall under the jurisdiction of the relevant local branch of SAFE. If a PRC shareholder holding interests in a special purpose vehicle fails to fulfill the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be prohibited from distributing profits to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiary. Moreover, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls.

REGULATIONS RELATING TO EMPLOYMENT AND SOCIAL WELFARE

The Labor Contract Law

Pursuant to the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》), issued on June 29, 2007, amended on December 28, 2012 and newly effective on July 1, 2013, labor contracts shall be concluded in writing if labor relationships are to be or have been established between enterprises or institutions and the laborers. Enterprises and institutions are forbidden to force laborers to work beyond the time limit and employers shall pay laborers for overtime work in accordance with national regulations. In addition, labor wages shall not be lower than local standards on minimum wages and shall be paid to laborers in a timely manner.

According to the Labor Law of the PRC (《中華人民共和國勞動法》) promulgated on July 5, 1994 and last amended and newly effective on December 29, 2018, enterprises and institutions shall establish and improve their system of workplace safety and sanitation, strictly abide by state rules and standards on workplace safety, educate laborers in labor safety and

sanitation in the PRC. Labor safety and sanitation facilities shall comply with state-fixed standards. Enterprises and institutions shall provide laborers with safe workplace and sanitation conditions that are in compliance with state stipulations and the relevant articles of labor protection.

Social Insurance and Housing Fund

As required under the Regulation of Insurance for Labor Injury (《工傷保險條例》) promulgated on April 27, 2003, implemented on January 1, 2004 and amended on December 20, 2010, the Provisional Measures for Maternity Insurance of Employees of Corporations (《企業職工生育保險試行辦法》) promulgated on December 14, 1994 and implemented on January 1, 1995, the Decisions on the Establishment of a Unified Program for Basic Old-Aged Pension Insurance of the State Council (《國務院關於建立統一的企業職工基本養老保險制度的決定》) issued on July 16, 1997, the Decisions on the Establishment of the Medical Insurance Program for Urban Workers of the State Council (《國務院關於建立城鎮職工基本醫療保險制度的決定》) promulgated on December 14, 1998, the Unemployment Insurance Measures (《失業保險條例》) promulgated on January 22, 1999 and the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) promulgated on October 28, 2010 and implemented on July 1, 2011 and amended on December 29, 2018, enterprises are obliged to provide their employees in the PRC with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, labor injury insurance and medical insurance. These payments are made to local administrative authorities and if employers fail to contribute, they may be ordered to make up within a prescribed time limit and may be liable for a late payment fee equal to 0.05% of the outstanding contribution amount for each day of delay.

In accordance with the Regulations on the Management of Housing Funds (《住房公積金管理條例》) which was promulgated by the State Council on April 3, 1999 and amended on March 24, 2002 and March 24, 2019, enterprises must register at the competent managing center for housing funds and upon the examination by such managing center of housing funds, these enterprises shall complete procedures for opening an account at the relevant bank for the deposit of employees' housing funds. Enterprises are also required to pay and deposit housing funds on behalf of their employees in full and in a timely manner. If an employer fails to undertake contribution registration of housing provident fund or fails to go through the formalities of opening housing provident fund accounts for its employees, the housing provident fund management center shall order it to go through the formalities within a prescribed time limit; where failing to do so at the expiration of the time limit, a fine of not less than 10,000 yuan nor more than 50,000 yuan shall be imposed. Furthermore, if an employer is overdue in the contribution of, or underpays, the housing provident fund, the housing provident fund management center shall order it to make the contribution within a prescribed time limit; where the contribution has not been made after the expiration of the time limit, an application may be made to a people's court for compulsory enforcement.

LAWS AND REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

According 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 last amended on April 24, 2014; the Law of the PRC on Environment Impact Assessment (《中華人民共和國環境影響評價法》) last amended and became effective on December 29, 2018; the Rules on the Environmental Protection of Construction Projects (《建設項目環境保護管理條例》) last amended on July 16, 2017 and became effective on October 1, 2017; the Interim Measures on the Environmental Protection Acceptance Check on Construction Projects (《建設項目竣工環境保護驗收暫行辦法》) promulgated on November 20, 2017 and became effective on the same day, for a construction project for which an environmental impact report or environmental impact statement shall be prepared, the construction unit shall submit the environmental impact report or environmental impact statement to the competent administrative department of the environmental protection for approval before starting construction. For a construction project for which an environmental impact registration form shall be filled in according to the law, the construction unit shall submit the environmental impact registration form to the competent administrative department of the environmental protection for record. For a construction project for which an environmental impact report or environmental impact statement shall be prepared, before starting to operate, the construction unit shall organize the inspection and acceptance, after passing the acceptance check, the project can go into production or be delivered for use.

LAWS AND REGULATIONS RELATING TO TAX

Enterprise Income Tax

According to the Law of the PRC on Enterprise Income Tax (《中華人民共和國企業所得税法》), enacted on March 16, 2007, effective from January 1, 2008 and amended on February 24, 2017 and December 29, 2018 and the Implementation Regulations for the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法實施條例》), which was enacted on December 6, 2007 by the State Council, became effective on January 1, 2008 and was amended on April 23, 2019 (collectively, the "**EIT Law**"), and its relevant implementation regulations, taxpayers consist of resident enterprises and non-resident enterprises. Resident enterprises are defined as enterprises that are established in China 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 are defined as enterprises that are set up in accordance with the laws of foreign countries and whose actual administration is conducted outside the PRC, but have established institutions or premises in the PRC, or have no such established institutions or premises but have income generated from inside the PRC. Under the EIT Law and relevant implementing regulations, a uniform Enterprise income tax rate of 25% is applicable. However, if non-resident enterprises have not formed permanent establishments or premises in the PRC, or if they have formed permanent establishment institutions or premises in the PRC but there is no actual relationship between the relevant income derived in the PRC and the established institutions or premises set up by them, the enterprise income tax is, in that case, set at the rate of 10% for their income sourced from inside the PRC.

Value-Added Tax

The Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (《關於全面推開營業税改徵增值税試點的通知》) was promulgated by SAT and MOF on March 23, 2016 and effective from May 1, 2016, the pilot program of the collection of value-added tax in lieu of business tax shall be promoted nationwide in a comprehensive manner as of May 1, 2016, and the VAT rate of cultural creativity industry, categorized in modern service industry, is 6%.

The Provisional Regulations of PRC Concerning Value-added Tax (《中華人民共和國增值税暫行條例》) (the "**VAT Regulations**") was promulgated by the State Council on December 13, 1993 and amended on November 10, 2008, February 6, 2016 and November 19, 2017. The Implementing Rules for the Interim Regulations of the PRC on Value-added Tax (《中華人民共和國增值税暫行條例實施細則》) (the "**Implementing Rules on VAT**") was promulgated by the MOF on December 25, 1993, first amended on December 15, 2008 and came into effect on January 1, 2009, subsequently amended on October 28, 2011 and effective on November 1, 2011. Under the VAT Regulations and Implementing Rules on VAT, entities and individuals selling goods, providing labor services of processing, repairing or maintenance, or selling services, intangible assets or real property in China, or importing goods to China, shall be identified as taxpayers of value-added tax, and shall pay value-added tax. Unless stated otherwise, for VAT payers who are selling or importing goods, and providing processing, repairs and replacement services in the PRC, the tax rate shall be 17%, in certain limited circumstances, 11%.

According to the Notice of the Ministry of Finance and the SAT on the Adjustment to VAT Rates (《財政部、國家税務總局關於調整增值税税率的通知》) which was promulgated by MOF and SAT on April 4, 2018 and came into effect 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 Announcement on Policies for Deepening the VAT Reform (《關於深化增值税改革有關政策的公告》) jointly which was promulgated by MOF, SAT and General Administration of Customs on March 20, 2019 and became effective on April 1, 2019, for general VAT payers' sales activities or imports that are subject to VAT at an existing applicable rate of 16% or 10%, the applicable VAT rate is adjusted to 13% or 9% respectively.

Dividend Withholding Tax

Pursuant to the Arrangement between Mainland China and Hong Kong for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排》) effective from December 8, 2006, no more than 5% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong resident, provided that the recipient is a company that holds at least 25% of the capital of the PRC company. The 10% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong resident if the recipient is a company that holds less than 25% of the capital of the PRC company.

Furthermore, pursuant to the Circular of the SAT on Relevant Issues Concerning the Implementation of Dividend Clauses in Tax Treaties (《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 on and effective from February 20, 2009, all of the following requirements should be satisfied where a fiscal resident of the other party to the tax agreement needs to be entitled to such tax agreement treatment as being taxed at a tax rate specified in the tax agreement for the dividends paid to it by a PRC resident company: (a) such a fiscal resident who obtains dividends should be a company as provided in the tax agreement; (b) owner's equity interests and voting shares of the PRC resident company directly owned by such a fiscal resident reaches a specified percentage; and (c) the equity interests of the PRC resident company directly owned by such a fiscal resident, at any time during the 12 months prior to the acquisition of the dividends, reaches a percentage specified in the tax agreement.

In addition, according to the Announcement of the SAT on Promulgation of the Administrative Measures on Non-residents Taxpayers Enjoying Treaty Benefits (《國家税務總局關於發佈<非居民納税人享受協定待遇管理辦法>的公告》), which was promulgated by the SAT on October 14, 2019 and became effective on January 1, 2020, non-resident taxpayers claiming treaty benefits shall be handled in accordance with the principles of "self-assessment, claiming benefits, retention of the relevant materials for future inspection." 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 pursuant to the provisions of these Measures for future inspection, and accept follow-up administration by the tax authorities.

EU, JAPAN AND FDA REGULATORY OVERVIEW

EU Regulatory Regime

Overview

As of the Latest Practicable Date, medical devices in the EU were primarily subject to the following regulations:

- Regulation (EU) 2017/745 of the European Parliament and of the Council of April 5, 2017 on medical devices, amending Directive 2001/83/EC, Regulation (EC) No 178/2002 and Regulation (EC) No 1223/2009 and repealing Council Directives 90/385/EEC and 93/42/EEC; and

- Regulation 2020/561 of the European Parliament and of the Council of April 23, 2020 amending Regulation (EU) 2017/745 on medical devices which apply to medical device have been fully applicable since May 26, 2021, following the transition period.

In addition, there are some other regulations which providing the implementing measures for medical devices regulations ("**MDR**"):

- Commission Implementing Regulation (EU) 2021/2226 of December 14, 2021 laying down rules for the application of Regulation (EU) 2017/745 of the European Parliament and of the Council as regards electronic instructions for use of medical devices;

- Commission Implementing Regulation (EU) 2021/2078 of November 26, 2021 laying down rules for the application of Regulation (EU) 2017/745 of the European Parliament and of the Council as regards the European Database on Medical Devices;

- Commission Implementing Regulation (EU) 2020/1207 of August 19, 2020 laying down rules for the application of Regulation (EU) 2017/745 of the European Parliament and of the Council as regards common specifications for the reprocessing of single-use devices;

- Commission Implementing Decision (EU) 2019/1396 of September 10, 2019 laying down the rules for the application of Regulation (EU) 2017/745 of the European Parliament and of the Council as regards the designation of expert panels in the field of medical devices; and

- Commission Implementing Decision (EU) 2019/939 of June 6, 2019 designating issuing entities designated to operate a system for the assignment of Unique Device Identifiers (UDIs) in the field of medical devices.

The EU classifies medical device products applicable in the MDR according to their nature, function, and intended purpose. Medical devices are divided into four categories: I, IIa, IIb, and III. Broadly speaking, low-risk medical devices belong to Class I, medium-risk medical devices belong to Class IIa and IIb, and high-risk medical devices belong to Class III. The classification of these devices is a "risk-based" system, depending on the vulnerability of the human body and the potential risk associated with the device. FFR measurement product and IMR measurement product are generally classified as Class IIa medical devices in Europe. FFR and IMR measurement products are active devices intended for measurement and diagnosis, which are different from Class III medical device under EU classification (for example, Class III medical devices need permanent monitoring throughout patients' lifetimes). As such, according to MDCG 2021-24 Rule 10, active devices for diagnosis and monitoring or intended for diagnostic or therapeutic radiology are generally regarded as moderate risk and are classified as IIa. From time to time, a device may be classified differently by the respective regulatory authorities in different jurisdictions.

CE Technical Documentation Requirements

All classes of devices to be CE marked must have a technical documentation. The technical documentation must demonstrate its conformity to the essential requirements and general safety and performance requirements.

Medical Device Directive ("MDD") technical documentation requirements

MDD Technical Documentation includes two sections:

- Section A (Summary): It normally contains information such as general information, device description, manufacturing process, risk analysis, declaration of conformity, labeling, clinical data and essential requirement checklist.

- Section B (Supporting Documentations): It normally contains information such as verification and validations reports and design specifications.

Technical documentation shall also be prepared in accordance with the MEDDEVs Guideline under MDD, namely the MEDDEV 2.1, MEDDEV 2.2/1, MEDDEV 2.2/3, MEDDEV 2.2/4, MEDDEV 2.5/3, MEDDEV 2.5/5, MEDDEV 2.5/6, MEDDEV 2.5/7, MEDDEV 2.5/9, MEDDEV 2.5/10 and MEDDEV 2.7/1, among others.

MDR Technical Documentation Requirements

Technical Documentation under MDR shall be prepared in accordance with MDCG guidelines under MDR. MDCG guidelines are prepared by Medical Device Coordination Group. Technical documentation includes both pre-market and post market sections, the detail content requirements are listed in the Annex II and Annex III of Regulation (EU) 2017/745.

Assessment of Conformity

Medical devices (except of Class I medical devices which can be commercialized in the European market by self-declaration) in the EU have to undergo a conformity assessment to demonstrate that they meet regulatory requirements to ensure they are safe and perform as intended. The conformity assessment usually involves an audit of the manufacturer's quality system and, depending on the type of device, a review of technical documentation from the manufacturer on the safety and performance of the device. According to the device complexity and potential risk to the patients, medical devices are divided into different risk classifications. And different devices classification should follow certain conformity assessment procedure or route. Medical devices can be commercialized in the European market once they have passed the conformity assessment and obtained a CE Mark.

As compared with NMPA approval, which always requires a specialized clinical trial or trials, whereas the CE Mark can be obtained through a clinical evaluation – a review of published data for existing equivalent devices. For a clinical evaluation, the only requirement is that the manufacturer conduct a post market clinical follow-up study once the CE Mark is obtained. Based on our caFFR System's classification (namely, IIa), we have chosen Annex II full quality assurance system excluding section 4 to complete the conformity assessment which includes quality management system audit and technical documentation audit. To address the conformity assessment procedure, the technical documentation about the products' general safety and performance requirements were submitted. The applicable standards to our caFFR System include, among others, EN 60601-1:2006+A1:2013 medical electrical equipment – Part 1: general requirements for basic safety and essential performance; EN 60601-1-2:2015 medical electrical equipment – Part 1-2: general requirements for basic safety – collateral standard: electromagnetic compatibility – requirements and tests; EN 60601-1-6: 2010+A1:2015 medical electrical equipment – Part 1-6: general requirements for basic safety and essential performance – collateral standard: usability; EN ISO 14971:2012 medical devices – application of risk management to medical devices; EN ISO 15223-1:2016 medical devices – symbols to be used with medical device labels, labelling and information to be supplied – Part 1: general requirements; EN 1041:2008 information supplied by the manufacturer of medical devices; EN 62366-1:2015 medical devices – Part 1: application of usability engineering to medical devices.

Regulatory Framework of Medical Robotic System and AI-empowered Medical Devices

Medical robotic system must comply with regulatory requirements applicable to all active medical devices, along with the following standards in the development of medical robotic system:

- ISO 9787:2013 Robots and robotic devices – Coordinate systems and motion nomenclatures;

- IEC 80601-2-77:2019 Medical electrical equipment – Part 2-77: Particular requirements for the basic safety and essential performance of robotically assisted surgical equipment;

- IEC 80601-2-78:2019 Medical electrical equipment – Part 2-78: Particular requirements for basic safety and essential performance of medical robots for rehabilitation, assessment, compensation or alleviation;

- ISO 18646-2:2019 Robotics – Performance criteria and related test methods for service robots – Part 2: Navigation;

- ISO 13850:2015 Safety of machinery – Emergency stop function – Principles for design;

- IEC 62366-1:2015+AMD1:2020 Medical devices – Part 1: Application of usability engineering to medical devices; and

- IEC/TR 62366-2:2016 Medical devices – Part 2: Guidance on the application of usability engineering to medical devices.

In addition, Directive 2011/65/EU, Amendment (EU) 2015/863 (RoHS) and Radio Equipment Directive 2014/53/EU should also be complied if applicable.

Same as medical robotic system, AI-enabled medical devices must comply with regulatory requirements applicable to all medical devices. Software intended to provide information which is used to take decisions with diagnosis or therapeutic purposes is classified as class IIa, except if such decisions have an impact that may cause: (i) death or an irreversible deterioration of a person's state of health, in which case it is in class III; or (ii) a serious deterioration of a person's state of health or a surgical intervention, in which case it is classified as class IIb. Software intended to monitor physiological processes is classified as class IIa, except if it is intended for monitoring of vital physiological parameters, where the nature of variations of those parameters is such that it could result in immediate danger to the patient, in which case it is classified as class IIb. All other software is classified as class I. There are at present no harmonized standards that specifically address the unique performance aspects of AI technologies. At most, current regulations address only specific aspects regarding the assessment of software.

Japanese Regulatory Regime

Medical devices in Japan are regulated by the Pharmaceuticals and Medical Devices Agency ("**PMDA**"), which is overseen by the Ministry of Health Labor and Welfare under the Japan Pharmaceuticals and Medical Devices Act ("**PMD Act**"). Classification of medical device in Japan is determined according to PMD Act and Japanese Medical Device Nomenclature Codes. Manufacture should implement Quality Management System that complies with the PMD Act and Ministry of Health, Labor and Welfare Ordinance 169. Ordinance 169 is based on ISO 13485. The clinical investigation data can be used for a Japanese submission if it's performed based on ICH Good Clinical Practices ("**GCPs**") or ISO 14155. FFR measurement product and IMR measurement product are generally classified as Class II medical devices in Japan. FFR and IMR products are measurement and diagnosis products, with relevantly moderate risk to the human body in case of problems. Therefore, under Japan PMDA regulations, these devices are classified as Class II.

FDA Regulatory Regime

Overview

Medical devices marketed in the United States are subject to the regulatory controls in the Federal Food, Drug, and Cosmetic Act ("**FD&C Act**") and the regulations in Title 21- Code of Federal Regulations (21 CFR) Parts 1-58, 800-1299.

The regulatory controls and marketing pathways are based on the risk of the device the regulatory controls to ensure reasonable assurance of safety and effectiveness. Medical devices are defined by law in the section 201(h) of the Federal Food, Drug and Cosmetic Act.

- Quality System Regulation: The FDA has established Quality System Regulations addressing device design and validation as well as good manufacturing practices. Class II and class III devices must be designed in accordance with Design Controls under the Quality System Regulation (21 CFR 820.30).

- Nonclinical Testing: The types of information and testing required to market your device are determined by the device classification, mechanisms of operation, technological characteristics, and labeling. Nonclinical testing performed in support of a premarket submission for a medical device should comply with the Good Laboratory Practices in 21 CFR 58.

- Clinical Evidence: PMAs, HDEs and some 510(k)s and De Novo Classification Requests require clinical evidence. Prior to initiating a clinical study, the study sponsor may need to obtain approval of an Investigational Device Exemption by the FDA. The study will also need to be approved by the appropriate Institutional Review Board. Clinical studies must comply with all applicable IDE regulations and Good Clinical Practices.

- Labeling: The labeling for a device must be written according to labeling regulations: 21 CFR 801 Labeling.

- Unique Device Identification ("**UDI**"): FDA has established a UDI system to adequately identify medical devices through their distribution and use. The UDI rule became final in September 2013 and is being phased in over several years, based primarily on device classification.

Classification of Medical Devices

In the U.S., medical devices are classified by the FDA into Class I, II, and III devices based on the level of control necessary to assure the safety and effectiveness of the device. Regulatory control increases from Class I to Class III. 21 U.S.C. § 360c. The FDA has classified over 1,700 generic types of medical devices, organized into 16 categories or "medical specialty panels." 21 C.F.R. parts 868 –892. Each of these generic types of devices is assigned to one of the three regulatory classes.

Class I devices are low risk devices that, in many circumstances, are exempt from the FDA's premarket notification requirements, discussed below. Such devices are subject to the FDA's "general controls," that is, the general regulations applicable to all medical devices. These general controls include requirements for labeling, listing, and quality control, as well as penalties for misbranding, adulteration and marketing a banned device.

Class II devices are intermediate risk devices. Before being marketed in the U.S., most Class II devices require the filing of a premarket notification application "510(k)" and receiving FDA clearance. A 510(k) is a premarket submission made to the FDA to demonstrate that the device to be marketed is at least as safe and effective, that is, substantially equivalent, to an existing legally marketed device (21 CFR 807.92(a)(3)) that is not subject to the more rigorous "premarket approval application" ("**PMA**"). Submitters must compare their device to one or more similar, already legally marketed, devices and make and support their substantial equivalency claims. The 510(k) clearance allows company to promote, market, and accept orders for a medical device product in the U.S. according to its approved uses. Once 510(k) cleared, the device itself retains the clearance status and the existing 510(k) does not expire. FDA requires a new 510(k) to be submitted, if the device is then significantly changed or modified to the extent that its safety or effectiveness could be affected. Such change or modification could relate to the design, material, energy source, manufacturing process, or intended use. Class II devices are subject to special controls, such as special labeling requirements and post-market surveillance, in addition to the general controls required for Class I devices.

The FDA defines Class III devices as "those that support or sustain human life, are of substantial importance in preventing impairment of human health, or which present a potential, unreasonable risk of illness or injury."

FFR measurement product and IMR measurement product are generally classified as Class II medical devices in the U.S. FFR and IMR products are measurement and diagnosis products, which can be deemed as coronary vascular physiologic simulation software device and provide simulated functional assessment of blood flow in the coronary vascular system using data extracted from medical device imaging to solve algorithms and yield simulated metrics of physiologic information. Therefore, according to 21CFR870.1415 Code of Federal Regulations Title 21, cardiovascular diagnostic devices like FFR and IMR are classified as II medical devices.

Regulatory Framework of Medical Robotic System and AI-empowered Medical Devices

Depending on the risks of the medical robotic system, it can be classified as class II or class III medical device. Corresponding, the medical devices can be cleared or approved by premarket clearance (510(k)) pathway, or premarket approval, or De Novo classification. In addition to the general guidance and standards, following guidance shall also be considered, including Applying Human Factors and Usability Engineering to Medical Devices; List of

Highest Priorities Devices for Human Factor Review (draft guidance); General Principles of Software Validation; Premarket Cybersecurity Guidance; and Guidance for the Content of Premarket Submissions for Software Contained in Medical Devices.

Traditionally, the FDA reviews medical devices through an appropriate premarket pathway, such as premarket clearance (510(k)), De Novo classification, or premarket approval. The FDA may also review and clear modifications to medical devices, including software as a medical device, depending on the significance or risk posed to patients of that modification. The FDA's traditional paradigm of medical device regulation was not designed for adaptive artificial intelligence and machine learning technologies.

The regulatory authorities in the U.S. have adopted several guidelines and favorable policies to promote the development AI-empowered medical devices, including Artificial Intelligence/Machine Learning Based Software as a Medical Device (SaMD) Action Plan, Evolving Role of Artificial Intelligence in Radiological Imaging, National AI R&D Strategic Plan, Proposed Regulatory Framework for Modifications to Artificial Intelligence/Machine Learning (AI/ML)-Based Software as a Medical Device (SaMD), and American AI Initiative.

Currently, our products and product candidates are not AI empowered medical devices, but we may include AI features in developing future product candidates. As of the Latest Practicable Date, we had not experienced any material difficulties in complying with the relevant laws or regulations in relation to the development of robotic system in China and overseas.

Registration and Listing Overview

All manufacturers (both domestic and foreign), contract manufacturers, developers, re-packagers and initial distributors (importers) of medical devices, among others, must register their establishments with the FDA. All registration information must be verified annually between October 1, and December 31, of each year. In addition to registration, foreign manufacturers must also designate a U.S. agent. Once registered, the establishment is subject to FDA inspection, though the FDA prioritizes its resources and manufacturers of low-risk Class I devices are less likely to be inspected than manufacturers of high-risk Class III devices.

Incident and Injury Reporting

Each manufacturer must maintain files of reported complaints and promptly report to the FDA if a medical device might have caused or contributed to death or serious injury, or malfunctioned in a way that could lead to death or serious injury. Corrective actions (refund, repair, replacement, or recall) may be necessary for problem devices.

OVERVIEW

We are committed to becoming a global leading vascular interventional surgical robotics company, with our current focus on the design, development and commercialization of coronary angiography-derived fractional flow reserve system ("**caFFR System**") and coronary angiography-derived index of microvascular resistance system ("**caIMR System**"). Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on April 9, 2021. Through the Reorganization, as further disclosed below, our Company has become the holding company of our Group.

The origin of our Group can be traced back to August 2014 when Suzhou Runxin Medical Instrument Co., Ltd. (蘇州潤心醫療器械有限公司) (previously known as Suzhou Runxin Medical Technology Co., Ltd. (蘇州潤心醫療科技有限公司)) ("**Suzhou Runxin**") was established by Mr. Huo and Dr. Huo Yunlong (霍雲龍) together with five other shareholders, and served as the holding company of our principal operating subsidiaries in the PRC before the Reorganization. Mr. Huo is one of our Directors. For further details of the background and experience of Mr. Huo, please refer to the section headed "Directors and Senior Management" in this document. Dr. Huo Yunlong is the brother of Mr. Huo. He has been engaged in academic research in mechanobiology with a focus on heart failure at different universities after he obtained his doctoral degree in mechanical engineering from Washington State University in July 2005 and currently is a tenured associate professor in the School of Life Sciences and Biotechnology of Shanghai Jiao Tong University (上海交通大學) and the director of Cardiovascular Imaging and Interventional Medical Device Engineering Laboratory in the PKU-HKUST Shenzhen-Hong Kong Institution. Dr. Huo has been focusing on and intends to continue to devote most of his time to academic research and university affairs. In view of Dr. Huo's personal aspiration and strengths in academic field, his current full-time job at university as well as the limited time commitment outside his role and responsibility at the university, Dr. Huo has neither been a director or member of senior management of our Group nor been involved in the day-to-day operations of our Group since our establishment. He is not responsible for the research and development of our Core Products.

Our Group started to research and develop the caFFR System with a view to applying computer engineering and fluid mechanics in assessment and analysis of FFR through computer algorithm and programming so as to eliminate the usage of pressure wires and improve physiological assessment, considering (i) FFR is an important precision diagnosis measurement to assess the functional significance of coronary artery stenosis whilst the conventional wire-based FFR systems suffer from several shortcomings, including unstable measurement, risk of complications and timing consuming; (ii) Mr. Huo has over ten years of experience in computer science, digital innovation and software development and would be able to leverage his knowledge and experience in the research and development of the caFFR System, an important operation mechanism of which involves the application of image-based 3D blood vessel model establishment and fluid mechanics through software program and computer algorithm; and (iii) with the academic background in mechanical engineering and mechanobiology with a focus on heart failure, Dr. Huo, as one of our substantial shareholders, would be able to provide high-level guidance to our research and development work, including theoretical guidance on fluid dynamics calculation.

Under the overall management by Mr. Huo and with the research and development efforts by our R&D team led by Mr. Liu Guangzhi, our chief technology officer, who has 15 years of experience in software and algorithm development and joined our Group since our establishment, and our deep and long-term collaborations with industry-leading PIs and KOLs who have provided us with important feedback on our research and development efforts, product pipeline and clinical needs, we have successfully developed and commercially launched our caFFR System and developed a product pipeline covering digital functional diagnosis and automated interventional operation, including our caIMR System. For further details on our products and our research and development, please refer to the section headed "Business" in this document.

BUSINESS DEVELOPMENT MILESTONES

The following table summarizes the key milestones in our business development:

Year	Milestone
2014	In August, Suzhou Runxin was established in the PRC as the holding company of our Group
2016	In August, we completed the Series Angel-1 Financing and raised RMB9.0 million through onshore investment in Suzhou Runxin
	In November, we completed the Series Angel-2 Financing and raised RMB7.0 million through onshore investment in Suzhou Runxin
	In December, Suzhou Rainmed, our principal operating subsidiary, was established in the PRC
2017	In January, we completed the Series Angel-3 Financing and raised RMB1.0 million through onshore investment in Suzhou Runxin
	In November, we completed the Series A Financing and raised RMB13.0 million through onshore investment in Suzhou Runxin
2018	In March, we initiated the confirmatory clinical trial for caFFR System and completed the enrollment of human subjects in December
	In July, we completed the Series A+ Financing and raised RMB20.0 million through onshore investment in Suzhou Runxin
2019	In October, we commercialized and marketed caFFR System overseas

Year	Milestone
2020	In January, we commercialized and marketed caFFR System in the PRC
	In April, we completed the Series B Financing and raised approximately RMB28.7 million through onshore investment in Suzhou Runxin
	In August, Beijing Runxin, one of our principal operating subsidiaries, was established in the PRC
2021	In January, Peking University First Hospital, as the leading trial institution, completed enrollment of the first human subject for the clinical trial for the indication expansion of caFFR System
	In January, we completed a feasibility clinical trial of caIMR in China
	In April, our Company was incorporated in the Cayman Islands
	In June, we completed the Series C Financing and raised RMB180.0 million through onshore investment in Suzhou Runxin and approximately HK$20.4 million through offshore investment
	In August, we entered into a strategic framework agreement with Hanxi Putai (Beijing) Hospital Investment Management Co., Ltd. (漢喜普泰(北京)醫院投資管理有限公司)
	In October, we completed enrollment of the first human subject for the confirmatory clinical trial for caIMR System
	In October, we entered into a strategic framework agreement with each of China Resources Pharmaceutical Commercial Group Medical Devices Co., Ltd. (華潤醫藥商業集團醫療器械有限公司) and Jointown Medical Devices Group Co., Ltd. (九州通醫療器械集團有限公司) to strengthen our relationship and cooperation with large nationwide distributors
	In November, we completed the Series D Financing and raised USD72.0 million through offshore investment in our Company
	In December, we entered into a strategic framework agreement with Ping An Capital Co., Ltd. (平安資本有限責任公司)

Year	Milestone
2022	In March, we completed the confirmatory clinical trial of our caIMR System in China with 116 subjects enrolled
	In April, we submitted the confirmatory clinical trial results of caIMR System to the NMPA for regulatory approval

CORPORATE ESTABLISHMENT AND DEVELOPMENT

Our Group

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on April 9, 2021 and became the holding company and [**REDACTED**] of our Group upon completion of the Reorganization. Prior to the Reorganization, Suzhou Runxin was the holding company of our principal operating subsidiaries. Suzhou Runxin was established in the PRC as a limited liability company on August 7, 2014. Since its establishment, our Group completed several rounds of financing through onshore investments in Suzhou Runxin.

We substantially operate our business through our principal operating subsidiaries in the PRC. As of the Latest Practicable Date, we had two principal operating subsidiaries which made material contribution to our results of operation, the details of which are set forth below:

Name	Place of Establishment	Date of Establishment	Principal Business
Suzhou Rainmed	PRC	December 5, 2016	R&D, manufacturing, and marketing of medical instrument
Beijing Runxin	PRC	August 4, 2020	Marketing of medical instrument

Major Shareholding Changes of Suzhou Rainmed

Suzhou Rainmed was established in the PRC as a limited liability company on December 5, 2016 with an initial registered capital of RMB10 million. Upon its establishment, it was wholly owned by Suzhou Runxin.

On April 1, 2021, Suzhou Runxin resolved to increase the registered capital of Suzhou Rainmed from RMB10 million to RMB206.8 million and the capital increase was completed on April 21, 2021.

As part of the Reorganization, Suzhou Rainmed underwent further changes in its registered capital and shareholding structure and became a direct wholly-owned subsidiary of Rainmed HK with a registered capital HK$249,227,697 on June 25, 2021. Please refer to the paragraph headed "Reorganization" in this section for details.

Major Shareholding Changes of Beijing Runxin

Beijing Runxin was established in the PRC as a limited liability company on August 4, 2020 with an initial registered capital of RMB1 million. Upon its establishment, it was wholly owned by Suzhou Runxin.

As part of the Reorganization, Beijing Runxin underwent an equity transfer and became a direct wholly-owned subsidiary of Suzhou Rainmed with a registered capital of RMB1 million on April 8, 2021. Please refer to the paragraph headed "Reorganization" in this section for details.

Major Shareholding Changes of Suzhou Runxin and Onshore Investments in Our Group

1. Establishment of Suzhou Runxin

Suzhou Runxin was established in the PRC as a limited liability company on August 7, 2014 with an initial registered capital of RMB5 million. Upon its establishment, Suzhou Runxin was owned as to 30.0%, 38.0%, 11.5%, 5.0%, 3.5%, 4.5% and 7.5% by Mr. Huo, Dr. Huo Yunlong (霍雲龍), Mr. Zhou Bin (周彬), Mr. Zhou Xiaoyu (周曉宇), Ms. Zhou Ziyong (周子雍), Ms. Fu Haiman (付海曼) and Beijing Enke Meida Investment Management Co., Ltd. (北京恩科美達投資管理有限公司), respectively. Save for Mr. Huo (one of our Directors) and Dr. Huo Yunlong (the brother of Mr. Huo), all of the then shareholders are the Independent Third Parties.

After several equity transfers completed on September 1, 2015, Suzhou Runxin was owned as to 33.75%, 33.75%, 10.35%, 4.50%, 3.15%, 4.50% and 10.00% by Mr. Huo, Dr. Huo Yunlong, Mr. Zhou Bin, Mr. Zhou Xiaoyu, Ms. Zhou Ziyong, Ms. Fu Haiman and Suzhou Juzhi Dianshi Investment Management Partnership (Limited Partnership) (蘇州聚智點石投資管理合伙企業(有限合伙)) ("**Juzhi Dianshi**"), respectively. Juzhi Dianshi was a limited partnership established in the PRC on July 10, 2015 and Mr. Huo has been the general partner of and responsible for the management of Juzhi Dianshi since its establishment.

2. Series Angel-1 Financing

On June 23, 2016, Suzhou Runxin, the then shareholders of Suzhou Runxin, Beijing Light Silver Capital Partnership (General Partnership) (北京輕舟互動投資管理合伙企業(普通合伙)) ("**Light Silver**"), Beijing Qingzhou Internet Investment Center (Limited Partnership) (北京輕舟互聯投資中心(有限合伙)) ("**Qingzhou Internet**"), Mr. Li Wei (李偉), Ms. Zhang Xuan (張璇) and Mr. Yang Kun (楊坤) entered into a capital increase agreement, pursuant to which Light Silver, Qingzhou Internet, Mr. Li Wei, Ms. Zhang Xuan and Mr. Yang Kun agreed to subscribe

for the increased registered capital in Suzhou Runxin of RMB642,900 at a total consideration of RMB9.0 million (the "**Series Angel-1 Financing**"). The respective subscription amount and consideration for each subscriber were as follows:

Subscribers	**Registered capital subscribed for** *(RMB)*	**Consideration** *(RMB)*
Light Silver	142,900	2.0 million
Qingzhou Internet	142,900	2.0 million
Mr. Li Wei	285,700	4.0 million
Ms. Zhang Xuan	35,700	0.5 million
Mr. Yang Kun	35,700	0.5 million
Total	642,900	9.0 million

Upon completion of the capital increase on August 18, 2016, the shareholding structure of Suzhou Runxin was as follows:

Shareholders	**Registered capital** *(RMB)*	**Equity interest** *(%)*
Mr. Huo	1,687,500	29.91
Dr. Huo Yunlong	1,687,500	29.91
Mr. Zhou Bin	517,500	9.17
Mr. Zhou Xiaoyu	225,000	3.99
Ms. Zhou Ziyong	78,000	1.38
Ms. Fu Haiman	225,000	3.99
Juzhi Dianshi	500,000	8.86
Light Silver[(1)]	142,900	2.53
Qingzhou Internet[(1)]	142,900	2.53
Mr. Li Wei[(2)]	365,200	6.47
Ms. Zhang Xuan[(3)]	35,700	0.63
Mr. Yang Kun[(4)]	35,700	0.63
Total	5,642,900	100.00

Notes:

(1) For further information on Light Silver and Qinzhou Internet, please refer to the paragraph headed "Pre-[**REDACTED**] Investments – Information about the Pre-[**REDACTED**] Investors" in this section.

(2) In addition to the subscription of the increased registered capital in Suzhou Runxin as part of the Series Angel-1 Financing, Mr. Li Wei entered into an equity transfer agreement with Ms. Zhou Ziyong on June 20, 2016 to acquire the registered capital in Suzhou Runxin of RMB79,500. The consideration for the transfer was RMB79,500 and the equity transfer was completed on July 18, 2016.

(3) On October 13, 2016, Ms. Zhang Xuan transferred her entire equity interest in Suzhou Runxin to Gongqingcheng Yusheng Investment Management Partnership (Limited Partnership) (共青城鈺晟投資管理合伙企業(有限合伙)) ("**Yusheng Investment**") at the consideration of RMB0.5 million.

(4) On June 13, 2019, Mr. Yang Kun disposed his entire equity interest in Suzhou Runxin. For further details, please refer to the paragraph headed "Corporate Establishment and Development – Major Shareholding Changes of Suzhou Runxin and Onshore Investments in Our Group – 7. April 2019 and June 2019 Transfers" in this section.

3. Series Angel-2 Financing

On September 18, 2016, Suzhou Runxin, the then shareholders of Suzhou Runxin, Beijing Kaibang Capital Management Co., Ltd. (北京凱邦資本管理有限公司) ("**Kaibang Capital**"), Beijing Langrun Innovation Technology Co., Ltd. (北京朗潤創新科技有限公司) ("**Langrun Technology**"), Beijing Angel Bairen Venture Capital Center (Limited Partnership) (北京天使百人會創業投資中心(有限合伙)) ("**Angel Bairen**"), Beijing Huashu Capital Management Center (Limited Partnership) (北京華澍資本管理中心(有限合伙)) ("**Huashu Capital**") and Suzhou Yueyoushulian Medical Industry Investment Partnership (Limited Partnership) (蘇州岳佑墅聯醫療產業投資合伙企業(有限合伙)) (formerly known as Suzhou Shulian Venture Capital Management Partnership (Limited Partnership) (蘇州墅聯創業投資管理合伙企業(有限合伙))) ("**Yueyoushulian Medical**") entered into a capital increase agreement, pursuant to which Kaibang Capital, Langrun Technology, Angel Bairen, Huashu Capital and Yueyoushulian Medical agreed to subscribe for the increased registered capital in Suzhou Runxin of RMB493,750 at a total consideration of RMB7.0 million ("**Series Angel-2 Financing**"). The respective subscription amount and consideration for each subscriber were as follows:

Subscribers	**Registered capital subscribed for** *(RMB)*	**Consideration** *(RMB)*
Kaibang Capital	105,800	1.5 million
Langrun Technology	70,540	1.0 million
Angel Bairen	176,330	2.5 million
Huashu Capital	70,540	1.0 million
Yueyoushulian Medical	70,540	1.0 million
Total	493,750	7.0 million

Upon completion of the capital increase on November 3, 2016, the shareholding structure of Suzhou Runxin was as follows:

Shareholders	**Registered capital** *(RMB)*	**Equity interest** *(%)*
Mr. Huo	1,687,500	27.50
Dr. Huo Yunlong	1,687,500	27.50
Mr. Zhou Bin	517,500	8.43
Mr. Zhou Xiaoyu	225,000	3.67
Ms. Zhou Ziyong	78,000	1.27
Ms. Fu Haiman	225,000	3.67
Juzhi Dianshi	500,000	8.15
Light Silver	142,900	2.33
Qingzhou Internet	142,900	2.33
Mr. Li Wei	365,200	5.95
Yusheng Investment	35,700	0.58
Mr. Yang Kun	35,700	0.58
Kaibang Capital(1)	105,800	1.72
Langrun Technology(1)	70,540	1.15
Angel Bairen(2)	176,330	2.87
Huashu Capital(2)	70,540	1.15
Yueyoushulian Medical(3)	70,540	1.15
Total	6,136,650	100.00

Notes:

(1) On July 19, 2018, each of Kaibang Capital and Langrun Technology disposed its entire equity interest in Suzhou Runxin. For further details, please refer to the paragraph headed "Corporate Establishment and Development – Major Shareholding Changes of Suzhou Runxin and Onshore Investments in Our Group – 6. Series A+ Financing and July 2018 Transfers" in this section.

(2) On June 13, 2019, each of Angel Bairen and Huashu Capital disposed its entire equity interest in Suzhou Runxin. For further details, please refer to the paragraph headed "Corporate Establishment and Development – Major Shareholding Changes of Suzhou Runxin and Onshore Investments in Our Group – 7. April 2019 and June 2019 Transfers" in this section.

(3) On September 13, 2017, Yueyoushulian Medical transferred its entire equity interest in Suzhou Runxin to Hebei Dongto Investment Co., Ltd. (河北東拓投資有限公司) ("**Hebei Dongto**") at nil consideration given such registered capital had not been paid up at the time of the transfer.

4. Series Angel-3 Financing

Pursuant to a capital increase agreement dated January 4, 2017 entered into by and amongst Suzhou Runxin, Juzhi Dianshi and Mr. Guo Yandong (果艷東), Mr. Guo Yandong agreed to subscribe for the increased registered capital in Suzhou Runxin of RMB61,990 at the consideration of RMB1.0 million ("**Series Angel-3 Financing**"). Upon completion of the capital increase on January 22, 2017, Mr. Guo Yandong held approximately 1.0% equity interest in Suzhou Runxin.

5. Series A Financing

On September 30, 2017, Suzhou Runxin, Mr. Huo, Mr. Zhou Xiaoyu, Qingzhou Internet, Hebei Dongto and Zhongguancun Transformational Medicine Science & Technology Co., Ltd. (中關村轉化醫學科技有限公司) ("**Zhongguancun Medicine**") entered into a capital increase agreement, pursuant to which Mr. Zhou Xiaoyu, Qingzhou Internet, Hebei Dongto and Zhongguancun Medicine agreed to subscribe for the increased registered capital in Suzhou Runxin of RMB805,820 at a total consideration of RMB13.0 million ("**Series A Financing**"). The respective subscription amount and consideration for each subscriber were as follows:

Subscribers	**Registered capital subscribed for** *(RMB)*	**Consideration** *(RMB)*
Qingzhou Internet	61,990	1.0 million
Mr. Zhou Xiaoyu	247,940	4.0 million
Hebei Dongto	309,930	5.0 million
Zhongguancun Medicine	185,960	3.0 million
Total	805,820	13.0 million

Upon completion of the capital increase on November 21, 2017, the shareholding structure of Suzhou Runxin was as follows:

Shareholders	**Registered capital** *(RMB)*	**Equity interest** *(%)*
Mr. Huo	1,687,500	24.09
Dr. Huo Yunlong	1,687,500	24.09
Mr. Zhou Bin	517,500	7.39
Mr. Zhou Xiaoyu	472,940	6.75
Ms. Fu Haiman[(1)]	132,000	1.88
Juzhi Dianshi	500,000	7.14
Mr. Li Wei[(1)]	285,700	4.08
Light Silver	142,900	2.04

Shareholders	Registered capital *(RMB)*	Equity interest *(%)*
Qingzhou Internet	204,890	2.93
Yusheng Investment	35,700	0.51
Mr. Yang Kun	35,700	0.51
Kaibang Capital	105,800	1.51
Langrun Technology	70,540	1.01
Angel Bairen	176,330	2.52
Huashu Capital	70,540	1.01
Mr. Guo Yandong	61,990	0.89
Hebei Dongto[(1)]	630,970	9.00
Zhongguancun Medicine[(2)]	185,960	2.65
Total	7,004,460	100.00

Notes:

(1) In addition to the subscription of the increased registered capital in Suzhou Runxin as part of the Series A Financing, Hebei Dongto acquired the registered capital in Suzhou Runxin of (i) RMB70,540 from Yueyoushulian Medical (being the entire equity interest of Yueyoushulian Medical in Suzhou Runxin) on September 13, 2017 at nil consideration given such registered capital had not been paid up at the time of the transfer), (ii) RMB78,000 from Ms. Zhou Ziyong (being the entire equity interest of Ms. Zhou Ziyong in Suzhou Runxin) on September 13, 2017 at the consideration of RMB1,094,800, (iii) RMB79,500 from Mr. Li Wei on September 13, 2017 at the consideration of RMB1,115,800, and (iv) RMB93,000 from Ms. Fu Haiman on September 22, 2017 at the consideration of RMB1,500,300. The consideration for the above transfers were determined after arm's length negotiation between the relevant parties. For further information on Hebei Dongto, please refer to the paragraph headed "Pre-[**REDACTED**] Investments – Information about the Pre-[**REDACTED**] Investors" in this section.

(2) On April 10, 2019, Zhongguancun Medicine disposed its entire equity interest in Suzhou Runxin. For further details, please refer to the paragraph headed "Corporate Establishment and Development – Major Shareholding Changes of Suzhou Runxin and Onshore Investments in Our Group – 7. April 2019 and June 2019 Transfers" in this section.

6. Series A+ Financing and July 2018 Transfers

Pursuant to a capital increase agreement dated February 28, 2018 entered into by and amongst Suzhou Runxin, Mr. Huo, Dr. Huo Yunlong and Shenzhen Futian Tongchuang Weiye Dajiankang Industry Investment Fund Partnership (Limited Partnership) (深圳福田同創偉業大健康產業投資基金合伙企業(有限合伙)) ("**Tongchuang Weiye**"), Tongchuang Weiye agreed to subscribe for the increased registered capital in Suzhou Runxin of RMB933,928 at the consideration of RMB20.0 million ("**Series A+ Financing**").

Pursuant to the equity transfer agreements dated June 21, 2018 entered into by each of Kaibang Capital and Langrun Technology with Ningbo Juzhi Huixian Investment Management Partnership (Limited Partnership) (寧波聚智滙賢投資管理合伙企業(有限合伙)) ("**Juzhi Huixian**"), (i) Kaibang Capital agreed to transfer the registered capital in Suzhou Runxin of RMB105,800 (being its entire equity interest in Suzhou Runxin) to Juzhi Huixian at the

consideration of RMB2,265,700; and (ii) Langrun Technology agreed to transfer the registered capital in Suzhou Runxin of RMB23,844 to Juzhi Huixian at the consideration of RMB510,600. Further, pursuant to the equity transfer agreement entered into on the same date by and between Langrun Technology and Angel Bairen, Langrun Technology agreed to transfer the registered capital in Suzhou Runxin of RMB46,696 to Angel Bairen at the consideration of RMB1 million.

Upon completion of the capital increase and the equity transfers on July 19, 2018, the shareholding structure of Suzhou Runxin was as follows:

Shareholders	**Registered capital** *(RMB)*	**Equity interest** *(%)*
Mr. Huo	1,687,500	21.26
Dr. Huo Yunlong	1,687,500	21.26
Mr. Zhou Bin	517,500	6.52
Mr. Zhou Xiaoyu	472,940	5.96
Ms. Fu Haiman	132,000	1.66
Juzhi Dianshi	500,000	6.30
Mr. Li Wei	285,700	3.60
Light Silver	142,900	1.80
Qingzhou Internet	204,890	2.58
Yusheng Investment	35,700	0.45
Mr. Yang Kun	35,700	0.45
Angel Bairen	223,026	2.81
Huashu Capital	70,540	0.89
Mr. Guo Yandong	61,990	0.78
Hebei Dongto	630,970	7.95
Zhongguancun Medicine	185,960	2.34
Juzhi Huixian(1)	129,644	1.63
Tongchuang Weiye(1)	933,928	11.76
Total	7,938,388	100.00

Note:

(1) Juzhi Huixian is an affiliate of Shanghai Gongxiangqianshun Enterprise Management Center (L.P.) (上海共襄乾顺企業管理中心(有限合伙)) ("**Shanghai Gongxiangqianshun**") and Tongchuang Weiye is an affiliate of Shanghai Tongxiang Haoqian Enterprise Management Partnership (Limited Partnership) (上海同襄灝乾企業管理合伙企業(有限合伙)) ("**Tongxiang Haoqian**"), each being a Shareholder of our Company after the Reorganization. For details, please refer to the paragraph headed "Reorganization – 8. Issuance of Shares by our Company to the shareholders of Suzhou Runxin or their affiliates" in this section.

7. April 2019 and June 2019 Transfers

On March 8, 2019, Zhongguancun Medicine and Oriental Hongji entered into an equity transfer agreement, pursuant to which Zhongguancun Medicine agreed to transfer the registered capital in Suzhou Runxin of RMB185,960 (being its entire equity interest in Suzhou Runxin) to Beijing Oriental Hongji Ecological Construction Investment Co., Ltd. (北京東方鴻基生態建設投資有限公司) ("**Oriental Hongji**") at the consideration of RMB3,982,300. The equity transfer was completed on April 10, 2019.

Pursuant to the equity transfer agreements dated May 6, 2019 entered into by Ningbo Zhusheng Enterprise Management Partnership (Limited Partnership) (寧波築晟企業管理合伙企業(有限合伙)) (formerly known as Ningbo Zhusheng Investment Management Partnership (Limited Partnership) (寧波築晟投資管理合伙企業(有限合伙))) ("**Ningbo Zhusheng**") with each of Ms. Fu Haiman, Mr. Yang Kun, Yusheng Investment, Huashu Capital and Angel Bairen, the following equity transfers (being entire equity interest held by each of these transferors in Suzhou Runxin) were made:

Transferor	**Transferee**	**Registered capital transferred** *(RMB)*	**Corresponding equity interest in Suzhou Runxin** *(%)*	**Consideration** *(RMB)*
Ms. Fu Haiman	Ningbo Zhusheng	132,000	1.66	4,157,000
Mr. Yang Kun		35,700	0.45	1,124,300
Yusheng Investment		35,700	0.45	1,124,300
Huashu Capital		70,540	0.89	2,221,500
Angel Bairen		223,026	2.81	7,023,700
Total		496,966	6.26	15,650,800

Upon completion of such equity transfers on June 13, 2019, the shareholding structure of Suzhou Runxin was as follows:

Shareholders	**Registered capital** *(RMB)*	**Equity interest** *(%)*
Mr. Huo	1,687,500	21.26
Dr. Huo Yunlong	1,687,500	21.26
Mr. Zhou Bin	517,500	6.52
Mr. Zhou Xiaoyu	472,940	5.96
Juzhi Dianshi	500,000	6.30
Mr. Li Wei	285,700	3.60
Light Silver	142,900	1.80

Shareholders	Registered capital *(RMB)*	Equity interest *(%)*
Qingzhou Internet	204,890	2.58
Mr. Guo Yandong	61,990	0.78
Hebei Dongto	630,970	7.95
Oriental Hongji(1)	185,960	2.34
Juzhi Huixian	129,644	1.63
Tongchuang Weiye	933,928	11.76
Ningbo Zhusheng(2)	496,966	6.26
Total	7,938,388	100.00

Notes:

(1) For further information on Oriental Hongji, please refer to the paragraph headed "Pre-[**REDACTED**] Investments – Information about the Pre-[**REDACTED**] Investors" in this section.

(2) Ningbo Zhusheng is an affiliate of Shanghai Yuanyizhu Enterprise Management Center (Limited Partnership) (上海元翼築企業管理中心(有限合伙)) ("**Shanghai Yuanyizhu**"), being a Shareholder of our Company after the Reorganization. For details, please refer to the paragraph headed "Reorganization – 8. Issuance of Shares by our Company to the shareholders of Suzhou Runxin or their affiliates" in this section.

8. Series B Financing

On March 9, 2020, Suzhou Runxin, Mr. Huo, Dr. Huo Yunlong, Tongchuang Weiye, Shenzhen Futian New Trend Industrial Polymerization Equity Investment Fund Partnership (Limited Partnership) (深圳福田新趨勢產業聚合股權投資基金合伙企業(有限合伙)) ("**Futian New Trend**") and Zhuhai Pusu Healthcare Investment Management Co., Ltd. (珠海樸素醫療健康投資管理有限公司) ("**Pusu Healthcare**") entered into a capital increase agreement, pursuant to which Tongchuang Weiye, Futian New Trend and Pusu Healthcare agreed to subscribe for the increased registered capital in Suzhou Runxin of RMB455,325 at the total consideration of RMB28,678,803 ("**Series B Financing**"). The respective subscription amount and consideration for each subscriber were as follows:

Subscribers	Registered capital subscribed for *(RMB)*	Consideration *(RMB)*
Tongchuang Weiye	67,704	4,264,240
Futian New Trend	319,917	20,150,323
Pusu Healthcare	67,704	4,264,240
Total	455,325	28,678,803

Upon completion of the capital increase on April 20, 2020, the shareholding structure of Suzhou Runxin was as follows:

Shareholders	**Registered capital** *(RMB)*	**Equity interest** *(%)*
Mr. Huo	1,687,500	20.10
Dr. Huo Yunlong	1,687,500	20.10
Mr. Zhou Bin	517,500	6.17
Mr. Zhou Xiaoyu	472,940	5.63
Juzhi Dianshi	500,000	5.96
Mr. Li Wei	285,700	3.40
Light Silver	142,900	1.70
Qingzhou Internet	204,890	2.44
Mr. Guo Yandong	61,990	0.74
Hebei Dongto	630,970	7.52
Oriental Hongji	185,960	2.22
Juzhi Huixian	129,644	1.54
Ningbo Zhusheng	496,966	5.92
Tongchuang Weiye	1,001,632	11.93
Pusu Healthcare(1)	67,704	0.81
Futian New Trend(2)	319,917	3.81
Total	8,393,713	100.00

Notes:

(1) On February 19, 2021, Pusu Healthcare disposed its entire equity interest in Suzhou Runxin. For further details, please refer to the paragraph headed "Corporate Establishment and Development – Major Shareholding Changes of Suzhou Runxin and Onshore Investments in Our Group – 9. July 2020 and February 2021 Transfers" in this section.

(2) For further information on Futian New Trend, please refer to the paragraph headed "Pre-[**REDACTED**] Investments – Information about the Pre-[**REDACTED**] Investors" in this section.

9. July 2020 and February 2021 Transfers

Pursuant to the equity transfer agreements dated June 22, 2020 entered into by Ningbo Zhusheng with each of Pusu Healthcare, Juzhi Huixian, Tongchuang Weiye, Shenzhen Yuanyi Investment Partnership (Limited Partnership) (深圳元翼投資合伙企業(有限合伙)) ("**Yuanyi Investment**") and Dongguan Tian'an Xinzhizao Venture Capital Fund Partnership (Limited Partnership) (東莞天安新智造創業投資基金合伙企業(有限合伙) ("**Tian'an Xinzhizao**"), Ningbo Zhusheng agreed to transfer parts of its equity interest in Suzhou Runxin to each of Pusu Healthcare, Juzhi Huixian, Tongchuang Weiye, Yuanyi Investment and Tian'an Xinzhizao. The equity transfers were completed on July 17, 2020.

Pursuant to an equity transfer agreement dated November 20, 2020 entered into by and between Mr. Zhou Xiaoyu and Shanghai Jinru Enterprise Management Partnership (Limited Partnership) (上海金茹企業管理合伙企業(有限合伙)) ("**Shanghai Jinru**") and an equity transfer agreement dated December 23, 2020 entered into by and between Mr. Zhou Xiaoyu and Zhuhai Hengqin Lanxu Venture Capital Partnership (Limited Partnership) (珠海橫琴瀾栩創業投資合伙企業(有限合伙)) ("**Zhuhai Hengqin Lanxu**"), Mr. Zhou Xiaoyu agreed to transfer parts of his equity interests in Suzhou Runxin to each of Shanghai Jinru and Zhuhai Hengqin Lanxu. The equity transfers were completed on February 2, 2021.

Pursuant to an equity transfer agreement dated December 12, 2020 entered into by and between Pusu Healthcare and Hainan Qingzhou Business Partnership (Limited Partnership) (海南輕舟商貿合伙企業(有限合伙)) ("**Qingzhou Business**"), Pusu Healthcare agreed to transfer its entire equity interests in Suzhou Runxin to Qingzhou Business. The equity transfer was completed on February 19, 2021.

Details of the above equity transfers were as follow:

Transferor	**Transferee**	**Registered capital transferred** *(RMB)*	**Corresponding equity interest in Suzhou Runxin** *(%)*	**Consideration** *(RMB)*
Ningbo Zhusheng	Pusu Healthcare	23,363	0.28	735,760
	Juzhi Huixian	79,384	0.95	2,500,000
	Tongchuang Weiye	54,989	0.66	1,731,757
	Yuanyi Investment	157,535	1.88	3,183,210
	Tian'an Xinzhizao	102,311	1.22	5,000,000
Mr. Zhou Xiaoyu	Shanghai Jinru	88,209	1.05	5,000,200
	Zhuhai Hengqin Lanxu	148,240	1.77	8,403,100
Pusu Healthcare	Qingzhou Business	91,067	1.08	6,400,091
Total		745,098	8.89	32,954,118

Upon completion of the above equity transfers, the shareholding structure of Suzhou Runxin was as follows:

Shareholders	**Registered capital** *(RMB)*	**Equity interest** *(%)*
Mr. Huo	1,687,500	20.10
Dr. Huo Yunlong	1,687,500	20.10
Mr. Zhou Bin	517,500	6.17
Mr. Zhou Xiaoyu	236,491	2.82
Juzhi Dianshi	500,000	5.96
Mr. Li Wei	285,700	3.40
Light Silver	142,900	1.70
Qingzhou Internet	204,890	2.44
Mr. Guo Yandong	61,990	0.74
Hebei Dongto	630,970	7.52
Oriental Hongji	185,960	2.22
Juzhi Huixian	209,028	2.49
Ningbo Zhusheng	79,384	0.95
Tongchuang Weiye	1,056,621	12.59
Futian New Trend	319,917	3.81
Tian'an Xinzhizao[(1)]	102,311	1.22
Yuanyi Investment[(1)]	157,535	1.88
Shanghai Jinru[(1)]	88,209	1.05
Zhuhai Hengqin Lanxu[(2)]	148,240	1.77
Qingzhou Business[(1)]	91,067	1.08
Total	8,393,713	100.00

Notes:

(1) Each of Tian'an Xinzhizao, Yuanyi Investment, Shanghai Jinrun and Qingzhou Business is an affiliate of Shanghai Zhiguanjie Enterprise Management Center (Limited Partnership) (上海智莞捷企業管理中心(有限合伙)) ("**Shanghai Zhiguanjie**"), Shanghai Yuanyizhu, Shanghai Yujiaorong Enterprise Management Center (L.P.) (上海嵐焦榮企業管理中心(有限合伙)) ("**Shanghai Yujiaorong**") and Shanghai Xingzhourun Enterprise Management Partnership (Limited Partnership) (上海興舟潤企業管理合伙企業(有限合伙)) ("**Shanghai Xingzhourun**"), respectively, each being a Shareholder of our Company after the Reorganization. For details, please refer to the paragraph headed "Reorganization – 8. Issuance of Shares by our Company to the shareholders of Suzhou Runxin or their affiliates" in this section.

(2) For further information on Zhuhai Hengqin Lanxu, please refer to the paragraph headed "Pre-[**REDACTED**] Investments – Information about the Pre-[**REDACTED**] Investors" in this section.

10. February 2021 Capital Increase

On January 6, 2021, the then shareholders of Suzhou Runxin resolved to increase the registered capital of Suzhou Runxin from RMB8,393,713 to RMB9,326,348. Pursuant to a capital increase agreement dated January 10, 2021 entered into by and amongst Suzhou Runxin, Mr. Huo, Dr. Huo Yunlong and Suzhou Huiying Enterprise Management Partnership (Limited Partnership) (蘇州薈英企業管理合伙企業(有限合伙)) ("**Suzhou Huiying**"), Suzhou Huiying agreed to subscribe for the increased registered capital in Suzhou Runxin of RMB932,635 at the consideration of RMB932,635. Upon completion of the capital increase on February 23, 2021, Suzhou Huiying held 10.00% equity interest in Suzhou Runxin.

Suzhou Huiying was established in the PRC as a limited partnership on December 22, 2020. It was established as our employee incentive platform in recognition of the contributions of our employees and to incentivize them to further promote our development. Mr. Huo has been the general partner of and responsible for the management of Suzhou Huiying since its establishment.

11. Series C Financing

On February 6, 2021, the then shareholders of Suzhou Runxin resolved to increase the registered capital from RMB9,326,348 to RMB10,445,521. Pursuant to (i) a capital increase agreement dated February 8, 2021 entered into by, among others, Suzhou Runxin and Shenzhen Greenwoods Jingying Equity Investment Fund Partnership (Limited Partnership) (深圳景林景盈股權投資基金合伙企業(有限合伙)) ("**Shenzhen Greenwoods**"); and (ii) a capital increase agreement dated March 1, 2021 entered into by, among others, Suzhou Runxin, Xinyu Tongchuang Guosheng Technology Innovation Industry Investment Partnership (limited Partnership) (新余市同創國盛科創產業投資合伙企業(有限合伙)) ("**Tongchuang Guosheng**"), Xiamen Shunzhirun Management Consulting Partnership (Limited Partnership) (廈門順之潤管理諮詢合伙企業(有限合伙)) ("**Xiamen Shunzhirun**"), Ningbo Beidouxing Investment Partnership (Limited Partnership) (寧波北斗星投資合伙企業(有限合伙)) ("**Beidouxing Investment**") and Mr. Yang Gengsheng (楊更生), (i) Shenzhen Greenwoods, Tongchuang Guosheng, Xiamen Shunzhirun and Beidouxing Investment agreed to subscribe for the increased registered capital in Suzhou Runxin of RMB1,119,173 at the total consideration of RMB180 million and (ii) Mr. Yang Gengsheng agreed to make offshore investment in our Group in Hong Kong dollars in an amount equivalent to RMB17 million as part of the Reorganization ("**Series C Financing**"). The respective subscription amount and consideration for each subscriber were as follows:

Subscribers[(1)]	**Registered capital subscribed for** *(RMB)*	**Consideration** *(RMB)*
Shenzhen Greenwoods	621,757	100.0 million
Tongchuang Guosheng	310,881	50.0 million
Xiamen Shunzhirun	124,357	20.0 million
Beidouxing Investment	62,178	10.0 million
Total	1,119,173	180.0 million

Note:

(1) Pursuant to the above-mentioned capital increase agreement dated March 1, 2021, Mr. Yang Gengsheng invested approximately HK$20.4 million through Rainmed HK and became our Shareholder on June 3, 2021. For further details, please refer to the paragraph headed "Reorganization" in this section.

Upon completion of the capital increase on March 9, 2021, the shareholding structure of Suzhou Runxin was as follows:

Shareholders	**Registered capital** *(RMB)*	**Equity interest** *(%)*
Mr. Huo	1,687,500	16.16
Dr. Huo Yunlong	1,687,500	16.16
Mr. Zhou Bin	517,500	4.95
Mr. Zhou Xiaoyu	236,491	2.26
Zhuhai Hengqin Lanxu	148,240	1.42
Shanghai Jinru	88,209	0.84
Juzhi Dianshi	500,000	4.79
Mr. Li Wei	285,700	2.74
Light Silver	142,900	1.37
Qingzhou Internet	204,890	1.96
Mr. Guo Yandong	61,990	0.59
Hebei Dongto	630,970	6.04
Oriental Hongji	185,960	1.78
Juzhi Huixian	209,028	2.00
Ningbo Zhusheng	79,384	0.76
Tongchuang Weiye	1,056,621	10.12
Qingzhou Business	91,067	0.87
Futian New Trend	319,917	3.06
Yuanyi Investment	157,535	1.51
Tian'an Xinzhizao	102,311	0.98
Suzhou Huiying	932,635	8.93
Shenzhen Greenwoods[(1)]	621,757	5.95
Tongchuang Guosheng[(2)]	310,881	2.98
Xiamen Shunzhirun[(1)]	124,357	1.19
Beidouxing Investment[(1)]	62,178	0.60
Total	10,445,521	100.00

Notes:

(1) Each of Shenzhen Greenwoods, Xiamen Shunzhirun and Beidouxing Investment is an affiliate of Shanghai Jingmairun Enterprise Management Center (L.P.) (上海景邁潤企業管理中心(有限合伙)) ("**Shanghai Jingmairun**"), Shanghai Runrimi Enterprise Management Center (L.P.) (上海潤日咪企業管理中心(有限合伙)) ("**Shanghai Runrimi**") and Shanghai Hongyu Jingyang Enterprise Management Center (L.P.) (上海鴻彧景陽企業管理中心(有限合伙)) ("**Shanghai Hongyu Jingyang**"), respectively, each being a Shareholder of our Company after the Reorganization. For details, please refer to the paragraph headed "Reorganization – 8. Issuance of Shares by our Company to the shareholders of Suzhou Runxin or their affiliates" in this section.

(2) For further information on Tongchuang Guosheng, please refer to the paragraph headed "Pre-[**REDACTED**] Investments – Information about the Pre-[**REDACTED**] Investors" in this section.

12. March 2021 Transfer

Pursuant to the equity transfer agreements entered into by and between (i) Light Silver and Mr. Liu Yimin (劉益民), (ii) Mr. Li Wei and Ningbo Zhusheng, (iii) Mr. Li Wei and Xiamen Shunzhirun, and (iv) Light Silver and Zhuhai Hengqin Lanxu on February 24, 2021, the following equity transfers were made:

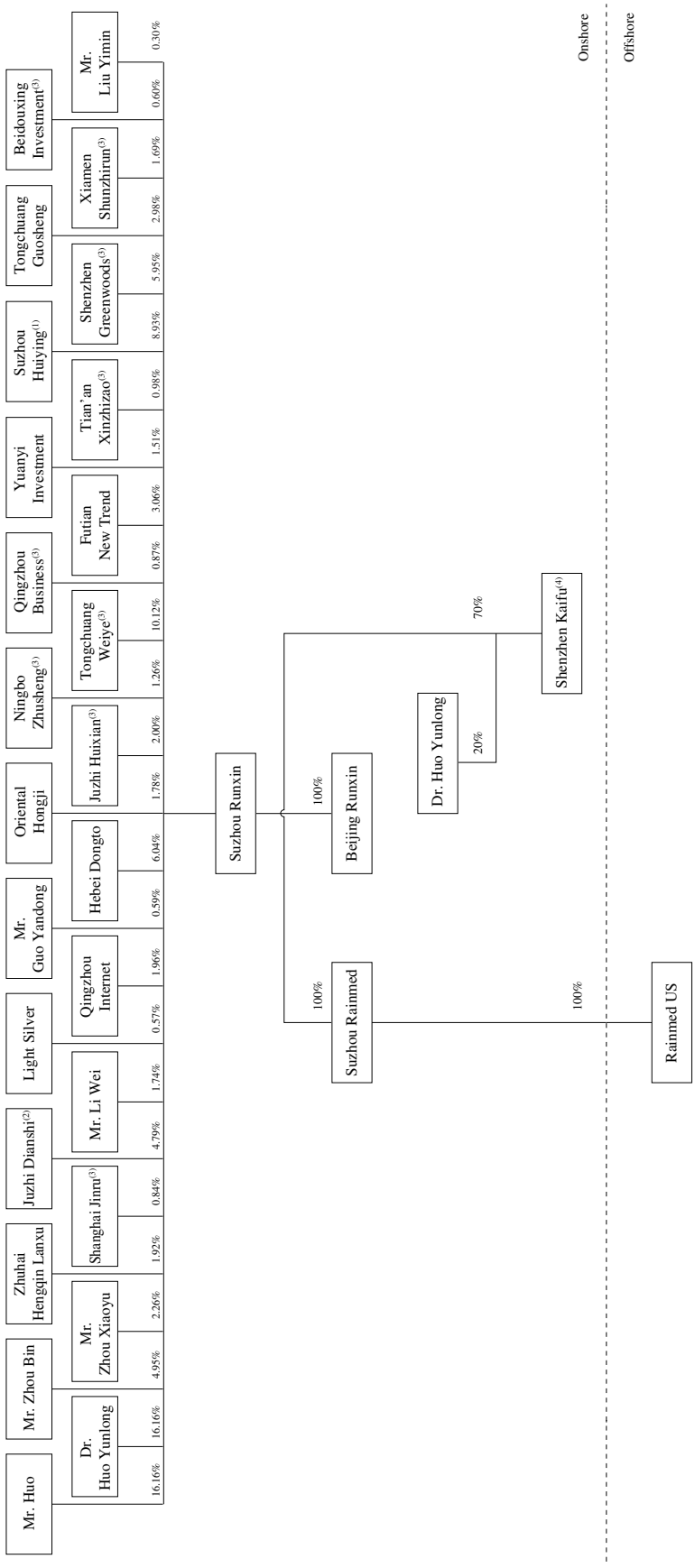
Transferor	**Transferee**	**Registered capital transferred** *(RMB)*	**Corresponding equity interest in Suzhou Runxin** *(%)*	**Consideration** *(RMB)*
Light Silver	Mr. Liu Yimin	31,337	0.30	5,040,000
	Zhuhai Hengqin Lanxu	52,228	0.50	8,400,000
Mr. Li Wei	Ningbo Zhusheng	52,228	0.50	8,400,000
	Xiamen Shunzhirun	52,228	0.50	8,400,000
Total		188,021	1.80	30,240,000

Upon completion of the equity transfers on March 12, 2021, the shareholding structure of Suzhou Runxin was as follows:

Shareholders	**Registered capital** *(RMB)*	**Equity interest** *(%)*
Mr. Huo	1,687,500	16.16
Dr. Huo Yunlong	1,687,500	16.16
Mr. Zhou Bin	517,500	4.95
Mr. Zhou Xiaoyu	236,491	2.26
Zhuhai Hengqin Lanxu	200,468	1.92
Shanghai Jinru	88,209	0.84
Juzhi Dianshi	500,000	4.79
Mr. Li Wei	181,244	1.74
Light Silver	59,335	0.57
Qingzhou Internet	204,890	1.96
Mr. Guo Yandong	61,990	0.59
Hebei Dongto	630,970	6.04
Oriental Hongji	185,960	1.78
Juzhi Huixian	209,028	2.00
Ningbo Zhusheng	131,612	1.26
Tongchuang Weiye	1,056,621	10.12
Qingzhou Business	91,067	0.87
Futian New Trend	319,917	3.06
Yuanyi Investment	157,535	1.51
Tian'an Xinzhizao	102,311	0.98
Suzhou Huiying	932,635	8.93
Shenzhen Greenwoods	621,757	5.95
Tongchuang Guosheng	310,881	2.98
Xiamen Shunzhirun	176,585	1.69
Beidouxing Investment	62,178	0.60
Mr. Liu Yimin	31,337	0.30
Total	10,445,521	100.00

REORGANIZATION

The following chart sets forth the shareholding structure of our Group immediately prior to the Reorganization:



Notes:

(1) Suzhou Huiying is a limited partnership established in the PRC. Immediately prior to the Reorganization, the general partner of Suzhou Huiying was Mr. Huo (who held 52% partnership interest) and the limited partners of Suzhou Huiying were Mr. Lyu Yonghui (吕永辉) (an executive Director and the joint chief executive officer of our Company who held 35% partnership interest), Mr. Liu Kangjian (劉康健) (a vice president and the secretary of the Board of our Company who held 5% partnership interest), Mr. Zhang Liang (張亮) (an executive Director, the chief financial officer and the joint company secretary of our Company who held 5% partnership interest) and Mr. Duan Ning (段寧) (the sales director of our Company who held 3% partnership interest).

(2) Juzhi Dianshi is a limited partnership established in the PRC. Immediately prior to the Reorganization, the general partner of Juzhi Dianshi was Mr. Huo (who held 18.68% partnership interest) and the limited partners of Juzhi Dianshi were Mr. Liu Guangzhi (劉廣志) (the chief technology officer of our Company who held 40% partnership interest), Mr. Wu Xingyun (吳星雲) (a vice president of our Company who held 30% partnership interest) and Ms. Gu Yang (谷陽) (an executive Director and vice president of our Company who held 11.32% partnership interest).

(3) These shareholders are affiliates to certain Shareholders of our Company after the Reorganization. For details, please refer to the paragraph headed "Reorganization – 8. Issuance of Shares by our Company to the shareholders of Suzhou Runxin or their affiliates."

(4) Shenzhen Kaifu Medical Technology Co., Ltd. (深圳凱福醫療科技有限公司) ("**Shenzhen Kaifu**") was established in the PRC as a limited liability company on December 29, 2016 with an initial registered capital of RMB2.0 million. The remaining 10% equity interest of Shenzhen Kaifu was held by IER (SHENZHEN) HIGH-TECH Investment Co., Ltd. (深圳市深港產學研科技發展有限公司), an Independent Third Party. Shenzhen Kaifu has not been engaged in any business operation since its establishment.

In preparation for the [**REDACTED**], we underwent the following Reorganization, pursuant to which our Company became the holding company of our Group:

1. Incorporation of Rianmed BVI

Rianmed BVI was incorporated in the BVI with limited liability on March 12, 2021 and was authorized to issue no more than 50,000 shares of USD1.00 each. On the same day, Rianmed BVI allotted and issued one share to Huizhou merchant star investment HK Limited ("**Huizhou Merchant Star**") at par value. As a result, Rianmed BVI became a wholly-owned subsidiary of Huizhou Merchant Star, which in turn is wholly owned by Mr. Yang Gengsheng, one of our Pre-[**REDACTED**] Investors in the Series C Financing.

2. Incorporation of Rainmed HK

Rainmed HK was incorporated in Hong Kong with limited liability on March 31, 2021. Upon its incorporation, Rainmed HK allotted and issued 100,000 ordinary shares to Rianmed BVI at HK$100,000. The subscription price was settled through the investment of approximately HK$20.4 million from Mr. Yang Gengsheng with the remaining HK$20.3 million credited to the capital reserve of Rainmed HK. As a result, Rainmed HK became a wholly-owned subsidiary of Rianmed BVI.

3. Transfer of Beijing Runxin from Suzhou Runxin to Suzhou Rainmed

On April 1, 2021, Suzhou Runxin entered into an equity transfer agreement with Suzhou Rainmed, pursuant to which Suzhou Runxin agreed to transfer its entire equity interest in Beijing Runxin to Suzhou Rainmed. The consideration for the transfer was RMB1.0 million which was determined based on the then registered capital of Beijing Runxin. Upon completion of the equity transfer on April 8, 2021, Beijing Runxin became a wholly-owned subsidiary of Suzhou Rainmed.

4. Incorporation of Our Company

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on April 9, 2021. Upon its incorporation, our Company had an authorized share capital of HK$380,000 divided into 3,800,000,000 ordinary shares with a par value of HK$0.0001 each and one Share was allotted and issued to the initial subscriber, which was then transferred to Rainmed01 Limited ("**Rainmed01**"), a company wholly-owned by Mr. Huo, at par value. On the same day, our Company further allotted and issued 11,062,580 Shares to 14 BVI companies, each of which was wholly owned by an individual who directly or indirectly held equity interest in Suzhou Runxin. All the Shares were fully paid up. Upon completion of the share transfer and issuance, the shareholding structure of our Company was as follows:

Shareholders	**Number of Shares**
Rainmed01[(1)]	4,294,980
Hyljrkcyn888 Limited ("**Hyljrkcyn888**")[(2)]	3,198,680
Light wisdom HK LIMITED ("**Light Wisdom HK**")[(3)]	980,920
Litwis HK LIMITED ("**Litwis HK**")[(4)]	448,280
WP Health Limited ("**WP Health**")[(5)]	343,560
Sugar Health Limited ("**Sugar Health**")[(6)]	117,500
Rainmed Yi Limited ("**Rainmed Yi**")[(7)]	59,380
AIMEI LIMITED ("**AIMEI**")[(8)]	379,100
Stevenwu Limited ("**Stevenwu**")[(9)]	284,320
ASHG HK LIMITED ("**ASHG HK**")[(10)]	107,280
Mingze. Limited ("**Mingze**")[(11)]	618,740
Nicholas Duan Limited ("**Nicholas Duan**")[(12)]	53,040
NEXT DAWN LIMITED ("**NEXT DAWN**")[(13)]	88,400
ANC HK LIMITED ("**ANC HK**")[(14)]	88,400
Total	11,062,580

Notes:

(1) Rainmed01 is a limited liability company incorporated in the BVI on March 16, 2021 and is wholly owned by Mr. Huo.

(2) Hyljrkcyn888 is a limited liability company incorporated in the BVI on March 16, 2021 and is wholly owned by Dr. Huo Yunlong.

(3) Light Wisdom HK is a limited liability company incorporated in the BVI on March 16, 2021 and is wholly owned by Mr. Zhou Bin.

(4) Litwis HK is a limited liability company incorporated in the BVI on March 16, 2021 and is wholly owned by Mr. Zhou Xiaoyu.

(5) WP Health is a limited liability company incorporated in the BVI on March 16, 2021 and is wholly owned by Mr. Li Wei.

(6) Sugar Health is a limited liability company incorporated in the BVI on March 16, 2021 and is wholly owned by Mr. Guo Yandong.

(7) Rainmed Yi is a limited liability company incorporated in the BVI on March 16, 2021 and is wholly owned by Mr. Liu Yimin.

(8) AIMEI is a limited liability company incorporated in the BVI on March 16, 2021 and is wholly owned by Mr. Liu Guangzhi (劉廣志), the chief technology officer of our Company, who was a limited partner of Juzhi Dianshi.

(9) Stevenwu is a limited liability company incorporated in the BVI on March 16, 2021 and is wholly owned by Mr. Wu Xingyun (吳星雲), a vice president of our Company, who was a limited partner of Juzhi Dianshi.

(10) ASHG HK is a limited liability company incorporated in the BVI on March 16, 2021 and is wholly owned by Ms. Gu Yang (谷陽), an executive Director and vice president of our Company, who was a limited partner of Juzhi Dianshi.

(11) Mingze is a limited liability company incorporated in the BVI on March 16, 2021 and is wholly owned by Mr. Lyu Yonghui (呂永輝), an executive Director and the joint chief executive officer of our Company, who was a limited partner of Suzhou Huiying.

(12) Nicholas Duan is a limited liability company incorporated in the BVI on March 16, 2021 and is wholly owned by Mr. Duan Ning (段寧), the sales director of our Company, who was a limited partner of Suzhou Huiying.

(13) NEXT DAWN is a limited liability company incorporated in the BVI on March 16, 2021 and is wholly owned by Mr. Liu Kangjian (劉康健), a vice president and the secretary of the Board of our Company, who was a limited partner of Suzhou Huiying.

(14) ANC HK is a limited liability company incorporated in the BVI on March 16, 2021 and is wholly owned by Mr. Zhang Liang (張亮), an executive Director, the chief financial officer and the joint company secretary of our Company, who was a limited partner of Suzhou Huiying.

5. Assets Transfer from Suzhou Runxin to Suzhou Rainmed

On April 15, 2021, Suzhou Rainmed entered into an assets acquisition agreement with Suzhou Runxin, pursuant to which Suzhou Rainmed agreed to acquire all the assets of Suzhou Runxin relating to our operation (including fixed assets, intangible assets, inventories and construction in progress). The total consideration for the assets acquisition was approximately RMB15.3 million, which was determined with reference to the fair value of the assets of Suzhou Runxin as of March 31, 2021 appraised by an independent valuer on April 15, 2021, and the acquisition was completed on April 16, 2021. After the assets transfer to Suzhou Rainmed, Suzhou Runxin ceased to have any operation.

6. Subscription of Equity Interest in Suzhou Rainmed by Rainmed HK

Pursuant to the capital increase agreement dated April 23, 2021 entered into by and amongst Rainmed HK, Suzhou Runxin and Suzhou Rainmed and the shareholders' resolutions of Suzhou Rainmed dated April 25, 2021, Suzhou Runxin and Rainmed HK agreed to (i) convert the registered capital of Suzhou Rainmed from RMB206.8 million into HK$246,730,934 based on the exchange rate published by the People's Bank of China on April 20, 2021; and (ii) increase the registered capital of Suzhou Rainmed from HK$246,730,934 to HK$249,227,697 with the additional registered capital of HK$2,496,763 subscribed by Rainmed HK at the consideration of HK$3,278,300, which was determined with reference to the net assets of Suzhou Rainmed as of April 17, 2021 as appraised by an independent valuer on April 22, 2021. Upon completion of the capital increase on April 29, 2021, Suzhou Rainmed was owned as to approximately 99.0% by Suzhou Runxin and 1.0% by Rainmed HK, respectively.

7. Transfer of Rianmed BVI to our Company and Issuance of Shares by our Company to Huizhou Merchant Star

On June 3, 2021, Huizhou Merchant Star transferred the entire equity interest in Rianmed BVI to our Company. As consideration for such transfer, our Company allotted and issued 200,360 Shares to Huizhou Merchant Star. Upon completion of the transfer, Rianmed BVI became a wholly-owned subsidiary of our Company and Huizhou Merchant Star became a shareholder of our Company.

8. Issuance of Shares by our Company to the shareholders of Suzhou Runxin or their affiliates

On June 23, 2021, our Company further allotted and issued 8,737,060 Shares to the following shareholders who were shareholders of Suzhou Runxin or their affiliates. All Shares were fully paid up.

Shareholders[10]	**Number of Shares**
Tongxiang Haoqian[1]	2,002,840
Shanghai Xingzhourun[2]	172,620
Shanghai Yujiaorong[3]	167,200
Shanghai Yuanyizhu[4]	548,080
Shanghai Runrimi[5]	334,720
Shanghai Hongyu Jingyang[6]	117,860
Shanghai Gongxiangqianshun[7]	396,220
Shanghai Zhiguanjie[8]	193,940
Zhuhai Hengqin Lanxu	380,000
Light Silver	112,480

Shareholders[10]	**Number of Shares**
Qingzhou Internet	388,380
Hebei Dongto	1,196,020
Oriental Hongji	352,480
Futian New Trend	606,400
Shanghai Jingmairun Enterprise Management Center (L.P.) (上海景邁潤企業管理中心(有限合伙)) ("**Shanghai Jingmairun**")[9]	1,178,540
Tongchuang Guosheng	589,280
Total	8,737,060

Notes:

(1) Tongxiang Haoqian is a limited partnership established in the PRC. The general partner of Tongxiang Haoqian is a wholly-owned subsidiary of Tongchuang Weiye, a shareholder of Suzhou Runxin.

(2) Shanghai Xingzhourun is a limited partnership established in the PRC. Qingzhou Business, a shareholder of Suzhou Runxin, is the only limited partner of Shanghai Xingzhourun.

(3) Shanghai Yujiaorong is a limited partnership established in the PRC. Shanghai Jinru, a shareholder of Suzhou Runxin, is the only limited partner of Shanghai Yujiaorong.

(4) Shanghai Yuanyizhu is a limited partnership established in the PRC. Yuanyi Investment and Ningbo Zhusheng, both being shareholders of Suzhou Runxin, are the limited partners of Shanghai Yuanyizhu.

(5) Shanghai Runrimi is a limited partnership established in the PRC. Xiamen Shunzhirun, a shareholder of Suzhou Runxin, is the only limited partner of Shanghai Runrimi.

(6) Shanghai Hongyu Jingyang is a limited partnership established in the PRC. Beidouxing Investment, a shareholder of Suzhou Runxin, is the only limited partner of Shanghai Hongyu Jingyang.

(7) Shanghai Gongxiangqianshun is a limited partnership established in the PRC. Juzhi Huixian, a shareholder of Suzhou Runxin, is the only limited partner of Shanghai Gongxiangqianshun.

(8) Shanghai Zhiguanjie is a limited partnership established in the PRC. Tian'an Xinzhizao, a shareholder of Suzhou Runxin, is the only limited partner of Shanghai Zhiguanjie.

(9) Shanghai Jingmairun is a limited partnership established in the PRC. Shenzhen Greenwoods, a shareholder of Suzhou Runxin, is the only limited partner of Shanghai Jingmairun.

(10) For further information on these shareholders, please refer to the paragraph headed "Pre-[**REDACTED**] Investments – Information about the Pre-[**REDACTED**] Investors" in this section.

9. Acquisition of Suzhou Rainmed by Rainmed HK

On June 24, 2021, Suzhou Runxin and Rainmed HK entered into an equity transfer agreement, pursuant to which Suzhou Runxin agreed to transfer all of its equity interest in Suzhou Rainmed (being the registered capital of HK$246,730,934, representing approximately 99.0% equity interest in Suzhou Rainmed) to Rainmed HK at the consideration of HK$323,962,646. The consideration for such transfer was determined with reference to the net assets of Suzhou Rainmed as of April 17, 2021 as appraised by an independent valuer on April 22, 2021. Upon the completion of such equity transfer on June 25, 2021, Suzhou Rainmed became a wholly-owned subsidiary of Rainmed HK with a registered capital of HK$249,227,697 and Suzhou Runxin ceased to be a member of our Group.

10. Deregistration of Shenzhen Kaifu

As Shenzhen Kaifu has not been engaged in any business operation since its establishment, the shareholders of Shenzhen Kaifu agreed to deregister Shenzhen Kaifu to streamline our corporate structure. As a result, Shenzhen Kaifu was deregistered on June 28, 2021 and ceased to be a member of our Group.

11. Disposal of Suzhou Runxin

On July 13, 2021, the then shareholders of Suzhou Runxin resolved to reduce the registered capital of Suzhou Runxin from RMB10,445,521 to RMB3,375,000. As a result, save for Mr. Huo and Dr. Huo Yunlong, all shareholders of Suzhou Runxin (including Mr. Zhou Bin, Mr. Zhou Xiaoyu, Zhuhai Hengqin Lanxu, Shanghai Jinru, Juzhi Dianshi, Mr. Li Wei, Light Silver, Qingzhou Internet, Mr. Guo Yandong, Hebei Dongto, Oriental Hongji, Juzhi Huixian, Ningbo Zhusheng, Tongchuang Weiye, Qingzhou Business, Futian New Trend, Yuanyi Investment, Tian'an Xinzhizao, Suzhou Huiying, Shenzhen Greenwoods, Tongchuang Guosheng, Xiamen Shunzhirun, Beidouxing Investment and Mr. Liu Yimin) ceased to be the shareholder of Suzhou Runxin. Upon completion of such capital reduction on August 31, 2021, Suzhou Runxin was owned as to 50% and 50% by Mr. Huo and Dr. Huo Yunlong, respectively, with a registered capital of RMB3,375,000.

On September 27, 2021, Mr. Huo, Dr. Huo Yunlong and Suzhou Halation Photonics Co., Ltd. (蘇州漢朗光電有限公司) ("**Suzhou Halation**"), an Independent Third Party, entered into an equity transfer agreement, pursuant to which each of Mr. Huo and Dr. Huo Yunlong agreed to transfer his entire equity interest in Suzhou Runxin to Suzhou Halation at the consideration of RMB450,000. The total consideration for such transfer of RMB900,000 was determined based on arm's-length negotiation among the parties with reference to the then unaudited net assets of Suzhou Runxin of approximately RMB641,500 without taking into account of the value-added tax recoverable of approximately RMB773,000 as such tax is not refundable upon dissolution or de-registration of Suzhou Runxin or if it is not utilized by Suzhou Runxin under the applicable PRC laws and regulations. Upon completion of such equity transfer on September 29, 2021, Suzhou Runxin became a wholly-owned subsidiary of Suzhou Halation.

Our Group decided to dispose Suzhou Runxin during the Reorganization in order to streamline our corporate structure and reduce management and administrative costs of our Group. We became acquainted with Suzhou Halation through Mr. Sun Gang (孫剛), the chairman and chief executive officer of Suzhou Halation, who became acquainted with Mr. Huo through an alumni event around 2017. As advised by Mr. Sun Gang, Suzhou Halation intended to acquire a subsidiary with a relatively long time of establishment and record in order to participate in commercial biddings. According to CIC, it is common and in line with the general industry norm that the tenderees require a company participating in commercial biddings to have a long history (*e.g.* two or three years) of establishment and record. As such, Suzhou Halation expressed the interest in acquiring Suzhou Runxin during the Reorganization of our Group.

MAJOR SHAREHOLDING CHANGES IN OUR COMPANY

Establishment of Personal Trusts

On August 12, 2021, Mr. Huo, as the settlor, established a trust with THE CORE TRUST COMPANY LIMITED ("**CORE TRUST**") acting as the trustee for personal estate planning purpose (the "**Opera Rose Trust**"). On September 27, 2021, Rainmed01 transferred 4,294,980 Shares of our Company to Opera Rose Limited ("**Opera Rose**") in consideration for the allotment and issuance of 10 ordinary shares by Opera Rose to Rainmed01. Upon completion of the transfer, Opera Rose was owned as to 99.9% by Dawning Sky Limited (as nominee which is wholly-owned by CORE TRUST) and 0.1% by Rainmed01, respectively. Pursuant to the Opera Rose Trust, Dawning Sky Limited holds the equity interest in our Company through Opera Rose on trust for the benefit of Mr. Huo.

On August 12, 2021, Dr. Huo Yunlong, as the settlor, established a trust with CORE TRUST acting as the trustee for personal estate planning purpose (the "**Vermilion Bird Trust**"). On September 27, 2021, Hyljrkcyn888 transferred 3,198,680 Shares of our Company to Vermilion Bird Limited ("**Vermilion Bird**") in consideration for the allotment and issuance of 10 ordinary shares by Vermilion Bird to Hyljrkcyn888. Upon completion of the transfer, Vermilion Bird was owned as to 99.9% by Glowing Fame Limited (as nominee which is wholly-owned by CORE TRUST) and 0.1% by Hyljrkcyn888, respectively. Pursuant to the Vermilion Bird Trust, Glowing Fame Limited holds the equity interest in our Company through Vermilion Bird on trust for the benefit of Dr. Huo Yunlong.

Re-designation of Share Capital and Offshore Investment in Our Group

Re-designation of Share Capital

Pursuant to the shareholders' written resolutions dated 19 October 2021, our Company resolved to re-classify and re-designate certain ordinary shares in the share capital of our Company (the "**Re-designated Shares**") as Series Angel-1 Preferred Shares with par value of HK$0.0001 each, Series Angel-2 Preferred Shares with par value of HK$0.0001, Series A Preferred Shares with par value of HK$0.0001 each, Series A+ Preferred Shares with par value of HK$0.0001 each, Series B Preferred Shares with par value of HKD0.0001 each, Series C-1

Preferred Shares with par value of HK$0.0001 each and Series C-2 Preferred Shares with par value of HK$0.0001 each; and as Series D Preferred Shares with par value of HK$0.0001 each; in view of the proposed investment in our Company.

Immediately after the re-classification and re-designation, the authorized share capital of our Company is HK$38,000 divided into 3,800,000,000 shares of a par value of HK$0.0001 each, consisting of (i) 3,788,482,880 ordinary shares, (ii) 1,218,620 Series Ange-1 Preferred Shares, (iii) 935,940 Series Ange-2 Preferred Shares, (iv) 1,527,460 Series A Preferred Shares, (v) 1,770,280 Series A+ Preferred Shares, (vi) 863,060 Series B Preferred Shares, (vii) 1,767,820 Series C-1 Preferred Shares; (viii) 533,940 Series C-2 Preferred Shares, and (ix) 2,880,000 Series D Preferred Shares.

Series D Financing

On October 25, 2021, (i) our Company, (ii) Rianmed BVI, (iii) Rainmed HK, (iv) Suzhou Rainmed, (v) Beijing Runxin, (vi) RAINMED MEDICAL INC., (vii) Mr. Huo, (viii) Dr. Huo Yunlong, (ix) Opera Rose, (x) Vermilion Bird, (xi) Guangzhou Ping An Consumer Equity Investment Partnership (Limited Partnership) (廣州市平安消費股權投資合夥企業(有限合夥)) ("**Ping An Investment**"), (xii) Shenzhen Haihui Quanli Investment Consulting Partnership (limited Partnership) (深圳市海匯全利投資諮詢合夥企業(有限合夥)) ("**Haihui Quanli**"), (xiii) Seresia Funds SPC – Seresia Income and Growth Fund SP ("**Seresia Funds**"), (xiv) LC Multi Strategy Fund SG VCC – LC Multi Strategy SF4 ("**Multi Strategy Fund**"), and (xv) Ms. Zhu Ke (朱可) entered into a share purchase agreement, pursuant to which Ping An Investment, Haihui Quanli, Seresia Funds, Multi Strategy Fund and Ms. Zhu Ke agreed to subscribe for 2,880,000 Series D Preferred Shares at the total consideration of USD72,000,000 ("**Series D Financing**"). The respective subscription amount and consideration for each subscriber were as follows:

Subscribers	**Number of Series D Preferred Shares subscribed for**	**Consideration** *(USD)*
Ping An Investment	1,440,000	36.0 million
Haihui Quanli	960,000	24.0 million
Seresia Funds	200,000	5.0 million
Multi Strategy Fund	200,000	5.0 million
Ms. Zhu Ke	80,000	2.0 million
Total	2,880,000	72.0 million

On November 22, 2021, written resolutions were passed by the shareholders of our Company to confirm and approve that the Re-designated Shares carry their respective preference rights as set out in the memorandum and articles of association of our Company adopted in connection with the Series D Financing starting from the respective issuance dates of their respective predecessor ordinary shares.

Upon completion of the Series D Financing on November 26, 2021, the shareholding structure of our Company was as follows:

Shareholders	Number of Ordinary Shares	Number of Series Angel-1 Preferred Shares	Number of Series Angel-2 Preferred Shares	Number of Series A Preferred Shares	Number of Series A+ Preferred Shares	Number of Series B Preferred Shares	Number of Series C-1 Preferred Shares	Number of Series C-2 Preferred Shares	Number of Series D Preferred Shares	Equity Interest *(%)*
Opera Rose	4,294,980	–	–	–	–	–	–	–	–	18.77
Vermilion Bird	3,198,680	–	–	–	–	–	–	–	–	13.98
Light Wisdom HK	980,920	–	–	–	–	–	–	–	–	4.29
Litwis HK	213,260	–	–	235,020	–	–	–	–	–	1.96
WP Health	74,780	268,780	–	–	–	–	–	–	–	1.50
Sugar Health	117,500	–	–	–	–	–	–	–	–	0.51
Rainmed Yi	–	59,380	–	–	–	–	–	–	–	0.26
AIMEI	379,100	–	–	–	–	–	–	–	–	1.66
Stevenwu	284,320	–	–	–	–	–	–	–	–	1.24
ASHG HK	107,280	–	–	–	–	–	–	–	–	0.47
Mingze	618,740	–	–	–	–	–	–	–	–	2.70
Nicholas Duan	53,040	–	–	–	–	–	–	–	–	0.23
NEXT DAWN	88,400	–	–	–	–	–	–	–	–	0.39
ANC HK	88,400	–	–	–	–	–	–	–	–	0.39
Huizhou Merchant Star	–	–	–	–	–	–	–	200,360	–	0.88
Tongxiang Haoqian	27,680	14,980	61,580	–	1,770,280	128,320	–	–	–	8.75
Shanghai Xingzhourun	11,760	6,360	26,160	–	–	128,340	–	–	–	0.75
Shanghai Yujiaorong	79,540	–	–	87,660	–	–	–	–	–	0.73
Shanghai Yuanyizhu	140,840	141,960	265,280	–	–	–	–	–	–	2.40
Shanghai Runrimi	21,560	77,440	–	–	–	–	–	235,720	–	1.46
Shanghai Hongyu Jingyang	–	–	–	–	–	–	–	117,860	–	0.52

Shareholders	Number of Ordinary Shares	Number of Series Angel-1 Preferred Shares	Number of Series Angel-2 Preferred Shares	Number of Series A Preferred Shares	Number of Series A+ Preferred Shares	Number of Series B Preferred Shares	Number of Series C-1 Preferred Shares	Number of Series C-2 Preferred Shares	Number of Series D Preferred Shares	Equity Interest (%)
Shanghai Gongxianggianshun	39,960	21,620	334,640	–	–	–	–	–	–	1.73
Shanghai Zhiguanjie	51,520	27,860	114,560	–	–	–	–	–	–	0.85
Zhuhai Hengqin Lanxu	133,680	99,000	–	147,320	–	–	–	–	–	1.66
Light Silver	–	112,480	–	–	–	–	–	–	–	0.49
Qingzhou Internet	–	270,880	–	117,500	–	–	–	–	–	1.70
Hebei Dongto	356,940	117,880	133,720	587,480	–	–	–	–	–	5.23
Oriental Hongji	–	–	–	352,480	–	–	–	–	–	1.54
Futian New Trend	–	–	–	–	–	606,400	–	–	–	2.65
Shanghai Jingmairun	–	–	–	–	–	–	1,178,540	–	–	5.15
Tongchuang Guosheng	–	–	–	–	–	–	589,280	–	–	2.58
Ping An Investment	–	–	–	–	–	–	–	–	1,440,000	6.29
Haihui Quanli	–	–	–	–	–	–	–	–	960,000	4.20
Seresia Funds	–	–	–	–	–	–	–	–	200,000	0.87
Multi Strategy Fund	–	–	–	–	–	–	–	–	200,000	0.87
Ms. Zhu Ke	–	–	–	–	–	–	–	–	80,000	0.35
Total	11,362,880	1,218,620	935,940	1,527,460	1,770,280	863,060	1,767,820	553,940	2,880,000	100.00

Conversion of Preferred Shares into Ordinary Shares

Pursuant to automatic conversion mechanism in the shareholders' agreement entered into by, among others, our Company and the shareholders of our Company on October 25, 2021 and the memorandum and articles of association of our Company adopted in connection with the Series D Financing, each Preferred Share has been automatically converted into the ordinary shares of a par value of HK$0.0001 each in the capital of the Company on an one-to-one basis by re-classification and re-designation on December 27, 2021, each ranking pari passu in all respect with the existing ordinary shares in the share capital of our Company such that the authorized share capital of our Company shall be HK$380,000 divided into 3,800,000,000 shares of a par value of HK$0.0001 each.

PRE-[REDACTED] INVESTMENTS

Overview

During the period from August 2016 to November 2021, our Group obtained several rounds of investments, including Series Angel-1 Financing, Series Angel-2 Financing, Series Angel-3 Financing, Series A Financing, Series A+ Financing, Series B Financing and Series C Financing through subscription for the increased registered capital of Suzhou Runxin and Series D Financing through subscription for Series D Preferred Shares of our Company. For further details, please refer to the paragraphs headed "Corporate Establishment and Development – Major Shareholding Changes of Suzhou Runxin and Onshore Investments in Our Group" and "Major Shareholding Changes in Our Company – Re-designation of Share Capital and Offshore Investment in Our Group" in this section.

Principal terms of the Pre-[REDACTED] Investments

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

	Series Angel-1 Financing	**Series Angel-2 Financing**	**Series Angel-3 Financing**	**Series A Financing**	**Series A+ Financing**	**Series B Financing**	**Series C Financing**	**Series D Financing**
Amount of consideration paid	RMB9.0 million	RMB7.0 million	RMB1.0 million	RMB13.0 million	RMB20.0 million	RMB28,678,803	RMB180.0 million and HK$20.4 million	USD72.0 million
Date of payment of full consideration	December 28, 2016	November 18, 2016	April 5, 2017	December 30, 2017	March 30, 2018	August 9, 2019	June 2, 2021	November 26, 2021
Post-money valuation of our Company (*approximation*)	RMB79 million	RMB87 million	RMB100 million	RMB113 million	RMB170 million	RMB529 million[3]	RMB1,697 million[4]	USD572 million[5]
Date of agreements	June 23, 2016	September 18, 2016	January 4, 2017	September 30, 2017	February 28, 2018	March 9, 2020	February 8, 2021 and March 1, 2021	October 25, 2021
[REDACTED] paid under the Pre-[REDACTED] Investments (approximation)	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Discount to the [REDACTED] (approximation)[1]	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Basis of determination of the valuation and consideration	The valuation and consideration for each round of the Pre-[**REDACTED**] Investments were determined based on arm's length negotiations between the relevant parties after taking into consideration the timing of the investments and the business, operations and status of our business and operating entities.							

	Series Angel-1 Financing	Series Angel-2 Financing	Series Angel-3 Financing	Series A Financing	Series A+ Financing	Series B Financing	Series C Financing	Series D Financing
Lock-up period	There is no lock-up arrangements for the Pre-[**REDACTED**] Investors.							
Use of [REDACTED] from the Pre-[REDACTED] Investments	We utilized the [**REDACTED**] from the Pre-[**REDACTED**] Investments for the principal business of our Company, including but not limited to research and development activities, the growth and expansion of our Company's business and general working capital purposes. As of the Latest Practicable Date, approximately 50.2% of the net [**REDACTED**] from the Pre-[**REDACTED**] Investments had been utilized.							
Strategic benefits to our Company brought by the Pre-[REDACTED] Investors	At the time of the Pre-[**REDACTED**] Investments, our Directors were of the view that our Company could benefit from the additional funds provided by the investments in our Company and the knowledge and experience of the Pre-[**REDACTED**] Investors.							

Notes:

(1) The discount is based on the indicative price of HK$[**REDACTED**] (being the mid-point of the indicative [**REDACTED**] of as stated in this document) and the indicative exchange rate of HK$1.00 = RMB0.8500.

(2) Based on the indicative exchange rate of HK$1.00 = RMB0.8500.

(3) The post-money valuation of our Company increased after Series A+ Financing was primarily due to our commercialization of caFFR System in the PRC and overseas.

(4) The post-money valuation of our Company increased after Series B Financing was primarily due to the completion of first enrollment of human subject for the clinical trial for the indication expansion of caFFR System.

(5) The post-money valuation of our Company increased after Series C Financing was primarily due to the completion of first enrollment of human subject for the confirmatory clinical trial for caIMR System.

Calculated on the [**REDACTED**] of HK$[**REDACTED**], being the mid-point of the indicative [**REDACTED**], the valuation of our Company upon [**REDACTED**] will be approximately HK$[**REDACTED**] million (assuming the [**REDACTED**] is not exercised and the options granted under the Pre-[**REDACTED**] Share Option Scheme are not exercised).

The increase in valuation of our Company upon [**REDACTED**] from the Series D Financing has taken into account: (i) advancements in our business and pipeline products after the date of the agreement for the Series D Financing when our valuation for the Series D Financing was determined, for instance, (a) completion of confirmatory trial of caIMR in the first quarter of 2022, (b) commencement of animal study for Flash robots in the 2nd quarter of 2022, (c) expansion of the medical insurance coverage of precise diagnosis tools such as FFR etc. to control the overall treatment cost caused by unnecessary over-treatment and thus may improve perpetration rate, and (d) the continuous and successful commercialization performance of our launched product caFFR; (ii) the difference in risk undertaken by Pre-[**REDACTED**] Investors investing in a private company *vis-à-vis* investors investing in a public company; (iii) the premium attached to the Shares of our Company as they become freely tradeable upon [**REDACTED**]; and (iv) the expected capital raised during the [**REDACTED**]. For details of the aforesaid advancements in our business and pipeline products, please refer to the section headed "Business" in this document.

Pre-[REDACTED] Investors' Rights

Pursuant to the shareholders' agreement entered into by, among others, our Company and the shareholders of our Company on October 25, 2021 and the memorandum and articles of association of our Company adopted in connection with the Series D Financing, the Pre-[**REDACTED**] Investors were granted certain special rights, including, among others, information and inspection rights, right of participation, co-sale right, drag-along right.

All the Preferred Shares have been automatically converted into ordinary shares of our Company on an one-to-one basis immediately before the date of the submission of application for a [**REDACTED**] of ordinary shares of the Company on the Stock Exchange and all special rights of the Pre-[**REDACTED**] Investors have been suspended immediately before the date of the submission of application for a [**REDACTED**] of ordinary shares of the Company on the Stock Exchange and will be terminated upon consummation of the [**REDACTED**], provided such ordinary shares of our Company will be automatically converted into Preferred Shares and such special rights shall be automatically restored in full effect upon the earlier of: (i) the application for the [**REDACTED**] is withdrawn, deemed invalid or rejected; (ii) the process of the [**REDACTED**] is withdrawn, terminated or elapsed for any reason; or (iii) the [**REDACTED**] is not completed within twelve months after the submission of the application.

In view of (i) the fact that all the Preferred Shares have been converted into ordinary shares of our Company immediately before the date of the submission of application for a [**REDACTED**] of ordinary shares of the Company on the Stock Exchange and (ii) the mechanism for such ordinary shares to automatically convert into Preferred Shares and restore special rights as set out above, all the Preferred Shares (except for the Series A Preferred Share) were classified as financial liabilities as of December 31, 2021. The Series A Preferred Shares were accounted for as an equity instrument considering they do not have rights as anti-dilution, liquidation preferences or redemption right. For further details, please refer to the section headed "Financial Information – Discussion of Selected Items from the Consolidated Balance Sheets – Financial Liabilities at FVTPL" and Note 28 to the Accountant's Report in Appendix I to this document.

Information about the Pre-[REDACTED] Investors

Our Pre-[**REDACTED**] Investors include certain sophisticated investors, namely Tongxiang Haoqian, Tongchuang Guosheng and Shanghai Jingmairun, which have made meaningful investment in our Company at least six months before the [**REDACTED**] Date. The background information of our Pre-[**REDACTED**] Investors is set out below. To the best knowledge of our Directors, each of our Pre-[**REDACTED**] Investors and their respective general partner and limited partners (where applicable) is an Independent Third Party.

(1) Litwis HK

Litwis HK is a company incorporated as a business company limited by shares in the British Virgin Islands on March 16, 2021. It is wholly owned by Mr. Zhou Xiaoyu.

(2) WP Health

WP Health is a company incorporated as a business company limited by shares in the British Virgin Islands on March 16, 2021. It is wholly owned by Mr. Li Wei, who was a director of Suzhou Runxin from July 15, 2016 to July 13, 2021.

(3) Sugar Health

Sugar Health is a company incorporated as a business company limited by shares in the British Virgin Islands on March 16, 2021. It is wholly owned by Mr. Guo Yandong.

(4) Rainmed Yi

Rainmed Yi is a company incorporated as a business company limited by shares in the British Virgin Islands on March 16, 2021. It is wholly owned by Mr. Liu Yimin.

(5) Huizhou Merchant Star

Huizhou Merchant Star is a private company limited by shares incorporated under the laws of BVI on March 9, 2021. It is wholly owned by Mr. Yang Gengsheng.

(6) Tongxiang Haoqian and Tongchuang Guosheng

Tongxiang Haoqian is a limited partnership established in the PRC on April 21, 2021. The general partner of Tongxiang Haoqian is Xinyu Tongchuang Investment Management Co., Ltd. (新余同創精選投資管理有限公司) which is wholly-owned by Shenzhen Cowin Asset Management Co., Ltd. (深圳同創偉業資產管理股份有限公司) (a company in listed on National Equities Exchange and Quotations (832793.NEEQ) ("**Cowin**"). As of the Latest Practicable Date, Tongxiang Haoqian had one limited partner, being Shenzhen Futian Tongchuang Weiye Dajiankang Industry Investment Fund Partnership (Limited Partnership) (深圳福田同創偉業大健康產業投資基金合夥企業(有限合夥)), which held 96.30% partnership interest in Tongxiang Haoqian. Tongchuang Guosheng is a limited partnership established in the PRC on May 9, 2018. The general partner of Tongchuang Guosheng is Shenzhen Cowin Jinxiu Asset Management Co., Ltd. (深圳同創錦繡資產管理有限公司) which is wholly-owned by Cowin. As of the Latest Practicable Date, Tongchuang Guosheng had 44 limited partners and the interest held by the limited partners in Tongchuang Guosheng ranged from approximately 0.14% to 21.71% with Qingdao Tongchuang Zhihua Equity Investment Partnership (Limited Partnership) (青島同創致華股權投資合夥企業(有限合夥)) being the largest limited partner in Tongchuang Guosheng. Cowin and its affiliates currently manage over RMB30 billion of capital from diversified limited partners. Cowin focuses on investments in innovative medicine & medical devices in life science sector and has invested in more than 100 companies, including Innovent Biologics, Inc. (01801.HK), Betta Pharmaceuticals Co., Ltd. (貝達藥業股份有限公司) (300558.SZ) and Venus Medtech (Hangzhou) Inc. (杭州啟明醫療器械股份有限公司) (02500.HK). Thus, it is a sophisticated investor.

(7) Shanghai Xingzhourun, Qingzhou Internet and Light Silver

Shanghai Xingzhourun is a limited partnership established in the PRC on April 25, 2021. Qingzhou Internet is a limited partnership established in the PRC on May 13, 2015. The general partner of both Shanghai Xingzhourun and Qingzhou Internet is Light Silver. As of the Latest Practicable Date, Shanghai Xingzhourun had one limited partner, being Qingzhou Business which held 99.99% partnership interest in Shanghai Xingzhourun. As of the Latest Practicable Date, Qingzhou Internet had 14 limited partners and the interest held by the limited partners in Qingzhou Internet ranged from approximately 1.06% to 20.21% with Ms. Zhang Xuan, being the largest limited partner in Qingzhou Internet. Light Silver is a partnership established in the PRC on April 15, 2015. The executive partner of Light Silver is Mr. Zhou Bin, who also held interest in our Company through Light Wisdom HK and served as a director of Suzhou Runxin from July 15, 2016 to July 13, 2021. Light Silver manages around RMB500 million asset in different investment sectors. As of the Latest Practicable Date, Light Silver had five partners and the interest held by the limited partners in Light Silver ranged from approximately 0.01% to 64.99% with Beijing Chongshan Interactive Investment Management Center (General Partnership) (北京崇山互動投資管理中心(普通合夥)) (a limited partnership established in the PRC whose approximately 96.03% partnership interest held by Mr. Zhou Bin), being the largest limited partner in Light Silver.

(8) Shanghai Yujiaorong

Shanghai Yujiaorong is a limited partnership established in the PRC on April 14, 2021. The general partner of Shanghai Yujiaorong is Shanghai Kuangsheng Health Technology Co., Ltd. (上海曠盛健康科技有限公司), a company wholly owned by Mr. Liu Qilin (劉啟林). As of the Latest Practicable Date, Shanghai Yujiaorong had one limited partner, being Shanghai Jinru which held 99.99% partnership interest in Shanghai Yujiaorong.

(9) Shanghai Yuanyizhu

Shanghai Yuanyizhu is a limited partnership established in the PRC on April 25, 2021. The general partner of Shanghai Yuanyizhu is Shenzhen Xinyuexin Technology Co., Ltd. (深圳市鑫悦芯科技有限公司), a company ultimately controlled by Mr. Zhang Xiangdong (張向東). As of Latest Practicable Date, Shanghai Yuanyizhu had three limited partners, being Ningbo Zhusheng, Yuanyi Investment and Shenzhen Beta Star Investment Enterprise (Limited Partnership) (深圳貝塔星投資企業(有限合夥)) which had approximately 45.52%, 26.86% and 26.62% partnership interest in Shanghai Yuanyizhu, respectively.

(10) Shanghai Runrimi

Shanghai Runrimi is a limited partnership established in the PRC on April 26, 2021. The general partner of Shanghai Runrimi is Xiamen Lingxi Management Consulting Partnership (Limited Partnership) (廈門靈溪管理諮詢合伙企業(有限合伙)), which in turn is a limited partnership established in the PRC on July 3, 2018, whose general partner is Mr. Kong Yi (孔毅). As of the Latest Practicable Date, Shanghai Runrimi had one limited partner, being Xiamen Shunzhirun which held 99.99% partnership interest in Shanghai Runrimi.

(11) Shanghai Hongyu Jingyang

Shanghai Hongyu Jingyang is a limited partnership established in the PRC on April 21, 2021. The general partner of Shanghai Hongyu Jingyang is Shanghai Zeke Medical Instrument Co., Ltd. (上海澤科醫療器械有限公司), a company wholly owned by Mr. Lei Yang (雷揚). As of the Latest Practicable Date, Shanghai Hongyu Jingyang had one limited partner, being Ningbo Beidouxing which held 99.99% partnership interest in Shanghai Hongyu Jingyang.

(12) Shanghai Gongxiangqianshun

Shanghai Gongxiangqianshun is a limited partnership established in the PRC on April 21, 2021. The general partner of Shanghai Gongxiangqianshun is Shenzhen Yaokai Industry Co., Ltd. (深圳市耀凱實業有限公司), a company ultimately controlled by Mr. Liu Kai (劉凱). As of the Latest Practicable Date, Shanghai Gongxiangqianshun had one limited partner, being Juzhi Huixian which held 99.99% partnership interest in Shanghai Gongxiangqianshun.

(13) Shanghai Zhiguanjie and Futian New Trend

Shanghai Zhiguanjie is a limited partnership established in the PRC on April 25, 2021. Futian New Trend is a limited partnership incorporated in the PRC on July 17, 2017. The general partner of both Shanghai Zhiguanjie and Futian New Trend is Shenzhen Yuxuan Equity Investment Fund Co., Ltd. (深圳雨軒股權投資基金有限公司), which was owned as to approximately 51.22%, 46.34% and 2.44% by Tianrui Chuangrong (Shenzhen) Equity Investment Fund Management Co., Ltd. (天睿創融(深圳)股權投資基金管理有限公司), Tianan Financial Holding (Shenzhen) Co., Ltd. (天安金融控股(深圳)有限公司) and Ms. Li Jie (李潔), respectively. As of the Latest Practicable Date, Shanghai Zhiguanjie had one limited partner, being Tian'an Xinzhizao which held 99.00% partnership interest in Shanghai Zhiguanjie. Futian New Trend had five limited partners and the interest held by the limited partners in Futian New Trend ranged from approximately 0.98% to 58.82% with Jianghai Securities Co., Ltd. (江海證券有限公司), a wholly owned subsidiary of Harbin Hatou Investment Co., Ltd (哈爾濱哈投投資股份有限公司) (600864.SH), being the largest limited partner in Futian New Trend.

(14) Zhuhai Hengqin Lanxu

Zhuhai Hengqin Lanxu is a limited partnership established in the PRC on November 13, 2020. The general partner of Zhuhai Hengqin Lanxu is Shanghai Xiheng Asset Management Co., Ltd. (上海晞恒資產管理有限公司) ("**Shanghai Xiheng**"), a company which is ultimately controlled by Mr. Wang Yawei (王亞偉), and is primarily engaged in equity investment with over RMB1 billion assets under management. Shanghai Xiheng has invested companies include Innovent Biologics, Inc. (01801.HK) and Fujian Foxit Software Development Joint Stock Co., Ltd. (福建福昕軟件開發股份有限公司) (688095.SH), etc. As of the Latest Practicable Date, Zhuhai Hengqin Lanxu had two limited partners, namely Mr. Tao Qin (陶勤) and Ms. Tang Fei (唐菲), and each of them held approximately 49.99% partnership interest in Zhuhai Hengqin Lanxu.

(15) Hebei Dongto

Hebei Dongto is a limited company established in the PRC on July 6, 2010. As of the Latest Practicable Date, it was held as to 52% and 48% by Ms. Liu Jingxia (劉競霞) and Mr. Liu Lirui (劉力睿), respectively.

(16) Oriental Hongji

Oriental Hongji is a limited company established in the PRC on November 16, 2015. As of the Latest Practicable Date, it was held as to 95% and 5% by Mr. Li Jian (李健) and Ms. Zhao Tingting (趙婷婷), respectively.

(17) Shanghai Jingmairun

Shanghai Jingmairun is a limited partnership established in the PRC on May 18, 2021. The general partner of Shanghai Jingmairun is Shenzhen Jinghui Equity Investment Management Partnership (Limited Partnership) (深圳景輝股權投資管理合伙企業(有限合伙)) whose general partner is Shanghai Greenwoods Equity Investment Management Co., Ltd. (上海景林股權投資管理有限公司), which is owned as to 90% by Greenwoods Capital Management Co., Ltd. (景林資本管理有限公司) ("**Greenwoods**"). As of the Latest Practicable Date, Shanghai Jingmairun had one limited partner, being Shenzhen Greenwoods which held 99.99% partnership interest in Shanghai Jingmairun. Greenwoods primarily engaged in equity investment and currently has over USD3 billion of asset under management. The investment portfolios of Greenwoods include Acotec Scientific Holdings Limited (先瑞達醫療科技控股有限公司) (06669.HK) and Shenzhen Zifu Technology Co., Ltd. (深圳市資福醫療技術有限公司). Thus, it is a sophisticated investor.

(18) Ping An Investment and Haihui Quanli

Ping An Investment is a limited partnership established in the PRC on December 30, 2020. Haihui Quanli is a limited partnership established in the PRC on May 13, 2014. The general partners of Ping An Investment and Haihui Quanli are Shenzhen Ping An Properties Investment Co., Ltd. (深圳市平安置業投資有限公司) ("**Ping An Properties**") and Ping An Capital Co., Ltd. (平安資本有限責任公司) ("**Ping An Capital**"), respectively, both of whom are ultimately owned by Ping An Insurance (Group) Company of China, Ltd. (中國平安保險(集團)股份有限公司) (02318.HK and 601318.SH) ("**Ping An Group**"). As of the Latest Practicable Date, Ping An Capital, an indirect wholly-owned subsidiary of Ping An Group, is the only limited partner of Ping An Investment (with 99.00% partnership interest) and China Ping An Property Insurance Co., Ltd. (中國平安財產保險股份有限公司), a subsidiary of Ping An Group, is the only limited partner of Haihui Quanli (with approximately 99.95% partnership interest).

(19) Seresia Funds

Seresia Funds is a company incorporated under the laws of the Cayman Islands on March 29, 2019. Seresia Funds is wholly-owned by Seresia Asset Management Limited ("**Seresia Asset Management**"), a company incorporated in Hong Kong and primarily engaged in equity investments. As of the Latest Practicable Date, the management shares of Seresia Asset Management were held as to 62.5%, 25% and 12.5% by Geoharbour Holding Co., Ltd. (a company incorporated in Republic of Seychelles and wholly-owned by Mr. Xu Wang (徐望)), Mr. Cheng Kam Wah Conrad (鄭錦華) and Mr. Pan Yongxu (潘永旭), respectively.

(20) Multi Strategy Fund

Multi Strategy Fund is a company incorporated under the laws of Singapore on August 18, 2020. Multi Strategy Fund is managed by Lighthouse Canton Pte Ltd ("**LCPL**"), a company primarily engaged in the business of providing investment management services and incorporated under the laws of Singapore. As of the Latest Practicable Date, the management shares of Multi Strategy Fund was owned as to 50% and 50% by Mr. Shipi Chowdhary and Ms. Tang Kar Wai Audrey, respectively, and managed approximately USD2.3 billion of asset.

(21) Ms. Zhu Ke

Ms. Zhu Ke became acquainted with our Company shortly prior to the Series D Financing while our Company was conducting roadshow for the financing. Ms. Zhu Ke has conducted certain investments previously as a limited partner of the investment funds.

COMPLIANCE WITH INTERIM GUIDANCE AND GUIDANCE LETTERS

The Sole Sponsor confirms that the investments by the Pre-[**REDACTED**] Investors are in compliance with the Guidance Letter HKEX-GL29-12 issued in January 2012 and updated in March 2017 by the Stock Exchange, the Guidance Letter HKEX-GL43-12 issued in October 2012 and updated in July 2013 and in March 2017 by the Stock Exchange and the Guidance Letter HKEX-GL44-12 issued in October 2012 and updated in March 2017 by the Stock Exchange.

ADOPTION OF PRE-[REDACTED] SHARE OPTION SCHEME

Our Company adopted the Pre-[**REDACTED**] Share Option Scheme on December 10, 2021. As of the Latest Practicable Date, options to subscribe for an aggregate of [**REDACTED**] Shares ([**REDACTED**] Shares as adjusted after the [**REDACTED**]) (representing approximately [**REDACTED**]% of the total issued share capital of our Company immediately upon completion of the [**REDACTED**] and the [**REDACTED**] (assuming the [**REDACTED**] is not exercised and the options granted under the Pre-[**REDACTED**] Share Option Scheme are not exercised) have been conditionally granted to 146 eligible participants under the Pre-[**REDACTED**] Share Option Scheme. For details and principal terms of the Pre-[**REDACTED**] Share Option Scheme, please refer to the paragraph headed "D. Pre-[**REDACTED**] Share Option Scheme" in Appendix IV to this document.

PUBLIC FLOAT

Upon completion of the [**REDACTED**] and the [**REDACTED**] (assuming the [**REDACTED**] is not exercised and the options granted under the Pre-[**REDACTED**] Share Option Scheme are not exercised), (i) Mr. Huo (our executive Director, chairman of our Board and the chief executive officer of our Company) will indirectly, through Opera Rose and Rainmed01, control approximately [**REDACTED**]% of the total issued Shares, (ii) Mr. Lyu Yonghui (our executive Director and joint chief executive officer of our Company) will indirectly, through Mingze, control approximately [**REDACTED**]% of the total issued Shares, (iii) Mr. Zhang Liang (our executive Director, chief financial officer and joint company secretary of our Company) will indirectly, through ANC HK, control approximately [**REDACTED**]% of the total issued Shares, and (iv) Ms. Gu Yang (our executive Director and a vice president of our Company) will indirectly, through ASHG HK, control approximately [**REDACTED**]% of the total issued Shares. In addition, (i) Dr. Huo Yunlong will indirectly, through Vermilion Bird and Hyljrkcyn888, control approximately [**REDACTED**]% of the total issued Shares and will be a substantial shareholder of our Company, (ii) Cowin will indirectly, through Tongxiang Haoqian and Tongchuang Guosheng, control approximately [**REDACTED**]% of the total issued Shares and will be a substantial shareholder of our Company, and (iii) Ping An Group will indirectly, through Ping An Investment and Haihui Quanli, control approximately [**REDACTED**]% of the total issued Shares and will be a substantial shareholder of our Company. Therefore, the Shares held by Mr. Huo, Mr. Lyu Yonghui, Mr. Zhang Liang, Ms. Gu Yang, Dr. Huo Yunlong, Tongxiang Haoqian, Tongchuang Guosheng, Ping An Investment and Haihui Qianli will not count towards the public float for the purpose of Rule 8.08 of the Listing Rules.

Save as disclosed above, to the best of our Directors' knowledge, none of the other Shareholders is a core connected person of our Company upon [**REDACTED**], is accustomed to take instructions from core connected persons of our Company in relation to the acquisition, disposal, voting or other disposition of their Shares, or was financed directly or indirectly by core connected persons of our Company for their acquisition of Shares. As a result, a total of approximately [**REDACTED**]% of the Shares (upon completion of the [**REDACTED**] and the [**REDACTED**] assuming the [**REDACTED**] is not exercised and the options granted under the Pre-[**REDACTED**] Share Option Scheme are not exercised) will be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules. Therefore, over [**REDACTED**] of our Company's total issued Shares with a [**REDACTED**] of at least HK$375 million will be held by the public upon completion of the [**REDACTED**] and the [**REDACTED**] in accordance with Rules 8.08(1)(a) and 18A.07 of the Listing Rules.

PRC REGULATORY REQUIREMENTS

Our PRC Legal Adviser is of the view that the Reorganization, each of the equity transfers and increases and/or reduction in registered capital in relation to our PRC subsidiaries and Suzhou Runxin disclosed in this section has been conducted in compliance with applicable laws and regulations of the PRC and has been properly and legally completed and settled and duly registered with local registration authorities of the PRC and all necessary regulatory approvals have been obtained.

The Rules on the Mergers and Acquisitions of Domestic Enterprises by Foreign Investors in the PRC

According to the "Provisions Regarding Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the "**M&A Rules**") jointly issued by the MOFCOM, the SASAC, the SAT, the CSRC, the SAIC and the SAFE on August 8, 2006 and effective as of September 8, 2008 and amended in June 2009, where a domestic company, enterprise or natural person intends to acquire its or his/her related domestic company in the name of an offshore company which it or he/she lawfully established or controls, the acquisition shall be subject to the examination and approval of the MOFCOM; and where a domestic company or natural person holds an equity interest in a domestic company through an offshore special purpose company by paying the acquisition price with equity interests, the overseas [**REDACTED**] of that special purpose company shall be subject to approval by the CSRC.

As advised by our PRC Legal Adviser, since Suzhou Rainmed was already a foreign investment enterprise before the acquisition of its entire equity interest by Rainmed HK, the M&A Rules is not applicable to the onshore reorganization of our Group.

SAFE Circular 37 and Related Rules

Pursuant to SAFE Circular 37, (a) a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle (the "**Overseas SPV**") that is directly established or controlled by the PRC resident for the purpose of conducting investment or financing; and (b) following the initial registration, the PRC resident is required to register with the local SAFE branch for any major change in respect of the Overseas SPV, including, among other things, a change in the Overseas SPV's PRC resident shareholder, name of the Overseas SPV, term of operation or any increase or reduction of the Overseas SPV's registered capital, share transfer or swap, and merger or division. Pursuant to SAFE Circular 37, failure to comply with these registration procedures may result in penalties, including the imposition of restrictions on the ability of the Overseas SPV's PRC subsidiary to distribute dividends to its overseas parent.

As advised by our PRC Legal Adviser, as of the Latest Practicable Date, each of Mr. Huo, Dr. Huo Yunlong, Mr. Zhou Bin, Mr. Zhou Xiaoyu, Mr. Li Wei, Mr. Guo Yandong, Mr. Liu Yimin, Mr. Liu Guangzhi, Mr. Wu Xingyun, Ms. Gu Yang, Mr. Lyu Yonghui, Mr. Duan Ning, Mr. Liu Kangjian and Mr. Zhang Liang has completed the foreign exchange registration procedure for domestic resident making overseas investment.

CAPITALIZATION OF OUR COMPANY

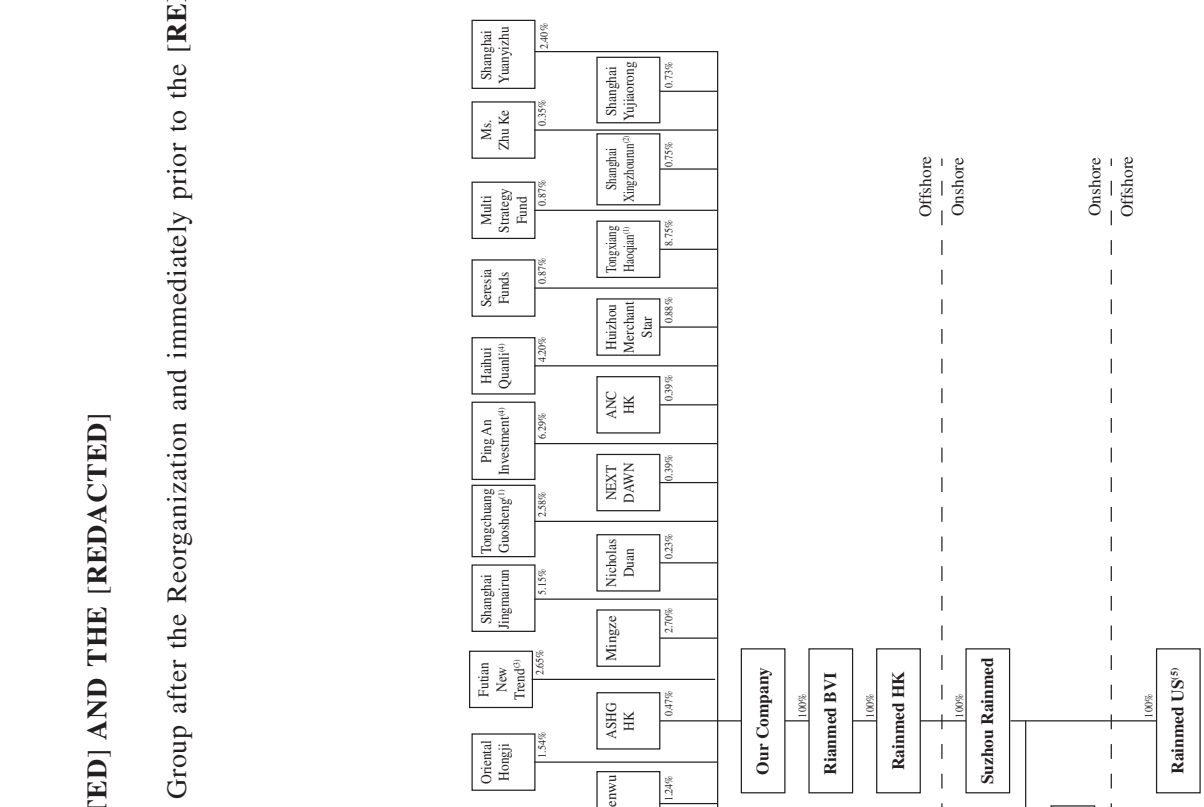
The table below is a summary of the capitalization of our Company as of the Latest Practicable Date and the [**REDACTED**] Date (assuming the [**REDACTED**] is not exercised and the options granted under the Pre-[**REDACTED**] Share Option Scheme are not exercised):

Shareholders	**As of the date of the Latest Practicable Date**		**As of the [REDACTED] Date**	
	Number of Shares	**Shareholding percentage** *(%)*	**Number of Shares**	**Shareholding percentage** *(%)*
Opera Rose	4,294,980	18.77	[**REDACTED**]	[**REDACTED**]
Vermilion Bird	3,198,680	13.98	[**REDACTED**]	[**REDACTED**]
Light Wisdom HK	980,920	4.29	[**REDACTED**]	[**REDACTED**]
Litwis HK	448,280	1.96	[**REDACTED**]	[**REDACTED**]
WP Health	343,560	1.50	[**REDACTED**]	[**REDACTED**]
Sugar Health	117,500	0.51	[**REDACTED**]	[**REDACTED**]
Rainmed Yi	59,380	0.26	[**REDACTED**]	[**REDACTED**]
AIMEI	379,100	1.66	[**REDACTED**]	[**REDACTED**]
Stevenwu	284,320	1.24	[**REDACTED**]	[**REDACTED**]
ASHG HK	107,280	0.47	[**REDACTED**]	[**REDACTED**]
Mingze	618,740	2.70	[**REDACTED**]	[**REDACTED**]
Nicholas Duan	53,040	0.23	[**REDACTED**]	[**REDACTED**]
NEXT DAWN	88,400	0.39	[**REDACTED**]	[**REDACTED**]

Shareholders	As of the date of the Latest Practicable Date		As of the [REDACTED] Date	
	Number of Shares	Shareholding percentage *(%)*	Number of Shares	Shareholding percentage *(%)*
ANC HK	88,400	0.39	[**REDACTED**]	[**REDACTED**]
Huizhou Merchant Star	200,360	0.88	[**REDACTED**]	[**REDACTED**]
Tongxiang Haoqian	2,002,840	8.75	[**REDACTED**]	[**REDACTED**]
Shanghai Xingzhourun	172,620	0.75	[**REDACTED**]	[**REDACTED**]
Shanghai Yujiaorong	167,200	0.73	[**REDACTED**]	[**REDACTED**]
Shanghai Yuanyizhu	548,080	2.40	[**REDACTED**]	[**REDACTED**]
Shanghai Runrimi	334,720	1.46	[**REDACTED**]	[**REDACTED**]
Shanghai Hongyu Jingyang	117,860	0.52	[**REDACTED**]	[**REDACTED**]
Shanghai Gongxiangqianshu	396,220	1.73	[**REDACTED**]	[**REDACTED**]
Shanghai Zhiguanjie	193,940	0.85	[**REDACTED**]	[**REDACTED**]
Zhuhai Hengqin Lanxu	380,000	1.66	[**REDACTED**]	[**REDACTED**]
Light Silver	112,480	0.49	[**REDACTED**]	[**REDACTED**]
Qingzhou Internet	388,380	1.70	[**REDACTED**]	[**REDACTED**]
Hebei Dongto	1,196,020	5.23	[**REDACTED**]	[**REDACTED**]
Oriental Hongji	352,480	1.54	[**REDACTED**]	[**REDACTED**]
Futian New Trend	606,400	2.65	[**REDACTED**]	[**REDACTED**]
Shanghai Jingmairun	1,178,540	5.15	[**REDACTED**]	[**REDACTED**]
Tongchuang Guosheng	589,280	2.58	[**REDACTED**]	[**REDACTED**]
Ping An Investment	1,440,000	6.29	[**REDACTED**]	[**REDACTED**]
Haihui Quanli	960,000	4.20	[**REDACTED**]	[**REDACTED**]
Seresia Funds	200,000	0.87	[**REDACTED**]	[**REDACTED**]
Multi Strategy Fund	200,000	0.87	[**REDACTED**]	[**REDACTED**]
Ms. Zhu Ke	80,000	0.35	[**REDACTED**]	[**REDACTED**]
Investors taking part in the [**REDACTED**]	–	–	[**REDACTED**]	[**REDACTED**]
Total	22,880,000	100.00	[**REDACTED**]	100.00

OUR STRUCTURE IMMEDIATELY PRIOR TO THE [REDACTED] AND THE [REDACTED]

The following chart sets forth the shareholding structure of our Group after the Reorganization and immediately prior to the [**REDACTED**] and the [**REDACTED**]:



Notes:

(1) Tongxiang Haoqian is a limited partnership established in the PRC. The general partner of Tongxiang Haoqian is Xinyu Tongchuang Investment Management Co., Ltd. (新余同創精選投資管理有限公司) which is wholly-owned by Cowin. Tongchuang Guosheng is a limited partnership established in the PRC. The general partner of Tongchuang Guosheng is Shenzhen Cowin Jinxiu Asset Management Co., Ltd. (深圳同創錦繡資產管理有限公司) which is also wholly-owned by Cowin (832793.NEEQ).

(2) Shanghai Xingzhourun is a limited partnership established in the PRC. Qingzhou Internet is a limited partnership established in the PRC. The general partner of both Shanghai Xingzhourun and Qingzhou Internet is Light Silver. Light Silver is a partnership established in the PRC. The executive partner of Light Silver is Mr. Zhou Bin, who also held interest in our Company through Light Wisdom HK.

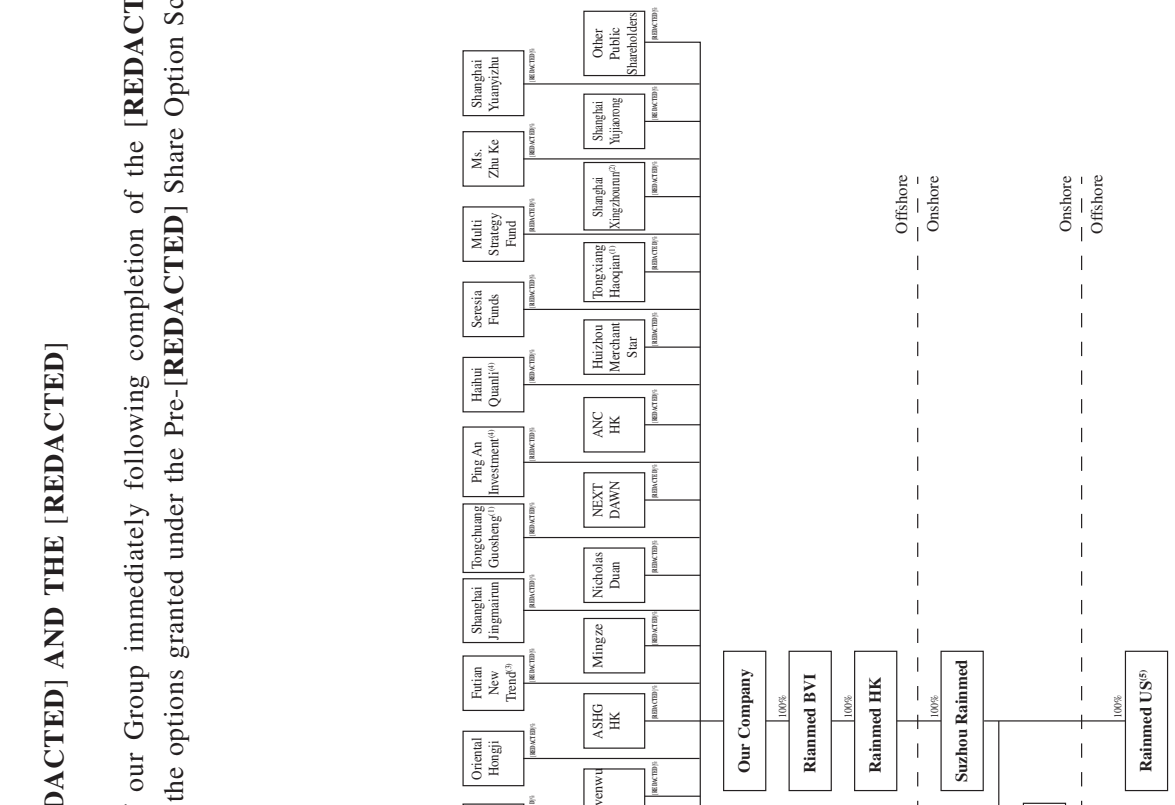
(3) Shanghai Zhiguanjie is a limited partnership established in the PRC. Futian New Trend is a limited partnership incorporated in the PRC. The general partner of both Shanghai Zhiguanjie and Futian New Trend is Shenzhen Yuxuan Equity Investment Fund Co., Ltd. (深圳雨軒股權投資基金有限公司).

(4) Ping An Investment is a limited partnership established in the PRC. Haihui Quanli is a limited partnership established in the PRC. The general partners of Ping An Investment and Haihui Quanli are Shenzhen Ping An Properties Investment Co., Ltd. (深圳市平安置業投資有限公司) and Ping An Capital Co., Ltd. (平安資本有限責任公司), respectively, both of whom are ultimately owned by Ping An Group (02318.HK and 601318.SH).

(5) Since the incorporation of Rainmed US on November 13, 2019, Rainmed US has not been engaged in any business operation.

OUR STRUCTURE IMMEDIATELY FOLLOWING THE [REDACTED] AND THE [REDACTED]

The following chart sets forth the shareholding structure of our Group immediately following completion of the [**REDACTED**] and the [**REDACTED**] (assuming the [**REDACTED**] is not exercised and the options granted under the Pre-[**REDACTED**] Share Option Scheme are not exercised):



Notes:

(1) Tongxiang Haoqian is a limited partnership established in the PRC. The general partner of Tongxiang Haoqian is Xinyu Tongchuang Investment Management Co., Ltd. (新余同創精選投資管理有限公司) which is wholly-owned by Cowin. Tongchuang Guosheng is a limited partnership established in the PRC. The general partner of Tongchuang Guosheng is Shenzhen Cowin Jinxiu Asset Management Co., Ltd. (深圳同創錦繡資產管理有限公司) which is also wholly-owned by Cowin (832793.NEEQ).

(2) Shanghai Xingzhourun is a limited partnership established in the PRC. Qingzhou Internet is a limited partnership established in the PRC. The general partner of both Shanghai Xingzhourun and Qingzhou Internet is Light Silver. Light Silver is a partnership established in the PRC. The executive partner of Light Silver is Mr. Zhou Bin, who also held interest in our Company through Light Wisdom HK.

(3) Shanghai Zhiguanjie is a limited partnership established in the PRC. Futian New Trend is a limited partnership incorporated in the PRC. The general partner of both Shanghai Zhiguanjie and Futian New Trend is Shenzhen Yuxuan Equity Investment Fund Co., Ltd. (深圳雨軒股權投資基金有限公司).

(4) Ping An Investment is a limited partnership established in the PRC. Haihui Quanli is a limited partnership established in the PRC. The general partners of Ping An Investment and Haihui Quanli are Shenzhen Ping An Properties Investment Co., Ltd. (深圳市平安置業投資有限公司) and Ping An Capital Co., Ltd. (平安資本有限責任公司), respectively, both of whom are ultimately owned by Ping An Group (02318.HK and 601318.SH).

(5) Since the incorporation of Rainmed US on November 13, 2019, Rainmed US has not been engaged in any business operation.

OVERVIEW

We are committed to becoming a global leading vascular interventional surgical robotics company, with our current focus on the design, development and commercialization of coronary angiography-derived fractional flow reserve system ("**caFFR System**") and coronary angiography-derived index of microvascular resistance system ("**caIMR System**"). Our Core Products, caFFR System and caIMR System, are innovative medical devices used to evaluate the severity of myocardial ischemia arising from coronary artery stenosis and microvascular dysfunction, which are the underlying causes of coronary artery diseases ("**CAD**"). They are designed to eliminate the usage of pressure wires, significantly reduce the risk of technical errors and operation time, and improve physiological assessment. These two systems are currently utilized singularly for precision diagnosis of CAD. As FFR measures the macro-circulation of arteries which account for 5% of all arteries and IMR measures the micro-circulation of arteries which account for 95% of all arteries, therefore, using a combination of IMR and FFR can provide a comprehensive evaluation on coronary circulation status of CAD patients. These two systems are expected to form the center and crucial modules for our future vascular interventional surgical robots.

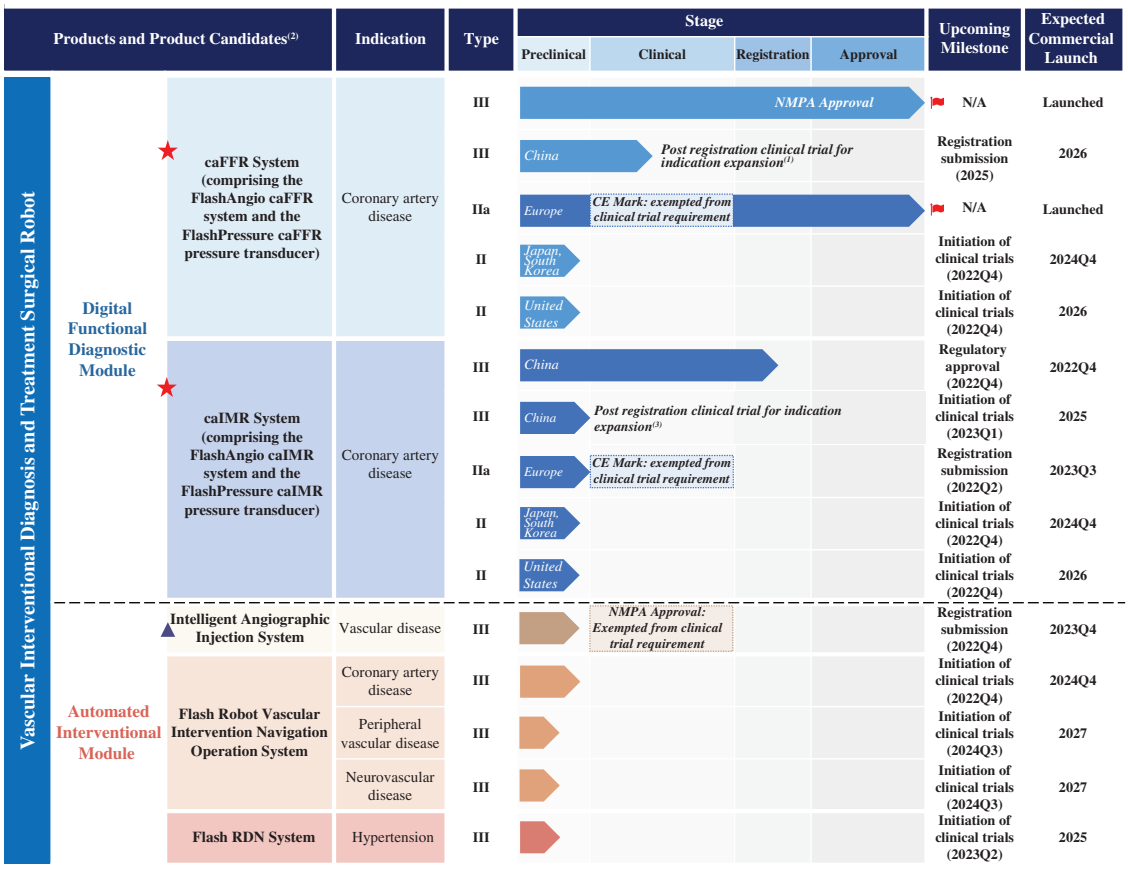
Our caFFR System has obtained both certificates of CE Mark in Europe and NMPA approval in China. With the high accuracy rate of over 95% and convenient operation process that takes less than five minutes, our caFFR System has become a leading domestic FFR measurement product and is currently competing closely with an international leading medical device company for the national leader position in FFR measurement market in China, according to CIC. In addition, we are also developing our caIMR System, which is expected to become the first and the only less-invasive IMR system approved for commercialization globally, according to CIC. Building on our caFFR System and caIMR System, we aim to launch our vascular interventional surgical robot, a one-stop hybrid procedure, that can be carried out for diagnostic and therapeutic purposes by connecting and integrating all our clinical applications, to automate the whole process of percutaneous coronary intervention ("**PCI**") by 2024.

We are deeply rooted in precision diagnosis for coronary intervention in China, which is an underpenetrated market. Among all the precision diagnostic methods, FFR, a physiological functional parameter, is an important precision diagnosis measurement to assess the functional significance of coronary artery stenosis that is strongly recommended by multiple authorities globally, including the European Society of Cardiology and the Chinese Society of Cardiology, to guide PCI together with (namely, an anatomical parameter) coronary angiography ("**CAG**"). Multiple authoritative studies globally, including FAME, FAME II, FAME III and DEFER, also demonstrate that the FFR-guided interventional treatment strategies are safe with better treatment outcomes compared with that of using CAG alone. Despite the high prevalence of CAD and the benefits of precision diagnostic methods, however, the penetration rate of FFR is rather low, leaving the market underpenetrated. According to CIC, in 2020, the number of FFR measurement procedures performed per million CAD patients was approximately 800, and the penetration rate of FFR measurement procedures among all patients receiving CAG was 0.4% in China, as compared to approximately 16,300 and 22.5% in the U.S., respectively.

The number of FFR measurement procedures per million CAD patients and the penetration rate of FFR measurement procedures among all patients receiving CAG in China are expected to increase to approximately 84,400 and 22.5% in 2030, respectively, and the total market size of FFR measurement is expected to reach RMB5.4 billion in 2030 at a CAGR of 52.6% from 2020 to 2030, according to CIC. One particular reason for the current low penetration of FFR measurement in China is the inefficiency and complexity of the conventional pressure wire-based approach. According to CIC, each Chinese cardiologist performs approximately four times the number of CAG each day as compared to U.S.

cardiologists, and the conventional FFR measurement, which takes 15-30 minutes to complete, significantly limits Chinese cardiologists' capability to perform time-consuming wire-based diagnosis procedures. In comparison, FFR measurement can be completed within five minutes using our caFFR System, at a high accuracy rate of over 95%. With a product portfolio of safe and time-efficient precision diagnosis and treatment medical devices, we are well-positioned to capture the significant growth potential.

We have successfully developed and commercially launched our caFFR System which comprises a console (the FlashAngio caFFR system) and its proprietary consumable (the FlashPressure caFFR pressure transducer). We are also expanding the indications of our caFFR System and developing four other product candidates, including our caIMR System which comprises a console (the FlashAngio caIMR system) and its proprietary consumable (the FlashPressure caIMR pressure transducer), Intelligent Angiographic Injection System, Flash Robot Vascular Intervention Navigation Operation System and Flash Renal Denervation ("**RDN**") System. The following chart summarizes the development status of our products and product candidates as of the Latest Practicable Date.



★ Core Product

▲ This device is exempted from clinical trial requirements in accordance with the Catalogue of Medical Devices Exempted from Clinical Evaluation (《免於臨床評價醫療器械目錄》) promulgated by the NMPA.

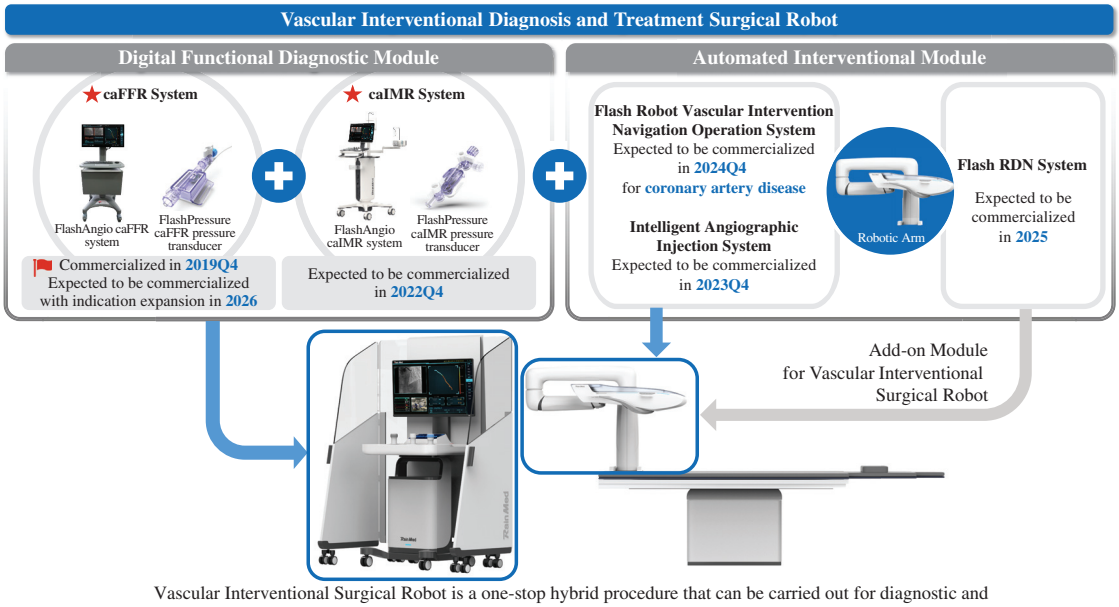
Notes:

(1) Indication expansion includes acute ST segment elevation myocardial infarction ("**STEMI**"), non-ST segment elevation myocardial infarction ("**NSTEMI**") and heart failure with preserved ejection fraction ("**HFpEF**").

(2) We have global commercial rights for all of our products and product candidates.

(3) Indication expansion includes STEMI immediately after successful revascularization of targeted vessels.

With our caFFR System and caIMR System to function as the center and crucial diagnostic modules, it is our ultimate mission to produce industry-leading vascular interventional surgical robots that are equipped with the full-suite functionalities of angiography imaging, functional precision diagnosis and operation navigation, and surgical operation that can be applied to different vascular disease areas including coronary artery and hypertension. Below is our roadmap to build vascular interventional surgical robots in the next few years.



Vascular Interventional Surgical Robot is a one-stop hybrid procedure that can be carried out for diagnostic and therapeutic purposes by connecting and integrating all our clinical applications
Expected to be launched in 2024Q4

To achieve this goal, we have built a synergistic platform that seamlessly integrates research and development, manufacturing and commercialization capabilities.

- *Research and development*. We have a strong research and development team led by Mr. LIU Guangzhi, our chief technology officer, who has over eight years of experience in medical device development as well as 15 years of experience in software and algorithm development. As of the Latest Practicable Date, our research and development team comprised 147 employees who had published over 100 academic articles in top journals and at conferences worldwide, including the Journal of the American College of Cardiology ("**JACC**") and the Cardiovascular Research.

- *Manufacturing*. We have two manufacturing facilities located in Suzhou, Jiangsu province, China, including one principal manufacturing facility with an aggregate floor area of 1,019 sq.m. in operation and another under construction with an aggregate floor area of 5,143 sq.m. Our principal manufacturing facility is in compliance with the Good Manufacturing Practice ("**GMP**") standards for medical devices in China, and our two facilities are designed to fully support the production of our caFFR System and other product candidates. Once our two facilities are put into full operation, it is expected to be able to produce 11,375 units of consoles as well as 1,130,765 units of pressure transducers (disposable consumables) each year.

- *Commercialization*. We actively engage with KOLs – such as Dr. GE Junbo and Dr. HUO Yong – physicians and medical associations as a part of our academic promotion and marketing strategy. Our efficient and highly experienced sales team have also established an extensive distribution network comprising 123 domestic distributors who are authorized by us to cover over 1,000 hospitals across 21 provinces, four autonomous regions and four municipal cities in China as of the Latest Practicable Date. With our effective and extensive sales and marketing activities, as of the Latest Practicable Date, our caFFR Systems had been performed at over 800 hospitals in China. As of May 31, 2022, we had completed the procurement approval procedure with over 400 hospitals in China.

OUR STRENGTHS

caFFR System Achieves the Highest Accuracy Rate Among all Domestic FFR Measurement Products

We are among the first to have commercially-launched coronary angiography-derived FFR systems in China according to CIC as we see great market potential in FFR systems. According to numerous prevalent guidelines, CAD patients with FFR >0.80 are better treated with conservative medication, while CAD patients with FFR≤0.80 are better treated with PCI. However, substantially all PCI procedures in China are guided only by CAG without physiology evaluation of FFR. Such approach relies on physicians' credentials and experience in determining the degree of coronary artery stenosis with CAG alone. As a result, there is a high probability of misdiagnosis and overtreatment. According to CIC, over 30% of the CAD patients with moderate stenosis are being ignored or fail to receive necessary intervention treatment; while approximately 20% of patients with severe stenosis are excessively treated with interventional procedures. Therefore, FFR has become widely recommended by global and domestic guidelines for the diagnosis of myocardial ischemia and PCI treatment because of its superior accuracy in diagnosis when compared to CAG alone.

However, the conventional wire-based FFR systems suffer from several shortcomings, including unstable measurement, risk of complications, and timing consuming. The table below sets forth the competitive landscape of FFR measurement products approved and marketed in China:

Application Stages	Modality Basis	Company Name	Product Name	Category	Less-invasive Assess	Diagnostic Accuracy[1]	Average Procedure Time	NMPA Approval Time	CE Mark	Retail Price RMB[2]	
										Console	Consumables[3]
Intra-operation	CAG-based FFR	Rainmed 潤邁德	caFFR System	Wire Free	√	95.7%	<5min	2019-12-09	2019	340,000~430,000	12,000
		Pulse 博動醫學	QFR System (QFR®)	Wire Free	√	92.4%	<5min	(V1) 2018-07-12 (V2) 2020-12-07	2020	1,900,000 ~4,900,000[3]	N/A
		Insight Lifetech 北芯生命科技	TRUEPHYSIO®	Pressure Microcatheter	×	93.4%	15-30min	2020-09-29	2020	270,000~310,000	13,000~17,000
		Abbott 雅培	PressureWire Certus	Pressure Wire	×	–	15-30min	2013-05-16	2012	300,000~400,000	9,000~12,000
			Pressurewire X Guidewire	Pressure Wire	×	–	15-30min	2019-04-16	2016		
			PressureWire Aeris	Pressure Wire	×	–	15-30min	2013-06-13	2009		
		Philips 飛利浦	Verrata	Pressure Wire	×	–	15-30min	2019-09-29	2013	800,000~1,200,000[4]	11,000~13,000
		Boston Scientific 波士頓科學	COMET	Pressure Wire	×	–	15-30min	2021-05-12	2016	900,000~2,000,000[4]	12,000~13,000
Pre-operation	CTA-based FFR	Keya (CuraCloud) 科亞	DeepVessel FFR®	Wire Free	√	90.8%	<10min	2020-01-14	2018	N/A*	N/A*
		Raysight 睿心	RuiXin-FFR	Wire Free	√	92.0%	<5min	2021-04-14	N/A	N/A*	N/A*
		Heart Century 心世紀	HCPRD001	Wire Free	√	84.9%	1h	2021-07-29	N/A	N/A*	N/A*
		GuanShengYuen 冠生雲	HemoDyna®	Wire Free	√	N/A	<10min	2021-10-20	N/A	N/A*	N/A*
Intra-operation (Post CAG-FFR)	OCT-based FFR	Pulse 博動醫學	OFR® (Coronary Artery OCT Quantitative Flow Ratio System)	Wire Free	√	90%	<5min	2021-11-09	N/A	N/A**	N/A**

Notes:

(1) As conventional wire-based FFR measurement (such as the wire-based products of Abbott, Phillips and Boston Scientific) is considered as the reference measurement standard, it is hence defined as a diagnostic standard with 100% accuracy rate theoretically. The diagnostic accuracy is calculated comparing with the results of wire-based FFR.

(2) The pricing information set forth herein is provided by CIC, based on the expert interview, public wholesale tender prices of over 15 provinces as well as provincial and territorial government procurement platform of the relevant products in China as of the Latest Practicable Date. The prices of such products may be subject to changes, over which we do not have control.

(3) The price of Pulse's FFR measurement product was based its business model of primarily selling consoles, and to a lesser extent, from the provision of technical service.

(4) The FFR consoles by Philips and Boston Scientific were all-in-one suit that measure both FFR and IVUS.

* CTA-based FFR measurement products are software-based products, and therefore they are not equipped with console or consumable. According to CIC, the service fee paid by patient per session of CTA-based FFR measurement is approximately RMB1,700 to RMB1,900.

** OCT-based FFR has only been approved recently. The price of the product was not publicly available yet.

Source: NMPA; ClinicalTrials; Expert Interview; Company websites; CIC Analysis

Our caFFR System achieves a high accuracy of 95.7%, which is the highest among all domestic FFR measurement products (as the wire-based FFR measurement products are manufactured by international brands), and at the same time significantly shortens operation time and improves safety profile due to its less-invasive nature, according to CIC. The accuracy rate of our wire-free caFFR system is close to the accuracy rate of conventional wire-based FFR measurement products approved in the global market, while exhibiting reduced clinically significant drift (level of drift by the measuring device that exceeds clinically acceptable limits and would require a second measurement of the vessel/lesion)

caused by the wire-based FFR measurement products. As a result, our caFFR System has become a leading domestic FFR measurement product and is currently competing closely with an international leading medical device company for the national leader position in FFR measurement market in China, according to CIC.

Our caFFR System has obtained both certificates of CE Mark in Europe and NMPA approval in China. In addition, it is also the first globally commercialized FFR system developed by a Chinese company, according to CIC. We obtained the CE Mark in the EU in September 2019 and started to commercialize our caFFR System in overseas markets (such as the Czech Republic, France and Austria) in October 2019.

Potentially the First and the Only Less-Invasive IMR System Approved for Commercialization Globally

We are also developing a potentially first approved less-invasive IMR system globally. According to CIC, our caIMR System is the only less-invasive IMR measurement product having completed a confirmatory clinical trial globally and is expected to become the first less-invasive IMR system approved for commercialization globally. We submitted the confirmatory clinical trial results of our caIMR System to the NMPA for regulatory approval in April 2022. Currently, we are in the process of completing the registration process and awaiting the regulatory approval from the NMPA for our caIMR System.

IMR is a quantitative method to assess the microvascular function of a vessel, and is used to find effective adjunctive treatments to reduce coronary microvascular dysfunction and improve future prognosis after PCI. IMR can guide the diagnosis and management of patients with CAD without obstructive coronary arteries. Multiple authoritative studies globally have indicated a significant correlation between IMR value and risk for cardiac death or readmission due to heart failure: patients with IMR $\geq$25 showed significantly higher risk for cardiac death or readmission due to heart failure than those with IMR <25. In addition, as FFR measures the macro-circulation of epicardial arteries which account for 5% of all arteries and IMR measures the microcirculation of pre-arterioles, arterioles and capillaries, which account for 95% of all arteries, therefore, using a combination of IMR and FFR can provide a comprehensive evaluation on coronary circulation status of CAD patients. According to CIC, up to 70% of patients receiving CAG have microvascular dysfunction, and thus are in need of IMR measurement. However, it has been impossible to obtain a precise measurement of IMR without invasive procedures thus far, which makes IMR measurement time-consuming and unstable due to the complexity of the operation. Our caIMR System is an innovative and less-invasive product that is designed to address these shortcomings in the diagnosis of microcirculation disorders. It achieved a high evaluation accuracy of 84.2% in the feasibility clinical trial and 93.8% in the confirmatory clinical trial. Our caIMR System can significantly reduce the measurement time of IMR and diagnosis of CMVD to less than five minutes on average compared with 40-60 minutes in wire-based IMR measurements.

Well-prepared and Positioned To Harvest the Market Potential of Vascular Interventional Surgical Robots and Automate the Whole Process of PCI Including Diagnosis and Treatment

Vascular interventional surgical robots can significantly reduce the amount of radiation exposure of interventional physicians and their work intensity. With greater precision, consistency and control, vascular interventional surgical robots can help physicians overcome human limitations and achieve higher success rates and faster recovery, thus ultimately benefit patients. Riding the industry tailwind of favorable national policies and increasing iteration in technologies, the market for vascular interventional surgical robots is expected to grow exponentially in the coming decades. According to CIC, the number of robot-assisted vascular interventional surgeries performed in China is expected to increase significantly, and the market size of vascular interventional surgical robots in China is expected to reach RMB33.9 million in 2022, and to further increase to RMB5,824.1 million in 2030.

The development of vascular interventional surgical robots, however, requires the highest level of technical complexity due to the challenging therapy methods, surgical procedures and various surgical equipment involved. We, on the other hand, are well prepared and positioned to capture this market opportunity, with our products and product candidates all designed to serve as important building modules for future surgical robots: our caFFR System and caIMR System can produce precise functional evaluation of CAD, our Intelligent Angiographic Injection System is an automated angiography imaging contrast delivery system that provides precision and control through variable-rate adjustments of contrast flow and volume in real-time, our Flash Robot Vascular Intervention Navigation Operation System will be compatible with various surgical instruments and equipped with rich functions and modules, and our Flash RDN System can provide sustained reduction in blood pressure levels by disabling the arterial nerves. Building on current products and product candidates, especially our Core Products, caFFR System and caIMR System, we aim to launch our vascular interventional surgical robot, a one-stop hybrid procedure, that can be carried out for diagnostic and therapeutic purposes by connecting and integrating all our clinical applications, to automate the whole process of PCI by 2024.

Deep and Long-term Collaboration With Industry-Leading KOLs, PIs, and Hospitals

We rely on academic outreach to build our brand recognition and raise market awareness of our products and product candidates. We actively participate in and sponsor industry-leading academic conferences. For example, our caFFR System was introduced at the 2020 China Cardiovascular Health Conference and the 15th Oriental Congress of Cardiology. In addition, we successfully held several conferences in the field of interventional medical devices, such as the Interventional Therapeutics Conference, 15th Oriental Congress of Cardiology, the 22nd South China International Congress of Cardiology, and the 3rd Confucianism and Taoism International Congress of Cardiology. By frequently hosting seminars, participating in academic conferences and maintaining close interactions with physicians and hospitals, we have nurtured lasting cooperative relationships in this field.

We have also invited industry-leading KOLs to participate in our product design and clinical trials to raise the awareness of, and confidence in, our products. These KOL advisors include: (i) Dr. GE Junbo, an academician of the Chinese Academy of Sciences and a chief physician of cardiology and cardiac catheterization of Fudan University Zhongshan Hospital; (ii) Dr. HUO Yong, a chief physician of cardiology and cardiac catheterization of Peking University First Hospital; (iii) Dr. XU Yawei, a chief physician of the department of cardiology of Tenth People's Hospital of Tongji University; (iv) Dr. William Fearon, a professor of cardiovascular medicine and a director of Interventional Cardiology at Stanford University Medical Center; and (v) Dr. Joo Myung LEE, an interventional cardiologist in Samsung Medical Center of Korea.

In addition, we have conducted clinical trials at nearly 20 leading hospitals in China and overseas, including Peking University First Hospital, Zhongshan Hospital of Fudan University, Samsung Medical Center of Korea, and the University of Hong Kong – Shenzhen Hospital. We believe our strong relationships with KOLs, PIs and reputable hospitals, together with our well-established reputation in the medical device industry, will give us significant advantages in terms of scientific know-how, research and development and the future commercialization of our product candidates upon their approval.

Established Marketing and Distribution Network and Growing Manufacturing Capability

We have a proven track record in commercializing our Core Product, caFFR System, with a comprehensive commercialization network in China. As of the Latest Practicable Date, we had established an extensive distribution network with 123 domestic distributors who are authorized by us to cover over 1,000 hospitals across 21 provinces, four autonomous regions and four municipal cities in China. With our effective and extensive sales and marketing activities, our revenue increased from RMB6.1 million in 2020 to RMB81.2 million in 2021; our caFFR Systems were sold to and installed in 12 hospitals in 2020 to over 130 hospitals in 2021.

Our robust commercialization capabilities are driven by our dedicated in-house sales team with extensive expertise and clinical resources. Our sales and marketing team is led by industry veterans with over six years' experience in average in the field of medical devices. In particular, the head of our sales and marketing team, Mr. LYU Yonghui, has more than 20 years of experience in the medical device industry. As of the Latest Practicable Date, our sales and marketing team consisted of 113 employees and is responsible for training and active management of our network of distributors to enhance efficiency. In addition, we have and will continue to establish collaborative long-term relationships with distributors that have strong local knowledge and reputation. In particular, we entered into strategic framework agreements with two large nationwide distributors in China, China Resources Pharmaceutical and Jointown Pharmaceutical, in October 2021 to strengthen our relationship and cooperation. We believe that our network of strong local distributors can greatly facilitate the distribution of our products, particularly those located in county level districts.

Aside from our continuous expansion in the PRC market, we also endeavor to gain international recognition for our business. To introduce and promote our caFFR System and other future approved products to the global market, we are building our marketing infrastructure to grow our brand recognition and are assembling our overseas distribution network, which now covers countries such as the Czech Republic, France and Austria. On the strength of the encouraging clinical results, FFR procedures using our caFFR System had been successfully performed at Hospital Clínico San Carlos (a healthcare institution associated to the Complutense University of Madrid) in June 2021. We are currently seeking international distributors in other overseas markets, especially countries that recognize the CE Mark or the NMPA approval, such as Thailand, Argentina and Singapore. We are also evaluating opportunities in other territories and may consider entering those territories and conducting local clinical trials for product registration in those territories. For example, we are preparing various clinical trials in Europe, the U.S., South Korea and Japan, and plan to expand our presence in these markets. In particular, we plan to conduct the clinical trials in the U.S., South Korea, and Japan for our caFFR System and caIMR System in 2022. Leveraging our in-house R&D capabilities, we have built a global proprietary patent portfolio, which spans across domestic and overseas markets. As part of our international strategy, we will steadily expand our academic coverage into overseas markets and continue to participate in international conferences and academic events, such as the influential conferences organized by the European Association of Percutaneous Cardiovascular Interventions ("**EuroPCR**") and Transcatheter Cardiovascular Therapeutics ("**TCT**").

Our commercialization efforts are well supported by our growing manufacturing capability. As of the Latest Practicable Date, we had two manufacturing facilities located in Suzhou, Jiangsu province, China, including one principal manufacturing facility with an aggregate floor area of 1,019 sq.m. in operation and another under construction with an aggregate floor area of 5,143 sq.m. Our principal manufacturing facility is and the other one under construction will be in compliance with the GMP for medical devices in China. Once our two facilities are put into full operation, it is expected to be able to produce 11,375 units of consoles as well as 1,130,765 units of single-use pressure transducers each year.

Advanced R&D Infrastructure and Comprehensive Intellectual Property Portfolio

Our proprietary research and development technologies are the cornerstone of our success. We have established an advanced R&D technology infrastructure to achieve continuous innovation and technological breakthroughs. Our proprietary technologies primarily include medical imaging algorithm and application R&D platform, fluid dynamics simulating calculation platform, high-performance device R&D platform and interventional consumables R&D platform.

Furthermore, leveraging our advanced technology platforms, we have developed a variety of products and product candidates. We believe our interdisciplinary technologies together with our ability to simultaneously develop a full suite of product candidates combining software systems, hardware and consumables, established high entry barriers difficult for our competitors to surpass.

As of the Latest Practicable Date, our research and development team comprised 147 employees. Their expertise covers the full lifecycle of a product candidate, spanning internal discovery and research, clinical development, quality control and regulatory administration. Our R&D team have published over 100 academic articles in top journals and at conferences worldwide, including JACC and the Cardiovascular Research.

As part of our path to achieve global competitiveness, we have strategically designed our IP portfolio corresponding to our pipeline development, geographical expansion and indication expansion strategies, and have established IP entry barriers for other competitors. We have a global portfolio of proprietary patents and in-depth academic research output for our products and product candidates. Specifically, as of the Latest Practicable Date, we had 81 approved patents (including 79 approved in China, one approved in the U.S. and one approved in Japan), 145 pending patent applications (including 106 in China and 39 overseas) as well as 36 active PCT patent applications.

We also actively explore opportunities to work with leading medical technology companies and investment management companies. We have entered into framework agreements with Ping An Capital and Hanxiputai relating to future cooperation on research and development, academic communication, training and marketing promotion.

Seasoned Senior Management Team With Profound Medical Device Development Experience

We believe that our management team provides us with a significant complement of capabilities in research and development, clinical operations, manufacturing, regulatory communication, business development and commercialization of medical devices.

- Mr. HUO Yunfei, our founder, chairman of the Board, executive Director and chief executive officer, has more than seven years in the medical device industry. Mr. Huo has held key positions responsible for management at multinational companies, such as Aspire Information Technology (Beijing) Co., Ltd. and Siemens Ltd., China.

- Mr. LYU Yonghui, our executive Director and joint chief executive officer, has over 20 years of experience in leading commercial teams in multinational medical device companies, including Lepu Medical Technology (Beijing) Co., Ltd. Mr. Lyu was approved by the China Association of Medical Equipment (中國醫學裝備協會) as the meeting member of the first standing member of the cardiovascular equipment technology committee of the China Association of Medical Equipment (中國醫學裝

備協會心血管裝備技術專業委員會) and was elected as a member of the sixth council of China Association of Medical Equipment (中國醫學裝備協會). He has also been a vice president of national association of health industry and enterprise management medical device business branch (全國衛生產業企業管理協會醫療器械商業分會) since November 2021.

- Mr. ZHANG Liang, our executive Director, chief financial officer and joint company secretary, has extensive experience in financing and operational management. Mr. Zhang previously held key positions at several public companies, including Yunnan Water Investment Co., Limited (6839.HK) and Leoch International Technology Limited (0842.HK).

OUR STRATEGIES

We are committed to producing industry-leading vascular interventional surgical robots by leveraging our full-suite functionalities of angiography imaging, functional precision diagnosis and operation navigation, and PCI operation. We plan to implement the following strategies to achieve this goal:

Continue To Build Differentiated Product Portfolio and Clinical Application Around Vascular Interventional Surgical Robots

We have successfully developed and commercialized our caFFR System in China since January 2020 and in overseas markets (such as the Czech Republic, France and Austria) since October 2019. We plan to continue enriching and optimizing our product portfolio, and expanding its clinical application to become a vascular interventional surgical robotics company. Our product pipeline is mainly organized to cover the whole process of vascular interventional surgery. We are actively expanding our product portfolio through functional precision diagnosis to surgical operation navigation. We aim to develop and build intelligent vascular interventional surgical robots by combining diagnosis and treatment modules to achieve standardization and high-precision of vascular interventional surgery, and ultimately achieve our vascular interventional surgical robots' application to unmanned cardiac catheterization robotic operating rooms.

To build vascular interventional surgical robots, we plan to leverage our clinical experience to further carry out clinical trials to explore and extend the application of our products for the treatment of various vascular diseases, such as peripheral vascular diseases, peripheral neurovascular diseases and others. Going forward, we will continue to expand our product portfolio as follows:

- *caFFR System.* Our Core Product, caFFR System, has been commercialized in Europe and China. Currently, we are conducting a multi-center post-registration clinical trial in China for our caFFR System, which will expand its indications to STEMI, NSTEMI and HFpEF. We expect to complete the clinical trials for the indication expansion in the fourth quarter of 2024 and to submit registration applications for such indication expansion to the NMPA in 2025. We currently expect to conduct independent stand-alone clinical trials in Japan, South Korea and the U.S., and to submit registration applications to the Pharmaceuticals and Medical Devices Agency ("**PMDA**") and the Ministry of Food and Drug Safety ("**MFDS**") in the fourth quarter of 2023, and to the FDA in 2025. We also expect to commence the commercialization of our caFFR System in Japan and South Korea in the fourth quarter of 2024, and in the U.S. in 2026.

- *caIMR System.* We initiated confirmatory clinical trials for caIMR System in China in May 2021 and completed all subject enrollments in December 2021. We submitted the registration application to the NMPA in April 2022 and expect to submit the registration application to the Notified Body of the EU in the second quarter of 2022 for caIMR System. Subsequent to the commercialization of caIMR System, in the first quarter of 2023, we also aim to initiate a multi-center post-registration clinical trial in China for our caIMR System, which will expand its indication to patients with STEMI immediately after successful revascularization of targeted vessels. We also plan to conduct independent stand-alone clinical trials in Japan, South Korea and the U.S., and to submit registration applications to the PMDA and the MFDS in the fourth quarter of 2023, and to the FDA in 2025. We expect to commence the commercialization in Japan, South Korea and the U.S., subsequently.

- *The combined application of our caFFR System and caIMR System.* An increasing number of studies have suggested using a combination of FFR measurement and IMR measurement can demonstrate the relative contribution of macro- and microvascular diseases in patients with CAD. Such combined application will enable macroscopic and microscopic functional diagnosis of myocardial ischemia, effectively leveraging scientific clinical synergies and significantly expanding the clinical application.

In addition, we will also accelerate the development of our surgical navigation operation related product candidates:

- *Intelligent Angiographic Injection System.* Our Intelligent Angiographic Injection System is currently at its design stage and we aim to commence the type testing in China in the second quarter of 2022.

- *Flash Robot Vascular Intervention Navigation Operation System.* Our Flash Robot Vascular Intervention Navigation Operation System is currently in its design stage and we expect to initiate the type testing of our Flash Robot Vascular Intervention Navigation Operation System for CAD, peripheral vascular diseases, and neurovascular diseases in China in the second quarter of 2022, the third quarter of 2023, and the third quarter of 2023, respectively.

- *Flash RDN System.* Our Flash RDN System is currently in its design stage and we aim to initiate the type testing in China in the fourth quarter of 2022.

Expand our Commercialization Network and Raise Awareness of our Products and Brand in China

We have rapidly established an efficient and extensive commercialization network for our caFFR System. As of the Latest Practicable Date, we established ten regional centers to cover all provinces, autonomous regions, and municipalities in China. We plan to continuously promote our commercialized products, namely, our caFFR System, with an aim to enhance our brand awareness, to reduce physicians' reliance on imported medical devices, and to increase our penetration in the domestic market. We aim to enhance market penetration of our FFR measurement products by increasing the number of hospitals that adopt our FFR measurement products and increasing our sales volume. We plan to scale up our sales and marketing team, and plan to cultivate sales professionals in charge of different regions to build a mature sales network. We will continue to train and educate our sales and marketing personnel and improve their abilities to provide professional advice and support to hospitals and physicians. In terms of technical support, we have initiated and will continue to advance cross-departmental collaboration between our marketing department and technical support department to provide comprehensive services to our users and further increase their stickiness. Meanwhile, in order to increase penetration among our covered hospitals and enter into new hospitals, we expect to further expand the distribution network for both of our existing and future commercialized products by cooperating with additional distributors who have good sales records in high-growth regions in China. We plan to coordinate our sales and marketing team to support these distributors. Currently, we expect to fund our sales and marketing activities in China with a portion of the [**REDACTED**] from the [**REDACTED**] as well as our internal liquidity sources.

As the vascular precision diagnosis and treatment medical device market in China is still in its early stage as compared to developed countries, we will continue to enhance customer education as well as to increase market awareness of our products and our brand name. We plan to conduct large-scale real-world-data studies and accumulate real-world evidence to enhance the acceptance and awareness of our brand and products among physicians. We also plan to actively participate in seminars, live product demonstrations and professional academic conferences to introduce and promote our products. Meanwhile, we will continue to work closely with influential hospitals and cardiovascular centers in China, such as sponsoring industry conferences. We plan to continue providing training to hospitals and physicians to introduce our products and product candidates.

Advance our Commercialization Network Overseas and Expand our Worldwide Footprint

We are committed to becoming a global leading vascular interventional surgical robotics company and plan to continue our endeavors in various international markets. We will continue to progress the clinical trials and the process of our product registration and commercialization in Europe, the United States, and Japan, and accelerate the establishment and development of our commercialization team. As we intend to initiate clinical trials of our caFFR System outside China by the end of 2022, we plan to hire professional employees experienced in the field of overseas clinical trials to support our overseas R&D activities, and further expand our presence in the target markets to promote our products and brand name. We plan to build our international marketing headquarters in Hong Kong, and establish our overseas strategic marketing centers in Europe and the United States in the future, to provide strong commercialization support for international sales of our products. To facilitate our expansion in additional overseas markets, we also plan to attract more experienced sales staff and technical engineers to support our major distributors and experts in each new overseas market. Currently, we expect to fund our sales and marketing activities overseas with a portion of the [**REDACTED**] from the [**REDACTED**] as well as our internal liquidity sources.

In addition, we will build our overseas consultant team through our collaboration with local renowned KOLs to develop high-quality and reliable local clinical trial protocols. To further increase awareness of our products and brand name, we will support our overseas consultants to participate in well-known local conferences for cardiovascular diseases and share our cases through seminars and academic events. We will also promote our overseas products through publications or articles in international academic journals or forums, and develop long-term partnerships with top international hospitals and research institutions to advance the R&D and clinical progress in the overseas markets and establish our global influence.

Further Enhance our Comprehensive Research and Development Capabilities

Going forward, we will continue to invest in the R&D of fundamental technologies, focusing on our R&D strategies on building interventional vascular surgical robots and further enhancing our R&D technological innovations. We plan to further grow our in-house R&D team by attracting and retaining high-caliber talents and enhancing our fundamental R&D capabilities. Specifically, we plan to attract and recruit more talents and experts in the field of interventional robotics and carry out research in vascular interventional surgical robots. We plan to further optimize the structure setting of our existing research and development team by establishing sub-teams by business line, to target different research and development areas. In addition, we will continue to establish the Interventional Surgery Robotics Innovation Institute and the AI Medical Imaging Innovation Institute. These two institutes serve as catalysts for increased collaborative efforts and cutting-edge clinical technologies. We plan to integrate multi-disciplines in these two institutes, such as mechanical design, motion control, hardware design, imaging engineering, to provide strong R&D capabilities in developing our product candidates. Leveraging on the supports from local governments, we plan to further enhance R&D capabilities at our headquarter in Suzhou, Jiangsu province. We will continue to improve our R&D technologies on interventional medical devices and high-performance medical consumables, to maintain our technology development leadership in the industry. Currently, we expect to enhance R&D capabilities by utilizing our internal liquidity sources and plan to diversify our sources of funding going forward.

We will also continue to deepen our close collaboration with major domestic and international hospitals, R&D centers, KOLs and PIs to keep abreast of the cutting-edge R&D trends, and to adapt our product candidates to the latest clinical needs, thus ensuring that our innovative product development remains market-oriented. We will also explore the innovation potential of our cooperative partners, and actively seek to enter into research and development relationship with reputed hospitals and experts. In addition, we will continue to provide physician training, which we believe will not only further familiarize physicians with our products, but help us obtain first-hand information about physicians' clinical needs and preferences as well as the development trends of clinical studies.

We also plan to actively seek opportunities for strategic acquisitions or investments to grow our business, expand our product pipeline and IP portfolio, and enhance our R&D capabilities and our market position. We may also consider acquiring the IP portfolio of, or pursuing licensing arrangements with, third parties, where we elect not to conduct in-house R&D, to complement our product portfolio. In the short term, we plan to focus primarily on the China market, and may consider acquiring or licensing advanced IP portfolios that are complementary to our existing portfolio, especially in the field of interventional diagnosis and treatment. In the mid- to long-term, we plan to gradually increase our acquisition and investment efforts complementing our vascular robot strategy as our operations and financial resources grow. As of the Latest Practicable Date, we had not identified any specific acquisition or investment targets. For further details, please refer to the section headed "Future Plans and [**REDACTED**]" in this document.

Expand our Production Capacity and Upgrade our Production Facilities to Support our Future Growth

We will ramp up our production capacity according to our continuous enrichment of our product portfolio and increasing clinical demand. The facility under construction is expected to be fully put into operation by the end of 2022, and we expect to reach a planned capacity of up to 3,500 units of consoles and 358,973 units of single-use pressure transducers per year by then. When both of our manufacturing facilities are in full operation, our total planned production capacity will further reach 11,375 units of consoles and 1,130,765 units of single-use pressure transducers per year.

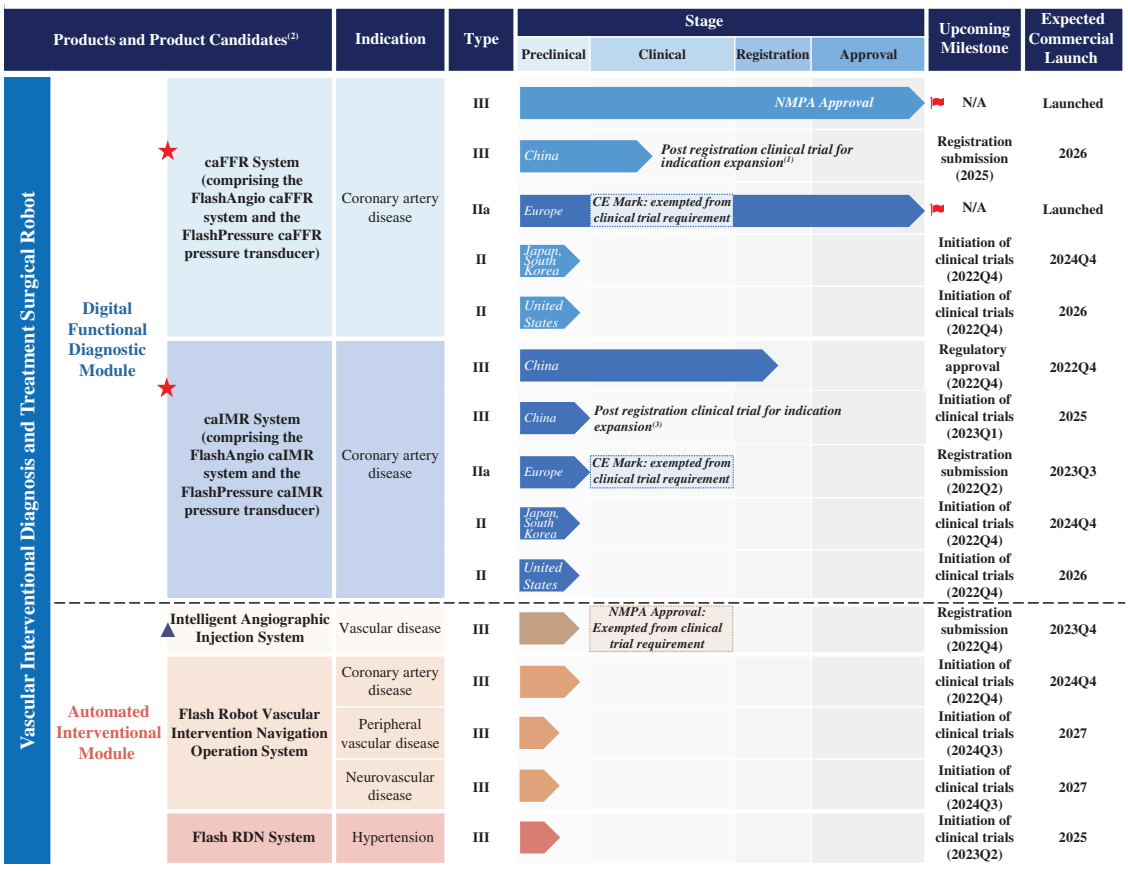
At the same time, we will consistently apply our robust production quality assurance and control mechanism that complies with international and Chinese quality standards so to produce high-quality products. We also plan to upgrade and further streamline our quality assurance and control mechanism to ensure strict monitoring of our entire production chain from raw material procurement and inspection, production control, quality control of semi-finished and finished products and product delivery to after-sales quality monitoring.

In terms of upgrading our production facilities in Suzhou, Jiangsu province, China, we plan to implement our semi-automation upgrade of our production line in stages to achieve the leapfrog growth in our production efficiency. Specifically, we aim to automate the processes that are highly standardized and labor-intensive in our production line, such as welding, dispensing and curing, and then integrate the automation of each production process to further increase efficiency. After that, we will be able to duplicate the matured semi-automated production line in our production facilities to enhance our overall manufacturing capacity and production efficiency.

OUR PRODUCTS AND PRODUCT CANDIDATES

We are a China-based medical device company, with our current focus on the design, development and commercialization of caFFR System and caIMR System, our Core Products. These two systems are currently utilized singularly for precision diagnosis of CAD, and are expected to form the center and crucial modules for our future interventional surgical robots. Since our founding, we have been dedicated to developing medical devices with advanced features focusing on the field of interventional precision diagnosis and treatment. We adopt a self-development business model, with all the key technologies used in our products and product candidates developed in-house. We are the sponsors of all the clinical trials required for the registration of the caFFR System and caIMR System and the respective indication expansion in all jurisdictions. Our product candidates are subject to approval by relevant authorities, such as the NMPA and/or its local counterparts, before commercialization in China and/or other relevant jurisdictions. For details, please refer to the section headed "Regulatory Overview" in this document. As of the Latest Practicable Date, we had not received any material comments or concerns raised by the relevant regulatory authorities with respect to our

products and product candidates, and we believe we will be able to obtain relevant regulatory approval and commercialize our product candidates as planned. The following chart illustrates our pipeline and summarizes the development status of our products and product candidates as of the Latest Practicable Date:



★ Core Product

▲ This device is exempted from clinical trial requirements in accordance with the Catalogue of Medical Devices Exempted from Clinical Evaluation (《免於臨床評價醫療器械目錄》) promulgated by the NMPA.

Notes:

(1) Indication expansion includes acute STEMI, acute NSTEMI and HFpEF.

(2) We have global commercial rights for all of our products and product candidates.

(3) Indication expansion includes STEMI immediately after successful revascularization of targeted vessels.

caFFR System – Our Core Product

Overview

FFR, a physiological functional parameter, is an important precision diagnosis measurement to assess the functional significance of coronary artery stenosis that is strongly recommended by multiple authorities globally, including the European Society of Cardiology and the Chinese Society of Cardiology, to guide PCI together with CAG. caFFR is a less-invasive physiological assessment of coronary artery ischemia severity, based on CAG images. Compared with conventional wire-based FFR systems, caFFR avoids the need for wire manipulation and hyperaemic stimulus while also minimizing wire-related technical inadequacies. We self-developed our caFFR System which is indicated for monitoring real-time aortic pressure in all stages of the cardiac cycle and assessing various physiological parameters for patients with stable angina pectoris, unstable angina pectoris and acute myocardial infarction (at least seven days after myocardial infarction). As of the Latest Practicable Date, we held six material patents and four material patent applications in relation to our caFFR System. Our caFFR System was certified to be eligible for the Special Approval Procedures of Innovative Medical Devices (創新醫療器械特別審查程序) promulgated by the NMPA in April 2018. For details, please refer to the paragraph headed "Regulatory Overview – Laws and Regulations Relating to Medical Device – Special Procedures for Examination and Approval of Innovative Medical Devices" in this document. We commenced the confirmatory clinical trial for our caFFR System in March 2018 and completed such trial in May 2019. We received the CE Mark in September 2019 and started to commercialize our caFFR System in Europe in October 2019, as such approval was not dependent on the NMPA-required clinical trials for the registration in China. Our caFFR System is categorized as a Class IIa medical device in EU. For details, please refer to the paragraph headed "Regulatory Overview – EU, Japan and FDA Regulatory Overview – EU Regulatory Regime – Assessment of Conformity." In addition, we received the registration certificate of Class III medical device from the NMPA in December 2019 and began to commercialize our caFFR System in China in January 2020. For more details of our customers and distribution channels, please refer to the paragraph headed "Sales, Distribution and Marketing" in this section.

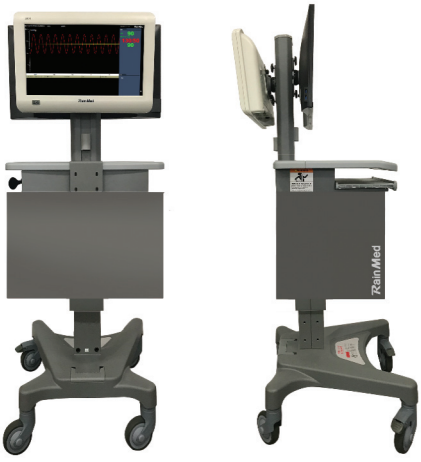
Our research and development in relation to our caFFR System has been a continuing effort. We initiated a post-registration clinical trial in China in August 2020 to expand the indication of our caFFR System from its current scope to further cover patients experiencing acute STEMI, acute NSTEMI and HFpEF. For details of our continuing research and development efforts in relation to our caFFR System, please refer to the paragraphs headed "– Development Plan" below in this section. Further, we intend to apply a portion of the [**REDACTED**] from the [**REDACTED**] to such continuing research and development efforts in relation to our caFFR System. For details, please refer to the paragraph headed "Future Plans and [**REDACTED**]" in this document.

Product Structure

Our caFFR System comprises two parts, a console (the FlashAngio caFFR system) and its proprietary consumable (the FlashPressure caFFR pressure transducer). As an integrated system, these two components work together to facilitate FFR measurements with simplicity and accuracy.

FlashAngio caFFR System

The FlashAngio caFFR system is a console with two major components: the analyzer and the workstation. The analyzer is designed to record, compute, display, and store data from the pressure transducer. The information is displayed as graphs and numerical values (including FFR, aortic pressure and distal coronary pressure) on the touch screen, and can be viewed, marked and analyzed on a workstation equipped with our proprietary analysis software. The user-friendly touch screen enables physicians to capture screenshots or to add marks to enhance both the procedure experience and clinical efficiency. Additionally, the FlashAngio caFFR system uses automatic on-site data transfer from the pressure sensing component of the FlashPressure caFFR pressure transducer. It records the aortic pressure wave and input into the console to allow the possibility of rapid data analysis and data validation. The following diagrams illustrate an example of the FlashAngio caFFR system we offer.

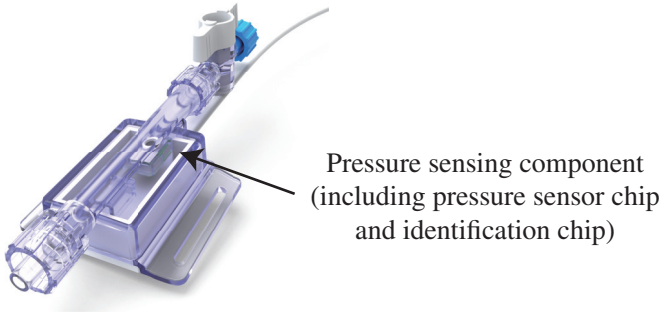


Analyzer Workstation

FlashPressure caFFR Pressure Transducer

The FlashPressure caFFR pressure transducer is a proprietary disposable blood pressure transducer comprised a sensor subassembly, a pressure tube subassembly and an extension tube subassembly. The FlashAngio caFFR system is only suitable for use with the FlashPressure caFFR pressure transducer. During the procedure, the FlashPressure caFFR pressure transducer

is connected and locked to the patient end, and is placed at the level of an patient's heart to measure aortic pressure. The following diagram illustrates an example of FlashPressure single-use pressure transducer we offer.



Operation Procedure

CAG is a procedure that uses fluoroscopy and contrast agent to observe heart blood vessels to determine if such vessels are obstructed, blocked, or narrowed. During the CAG procedure, a small catheter is inserted through the patient's skin into an artery, slowly advancing to the opening of the coronary arteries. The catheter has to be inserted through the patients' arm or groin area for CAG procedures. Our caFFR System is designed to target patients with coronary stenosis who have CAG. The key steps of our caFFR System's operation procedure are summarized below.

- angiography is performed with standard manual force to cover the entire coronary artery or using an automated injector at a rate of 4 ml/s. CAG is recorded at 15 frames per second from multiple views at the operators' discretion;

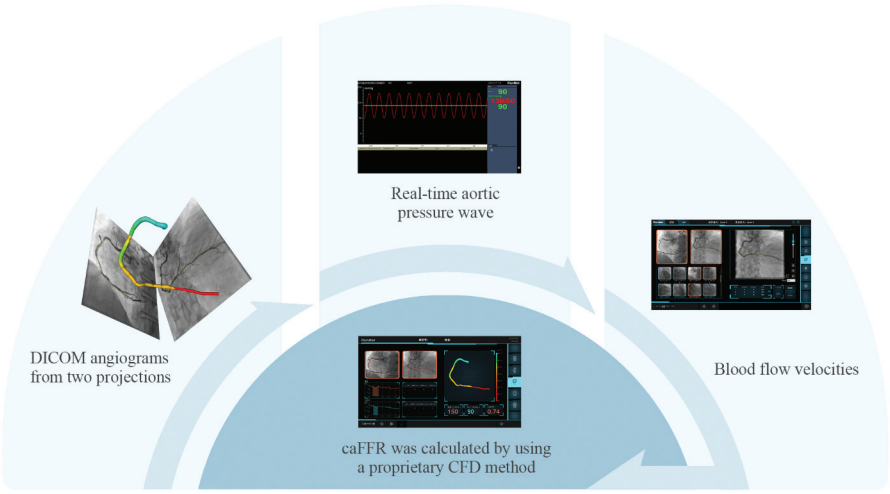
- at least two angiographic projections avoiding vessel overlap, separated by ≥30 degrees, without table movement, are required to generate caFFR;

- the aortic pressure wave is simultaneously recorded using the FlashPressure caFFR pressure transducer connected to the guiding catheter to record the aortic pressure wave continuously during the entire procedure. The other end of FlashPressure caFFR pressure transducer is connected to the FlashAngio caFFR System, namely, the console. The aortic pressure wave from the transducer is input into the console, which computes the mean aortic pressure averaged over the third to eighth cycles following angiography. Digital imaging and communications in medicine ("**DICOM**") images corresponding to the recorded pressure waves are simultaneously exported to the console;

- A simulated three-dimensional ("**3D**") mesh reconstruction of the coronary artery is generated along the vessel path from the inlet to the most distal position (≥1 cm downstream of the most distal stenosis). Flow velocities (V') are determined correspondingly; and

- Flow velocity (V') and MAP (P'_a) are then used by a proprietary computational fluid dynamics ("**CFD**") method, computing a pressure drop (ΔP) along the generated mesh of the coronary artery, and FFR = $\frac{P'_a - \Delta P}{P'_a}$. The console visualizes the FFR assessment in a 3D model less than five minutes. The information is displayed as graphs and numerical values on the screen, and can be viewed, marked and analyzed on a workstation equipped with our proprietary analysis software.

The following diagrams illustrate the working process of our caFFR System:



Summary of Clinical Trial Results

We completed a prospective and multi-center clinical trial in China in May 2019 to evaluate the efficacy and safety of our caFFR System, as compared to commercialized conventional invasive FFR systems developed by international medical device companies. The procedures for the trial were completed in six centers, with Peking University First Hospital, a Class III Grade A hospital as the lead principal investigative institution. In the clinical trial, we applied the FFR results measured by pressure wires as the "gold standard" to evaluate the accuracy, sensitivity and specificity of our caFFR System in diagnosing functional myocardial ischemia in patients with CAD. All of the trial subjects met the following conditions:

- aged at least 18 years;

- with one or more intermediate coronary lesions (30–90% degree of stenosis by angiographic visual estimation); and

- with stable or unstable angina pectoris with reference vessel size ≥ 2 mm in the stenotic segment, by visual estimation, planned for invasive FFR.

A total of 330 trial subjects were enrolled, with 328 subjects included in the full analysis set ("**FAS**"). By analyzing the CAG images of these subjects, caFFR calculated the FFR value to diagnose if a patient might have myocardial ischemia. The diagnosis result would be compared with the diagnosis result based on invasive FFR, to evaluate the sensitivity and specificity of caFFR in diagnosing functional myocardial ischemia. The results showed our caFFR System is comparable in efficacy and safety measures to the control products.

Safety Indicators

The safety endpoints included among others, adverse event ("**AE**"), severe adverse event ("**SAE**") and incidence of device defects. The studies showed that there was no device defect occurring in the process, which indicated our caFFR System was safe for clinical use. 1.2% of the trial subjects suffered SAEs, and all of them were found to be unrelated to the device. 17.9% of the trial subjects suffered AEs, such as chest tightness and dizziness, and substantially all of them were found to be unrelated to the device. As determined by the clinical trial hospital, the degree of AEs was mild and there was no clear correlation between the AEs and our caFFR System, indicating its safety. These AEs above were reported in full form as required and the regulatory authorities had no further comments in this regard.

Efficacy Indicators

The Primary Endpoints

The primary endpoints for this study included accuracy. Among the 328 subjects, the diagnostic accuracy of caFFR was 95.7%* (95% CI 93.4–98.1%). In addition, the primary endpoints also include among others, sensitivity, specificity, positive prediction value and negative prediction value.

Performance	**Prospective Clinical Trial (Patients as Trial Subjects)** *N=328*(1)
Sensitivity(2)	90.4% (84.6–96.2%)
Specificity(3)	98.6% (96.8–100.0%)
Positive Prediction Value(4)	97.2% (93.6–100.0%)
Negative Prediction Value(5)	95.0% (91.9–98.1%)

Notes:

(1) A total of 330 trial subjects were enrolled, of which 328 subjects completed the trial and 2 subjects dropped out (one subject dropped out due to SAE that was unrelated to the device or the clinical trial; one subject dropped due to device failure of the control products).

(2) Also known as the "true positive rate," referring to the percentage of cases that are correctly diagnosed as diseased.

(3) Also known as the "true negative rate," referring to the percentage of cases that are correctly diagnosed as not diseased.

(4) The probability that subjects with a positive test result truly have the disease.

(5) The probability that subjects with a negative test result truly do not have the disease.

* With FFR cut-off value of 0.8, (a commonly used cut off value in the industry) the diagnostic accuracy of our caFFR System was 95.7%, which was accepted by the regulatory authorities for registration approval. From the same clinical trial, in 119 vessels with FFR cut-off value of 0.75 – 0.85, diagnostic accuracy of our caFFR was 89.9% (95% CI 84.1 – 95.7%); in 209 vessels with FFR cut-off value less than 0.75 or more than 0.85, diagnostic accuracy of our caFFR was 99% (95% CI 97.5 – 100%). These clinical trial results (namely, with the cut off value of 0.75 – 0.85 or less than 0.75 or more than 0.85) were not required by the regulatory authority for registration approval and were used for our research and development purpose only.

The Secondary Endpoints

The secondary endpoints for this study included among others, receiver operating characteristic ("**ROC**") analysis, offline accuracy, absolute or relative error level, and artery mean pressure gradient. The area under the ROC curve was 0.9791, suggesting equivalent diagnostic accuracy between the two indices. The offline accuracy was 95.4%, indicating the high accuracy and stability. The absolute or relative error mean level was 0.03, also indicating the high accuracy.

Competitive Advantages

- *Comparable performance*: According to the clinical trial results of our caFFR System, compared with wire-based FFR, the diagnostic performance of our caFFR System indicated a diagnostic accuracy of 95.7%, sensitivity of 90.4%, and specificity of 98.6%. According to CIC, our caFFR System achieves a high accuracy of 95.7%, which is the highest among all domestic FFR measurement products.

- *Time-efficient*: According to CIC, each Chinese cardiologist performs approximately four times the number of CAG each day as compared to U.S. cardiologists, and the conventional FFR measurement, which takes 15-30 minutes to complete, significantly limits Chinese cardiologists' capability to perform time-consuming wire-based diagnosis procedures. Our caFFR significantly shortens the operation time to less than five minutes.

- *Operator-friendly*: Our caFFR System is wire-free, which calculates the FFR value by computational fluid dynamics algorithm from the real-time images. Such measurement approach avoids the invasive procedure, and thus can be easily completed by nurses or technicians. Wire-based FFR system, on the other hand, requires physicians to perform the procedure by passing through the patient's lesions, which relies on the skills and experience of physicians and leaves the measurement value unstable.

- *Precision diagnosis to guide PCI treatment*: Unlike the CTA-FFR measurement which is usually performed in the medical technology department (such as the department of radiology) as a preliminary screening tool to identify patients with CAD, our caFFR System, as a functional evaluation, is used together with CAG to provide precise diagnosis and guidance to CAD patients for the follow-up treatments, especially PCI treatments. Thus, caFFR is used in the clinical departments (such as the department of cardiology).

- *Favorable safety profile*: One particular reason for the current low penetration of FFR measurement in China is the inefficiency and complexity of the conventional pressure wire-based approach. Our caFFR System uses a less-invasive functional diagnosis method. By contrasts, traditional wire-based FFR measurement has hyperemia risk, which is usually induced by adenosine injection. Such drug-induced hyperemia increases measurement costs, leads to patient discomfort (as some patients may be allergic to adenosine), and increases the risk of morbidity of arrhythmia. The adenosine injection also prolongs the operation time. Furthermore, less-invasive coronary physiology assessment is a convenient process for physicians. During a wire-based FFR measurement procedure, a catheter is inserted into the artery followed by a wire with a pressure sensor at the tip. Such traditional invasive procedure could increase the risk of complication. Due to the complexity of the procedure, it may cause lesions, and requires a long learning curve for physicians.

- *Strong market potential and increasing penetration rate*. At present, China's FFR market is significantly underpenetrated with the penetration rate of 0.4%, which is significantly lower compared with that of developed countries (e.g. 22.5% in the United States, 17.2% in Japan and 6.9% in the EU). Our caFFR has shown strong penetration capability in the market. In 2020 and 2021, sales of our products, the caFFR Systems, amounted to RMB5.9 million and RMB80.2 million, respectively.

- *High entry barriers*. The FFR measurement products have high technical and market access barriers. Currently, there are only a few players in the market with limited number of approved products. Since the R&D cycle of medical device is long and requires large amount of investment, and the approval process of high-end medical devices is time-consuming, it takes a long time for a new product to get regulatory approval.

Market Opportunity and Competition

As FFR plays an increasingly important role in clinical practice, the global FFR measurement market is expected to grow from approximately USD504.1 million in 2020 to approximately USD1,200.0 million in 2025 at a CAGR of 18.9%, and further increase to approximately USD2,250.7 million in 2030 at a CAGR of 13.4% from 2025 to 2030 according to CIC. Benefiting from the increasing penetration of FFR due to (i) strong clinical evidence and recommendations by multiple guidelines and expert consensus in China and overseas; (ii) technology developments and (iii) growing public awareness, the FFR measurement market in China is expected to grow from RMB78.6 million in 2020 to approximately RMB2,385.7 million in 2025 at a CAGR of 97.9%, and expected to reach approximately RMB5,385.5 million in 2030 at a CAGR of 17.7% from 2025 to 2030. Currently, wire-based FFR measurement product remains the gold standard in guiding the decision to proceed with PCI in eligible patients and is considered as the reference measurement standard with a theoretical 100% accuracy rate.

In 2020, the penetration rate of FFR measurement performed along with CAG and PCI in China was 0.4% and 1.4%, respectively, which was far below the rates of 22.5% and 36.1% in the U.S., 17.2% and 30.0% in Japan, and 6.9% and 12.6% in the EU. In the same year, the number of FFR measurement procedures performed per million CAD patients in China was approximately 800, and is expected to increase to approximately 34,200 in 2025 and approximately 84,400 in 2030. However, as the precision PCI market is still at an early development stage in China, the China FFR measurement market is highly underpenetrated, suggesting market potential.

The table below sets forth the competitive landscape of FFR measurement products approved and marketed in China:

Application Stages	Modality Basis	Company Name	Product Name	Category	Less-invasive Assess	Diagnostic Accuracy[1]	Average Procedure Time	NMPA Approval Time	CE Mark	Retail Price RMB[2]	
										Console	Consumables[3]
Intra-operation	CAG-based FFR	Rainmed 潤邁德	caFFR System	Wire Free	√	95.7%	<5min	2019-12-09	2019	340,000~430,000	12,000
		Pulse 博動醫學	QFR System (QFR®)	Wire Free	√	92.4%	<5min	(V1) 2018-07-12 (V2) 2020-12-07	2020	1,900,000 ~4,900,000[3]	N/A
		Insight Lifetech 北芯生命科技	TRUEPHYSIO®	Pressure Microcatheter	×	93.4%	15-30min	2020-09-29	2020	270,000~310,000	13,000~17,000
		Abbott 雅培	PressureWire Certus	Pressure Wire	×	–	15-30min	2013-05-16	2012	300,000~400,000	9,000~12,000
			Pressurewire X Guidewire	Pressure Wire	×	–	15-30min	2019-04-16	2016		
			PressureWire Aeris	Pressure Wire	×	–	15-30min	2013-06-13	2009		
		Philips 飛利浦	Verrata	Pressure Wire	×	–	15-30min	2019-09-29	2013	800,000~1,200,000[4]	11,000~13,000
		Boston Scientific 波士頓科學	COMET	Pressure Wire	×	–	15-30min	2021-05-12	2016	900,000~2,000,000[4]	12,000~13,000
Pre-operation	CTA-based FFR	Keya (CuraCloud) 科亞	DeepVessel FFR®	Wire Free	√	90.8%	<10min	2020-01-14	2018	N/A*	N/A*
		Raysight 睿心	RuiXin-FFR	Wire Free	√	92.0%	<5min	2021-04-14	N/A	N/A*	N/A*
		Heart Century 心世紀	HCPRD001	Wire Free	√	84.9%	1h	2021-07-29	N/A	N/A*	N/A*
		GuanShengYuen 冠生雲	HemoDyna®	Wire Free	√	N/A	<10min	2021-10-20	N/A	N/A*	N/A*
Intra-operation (Post CAG-FFR)	OCT-based FFR	Pulse 博動醫學	OFR® (Coronary Artery OCT Quantitative Flow Ratio System)	Wire Free	√	90%	<5min	2021-11-09	N/A	N/A**	N/A**

Notes:

(1) As conventional wire-based FFR measurement (such as the wire-based products of Abbott, Phillips and Boston Scientific) is considered as the reference measurement standard, it is hence defined as a diagnostic standard with 100% accuracy rate theoretically. The diagnostic accuracy is calculated comparing with the results of wire-based FFR.

(2) The pricing information forth herein are provided by CIC, based on the expert interview, public wholesale tender prices of over 15 provinces as well as provincial and territorial government procurement platform of the relevant products in China as of the Latest Practicable Date. The prices of such products may be subject to changes, over which we do not have control.

(3) The price of Pulse's FFR measurement product was based on its business model of primarily selling consoles, and to a lesser extent, from the provision of technical service.

(4) The FFR consoles by Philips and Boston Scientific were all-in-one suit that measure both FFR and IVUS.

* CTA-based FFR measurement products are software-based products, and therefore they are not equipped with console or consumable. According to CIC, the service fee paid by patient per session of CTA-based FFR measurement is approximately RMB1,700 to RMB1,900.

** OCT-based FFR has only been approved recently. The price of the product was not publicly available yet.

Source: NMPA; ClinicalTrials; Expert Interview; Company websites; CIC Analysis

We sell our caFFR Systems to our distributors at the price determined by us from time to time. When determining the price of our caFFR System, we consider factors including our costs and expenses for manufacturing and distributing the relevant products, the prices of the competing products, and the market shares of the different players, etc. There are variances in the retail prices of FFR measurement products in the China market and the overseas markets.

Firstly, compared with wire-based FFR measurement products manufactured by international brands, we have reached comparable performance with an accuracy of 95.7%. At the same time, our caFFR significantly shortens the operation time with favorable safety profile. Although the price of our caFFR System is slightly higher than the price of wire-based FFR measurement products, we believe the safety and time-efficient features of our caFFR System are prominent. According to CIC, each Chinese cardiologist performs approximately four times the number of CAG each day as compared to U.S. cardiologists, and the conventional FFR measurement, which takes 15-30 minutes to complete, significantly limits Chinese cardiologists' capability to perform time-consuming wire-based diagnosis procedures. On the other hand, our caFFR System significantly shortens the operation time to less than five minutes, and such time-efficient measurement will be more accessible to Chinese cardiologists. Furthermore, our caFFR System uses a less-invasive functional diagnosis method, which leads to a higher compliance and convenient process. For use of our caFFR measurement, drug-induced hyperemia is not required as compared to wire-based FFR measurement products, which in turn save the extra costs for patients. Since most of the wire-based FFR measurement products approved for commercialization in China are manufactured by international brands, we also enjoy a relatively competitive price supported by favorable governmental policies.

Secondly, we expect to primarily compete with FFR measurement products manufactured by domestic brands (including the peer company manufacturing FFR measurement product with microcatheter), and will focus on demonstrating to users the advantages of our caFFR System in terms of product design and technical features as compared with peer products. As compared with other domestic FFR systems, our caFFR System has an accuracy rate of 95.7%, which is the highest among all domestic FFR measurement products. In particular, as compared with FFR measurement product selling a combination of console and consumables, we believe that the retail price of our caFFR System will not affect its market demands as our caFFR System is more time-efficient with a better accuracy rate. In addition, our consumables offer competitive prices, which is approximately RMB2,000 to RMB5,000 lower than the price of microcatheters. The price advantage in consumables is expected to increase patients' willingness for using our product since the consumables generally are patients' out-of-pocket expenses. In addition, adenosine injections are required while using FFR measurement products with microcatheters, and such extra injections will incur additional costs to patients. By contrast, our caFFR System does not need such extra costs for injections. Furthermore, we believe our FFR measurement product enjoys advantages in pricing as compared with FFR measurement product sold primarily based on consoles. Firstly, our sales model consists of sales of consoles as well as sales of consumables. Our recurring revenue generated from selling consumables will contribute to our financial performance in the long run as each patient needs to purchase at least one consumable for his or her FFR measurement procedure; however, for FFR measurement product sold primarily based on consoles, they primarily rely on upfront

revenue from the sale of consoles, and to a lesser extent, from the provision of technical services. We believe our product-based sales model will diversify our revenue streams and is more stable in generating recurring revenue in the long run. Secondly, the price of console-based FFR measurement products may be significantly higher than the price of our products, which we believe, to some extent, limits the console-based FFR measurement products' accessibility to hospitals. Therefore, we believe we will enjoy more flexibility in pricing strategy when competing with other domestic FFR measurement products.

With respect to our caFFR System, we plan to carry out various sales and marketing activities with physicians and hospitals to capture market share in China, primarily including (i) providing trainings and presentations to hospitals to collect feedback on our caFFR System's functionalities and performance; (ii) providing person-to-person education programs targeting physicians of targeted regions; (iii) holding academic conferences, seminars and symposia as a way to introduce our products; and (iv) conducting academic marketing activities and closely collaborating with KOLs.

We believe our products have several advantages over other CAG-based FFR measurement products. Therefore, we are capable of obtaining more market shares going forward. Firstly, we believe that safety and efficacy are critical to functional diagnosis methods. Our caFFR System achieves a high accuracy rate of 95.7%, which is the highest among all domestic FFR measurement products according to CIC, and at the same time significantly shortens operation time and improves safety profile due to its less-invasive nature. Our caFFR has several advantages compared to the current alternative technologies, including: (i) our caFFR System uses a CFD-based model while QFR uses a simplified mathematical model. Compared with the simplified mathematical model, the CFD-based model works better to account for convective and diffusive energy losses as well as energy losses due to the constriction and expansion in the lumen area proximal and distal to the stenosis. Thus, our caFFR System enjoys a higher accuracy rate; and (ii) our caFFR System uses real-time pressure recordings at the time of angiography, considering the dynamic nature of blood pressure during PCI, while other technologies are hard to achieve this, according to CIC. Secondly, we aim to provide patients with the best product quality while controlling the costs at an affordable level. As disclosed above, the cost of our caFFR System is lower or at a similar level of other FFR measurement products. For FFR measurement products sold primarily in the form of consoles, they primarily rely on the revenue generated from this one-time sale and the price of the console may be significantly higher than the price of our console, which we believe, to some extent, limits those console-based FFR measurement products' accessibility to hospitals. As of the Latest Practicable Date, we obtained the patient charging price of RMB12,000 for our FlashPressure caFFR pressure transducer in 28 provinces and regions among which 15 provinces and regions (such as Shanghai, Guangdong, Chongqing, Henan, etc.) also included our FlashPressure caFFR pressure transducer into the medical insurance reimbursement list. Medical insurance coverage reduces the patients' out-of-pocket expenses, and that is expected to improve affordability and increases measurement volume. Thirdly, we believe wire-free FFR measurement is still at its early development stage but with huge market potential. Benefiting from the increasing penetration of FFR due to (i) strong clinical evidence and recommendations by multiple guidelines and expert consensus in China and overseas; (ii)

technology developments and (iii) growing public awareness, the market for CAG-FFR measurement in China is expected to grow from RMB78.6 million in 2020 to approximately RMB2,385.7 million in 2025 at a CAGR of 97.9%, and expected to reach approximately RMB5,385.5 million in 2030 at a CAGR of 17.7% from 2025 to 2030, according to CIC. In 2021, the market share of the caFFR System accounted for 54.9% by revenue among wire-free FFR measurement products in China, and caFFR testing volume accounted for approximately 0.2% among all CAD patients receiving CAG in China, according to CIC. We plan to expand our market shares to better prepare ourselves for the future growth of the overall market. Fourthly, the wire-free FFR measurement is expected to gradually dominate the FFR measurement market according to CIC, considering that (i) the penetration rate of FFR measurement climbed up slowly and remained at less than 0.5% among all CAD patients receiving CAG in China from 2013 (the year when the first wire-based FFR measurement product was introduced on the market) to 2020. Following the commercialization of wire-free FFR measurement products, the penetration rate of FFR measurement has rapidly grown from 0.4% in 2020 and 1.6% in 2021, demonstrating the robust market performance and potentials of wire-free FFR measurement products and their positive market acceptance; (ii) except for one pressure microcatheter-based product, all FFR measurement products approved in China since 2020 were wire-free products, and most of the FFR measurement products under preclinical or clinical studies are wire-free products, demonstrating the future trend of the FFR measurement market. In addition, supported by our effective and extensive sales and marketing activities as well as sales network through distributors, our revenue increased significantly from RMB6.1 million in 2020 to RMB81.2 million in 2021. We believe our marketing strategies will gradually convert the promotional effects into sizable revenue with long-term benefit for us to obtain more market shares. We believe that these competitive strengths are difficult to replicate, allowing us to deliver safe and effective products to patients.

Development Plan

Post-Registration Clinical Trial

In August 2020, we initiated a post-registration clinical trial in China, which represented the finalization of preparation tasks for the post-registration clinical trial (which is the internal affairs of our Company), including the finalization of the clinical trial protocols and schedules and completion of internal approval procedures in connection with the clinical trial. The purpose of post-registration clinical trial in relation to our caFFR System include, among others, (i) expanding the indication of our caFFR System from the current scope (covering patients with stable angina pectoris, unstable angina pectoris and post-acute phase of myocardial infarction) to further cover patients experiencing acute STEMI, acute NSTEMI, and HFpEF and (ii) evaluating clinical application value of caFFR products, including whether caFFR products have non-inferior clinical effects when employed in guiding PCI strategies for patients with moderate coronary stenosis in comparison with wire-based FFR. Pursuant to the protocol of the clinical trial for such post-registration clinical trial, a total of 2,132 human subjects are expected to be enrolled with various hospitals in China with Peking University First Hospital as the leading clinical trial institution. The primary endpoint of this clinical trial is the major adverse cardiovascular events (including all-cause mortality of the trial subjects)

within twelve months. Secondary endpoints include all-cause mortality of the trial subjects, target vessel revascularization, coronary artery revascularization, definite and probable in-stent thrombosis. Subsequently, we completed the ethics committee review in September 2020 and the human generic resources approval in December 2020.

The expected costs of the post-registration clinical trial for indication expansion and follow-ups are approximately RMB9,000 to RMB11,000 per patient. Such costs are expected to cover surgical fees, clinical fees paid to hospitals and clinical organizations, subsidies for the patients participate in the follow-up clinical studies. In addition, we also expect to incur, among others, expenses for data statistics and analysis, expenses in relation to intellectual property, travel expenses and conference expenses for the post-registration clinical trial. Currently, we expect to fund such post-registration clinical trial with a portion of the [**REDACTED**] from the [**REDACTED**] as well as our internal liquidity sources such as cash and cash equivalents on hand.

We initiated the subject enrollments in January 2021. As of the Latest Practicable Date, we were in the process of completing the subject enrollments. Currently, the clinical trial for the indication expansion is expected to be completed in the fourth quarter of 2024. We expect to submit the clinical results to the NMPA, the competent authority regulating the indication expansion of our caFFR System, as advised by our PRC Legal Adviser, in 2025 and receive the approval for new indication in the same year. We plan to conduct our future indication expansion of caFFR System in compliance with the applicable regulations.

Overseas Commercialization

We currently expect to conduct independent stand-alone clinical trials in Japan, South Korea and the U.S. For commercialization in Japan, we plan to initiate the clinical trial in the fourth quarter of 2022, to complete the clinical trial in the fourth quarter of 2023, to submit the application to the PMDA in the fourth quarter of 2023 and to receive the approval in the third quarter of 2024. For the commercialization in South Korea, we plan to initiate the clinical trial in the fourth quarter of 2022, to complete the clinical trial in the fourth quarter of 2023, to submit the application to the MFDS in the fourth quarter of 2023 and to receive the approval in the third quarter of 2024. For the commercialization in the U.S., we plan to initiate the clinical trial in the fourth quarter of 2022, to complete the clinical trial in the fourth quarter of 2024, to submit the application to the FDA in 2025 and to receive the approval in 2025. For these clinical trials, we currently plan to enroll 150, 150 and 200 patients in Japan, South Korea and the U.S., respectively. Clinical trials conducted outside of China are usually significantly more expensive than those conducted in China. For example, the expected costs of the clinical trials for our caFFR System in the U.S. are approximately RMB100,000 to RMB120,000 per patient to cover the same expense items as the clinical trials in China. Currently, we expect to fund these clinical trials with a portion of the [**REDACTED**] from the [**REDACTED**] as well as our internal liquidity sources.

Since the global clinical trials were still at a relatively early stage, as of the Latest Practicable Date, we had no material communication with the competent authorities overseas, such as the PMDA, the MFDS and the FDA. If we have any consultations with the competent authorities overseas in the future, we will then conduct our overseas R&D activities in accordance with such consultations. Depending on our overseas commercialization progress, we expect to communicate with several oversea clinical trial organizations regarding the registration pathway and the adequacy of clinical data from time to time. In addition, our caFFR System is categorized as a Class II medical device in Japan, South Korea and the U.S., respectively. For details, please refer to the paragraph headed "Regulatory Overview – EU, Japan and FDA Regulatory Overview."

Regulatory Pathways and Material Communications With Competent Authorities or Professional Bodies

Our commercialized caFFR System is indicated for monitoring real-time aortic pressure in all stages of the cardiac cycle and assessing various physiological parameters for patients with stable angina pectoris, unstable angina pectoris and acute myocardial infarction (at least seven days after myocardial infarction). It was certified to be eligible for the Special Approval Procedures of Innovative Medical Devices (創新醫療器械特別審查程序) promulgated by the NMPA in April 2018 and has been categorized as a Class III medical device. We received the CE Mark in September 2019 and started to commercialize our caFFR System in Europe in October 2019. We further obtained the product registration certificates of our caFFR System from the NMPA in December 2019 and started to commercialize and market our caFFR System in the PRC in January 2020.

Our caFFR System, which comprises a console (the FlashAngio caFFR system) and its proprietary consumable (the FlashPressure caFFR pressure transducer), constitutes one product notwithstanding that different registration certificates were issued by the NMPA, one certificate was issued by the Notified Body of EU, and different certificates are expected to be issued by the FDA.

First, the console (the FlashAngio caFFR system) and its proprietary consumable (the FlashPressure caFFR pressure transducer) are specialized and can only be used with each other. During the FFR measurement, pressure wave is recorded through the proprietary consumable and then input into the console. We initiated the product design, prepared the trial protocol, conducted the clinical trials and applied the registration approval with both the console and its proprietary consumable being used together. In particular, we submitted a bundled application to the NMPA and the Notified Body of EU for registration approval and expect to submit a bundled application to the FDA approval with both devices together.

Second, the console and its proprietary consumable are inseparable parts with each other. According to the registration certificates of the FlashAngio caFFR system and the FlashPressure caFFR pressure transducer issued by the NMPA, it is stated in both certificates that the FlashAngio caFFR system and the FlashPressure caFFR pressure transducer can only be used with each other. According to Guiding Principles for the Division of Medical Device Registration (《醫療器械註冊單元劃分指導原則》), a separate registration is required if substantial differences in underlying technologies or product structure exist between two devices. Therefore, passive consumables used in combination with active medical devices are

divided into different registration units with the active medical devices. However, the determination of whether our caFFR System can be regulated as one product has nothing to do with whether separate certificates are issued. Instead, the inseparable nature of the two products have indicated that neither of them could be used without the other.

Third, our sales and marketing efforts have also demonstrated our intention to sell and market our FlashAngio caFFR system and FlashPressure caFFR pressure transducer as a bundled product. For an initial sale, we generally sell caFFR Systems in bundle – with one FlashAngio caFFR System and several FlashPressure caFFR pressure transducers. FlashPressure caFFR pressure transducer is a consumable component that requires ongoing purchases as it can only be used once and then needs to be discarded and replaced. Through our ongoing selling and marketing activities, we also market our caFFR System comprising both the console and its proprietary consumable.

In June 2021, we had an interview with the NMPA to discuss the regulatory pathway of our caFFR System's indication expansion. During the interview with the NMPA, the officials confirmed, among others, our R&D efforts in developing the addition in the application scope of caFFR System to cover patients with acute STEMI, acute NSTEMI and HFpEF (apart from the existing scope which includes application to patients with stable angina pectoris, unstable angina pectoris and acute myocardial infarction (at least seven days after myocardial infarction)) in the current post-registration clinical trial can be regarded as an indication expansion of our commercialized caFFR System, regardless whether a separate registration certificate will be issued or not. We are required to complete the post-registration clinical trial and submit the results of such clinical trial for the registration of the indication expansion of caFFR System with the NMPA, and the additional application scope to cover other indications in such post-registration clinical trial is regarded as an indication expansion. We expect to conduct the clinical trial as required by the NMPA to demonstrate the safety and efficacy profiles of our caFFR System in the new indications. Pursuant to the protocol of such post-registration clinical trial, a total of 2,132 human subjects are expected to be enrolled with various hospitals in China. We initiated the subject enrollments in January 2021 and are expected to complete the clinical trial for such indication expansion in the fourth quarter of 2024. The officials also expressly confirmed that (i) the determination of whether new registration certificates will be issued to our products shall be made following the requirements under the Administrative Measures for the Registration of Medical Devices (《醫療器械註冊管理辦法》[1]) and the Guiding Principles for the Division of Medical Device Registration Units (醫療器械註冊單元劃分指導原則) and (ii) the registration of the indication expansion will result in a revision of the scope of use specified in caFFR System's existing registration certificate to include the indication expansion or the issuance of a separate registration certificate by the NMPA. The determination of whether our R&D efforts can be regarded as an indication expansion has nothing to do with whether new registration certificates will be issued to our products.

1 The Administrative Measures for the Registration of Medical Devices (《醫療器械註冊管理辦法》) has been replaced by the Measures for the Administration of Registration and Filing of Medical Devices (《醫療器械註冊與備案管理辦法》) since October 1, 2021, which, as advised by our PRC Legal Adviser, does not have any substantial impact on the officials' conclusion above.

Due to the inseparable nature and our interview with the NMPA as discussed above, the new indication of the console (the FlashAngio caFFR system) and its proprietary consumable (the FlashPressure caFFR pressure transducer) is constituted as one product. We can apply for the modification of the indications stated in the Class III medical device registration certificate of our FFR System to include such new indications, and accordingly, the indication expansion of our FFR System should be regulated as one product with our FFR System. Besides the NMPA, as of the Latest Practicable Date, we had no specific plan for caFFR System's indication expansion in oversea markets and had no communication with competent authorities overseas (i.e. the FDA and the Notified Body of EU).

As of the Latest Practicable Date, the NMPA had not raised any objections or material concerns toward our clinical development of the indication expansion of our caFFR System, and no material adverse change had occurred with respect to the regulatory review or approval process of this medical device.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP OR MARKET OUR CAFFR SYSTEM SUCCESSFULLY, INCLUDING ITS EXPANSION OF THE INDICATION.

caIMR System – Our Core Product

Overview

IMR is a quantitative method to assess the microvascular function of blood vessels, and is used to identify effective adjunctive treatment to reduce microcirculatory dysfunction and improve future prognosis after PCI. IMR can guide the diagnosis and management of patients with CAD without obstructive coronary arteries. According to CIC, our caIMR System is the only less-invasive IMR measurement product having completed a confirmatory clinical trial globally and is expected to become the first less-invasive IMR system approved for commercialization globally. caIMR is indicated for providing guidance on the diagnosis and management of patients with myocardial ischemia without obstructive coronary arteries based on CAG. Our self-developed caIMR System is an advanced product globally for PCI treatment, and is expected to significantly improve the diagnosis of intravascular procedures. While our caFFR System assists physicians in determining whether and when PCI is needed, our caIMR System guides the PCI procedure by helping the physicians assess the microvascular function distal to the stenotic lesion and the level of myocardial tissue perfusion. Our caIMR System is a Class III medical device under the classification criteria of the NMPA. As of the Latest Practicable Date, we held four material patents and three material patent applications in relation to our caIMR System.

We initiated our R&D efforts to develop our caIMR System in June 2019. We conducted preclinical research, including protocol design in relation to caIMR System's product structure, working principle and functional mechanism, quality inspection and risk analysis. Thereafter, in January 2020, we initiated the feasibility clinical trial of our caIMR System. For details of feasibility clinical trial of our caIMR System, please refer to the paragraph headed "– Summary of Feasibility Clinical Trial Results." In January 2021, we completed the feasibility clinical trial of our caIMR System. Subsequently, we had various discussions with principal investigators for the confirmatory clinical trial regarding the preparation of the clinical trial protocols and schedules. In May 2021, we initiated the confirmatory clinical trial, which

represented the finalization of preparation tasks for the confirmatory clinical trial (which is the internal affairs of our Company), including the finalization of the clinical trial protocols and schedules and completion of internal approval procedures in connection with the clinical trial. Thereafter, we obtained written approval in relation to the feasibility clinical trial report issued by the scientific research department of Beijing Hospital in June 2021, completed the ethics committee review in July 2021, completed the filing of the confirmatory clinical trial with Jiangsu Medical Products Administration (江蘇省藥品監督管理局) in August 2021, and obtained the human generic resources approval in October 2021. We started subject enrollments in October 2021 and completed the confirmatory clinical trial of our caIMR System in China with 116 subjects enrolled in March 2022. Subsequently, we submitted the results to the NMPA for regulatory approval in April 2022. Our caIMR System was certified to be eligible for the Special Approval Procedures of Innovative Medical Devices (創新醫療器械特別審查程序) promulgated by the NMPA in April 2022. For details, please refer to the paragraph headed "Regulatory Overview – Laws and Regulations Relating to Medical Device – Special Procedures for Examination and Approval of Innovative Medical Devices" in this document.

Product Structure

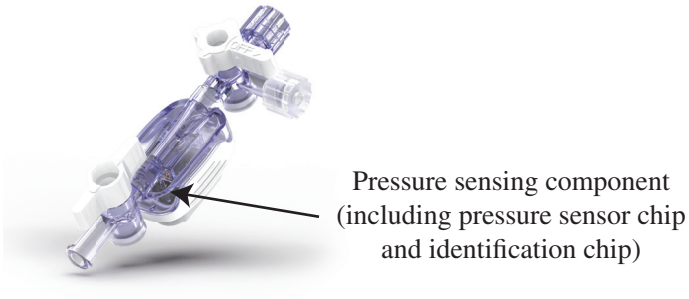
Like our caFFR System, our caIMR System also comprises two parts, a console (the FlashAngio caIMR system) and its proprietary consumable (the FlashPressure caIMR pressure transducer). As an integrated system, its two components work together to facilitate IMR measurements with simplicity and accuracy.

FlashAngio caIMR System

FlashAngio caIMR system is a console which adopts an all-in-one design and connects the analyzer and the workstation together. Like the FlashAngio caFFR system, the analyzer is designed to record, compute, display, and store data from the pressure transducer. The information is displayed as graphs and numerical values (including IMR, aortic pressure and distal coronary pressure) on the touch screen, and can be exported, viewed, marked and analyzed on a computer equipped with our proprietary analysis software. The following diagram illustrates an example of FlashAngio caIMR system we offer.

FlashPressure caIMR Pressure Transducer

Like the FlashPressure caFFR pressure transducer, the FlashPressure caIMR pressure transducer adopts the same design in functionalities. The following diagram illustrates an example of FlashPressure caIMR pressure transducer we offer.



Operation Procedure

CAG is a procedure that uses fluoroscopy and contrast agent to observe heart blood vessels to determine if such vessels are obstructed, blocked, or narrowed. During the CAG procedure, a small catheter is inserted through the patient's skin into an artery, slowly advancing to the opening of the coronary arteries. Our caIMR System is designed to target patients with coronary stenosis who have CAG. The key steps of our caIMR System operational procedure are summarized below.

- angiography is performed with a standard manual force to cover the entire coronary artery or using an automated injector at a rate of 4 ml/s. CAG is recorded at 15 frames per second from multiple views at the operators' discretion;

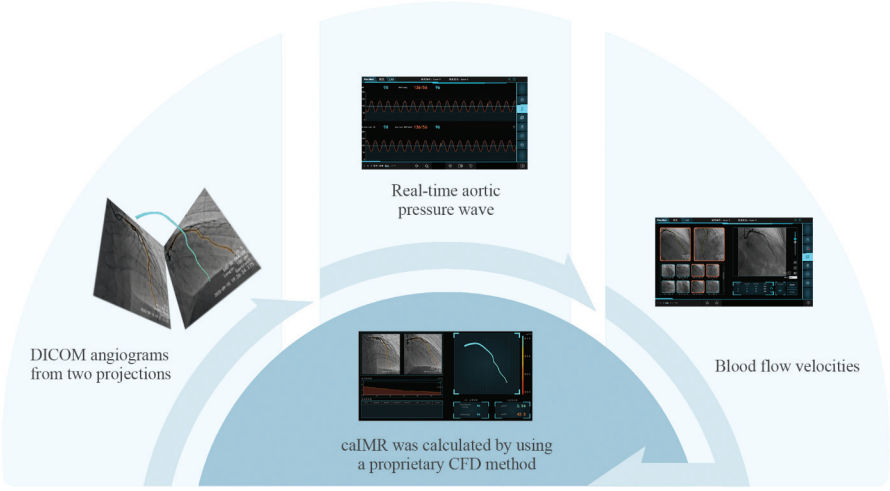
- at least two angiographic projections avoiding vessel overlap, separated by ≥30 degrees, without table movement, are required to generate caIMR;

- the aortic pressure wave is simultaneously recorded using the FlashPressure caIMR pressure transducer, connected to the guiding catheter to record the aortic pressure wave continuously during the entire procedure. The other end of FlashPressure caIMR pressure transducer is connected to the FlashAngio caIMR System, namely, the console. The aortic pressure wave from the pressure transducer is input into the console, which computes the mean aortic pressure averaged over the third to eighth cycles following angiography. DICOM images corresponding to the recorded pressure waves are simultaneously exported to the console;

- a simulated 3D mesh reconstruction of the coronary artery is generated along the vessel path from the inlet to the most distal position. Flow velocities (V') are determined correspondingly; and

- flow velocity (V') and MAP (P'_a) from the software are then used by a proprietary CFD method, computing a pressure drop (ΔP) along the generated mesh of the coronary artery, and caIMR = $(P'_a - \Delta P) \times \frac{L}{K \times V'}$. The console visualizes the IMR assessment in a 3D model less than five minutes. The information is displayed as graphs and numerical values on the screen, and can be viewed, marked and analyzed on a workstation equipped with our proprietary analysis software.

The following diagrams illustrate the working process of our caIMR System:



Summary of Feasibility Clinical Trial Results

In January 2021, we completed a feasibility clinical trial of our caIMR System in China. The aim of the study is to assess the diagnostic performance, including feasibility, accuracy and safety, of our caIMR System, using a wire-derived index of microvascular resistance as the reference standard. The procedures for the trial were completed in three centers, with Beijing Hospital, a Class III Grade A hospital, as the lead principal investigative institution. A total of 56 subjects were enrolled in the feasibility clinical trial. The relevant historical data for such 56 subjects were collected and subsequently analyzed to evaluate the feasibility, accuracy and safety of our caIMR System. All of the 56 subjects were included in the FAS. No safety issues or device defects were reported in the feasibility clinical trial, which indicated our caIMR System was safe for clinical use. All of the trial subjects for the feasibility clinical trial conducted in China met the following conditions:

- aged at least 18 years; and

- with stable or unstable angina pectoris and no obstructive coronary arteries by angiographic visual estimation (i.e., area stenoses <50% from the observation of the interventional cardiologist).

The Primary Efficacy Indicator

The primary endpoint for this study is the accuracy. Among the 56 subjects, the diagnostic accuracy of our caIMR System was 84.2% (95% CI 72.1%–92.5%).

The Secondary Efficacy Indicators

The secondary endpoints for this study included among others, sensitivity, specificity, positive prediction value, negative prediction value, the ROC analysis and correlation coefficient.

Performance	**Prospective Clinical Trial (Patients as Trial Subjects)** *N=56*
Sensitivity(1)	86.1% (95% CI 70.5%–95.3%)
Specificity(2)	81.0% (95% CI 58.1%–94.6%)
Positive Prediction Value(3)	88.6% (95% CI 76.1%–95.0%)
Negative Prediction Value(4)	77.3% (95% CI 59.5%–88.7%)

Notes:

(1) Also known as the "true positive rate", referring to the percentage of cases that are correctly diagnosed as diseased.

(2) Also known as the "true negative rate", referring to the percentage of cases that are correctly diagnosed as not diseased.

(3) The probability that subjects with a positive test result truly have the disease.

(4) The probability that subjects with a negative test result truly do not have the disease.

In addition, the area under ROC curve was 0.919, suggesting equivalent diagnostic accuracy between the two indices. There is a correlation coefficient of 0.746 between our caIMR System and wire-derived IMR in subjects, indicating the strong linear relationship between the two different variables.

Summary of Confirmatory Clinical Trial Results

In March 2022, we completed a confirmatory clinical trial of our caIMR System in China to evaluate the efficacy and safety of our caIMR System as compared to commercialized conventional invasive IMR measurement products developed by international medical device company. The enrollment of patients for the trial were completed in three centers, with Zhongshan Hospital, Fudan University, a Class III Grade A hospital, as the lead principal investigative institution. In the clinical trial, we applied the IMR results measured by pressure wires to evaluate the accuracy, sensitivity and specificity of our caIMR System in assessing the microvascular function of coronary circulation.

All of the trial subjects met the following conditions:

- the subject was 18 years old and above to 80 years old and below; and
- presented with stable or unstable angina pectoris or suspected myocardial ischemia with lumen diameter stenosis of the targeted epicardial coronary <50% by visual estimation.

A total of 116 trial subjects were enrolled, with 113 subjects included in the FAS. By analyzing the CAG images and aortic pressure waves of these subjects, caIMR System calculated the caIMR value to diagnose if a patient might have microcirculatory dysfunctions or not. The diagnosis results were then compared with the results based on invasive IMR measurement. The results showed our caIMR System is comparable in efficacy and safety measures to the control product.

The Primary Indicator

Safety Indicators

The safety endpoints included among others, AE, SAE and incidence of device defects. The studies showed that there was no device defect occurring in the process, which indicated our caIMR System was safe for clinical use. Among all 116 subjects enrolled, one subject was dropped out due to sudden vasospasm after enrollment but before the measurement. Among the 115 subjects, (i) nil trial subject suffered SAE and (ii) 10.4% of the trial subjects suffered AEs (specifically, 9.6% of the subjects suffered mild AEs and 1.7% of the subjects suffered moderate AEs). As determined by the clinical trial hospital, the degree of AEs was mild and there was no clear correlation between the AEs and our caIMR System, indicating its safety. No SAE was reported during the clinical trial. In addition, the relevant departments of the hospitals had no further comments regarding the abovementioned AEs.

Efficacy Indicators

The primary endpoints for this study included accuracy. Among the 113 subjects, the diagnostic accuracy of caIMR System was 93.8% (95% CI 87.7%–97.5%).

The Secondary Endpoints

The secondary endpoints included, among others, sensitivity, specificity, positive prediction value and negative prediction value.

Performance	**Clinical Trial (Patients as Trial Subjects)** *N=113*[1]
Sensitivity[2]	95.1% (83.5–99.4%)
Specificity[3]	93.1% (84.5–97.7%)
Positive Prediction Value[4]	88.6% (75.4–96.2%)
Negative Prediction Value[5]	97.1% (89.9–96.7%)

Notes:

(1) A total of 116 trial subjects were enrolled, of which 113 subjects completed the trial and three subjects dropped out. Among the three dropped-out subjects, (i) two were due to AE, specifically, one subject dropped out due to sudden vasospasm after enrollment but before the measurement and the other subject dropped out due to vascular entrapment, and both AEs were unrelated to our medical device and (ii) one subject withdrew from the trial midway due to the length of time it took to measure IMR using the control product.

(2) Also known as the "true positive rate," referring to the percentage of cases that are correctly diagnosed as diseased.

(3) Also known as the "true negative rate," referring to the percentage of cases that are correctly diagnosed as not diseased.

(4) The probability that subjects with a positive test result truly have the disease.

(5) The probability that subjects with a negative test result truly do not have the disease.

In addition, secondary endpoints also included, among others, ROC analysis and offline accuracy. The area under the ROC curve was 0.963 (95% CI: 0.928–0.999) suggesting equivalent diagnostic accuracy between the two indices. The offline accuracy was 94.7%, indicating the high accuracy and stability.

Competitive Advantages

- *Comparable performance*. Currently, the only quantitative IMR measurement method is by using a pressure wire. Wire-drive IMR requires physicians to perform the procedure by passing through the patient's lesion, which relies on the skills and experience of physicians and leaves the accuracy of the measurement value uncertain. In addition, it is unstable due to the complexity of operation. Therefore, there are huge unmet medical needs for more effective measurement of IMR. According to the confirmatory clinical trial results of our caIMR System, compared with wire-based IMR, the diagnostic performance of our caIMR System indicated a diagnostic accuracy of 93.8%, sensitivity of 95.1%, and specificity of 93.1%.

- *Time-efficient*: Compared to wire-based IMR measurement, our caIMR System significantly shortens the operation time from 40-60 minutes to less than five minutes.

- *Convenient and efficient measurements*. Our caIMR System enables physiological assessment without vasodilators and saves operation time and costs. In particular, the measurement time of IMR and diagnosis of CMVD is reduced to less than five minutes. It solves the pain points such as high risk of vascular damage, unquantifiable and complex operation in traditional microcirculation measurement methods. Furthermore, for use of our caIMR measurement, drug-induced hyperemia is not required as compared wire-based IMR measurement products.

Market Opportunity and Competition

IMR can be applied to guiding the diagnosis and management of patients of myocardial ischemia without obstructive coronary arteries, and reducing adverse events particularly in patients with complex lesion. Currently, the IMR measurement, represented by caIMR, is measured after the CAG as a means of precision diagnosis to determine the severity of diseases and the follow-up treatments. With the increasing market penetration and the improving patient acceptance, such IMR measurement is expected to be performed along with CAG in the future. As the value of IMR in the diagnosis of microcirculation has been continuously identified and more convenient detection methods appear, we expect this market will grow significantly. According to CIC, the market size of IMR measurement in China is expected to increase from approximately RMB24.2 million in 2023 to RMB2,116.3 million in 2030 at a CAGR of 89.4%, and the IMR measurement penetration rate is expected to increase from 0.3% in 2023 to 17.3% in 2030.

In China, the IMR measurement market is still at its early stage of development. According to CIC, as of the Latest Practicable Date, one IMR product received NMPA approval, namely, PressureWire Certus, a pressure-wire product of Abbott. As of the Latest Practicable Date, there were two IMR product candidates, including our caIMR System that completed a confirmatory clinical trial globally and is expected to become the first less-invasive IMR system approved for commercialization globally. Based on literatures and interviews from relevant experts, the PressureWire Certus of Abbott is mainly for research use. The table below illustrates the IMR systems that had been approved or at clinical stage as of the Latest Practicable Date:

Region	Company Name	Product Name	Less-invasive Assess	Category	Average Procedure Time	NMPA Approval Time
China	Rainmed 潤邁德	caIMR	√	Wire Free	<5min	2022-Q4(1)
China	ESCOPE 閱影科技	XAscope	√	Wire Free	Not publicly available yet	N/A(2)
U.S.	Abbott 雅培	PressureWire Certus(3)	×	PressureWire	40-60min	2014-11-14

Notes:

(1) caIMR is expected to receive NMPA approval in the fourth quarter of 2022.

(2) XAscope is expected to complete the clinical trial in December 2022.

(3) The IMR measurement function is an indication expansion of the PressureWire Certus, which is mainly for research use, and its retail price in China is not publicly available yet.

Source: NMPA; ClinicalTrials; Expert Interview; Company websites; CIC Analysis

Development Plan

In late December 2021, we completed all subject enrollments for our caIMR System's confirmatory clinical trial. In March 2022, we completed the confirmatory clinical trial of our caIMR System in China. As of the Latest Practicable Date, the NMPA (and/or its branches) had not raised any objection to the continued conduct of the confirmatory clinical trial. We submitted the confirmatory clinical trial results to the NMPA for regulatory approval in April 2022. Currently, we are in the process of completing the registration process and awaiting the regulatory approval from the NMPA for our caIMR System. Given the timeline for the regulatory authorities' review process, we expect to obtain NMPA approval for the commercialization of our caIMR System in the fourth quarter of 2022. Additionally, we plan to apply for the CE Mark in the second quarter of 2022. As the application of CE Mark for our caIMR System is not dependent on the NMPA-required clinical trials(1), we currently expect to receive the approval in the second quarter of 2023. Our caIMR System is categorized as a Class IIa medical device in EU. For details, please refer to the paragraph headed "Regulatory Overview – EU, Japan and FDA Regulatory Overview."

Subsequent to the commercialization approval of caIMR System in China, we plan to commence clinical trials in the first quarter of 2023 to explore the use of caIMR System from the current scope (namely, ischemia with no obstructive coronary arteries) to a new indication in China, namely, patients with STEMI immediately after successful revascularization of targeted vessels. Due to the inseparable nature as discussed above, the console (the FlashAngio caIMR system) and its proprietary consumable (the FlashPressure caIMR pressure transducer) will be constituted as one product for the planned new indications.

We currently plan to enroll more than 2,000 patients for such indication expansion. The expected costs of the clinical trials for indication expansion and follow-ups are approximately RMB18,000 to RMB21,000 per patient. Such costs are expected to cover surgical fees, clinical fees paid to hospitals and clinical organizations, subsidies for the patients to participate in the follow-up clinical studies. In addition, we also expect to incur, among others, expenses for data statistics and analysis, material expenses, expenses in relation to intellectual property, travel expenses and conference expenses for the clinical trials. Currently, we expect to fund such clinical trials with a portion of the [**REDACTED**] from the [**REDACTED**] as well as our internal liquidity sources. We plan to initiate the subject enrollments in the first quarter of 2023 and to complete such enrollments in the third quarter of 2024. We plan to complete the clinical trial for such indication expansion in the fourth quarter of 2024 and to obtain the approval for commercialization in 2025.

Note:

(1) Based on MEDDEV 2.71 revision 4 Clinical evaluation and MDCG 2020-5 Clinical Evaluation, we plan to use clinical data related to an equivalent device in the clinical evaluation required for a device under conformity assessment. The clinical evaluation of our caIMR System is not based on the conclusion of the domestic clinical trials. For details, please refer to the paragraph headed "Regulatory Overview – EU, Japan and FDA Regulatory Overview – EU Regulatory Regime – Assessment of Conformity."

We currently expect to conduct independent stand-alone clinical trials in Japan, South Korea and the U.S. For the commercialization in Japan, we plan to initiate the clinical trial in the fourth quarter of 2022, to complete the clinical trial in the third quarter of 2023, to submit the application to the PMDA in the fourth quarter of 2023 and to receive the approval in the third quarter of 2024. For the commercialization in South Korea, we plan to initiate the clinical trial in the fourth quarter of 2022, to complete the clinical trial in the third quarter of 2023, to submit the application to the MFDS in the fourth quarter of 2023 and to receive the approval in the third quarter of 2024. For the commercialization in the U.S., we plan to initiate the clinical trial in the fourth quarter of 2022, to complete the clinical trial in the fourth quarter of 2024, to submit the application to the FDA in 2025 and to receive the approval in 2025. For these clinical trials, we currently plan to enroll 150, 150 and 200 patients in Japan, South Korea and the U.S., respectively. Clinical trials conducted outside of China are usually significantly more expensive than those conducted in China. For example, the expected costs of the clinical trials for our caIMR System in the U.S. are approximately RMB120,000 to RMB140,000 per patient to cover the same expense items as the clinical trials in China. Currently, we expect to fund these clinical trials with a portion of the [**REDACTED**] from the [**REDACTED**] as well as our internal liquidity sources.

Since the global clinical trials were still at a relatively early stage, as of the Latest Practicable Date, we had no material communication with the regulatory authorities overseas such as the PMDA, the MFDS and the FDA. If we have any consultations with the competent authorities overseas in the future, we will then conduct our overseas R&D activities in accordance with such consultations. Depending on our overseas commercialization progress, we expect to communicate with several oversea clinical trial organizations regarding the registration pathway and the adequacy of clinical data. In addition, our caIMR System is categorized as a Class II medical device in Japan, South Korea and the U.S., respectively. For details, please refer to the paragraph headed "Regulatory Overview – EU, Japan and FDA Regulatory Overview."

Regulatory Pathways and Material Communications With Competent Authorities or Professional Bodies

Our caIMR System applied the Special Approval Procedures of Innovative Medical Devices (創新醫療器械特別審查程序) promulgated by the NMPA in May 2021 and has been categorized as a Class III medical device. We completed the filing of the confirmatory clinical trial for our caIMR System with Jiangsu Medical Products Administration (江蘇省藥品監督管理局) in August 2021. In April 2022, our caIMR System was certified to be eligible for the Special Approval Procedures of Innovative Medical Devices (創新醫療器械特別審查程序) promulgated by the NMPA. We submitted the confirmatory clinical trial results of our caIMR System to the NMPA for regulatory approval in April 2022. Currently, we are in the process of completing the registration process and awaiting the regulatory approval from the NMPA for our caIMR System.

Our caIMR System, which comprises a console (the FlashAngio caIMR system) and its proprietary consumable (the FlashPressure caIMR pressure transducer), constitutes one product notwithstanding that different registration certificates will likely be issued by the NMPA, one registration certificate will likely be issued by the Notified Body of EU, and different registration certificates will likely be issued by the FDA.

First, the console (the FlashAngio caIMR system) and its proprietary consumable (the FlashPressure caIMR pressure transducer) are specialized and can only be used with each other. We initiated the product design, prepared the trial protocol and, conducted the clinical trials with both the console and its proprietary consumable being used together. In particular, we plan to submit a bundled application to the NMPA, the Notified Body of EU and the FDA for registration approval with both devices together.

Second, the console and its proprietary consumable are inseparable parts with each other. According to Guiding Principles for the Division of Medical Device Registration (《醫療器械註冊單元劃分指導原則》), a separate registration is required if substantial differences in underlying technologies or product structure exist between two devices. Therefore, passive consumables used in combination with active medical devices are divided into different registration units with the active medical devices. However, the determination of whether our caIMR System can be regulated as one product has nothing to do with whether separate certificates will be issued. Instead, the inseparable nature of the two devices have indicated that neither of them could be used without the other.

Third, our sales and marketing efforts have also demonstrated our intention to sell and market our FlashAngio caIMR system and FlashPressure caIMR pressure transducer as a bundled product. We plan to adopt similar selling strategies with our caFFR System – for an initial sale, we sell caIMR Systems in bundle – with one FlashAngio caIMR System and several FlashPressure caIMR pressure transducers. As the FlashPressure caIMR pressure transducer can only be used once and then needs to be discarded and replaced, therefore, FlashPressure caIMR pressure transducer is a consumable component that require ongoing purchases.

In June 2021, we had an interview with the NMPA to discuss the regulatory pathway of our caIMR System. At the interview, the NMPA confirmed that (i) the feasibility clinical trial of our caIMR System forms a key part of the application required by the NMPA for the product registration of our caIMR System, according to the applicable Good Clinical Practice for Medical Devices (《醫療器械臨床試驗質量管理規範》); (ii) the feasibility clinical trial was completed; (iii) the feasibility clinical trial and the confirmatory clinical trial are two standalone trials as required by the NMPA; and (iv) the NMPA had no objection to our conducting the confirmatory clinical trial of our caIMR System.

As of the Latest Practicable Date, the NMPA had not raised any objections or material concerns toward our clinical development of our caIMR System, and no material adverse change had occurred with respect to the regulatory review or approval process of this medical device.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP OR MARKET OUR CAIMR SYSTEM SUCCESSFULLY.

Intelligent Angiographic Injection System

Our intelligent Angiographic Injection System is a proprietary automated contrast delivery system. It is indicated for controlled administration of radiopaque contrast media and saline while undergoing angiographic procedures. It is categorized as a Class III medical device in China. Our Intelligent Angiographic Injection System aims to standardize cardiovascular angiographic imaging and is designed to provide ease of operation for physicians while obtaining quality images with less contrast used and delivered to patients. Intelligent Angiographic Injection System also provides precision and control through variable-rate adjustments of contrast flow and volume in real-time. We are developing our Intelligent Angiographic Injection System to work with Flash Robot Vascular Intervention Navigation Operation System. The design of the hand controller also allows operators to stand further away from patients than would be possible with a conventional injection system, thus significantly improving radiation protection for operator.

Product Structure

The intelligent Angiographic Injection System primarily comprises a hand controller, a touch screen control panel, a pedestal cart, an injector head as well as other instruments and accessories. It is designed to allow fully automatic and controlled administration of fluids injected. Key features of the Intelligent Angiographic Injection System are summarized below.

- The hand controller can manually remote control the contrast media injection, which allows physicians to directly control injection flow, volume and pressure. Such hand controller is designed to increase the safety, accuracy and precision of both diagnostic and interventional procedures. After the setup, operators can simply press the contrast button on the hand controller to inject contrast at the parameters on the control panel.

- The touch screen control panel provides intuitive on-screen prompts for setup, adjustable injection volume and flow rate limits, contrast tracking information, and real-time readout for continuous system and procedure monitoring. Operators can modify each parameter on the control panel during the procedure.

- The pedestal cart consists of a body and a fixed base. The base of the pedestal cart is removable for easy movement and fixation.

- The injector head is used to perform the injection of contrast medium and saline. The injector head houses the motors, pumps, sensing elements, and software that control the delivery of contrast and saline.

Operation Procedure

During an angiogram, X-ray contrast dye is injected into the heart arteries through a catheter in a patient's leg or arm. Cardiologists or physicians rely on angiographic imaging to see inside the heart's arteries, diagnose heart disease and determine which patients need surgery or PCI. Intelligent Angiographic Injection System replaces traditional injection methods that rely on manual manipulation of a hand injection syringe. During the procedure, physicians can choose flow, volume, pressure and rise time on a touch screen control panel to modify each parameter. After the selection of the mode, physicians can easily press and hold the contrast button on the hand controller to inject contrast. The air sensors automatically stop the procedure when air is detected, helping prevent a potentially serious complication for patients.

Competitive Advantages

We believe the Intelligent Angiographic Injection System has the following features and benefits:

- *Reducing radiation exposure*. The Intelligent Angiographic Injection System includes manual remote control of contrast media injection. The remote control allows operators to step back from the radiation source and scatter and effectively helps reducing their radiation exposure to relatively lower levels.

- *Precision and control*. The Intelligent Angiographic Injection System provides precision contrast injections for angiography. The precise control of the contrast injection can achieve better imaging results and facilitate the diagnostic analysis. The Intelligent Angiographic Injection System also continuously tracks contrast volume delivery, allowing operators to ensure contrast delivery remains below target thresholds.

- *Ease and simplicity*. The straightforward, intuitive setup of the system and disposables coupled with their flexibility and versatility is designed to reduce the setup time. In addition, such simplicity in design could shorten the learning curve for new users.

Development Plan

As of the Latest Practicable Date, we had not engaged in any material regulatory communications with the NMPA in respect of the Intelligent Angiographic Injection System. As of the Latest Practicable Date, the Intelligent Angiographic Injection System was at its design stage. Currently, we expect to initiate the type testing in the second quarter of 2022 and to complete such type testing in the fourth quarter of 2022. According to the Catalogue of Medical Devices Exempted from Clinical Evaluation (《免於臨床評價醫療器械目錄》) promulgated by the NMPA on October 1, 2021, angiographic injection systems are exempt from clinical evaluation. Therefore, we plan to submit the registration application to the NMPA in the fourth quarter of 2022. Given the timeline for the regulatory authorities' review process, we expect to commercialize the Intelligent Angiographic Injection System in China in fourth quarter of 2023. Additionally, we plan to apply for the CE Mark in the second quarter of 2023 and expect to receive the approval in the first quarter of 2024.

For the commercialization in the U.S., we plan to initiate the type testing in the fourth quarter of 2022, to complete the type testing in the second quarter of 2023, to submit the application to the FDA in the second quarter of 2023 and to receive the approval in the first quarter of 2024.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP OR MARKET OUR INTELLIGENT ANGIOGRAPHIC INJECTION SYSTEM SUCCESSFULLY.

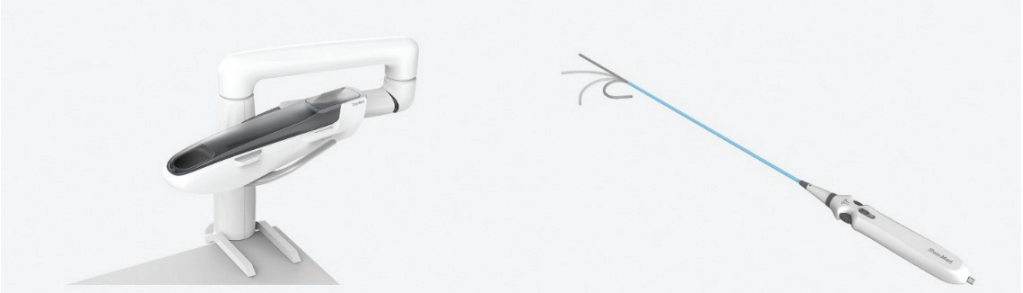
Flash Robot Vascular Intervention Navigation Operation System

Flash Robot Vascular Intervention Navigation Operation System is our proprietary robot-assisted system designed for navigation and operation during the PCI procedures. It is categorized as a Class III medical device in China. Flash Robot Vascular Intervention Navigation Operation System will form a key part of our future vascular interventional surgical robot and we plan to provide a "one-stop hybrid procedure" that can be carried out for diagnostic and therapeutic purposes at the same time in the future. Robotic-assisted operation enables precise measurement of anatomy and device positioning with the added benefit of radiation protection for physicians. Consisting of a robotic arm and a control unit (including a console and a surgical image navigation system), our Flash Robot Vascular Intervention Navigation Operation System allows physicians to precisely guide a catheter through the patient's blood vessels and further perform the operation. With automated procedural movements and precise anatomical measurements, the robotic system also helps physicians to navigate complex anatomies more consistently and predictably.

Product Structure

Flash Robot Vascular Intervention Navigation Operation System primarily comprises three units, a robotic arm, a console and a surgical image navigation system.

- The robotic arm is a passive mechanical arm that can be dragged by operators, with the flexibility to meet the needs of different body parts and different surgical procedures. Based on the instructions received remotely from the console, it imitates the movements of a human hand and manipulates interventional instruments such as catheters to complete pushing, rotating, retracting, bending, etc. In addition, the catheter is steerable and adjustable, which allows physicians to adjust the angle of the catheter, to accommodate patients' anatomical structures and to improve the accuracy of positioning. To build our future vascular interventional surgical robot, a one-stop hybrid procedure, that can be carried out for diagnostic and therapeutic purposes, we plan to integrate our Intelligent Angiographic Injection System and Flash RDN system to use in conjunction with our Flash Robot Vascular Intervention Navigation Operation System.



Robotic arm

Multi-angle adjustable and steerable catheter

- The console is equipped with the master controllers and a footswitch panel. The master controllers and the footswitch panel provide the means for physicians to control the robotic arm.

- The surgical image navigation system provides video images for physicians. The surgical image navigation system can apply different types of medical images to plan the vascular path and projection position before surgery. In addition, it provides and displays the images and monitoring information in real time during surgery, which allows physicians to guide the interventional instruments to the target position precisely.

Operation Procedure

After puncture and sheath placement, physicians place the steerable catheter directly, and such steerable catheter is mounted onto the robotic arm. With the guidance of the surgical image navigation system, the robotic arm moves to the targeted position and the steerable catheter further establishes the vascular access. Physicians can further place implants and conduct operation.

Competitive Advantages

- *Reducing radiation exposure*. Conventional vascular intervention procedures are typically performed manually under exposure to large amounts of radiation from X-rays. Such radiation exposure has a detrimental effect on human health, which can potentially lead to carcinogenesis as the radiation damage from repeated procedures accumulates. In addition, employing radiation protection units is not a long-term solution to avoid such physical damage. To overcome these shortcomings, we are developing the Flash Robot Vascular Intervention Navigation Operation System, which has the merit of reducing radiation exposure of doctors because it can be operated remotely in a room separated from the operation room. In terms of the radiation dose exposure to the patient, the Flash Robot Vascular Intervention Navigation Operation System plans to reduce patient radiation exposure by shortening the operation time and precisely controlling the contrast media usage.

- *High control precision.* Flash Robot Vascular Intervention Navigation Operation System provides control accuracy and improves surgical results. During the conventional vascular intervention procedure, it is difficult to make branching in complex vascular lines with movements of the catheter. To enhance the controllability, the vascular intervention robotic system uses a steerable-catheter module, which can be employed for successful branching during vascular intervention surgery. In addition, during the deployment, it uses sub-millimeter measurement and 1mm movement to position implants exactly to the target position.

- *User-friendly operation.* The Flash Robot Vascular Intervention Navigation Operation System is fitted with touchscreen for ease of use. It enables physicians to capture screenshots or add marking lines with one click in order to enhance both the physician's experience and clinical efficiency. In addition, the Flash Robot Vascular Intervention Navigation Operation System also provides greater visualization, facilitates vessel dissection and enables catheter placement with greater accuracy.

Development Plan

As of the Latest Practicable Date, we had not engaged in any material regulatory communications with the NMPA in respect of the Flash Robot Vascular Intervention Navigation Operation System. As of the Latest Practicable Date, the Flash Robot Vascular Intervention Navigation Operation System was at its design stage. In February 2022, our Flash Robot Vascular Intervention Navigation Operation System entered into the animal study stage and successfully passed the first animal trial sample. We are currently conducting the design development of the Flash Robot Vascular Intervention Navigation Operation System, covering CAD, peripheral vascular diseases and neurovascular diseases. For the indication of CAD in particular, we plan to complete the type testing in the fourth quarter of 2022, to initiate the animal studies in the second quarter of 2022, to initiate the feasibility clinical trial in the fourth quarter of 2022 and to complete such clinical trial in the first quarter of 2023. Thereafter, we plan to initiate the confirmatory clinical trial in the second quarter of 2023 and to complete the subject enrollments in the fourth quarter of 2023. We plan to submit the registration application to the NMPA in the first quarter of 2024. Given the timeline for the regulatory authorities' review process, we expect to commercialize the Flash Robot Vascular Intervention Navigation Operation System in China in the fourth quarter of 2024. Additionally, we plan to apply for the CE Mark in 2026 and expect to receive the approval in 2027.

We currently expect to conduct clinical trials in the U.S. For the commercialization in the U.S., we plan to initiate the clinical trial in the fourth quarter of 2024, to complete the clinical trial in 2026, to submit the application to the FDA in 2026 and to receive the approval in 2027.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP OR MARKET OUR FLASH ROBOT VASCULAR INTERVENTION NAVIGATION OPERATION SYSTEM SUCCESSFULLY.

Flash Renal Denervation ("RDN") System

The Flash RDN System is a proprietary catheter-based device designed to use radio frequency to thermally reduce the drive of the sympathetic nervous system. It is a percutaneous procedure that modulates the output of the sympathetic nerves located outside the renal artery walls. Recent studies have shown promising reductions in blood pressure amongst patients with treatment-resistant hypertension by using RDN. This treatment may dramatically lower a patient's cardiovascular risk, and lead to reductions in the need for anti-hypertensive medications. In addition, we expect to utilize our caIMR measurement to guide RDN operation to localize, target, and monitor in real time, and thus to ablate targeted tissue without damaging normal structures. The Flash RDN System is categorized as a Class III medical device in China.

Product Structure

The Flash RDN System primarily comprises a rental artery ablation catheter (electrodes, thermocouple sensor, tube body, handle) and renal artery ablation device (used with the renal artery ablation catheter to provide precise energy control for the catheter, temperature alarms and wall-fit prompts). We are developing the Flash RDN System to work with our Flash Robot Vascular Intervention Navigation Operation System to achieve real-time precise ablation of the target site.

Operation Procedure

During a procedure, physicians first perform renal angiography to confirm renal artery anatomy, then an interventional catheter is inserted into the kidney via the renal artery. Energy is delivered to damage the nerve fibers in the adventitia and hence to remove the renal sympathetic innervation and to inhibit the renal sympathetic nerves. The target might involve multiple sites within the renal artery. The RDN procedure is highly target-selective, minimally invasive, involves short post-operative recovery duration, and does not require a permanent implantation.

Development Plan

As of the Latest Practicable Date, we had not engaged in any material regulatory communications with the NMPA in respect of the Flash RDN System. As of the Latest Practicable Date, the Flash RDN System was at its design stage. We expect to complete the type testing in the second quarter of 2023, to initiate the feasibility clinical trial in the second quarter of 2023 and to complete such clinical trial in the fourth quarter of 2023. Thereafter, we plan to initiate the confirmatory clinical trial in the fourth quarter of 2023 and to complete the subject enrollments in the third quarter of 2024. We plan to submit the registration application to the NMPA in the fourth quarter of 2024. Given the timeline for the regulatory authorities' review process, we expect to commercialize in China in 2025.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP OR MARKET OUR FLASH RENAL DENERVATION SYSTEM SUCCESSFULLY.

RESEARCH AND DEVELOPMENT

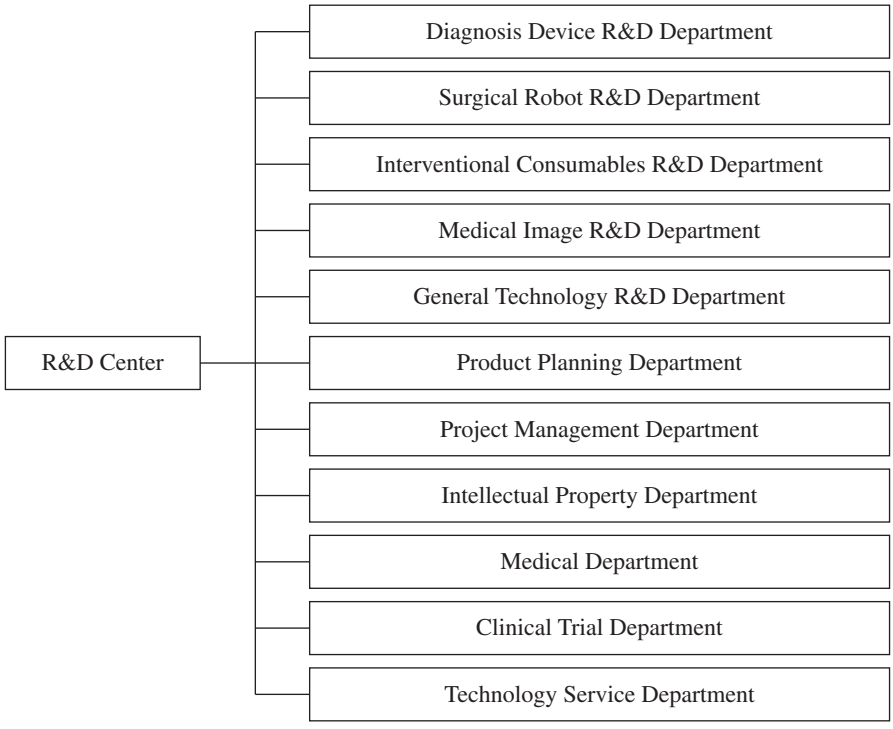
Our R&D team develops innovative products focusing on the field of interventional precision diagnosis and treatment. We have successfully developed and commercially launched our caFFR System which comprises a console (the FlashAngio caFFR system) and its proprietary consumable (the FlashPressure caFFR pressure transducer). We are also expanding the indications of our caFFR System and developing four other product candidates, including our caIMR System which comprises a console (the FlashAngio caIMR system) and its proprietary consumable (the FlashPressure caIMR pressure transducer), Intelligent Angiographic Injection System, Flash Robot Vascular Intervention Navigation Operation System and Flash RDN System. We intend to expand and improve our product portfolio by strengthening our research and development of new products and improving our existing products and product candidates.

Our Research and Development Team

We have a dedicated in-house R&D team of 147 members primarily based in Suzhou, Jiangsu province, China as of the Latest Practicable Date. The team accounts for about one third of our total employees. As of the Latest Practicable Date, more than 74.1% of the employees from R&D team have three or more years of working experience, and about 50% over five years. Furthermore, as of the same date, three employees hold doctorate degrees and 17 hold master degrees. Our R&D team members' expertise covers the full lifecycle of a product candidate, spanning internal discovery and research, clinical development, quality control and regulatory administration. Our R&D team have published over 100 academic articles in top journals and at conferences worldwide, including JACC and the Cardiovascular Research. The R&D team is led by Mr. LIU Guangzhi, our chief technology officer, who has over eight years of experience in medical device development and over 15 years of experience in software and algorithm development as well as rich management experience, and who also led the research and development of various of our domestic and overseas patents. The core members of our R&D team also include Mr. CHEN Aiqin, our director of the surgical robot R&D department, who has extensive project management experience in relation to medical device industry and consumables; Dr. FENG Yundi, our chief medical director, who has published over 15 academic articles in journals with topics focusing on non-invasive diagnosis and medical device development, hemodynamics and cardiovascular diseases; Ms. TANG Linli, our director of the clinical trial department, who has over eight years of experience relating to medical device and project management; Dr. JIANG Tingyi, our researcher focusing on innovative researches; Ms. LIU lei, our medical imaging engineer, who has over five years of related working experience; and Mr. YANG Xinjun, our mechanical engineer, who has over eight years of experience relating to precision equipment and device. For details, please refer to the section headed "Directors and Senior Management" in this document.

The R&D team works along the full lifecycle of a product candidate, spanning internal discovery and research, clinical development, quality control and regulatory administration, with the goal of resource integration and experience accumulation for the whole team. To better exploit the specialty of our R&D personnel, improve working efficacy and give full play to the synergy effects, we divide our R&D team into eleven sub-departments under the R&D center to monitor and manage the collaboration among other sub-departments. The five R&D departments, covering areas of diagnosis device, surgery robot, interventional consumables, medical image and general technology, focus on the development of relevant software, applications, algorithms and electronic engineering techniques. The medical department and the product planning department are mainly responsible for reviewing and discussing feedbacks from KOLs, physicians and academic institutions to identify potential research and development opportunities. The members of these two departments also select potential product candidates, optimize product design, and improve the product quality. The project management department coordinates the work of each R&D department and ensures the timely implementation of the ongoing projects. The intellectual property department is responsible for maintaining our intellectual property portfolio (including patents and trademarks), protecting intellectual property rights, and improving our intellectual property system. The clinical trial

department is responsible for designing and conducting clinical trials for our products and product candidates, and the technology service department provides technology support. The structure of our R&D team is elaborated below:



As the bridge between research and development and commercialization, our R&D team utilizes cross-department communication and cooperation with our quality control, regulatory registration, and clinical affairs departments to ensure an efficient and high-quality R&D process, while forming a mechanism for cultivating research and development talents to fuel our long-term development.

Our Research and Development Platforms

Our R&D platforms adhere to in-house development and innovation, capture market demand and actively explore various clinical applications for our products so as to timely upgrade our products and product candidates catering to the market demands. Our platform technologies complement each other and create a synergistic effect for our research and development efforts.

- ***Medical imaging algorithm and application R&D platform.*** This platform is an efficient and extensible integrated algorithm platform focusing on the AI technology for surgical robots as well as the technology of guiding and controlling robots, which enables surgical robots to perform complex operations in a safe and stable manner and achieves our goal of conducting interventional treatments safely, quickly and accurately. Through technological innovation, this platform provides innovative treatment solutions which benefit doctors and patients. This platform

integrates various algorithms, which can solve multi-modality fusion in the dynamic vascular environment, enable intelligent perception and realize the surgical path planning in dynamic non-structural surgical environment. This platform also integrates functions such as remote control and precise positioning control, allowing physicians to control the operation process remotely, precisely, safely and efficiently. The platform also works as a tool for open algorithm design and secondary development in the field of medical imaging, and promotes the development of medical imaging software. The 3D interactive framework of this platform not only provides a relatively independent, user-friendly and extensible framework support, but also establishes a bridge between the qualitative display of visualization algorithms and the quantitative analysis required in practical applications.

- ***Fluid dynamics simulating calculation platform.*** Based on the needs of clinical medicine and medical devices, this platform carries out basic research and is dedicated to exploring new theories, concepts, methods and models of computational fluid mechanics. It also focuses on the impact of mechanical factors on the pathophysiology of the blood circulation system, which in turn guides clinical treatment and the development of related medical devices. This platform studies the localized phenomenon of atherosclerosis and its hemodynamic causes, the application of the principle of cyclonic flow in the arterial system in the cardiovascular interventional therapy, the experimental simulation system of human blood circulation and computational hemodynamics.

- ***High-performance device R&D platform.*** Focusing on key directions such as high-performance computation, high-precision physiological parameter monitor, high-reliability wireless data communication, and high-power energy output, and diving into the basic principles, key techniques, algorithms, systems and products, this platform develops reliable wireless data communication technologies, which meets the clinical needs and realize the two-way data transmission in real operating rooms. Meanwhile, in terms of the operation process of the vascular interventional surgeries, this platform designs a safety standardization scheme for robotic hands and establishes the performance evaluation system of related equipment.

- ***Interventional consumables R&D platform.*** Based on the acoustic experimental platform, electronic experimental platform, micro and nano device processing platform and interventional catheter technical platform required for the development of interventional devices, this platform provides strong technical support for the development of innovative interventional treatment devices. The cooperation of innovative interventional devices and interventional surgery robots will further optimize the process of vascular interventional surgery, bringing new experience to doctors and patients.

Product Development

Our product development typically involves the following steps:

- ***Project proposal and selection.*** Before we initiate a new product development project, we typically conduct market research to collect market information in relation to the market trends and demands. Our product development cycle starts with a preliminary development proposal that describes the medical needs of physicians and patients to be addressed, the potential risks related to the project and the key technologies to be applied. Our management reviews the development proposal and decides whether to proceed with the proposed project.

- ***Product planning and design.*** After our management approves the project, we will then establish a project team which consists of R&D personnel. The project team will hold meetings to discuss R&D progress, the latest market trends as well as detailed analysis of similar products manufactured by our competitors. We transform the product protocol into engineering requirements by using our internal manual and then develop the components according to the engineering requirements. The ultimate goal at this stage is to realize the assembled product with the desired function and performance.

- ***Preclinical product verification and validation.*** All new products will go through several rounds of internal and external testing, through which our management team will collect feedback from our employees and physicians on the product functionalities so that we can refine our designs and resolve technical issues in order to satisfy clinical needs.

- ***Clinical study.*** We also conduct animal studies and early feasibility studies to evaluate the device functionality and preliminary clinical safety when non-clinical testing is unable to provide the necessary information to advance the device development process. We collaborate with clinical trial institutions to conduct clinical trials for our product candidates. For details, please refer to the paragraph headed "Clinical Trials" in this section.

- ***Registration and launch.*** The registration procedure and timeline for our product candidates vary in different jurisdictions. Our regulatory team is mainly responsible for regulatory filings and communications with applicable competent authorities. Our team members have extensive experience and in-depth understanding of registration requirements and procedures, as well as other regulatory compliance guidelines in practice. We expect to launch our products shortly after receiving the relevant regulatory approvals or registrations.

Clinical Trials

Our clinical development team has experience in conducting clinical trials for our products and product candidates. We conduct scientific clinical research for our new products in order to obtain the requisite regulatory approvals and collect post-procedure data that can improve and enhance the design and features of our products, in order to continuously optimize and improve their performance and better serve physicians and patients. In addition, robust clinical data are an important marketing tool for increasing credibility of our brand and products. The clinical data are collected and used to measure the clinical performance and safety of a device product. Primary performance indicators for clinical research are selected based on the intended use of the medical device. Our clinical data and practices are designed to meet the standard of good clinical practice ("**GCP**").

Collaboration With Clinical Trial Institutions

The NMPA maintains a catalog of hospitals that it has approved as clinical trial centers, from which we select a number of leading hospitals with desirable expertise, patient samples, technology and equipment to conduct our clinical trials. We meet with the selected participating hospitals to discuss the trial's goals and requirements, as well as to select the leading institutions for the trials, which typically are the largest and best-equipped hospitals of the participating hospitals. To further enhance the clinical capabilities of our cooperative hospitals, from time to time, we provide certain units of our caFFR Systems for purpose of research and clinical trials at a nominal price.

We typically enter into an agreement with each selected hospital for each clinical trial, under which we and the participating hospitals prepare a clinical trial protocol following GCP standards that describes in detail the goal of the clinical trial, the risks involved, the overall design, the methods and the procedures of the trial. We submit documents, including our clinical trial protocol and draft informed consent to be filled out by patients, to the ethics committee of each participating hospital for review. The ethics committees may ask us to revise the clinical trial protocol or other documents before their approval. Once the protocol is approved, any amendment thereafter is required to be reviewed and consented by the ethics committees and the clinical trials are required to be conducted strictly pursuant to the approved protocol.

Pursuant to the agreements with these participating institutions, the institutions are required to conduct the clinical trials, collect data, and issue case reports at the end of each clinical trial strictly in accordance with the protocol. The lead institution will prepare formal reports based on the case reports submitted by all participating institutions. In return for the institutions' services, we make scheduled payments as agreed in the agreements. Under the agreements, all the intellectual property rights in relation to the clinical trial are generally owned by us, but the participating institutions may publish or otherwise use the clinical trial results for academic activities with our prior approval.

Relationships With CROs and SMOs

We collaborate with CROs and SMOs in our clinical trials. When selecting CROs and SMOs, we consider a number of factors, including their expertise, experience and reputation. For each new clinical trial, we generally enter into an agreement with the CRO and SMO. The CROs and SMOs must comply with all applicable laws and regulations as well as follow our protocols to ensure that all clinical trial results are accurate and authentic. We provide the CROs and SMOs with their required materials and information and are responsible for the preparation of test devices.

After we select a CRO or SMO to support our clinical trial, we and the CRO or SMO will sign an agreement, which sets out the purpose and content of the clinical trial, responsibilities of each party, research procedures and payment schedule. We will provide the product candidates for the clinical trial, while the other party will assist us in completing each step of the clinical trial or provide us with the clinical trial-related services. For example, the CRO is typically responsible for reviewing the clinical trial protocol and informed consent forms, assisting us in providing training to relevant researchers, establishing and managing the database, collecting case reports, and issuing the clinical trial reports. The SMO is typically responsible for preparing contracts, submission of relevant documents to the ethics committees and review boards, patient counseling, patient recruitment and other clinical site management matters. In return for their services, we make scheduled payments as agreed upon. Under the agreements, we own all intellectual property rights and trial results and the CRO or SMO must maintain strict confidentiality with respect to the information they acquire during clinical trials. The CROs or SMOs are obligated to keep all non-public information and data from the trials confidential.

During the Track Record Period, none of our CROs and SMOs, including their shareholders, directors and senior management, have any other past or present relationships (including, without limitation, business, employment, family, trust, financing, fund flow or otherwise) with us, our subsidiaries, our shareholders, directors or senior management, or any of their respective associates.

Relationships With PIs and KOLs

In addition to our collaboration with clinical trial institutions, CROs and SMOs, we also maintain continuous communications with lead principal investigators, KOLs, physicians and hospitals, who are informed of our latest research and development progress. The PIs we work with include reputable physicians who work at leading Class III hospitals and hold important positions in various prestigious expert institutes. They not only provide us with important feedback on clinical needs but also present the clinical use of our products in academic settings, which we believe can invite wider discussion of our products and product candidates and in turn contribute to our research and development efforts. Furthermore, we host meetings for key participants in our industry with respect to our research and development efforts and product pipeline. We have presented our products in multiple industry conferences, where we keep industry participants updated of our latest research and development progress.

We collaborated with distinguished scientific experts specializing in interventional treatment in cardiac diseases:

- Dr. GE Junbo, the PI of the confirmatory clinical trial for our caIMR System, is an academician of the Chinese Academy of Sciences, a Changjiang Scholar, a professor and a doctoral supervisor. He graduated from Johannes Gutenberg University Mainz in Germany in 1993 with an M.D. degree and is currently the president of the Cardiovascular society of the Chinese Medical Doctor Association, the chairman of the China Cardiovascular Health Federation, the chief of the department of Cardiology in the Zhongshan Hospital of Fudan University, the director of the Shanghai Cardiovascular Clinical Medical Center, the director of the Shanghai Institute of Cardiovascular Disease, the president of Anhui Provincial Hospital, the dean of the Institutes of Biomedical Sciences of Fudan University, the director of the Pan-vascular Medical Institution of Fudan University, and the honorary President of World Association of Chinese Cardiologists.

- Dr. HUO Yong, the PI of the confirmatory clinical trial for our caFFR System, is a chief physician of Peking University First Hospital, the vice chairman of the China Cardiovascular Health Federation, the President of World Association of Chinese Cardiologists, and the president of the Asian Society of Cardiology. He actively promoted interventional treatments.

- Dr. XU Yawei, the PI of the confirmatory clinical trial for our caFFR System and caIMR System, is the chief of the department of cardiology of Tenth People's Hospital of Shanghai, and the director of the pan-vascular disease research institution in the medical school of Tongji University. He also takes an active role in the medical and cardiology society and serves as, including but not limited to, the chief scientist of the National Key R&D Program of China, the vice president of the Sub-society of Internal Medicine of the Chinese Medical Association, the vice president of the Sub-society of Cardiovascular Physicians of the Chinese Medical Doctor Association, and the vice president and secretary general of the World Association of Chinese Cardiologist.

- Dr. William Fearon provides consulting services for the post-registration clinical trial for our caFFR System. He is a professor of Medicine (Cardiology) and a director of Interventional Cardiology at Stanford University School of Medicine. Dr. Fearon's primary area of research interest is in coronary physiology. He has been the PI of numerous multicenter clinical trials, including the FAME trials, which have resulted in multiple publications in the *New England Journal of Medicine* and led to worldwide adoption of the use of coronary physiology to guide revascularization decisions in the cardiac catheterization laboratory.

- Dr. Joo Myung Lee provides consulting services for the confirmatory clinical trial for our caIMR System. Dr. Lee is an interventional cardiologist in Samsung Medical Center, Sungkyunkwan University School of Medicine, South Korea. His main area of research includes coronary physiology, intravascular imaging, and non-invasive imaging. He has published several articles in major cardiology journals including JACC and European Heart Journal. He has published a research article related to caIMR in JACC Cardiovascular Interventions.

During the Track Record Period, none of the PIs and KOLs we worked with have any other past or present relationships (including, without limitation, business, employment, family, trust, financing, fund flow or otherwise) with us, our subsidiaries, our shareholders, directors or senior management, or any of their respective associates.

Strategic Collaborations

We believe that our strategic collaborations will position us to continue to develop our proprietary product portfolio and build our commercial infrastructure. We plan to, through organic growth and collaborations, increase our brand awareness, enhance our research and development capabilities, and lay the foundation for our future cooperation with leading companies in the medical device field. We actively explore opportunities to work with leading medical technology companies and investment management companies that have strong knowledge and reputation in the field of medical device. We have entered into framework agreements with Ping An Capital Co. Ltd. (平安資本有限責任公司) ("**Ping An Capital**"), a private equity firm focusing on investment in consumer, medical health and high-end manufacturing field and Hanxiputai (Beijing) Hospital Investment & Management Co. Ltd. (漢喜普泰(北京)醫院投資管理有限公司) ("**Hanxiputai**"), an investment management company focusing on healthcare field, relating to future cooperation on research and development, academic communication, training and marketing promotion.

In December 2021, we entered into a framework agreement with Ping An Capital in respect of future cooperation. Under the framework agreement, we intent to collaborate with Ping An Capital in the following aspects, including resource sharing, technology collaboration, financial collaboration and ESG collaboration. Pursuant to the framework agreement, individual agreements may be entered into between our Group and Ping An Capital for future cooperation. Such framework agreement has a term of three years. In August 2021, we entered into a framework agreement with Hanxiputai in respect of future cooperation. Under the framework agreement, we intent to collaborate with Hanxiputai in the following aspects, including resource sharing, human resources cooperation, marketing promotion, and product development. Pursuant to the framework agreement, individual agreements may be entered into between our Group and Hanxiputai for future cooperation. Such framework agreement has a term of three years.

The above agreements memorized the intention and framework of future cooperation between the abovementioned companies and our Group with no specific payment term or special mechanism for determining the ownership of the intellectual property rights. As a result, nil expense was attributable to each of these framework agreements during the Track Record Period. To the knowledge of our Directors, other than (i) Ping An Capital is the general partner of one of our pre-[**REDACTED**] investors and (ii) Mr. Wang Lin, our non-executive director, has been working at Ping An Capital since March 2019, none of the abovementioned companies we entered into framework agreements with (including their shareholders, directors, shareholders and senior management), had any past or present relationships (including, without limitation, business, employment, family, trust, financing or otherwise) with our Group, our subsidiaries, our shareholders, Directors, senior management or any of their respective associates. For details of our pre-[**REDACTED**] investors, please refer to the paragraph headed "History, Reorganization and Corporate Structure – Pre-[**REDACTED**] Investment – Information about the Pre-[**REDACTED**] Investors – (18) Ping An Investment and Haihui Quanli" in this document.

MANUFACTURING

Our Manufacturing Team

We have a strong and specialized manufacturing team, well positioned to bring proprietary technologies or processes into GMP production. Our manufacturing team is led by our deputy general manager, Mr. Wu Xingyun, who has about seven years' experience in management of medical device and consumables manufacturing. As of the Latest Practicable Date, we had 40 manufacturing personnel. We provide training to our manufacturing personnel to ensure that they possess the skill sets and techniques required in the relevant manufacturing process, and comply with our quality control requirements as well as applicable laws and regulations.

Manufacturing Facilities

We produce and assemble our products at our manufacturing facilities located in Suzhou, Jiangsu province, China. Our principal manufacturing facility has an aggregate floor area of 1,019 sq.m. in operation. We are constructing an additional facility with an aggregate floor area of 5,143 sq.m., which we expect to commence production in 2022, and significantly enhance our production capacity. Our existing manufacturing facility is and our facility under construction will be in compliance with the GMP standards for medical devices in China, and we expect to use them to support the development and production of our caFFR System and other product candidates including our caIMR System, Intelligent Angiographic Injection System and vascular intervention robotics, among others. We typically conduct the key manufacturing steps in-house, except that we engage third-party service providers for certain sterilization steps. We select the third-party service providers based on their qualifications. We have implemented quality management systems as part of our manufacturing process.

Existing and Planned Capacity

Our manufacturing facility currently in operation is primarily used for the production of our commercialized products, caFFR System (comprising the FlashAngio caFFR system and the FlashPressure caFFR pressure transducer), as well as other testing sample products under development for the purpose of clinical trials, design validation and product development. Our facility produces single-use pressure transducers and consoles which are used for assembling our caFFR System and caIMR System. As of December 31, 2020 and 2021, our facility had a production capacity of 50,481 units and 53,846 units of single-use pressure transducers, respectively, as well as a production capacity of 875 units and 875 units of consoles.

To expand our manufacturing capability to meet the growing market demand, we are constructing a new manufacturing facility with an aggregate floor area of 5,143 sq.m. The facility under construction is expected to be fully put into operation by the end of 2022, and we expect to reach a planned capacity of up to 3,500 units of consoles and 358,973 units of single-use pressure transducers per year by then. When both of our manufacturing facilities are put into full operation, our total planned capacity of consoles are expected to increase 1,200% to 11,375 units and our total planned capacity of single-use pressure transducers are expected to increase 2,000% to 1,130,765 units. Currently, we expect to fund the manufacturing capacity expansion and recruitment of additional manufacturing employees with a portion of the [**REDACTED**] from the [**REDACTED**] as well as our internal liquidity sources.

The following tables set forth the production capacity, actual production volume and utilization rate for the console and single-use pressure transducers for the year/period indicated:

	For the Year Ended December 31,	
	2020	**2021**
Consoles		
Production capacity (units)[(1)]	875	875
Actual production volume (units)	142	606
Utilization rate (%)[(2)]	16.2	69.3

Notes:

(1) Our production capacity is based on the assumption that it takes on average 240 minutes per person to produce one consoles, and each person works seven hours per day and produces approximately 438 units of consoles per year.

(2) Utilization rate equals actual production volume divided by the production capacity. Our utilization rate continuously increased during the Track Record Period, primarily because we ramped up actual production volume to meet the increasing market demands for our products.

	For the Year Ended December 31,	
	2020	2021
Single-use pressure transducer		
Production capacity (unit)[(1)]	50,481	53,846
Actual production volume (units)	22,148	33,051
Utilization rate (%)[(2)]	43.9	61.4

Notes:

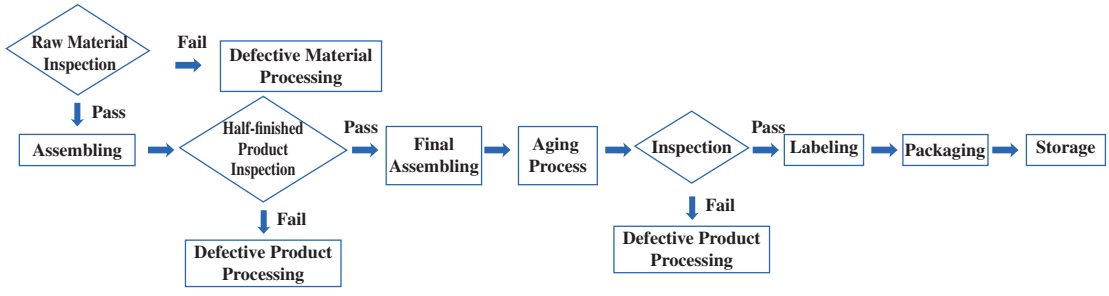
(1) Our production capacity is based on the assumption that it takes on average 31.2 minutes per person to produce one single-use pressure transducer, and each person works seven hours per day and produces approximately 3,365 units of single-use pressure transducers per year.

(2) Utilization rate equals actual production volume divided by the production capacity. Our utilization rate continuously increased during the Track Record Period, primarily because we ramped up actual production volume to meet the increasing market demands for our products.

During the Track Record Period and up to the Latest Practicable Date, we had never engaged any external subcontractors or contract manufacturers to produce our medical devices, and do not have any plan to do so in the near future. We believe that our current manufacturing capacity is able to meet our short-term commercial needs. Moreover, our locations enable us to take advantage in manufacturing over our competitors as we have access to China's vast labor pool making it easier for us to hire people with the appropriate skills for our production. Typically, we require new employees to undergo training programs within one month of employment. In addition, we provide annual training programs and conduct annual tests on the qualification and job skills of our employees. The comprehensive training enables us to increase our capacity utilization rate and our product yield rate, which as a result enhances our manufacturing efficiency.

Manufacturing Process

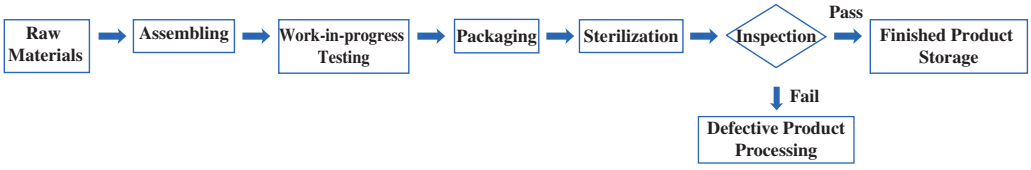
The manufacturing process of our console is elaborated below:



- ***Raw Material Inspection***. We conduct inspections of raw materials to be used in the production of the console and screen out the disqualified materials.

- ***Assembling***. We assemble components and accessories of the console.
- ***Half-finished product inspection.*** We conduct a half-finished product inspection before final assembling process to screen out disqualified products at an early stage.
- ***Final Assembling.*** We finish product assembly of multiple components.
- ***Aging process.*** To check and evaluate the performance of the newly manufactured products, the consoles is to undergo an aging testing process before packaging.
- ***Inspection.*** We inspect the finished products before storing them into our warehouse.
- ***Labeling and packaging.*** We label and package the consoles.

The manufacturing process of our single-use pressure transducer is elaborated below:



- ***Preparation***. The preparation stage includes raw materials examination, tube cutting, components wash and dehydration.
- ***Assembling***. The assembling stage includes transducer covers, tubes and other components assembling, module welding, and chip gluing and burning.
- ***Work-in-progress testing.*** Our work-in-progress testing primarily consists of module seal test and product seal test during the assembling process.
- ***Packaging.*** We package the single-use pressure transducers.
- ***Sterilization.*** We transport the packaged products to third-party sterilization service providers for professional sterilization.
- ***Finished product inspection.*** We inspect the finished products before storing them into our warehouse.

Equipment, Production Workshops, GMPs Standard

Our manufacturing facilities and our manufacturing process will be subject to ongoing, periodic inspection by the NMPA or other comparable regulatory agencies to ensure compliance with GMP for medical devices, which is usually the pre-requisite to obtaining marketing approval in the respective jurisdictions. Failure to comply with applicable

regulations could lead to increased expense and result in sanctions being imposed on us, including fines, injunctions, civil penalties, requirement to suspend or put on hold one or more of our clinical trials, failure of regulatory authorities to grant marketing approval of our product candidates, delays, suspension or withdrawal of approvals, supply disruptions, license revocation, seizures or recalls of products or product candidates, operating restrictions and criminal prosecutions, any of which could harm our business. During the Track Record Period, we had not experienced any material or prolonged interruptions of our machinery due to equipment or machinery failure.

QUALITY CONTROL AND ASSURANCE

We have a quality management department that is devoted to the resources to quality management of our products. We have our own quality control system and focus on the quality control of the designing, R&D manufacturing, testing and transportation of our products and product candidates. Our management team is actively involved in setting quality standards and managing our internal and external quality performance.

As of the Latest Practicable Date, our quality management department consisted of 14 employees. Our quality management department is responsible for inspecting raw materials, production process and the quality of our finished goods. In addition, our quality management team focuses on the establishment, implementation and maintenance of our quality management system, as well as monitoring our operation in real time throughout the entire development and production process to ensure its compliance with the applicable regulatory and industry requirements. We have assigned personnel responsible for the quality control during product design and development stages, ensuring the integrity and compliance of product development process and record keeping.

We have established a strict quality control system in accordance with the NMPA regulations, ISO13485:2016 standards, Medical Device Single Audit Program and other applicable regulations and standards on the quality management system of medical devices. Our quality control procedures in the production process primarily consist of the following:

- ***Suppliers and raw materials management.*** We procure raw materials only from qualified suppliers that are selected based on our internal supply management policy. We conduct meticulous due diligence on our suppliers and maintain such inspection records internally. We also inspect samples from each batch of raw materials to help ensure there are no quality or other issues.

- ***Inventory control.*** The warehouse personnel are responsible for recording the inventory to ensure the traceability of our raw materials and products, the regular storage, maintenance and inspection of the inventory and warehouse maintenance. Designated warehouse personnel inspect the inventory on a regular basis according to the required storage and maintenance conditions of the relevant inventory items.

- ***Design and development.*** All the procedures of our design and development activities strictly follow our design and development control policy and procedures. For details of our product development process, please refer to the paragraph headed "Research and Development – Product Development" in this section. At the same time, the project team strictly follows each step of our internal protocol, and our R&D team closely monitors and reviews key stages along the design and development process.

- ***Process control.*** We plan the production process based on the technologies adopted by each product type and monitor the entire production process, particularly certain key steps of the production process.

- ***Work-in-progress inspection.*** We conduct inspections during our production process to monitor and adjust the process to ensure that products are in compliance with the relevant quality criteria; if any batch of work-in-progress fails to meet our internal benchmarks, we will analyze problems, screen out disqualified products and take corrective measures as appropriate.

- ***Finished goods inspection.*** Each batch of finished products and relevant documentation will be subject to a final inspection by the quality control team before we store it at the warehouse.

- ***Transportation control.*** We monitor the transportation process and maintain transportation records, and our sales and marketing team provides technical support.

- ***User complaints.*** We collect and evaluate complaints from users of our products. For each customer complaint, our quality control team will conduct an investigation together with other relevant departments and formulate suggestions to improve our production process.

- ***Environment control.*** We design an environment control protocol for our labs and production facilities, and monitor the implementation of the protocols.

We have complied with our quality control policies in all material respects and have passed all inspections by the regulatory authorities up to the Latest Practicable Date. During the Track Record Period and up to the Latest Practicable Date, we had not received any material complaints from our customers and our products had not been subject to any material claim, litigation or investigation. During the Track Record Period and up to the Latest Practicable Date, we did not experience any product recall due to product defects.

SALES, DISTRIBUTION AND MARKETING

We have commercialized our caFFR System in certain overseas markets since October 2019 and in China since the beginning of 2020. For details of our caFFR System, please refer to the paragraph headed "Our Products and Product Candidates – caFFR System – Our Core Product" in this section. During the Track Record Period, substantially all of our revenue was generated from the sales of our caFFR Systems and related installation and training services. In addition, currently most of our revenue was generated in China.

Consistent with the industry practice, we sell our caFFR Systems to distributors in China and overseas, which then sell these devices to hospitals directly or through sub-distributors to the extent permitted by applicable laws and regulations. To manage and promote our product sales in China and overseas, we established an in-house sales and marketing team consisting of 113 employees as of the Latest Practicable Date. Our sales team is led by our executive Director and joint chief executive officer, Mr. LYU Yonghui, who has over 20 years of technology development and sales experience in the medical device industry and led the successful and rapid commercialization of our caFFR System. Our in-house sales and marketing team tracks and analyzes applicable local laws, regulations and government policies as well as market data of our products in order to formulate national and regional marketing strategies more effectively. We consider a variety of key factors and take various measures to implement and revisit the strategies across our markets of focus. Such key factors include patient demand which implies the market potential, current status of treatment and unmet need for treatment, doctor sophistication, market competition, local economic development which affects the patients' affordability and estimated investment return. Our measures include collecting and analyzing market information before market entry, enhancing the training of physicians, industry cooperation and patient education, and prioritizing the promotion of our business in profitable areas.

Our Marketing Model

We employ a series of marketing strategies including, academic marketing, social media platform recommendation and academic conference participation. Currently, our major form of marketing activities of products and product candidates is academic outreach, by which we are dedicated to growing our brand recognition and establishing collaboration with lead principal investigators, KOLs, physicians and hospitals in China. We meet with KOLs to discuss our product candidates, conduct product demonstrations and provide training. We believe that through such frequent communications, demonstrations and training, we are able to maintain good working relationships with these KOLs and physicians, and help them gain familiarity with our products and product candidates; and if these KOLs and physicians form positive opinions of our products and product candidates, they may make recommendations when publishing articles, delivering speeches at industry conferences, or providing training to other physicians.

To increase awareness of our products and technologies, we conduct educational symposia and provide training to physicians, hospital executives and researchers. Our well-trained sales and marketing team focuses on interacting with physicians to educate them about, and train them in the use of, our products. Such interaction is fostered through visits to and communications with physicians, on-site demonstration of our products to physicians, our sponsorship of conferences, seminars and physician education programs and other activities. Based on our experience, as physicians become more knowledgeable and experienced with our products, they will be more likely to recommend our products which are less-invasive and easy to operate. In addition to accelerating market awareness and adoption of our products, our communications with physicians provide us with continual feedback on our products and trends in the market which help guide our R&D projects.

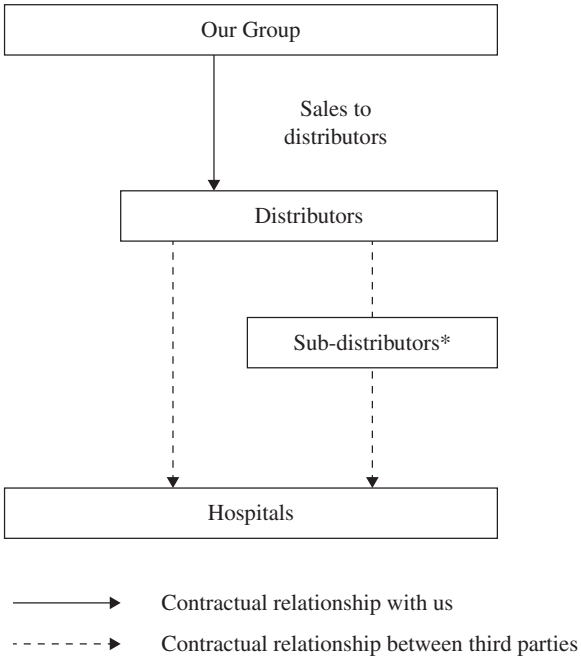
We have taken an active role in the key industry conferences in China, which serve as good opportunities to educate and train physicians in respect of our caFFR System, and a platform for us to present our products' innovative and advanced features. We have sponsored conferences that gathered leading domestic and international experts, physicians, professors, PIs and KOLs. In May 2021, we successfully hosted the Rainmed online satellite conference during the China Interventional Therapeutics Conference and the Satellite Symposium at the 15th Oriental Congress of Cardiology. In August of the same year, we held Rainmed online caFFR coronary physiology forum during the 22nd South China International Congress of Cardiology, as well as the Rainmed online satellite conference during the 3rd Confucianism and Taoism International Congress of Cardiology. We also have a strong presence at international conferences and academic events, and actively participated a series of influential industrial events such as the 24th China Cardiovascular Intervention Forum and the 30th Great Wall International Congress of Cardiology. By hosting seminars and product education sessions, presenting exhibitions and sharing our clinical results during such conferences, we are able to enhance physicians' awareness of our products.

As part of our marketing model, we have organized and will continue to organize on-site demonstrations of the operation of our caFFR System and education in hospitals, in order to build or enhance their capability to conduct such operations and to promote our products.

Besides our primary academic marketing model, we also rely on our distributors to sell our products. Each of our distributors has its own sales force that focuses on marketing in its particular territory and to its assigned hospitals. For details, please refer to the paragraph headed "– Sale To Distributors" in this section.

Our Sales Model

Consistent with the industry practice, we sell our products to third party distributors in China and overseas, which then sell our products to hospitals directly or through sub-distributors. The following chart illustrates the structure of our sales model.



Note:

* We primarily operate a single-layer distribution system. From time to time, certain distributors we cooperate with may engage sub-distributors within their respective sales regions with prior notice. We review the qualification of sub-distributors and issue the authorization letters to sub-distributors.

We received the registration certificate of Class III medical device from the NMPA in December 2019 and began to commercialize our caFFR System in China in January 2020. As of May 31, 2022, we had completed the procurement approval procedure with over 400 hospitals. In the global market, we obtained the CE Mark for our caFFR System in September 2019 and started commercialization in Europe in October 2019.

Sale To Distributors

We sell our products through a network of distributors, which is in line with industry practice according to CIC. As of December 31, 2020 and 2021, we had 25 and 150 distributors who entered into distribution agreements with us. In 2020, nine FlashAngio caFFR systems and 77 FlashPressure caFFR pressure transducers were sold to hospitals through distributors, and in 2021, 107 FlashAngio caFFR systems and 7,736 FlashPressure caFFR pressure transducers were sold to hospitals through distributors.

We primarily operate a single-layer distribution system, where most of our distributors on-sell our caFFR Systems directly to hospitals. From time to time, some of our distributors may engage sub-distributors within their respective sales regions. We believe that such a distribution model enables us to leverage the distributors' customer bases while controlling costs, and allows us to more efficiently manage and control our network of distributors and have greater visibility over market demand. Distributors are responsible for the product sales, payment with end hospitals, and meeting the requirements that "only up to two invoices are issued along the chain of distribution process, with one invoice issued by the manufacturer to the distributor, and the other issued by the distributor to the hospitals and other medical service providers" pursuant to the Two-invoice System. In 2020 and 2021, one and 18 sub-distributors were engaged by our distributors, respectively.

Implication of and Compliance with the "Two-Invoice System"

According to our PRC Legal Adviser, while the progress of implementation of the "Two-Invoice System" for high-value medical consumables varies in different provinces in China, such requirement currently does not have any substantial legal consequence on our Company, if not totally inapplicable.

During the Track Record Period, (i) in provinces where the "Two Invoice System" rules have not been mandatorily implemented, all of our revenue generated from sales of products in China was attributable to sales through distributors and/or sub-distributors; and (ii) in provinces where the "Two Invoice System" rules have been mandatorily implemented, the Company strictly followed the "Two Invoice System" rules to sell its products to distributors with no sub-distributor arrangements, save for one incident in Anhui Province in relation to sales for R&D purpose.

In 2020 and 2021, the total revenue generated from sub-distributors (namely, the sales of our products which were resold by our distributors to sub-distributors) was approximately RMB3,260 and RMB2.53 million, which accounted for 0.05% and 3.12% of our revenue in 2020 and 2021, respectively.

In 2020 and 2021, the total revenue generated from sub-distributors (the sales of our products which were resold by our distributors to sub-distributors in the regions where "Two Invoice System" rules not yet mandatorily implemented or not implemented at all) was approximately RMB3,260 and RMB2.50 million, which accounted for 0.05% and 3.08 % of our revenue in 2020 and 2021, respectively.

We historically had sporadic sales of pressure transducers in Anhui, where the local competent authority had formally published rules and policies requiring the strict implementation of the "Two-Invoice System" for medical consumables. The revenue generated from such sale was nil and RMB0.04 million in 2020 and 2021, accounted for nil and 0.04% of our revenue in 2020 and 2021, respectively. According to the interview with an officer from Medical Products Administration of Anhui Province, the competent authority supervising our products sales in Anhui as advised by our PRC Legal Adviser, that our aforementioned sales in Anhui did not violate the "Two-Invoice System" rules of Anhui, as it was provided to the hospital for the R&D purpose only. The officer also advised that the related penalty is mainly levied on the distributors and hospitals for violation of the Two-invoice System, and currently there is no administrative penalty on product manufacturer like us.

As a result, our PRC Legal Adviser is of the view that we have been in compliance with the Two-invoice System during the Track Record Period and up to the Latest Practicable Date. According to our PRC Legal Adviser, in provinces where the "Two-Invoice System" is strictly implemented for medical consumables, if we are deemed to have violated the relevant regulations in relation to the "Two-Invoice System" by the competent authorities, we might be subject to administrative fines or penalties, and/or might be deprived of the qualification to participate in the public tendering processes organized in the relevant provinces. The applicable regulations did not stipulate the maximum amount of such fines or penalties, and the actual penalty amount might be subject to broad discretion of the local authorities.

To better prepare ourselves in compliance with the evolving policies, we have adopted a series internal control measures to monitor the implementation of the Two-Invoice System in different provinces to ensure our continuous compliance with the related rules, regulations and policies. Such measures include but not limited to the following: (i) we provide regular trainings to our management and sales and marketing team to enhance their understanding of the Two-invoice System and related rules and regulations; (ii) we require our management to continuously monitor the progress of the implementation of the Two-invoice System in different provinces; (iii) we require our sales and marketing team to timely adjust the distribution strategy according to the latest implementation status of the Two-invoice System; (iv) we require our distributors to supervise each other and report to us unauthorized sales by other distributors and sub-distributors. After our independent verification of any reported behavior, we may penalize the relevant distributors according to the distribution agreements and our internal policies, such as termination of relevant distribution agreements; and (v) we communicate regularly with distributors, sub-distributors and end customers to ensure that our products are not resold by distributors or sub-distributors without authorization.

With respect to our products and product candidates that are expected to be launched in the future, in the event that such products are considered to have implicated the "Two-invoice System" by the local competent authorities of the provinces that implement the Two-Invoice System for medical consumables, we would impose contractual obligations on our distributors under our distribution agreements with them. When it comes to other provinces, we have adopted internal control measures and conduct periodic monitor and review of the distributing activities of our distributors (such as by requiring them to submit the invoices issued to hospitals to us) in order to secure their compliance with the requirements of the Two-invoice

System. We would also promptly seek to enter into supplemental agreements with our distributors, pursuant to which they would be obligated to resell our products directly to hospitals, should these provinces elect to implement strictly the Two-Invoice System as related to our products. Such arrangements, as we believe, would not significantly impact our sales or financial position as we can cooperate with other distributors if certain distributors refuse to enter into the said supplemental agreements with us.

In addition, to ensure our continuous compliance, we and our distributors pay close attention to the implementation progress of the Two-invoice System and we will develop collaborations with well-established local distributors in advance so that we can adjust our distributorship model timely. Our authorizations issued to our distributors specified the authorization period and we reserved the right to adjust the distribution area and products during the limited period. Therefore, even if the Two-invoice System is implemented in additional regions in the future, we can effectively cope with the policy risk of the Two-invoice System by canceling the distributorship or adjusting the scope of authorized distribution products. We will also focus on expanding our sales and marketing team to strengthen our own sales capabilities. Our Directors confirmed, as of the Latest Practicable Date, we had not been penalized by, and had not received any warning or notice from, any competent authorities in relation to the compliance of the Two-invoice System.

As of December 31, 2021, we have established a comprehensive sales network of 150 distributors in China covering 29 provinces, municipalities and autonomous regions, and six overseas distributors. The following table sets forth the changes in the number of our distributors who entered into distribution agreements with us for the periods indicated:

	For the Year Ended December 31,	
	2020	**2021**
Domestic Distributor		
As of the beginning of the period	0	24
Additions of new distributors	32	135
Terminations of existing distributors	8	15
As of the end of the year/period	24	144
Overseas Distributor		
As of the beginning of the period	2	1
Additions of new distributors	1	6
Terminations of existing distributors	2	1
As of the end of the year/period	1	6
Total	25	150

During the Track Record Period, the new distributors we had each year were primarily due to the growth of our business and expansion of our sales network. Moreover, fluctuations in the number of distributors during the Track Record Period were also due to (i) changes in distributors that make infrequent or low volume purchases from us; and (ii) expiration of certain distribution agreements. During the Track Record Period, we did not actively terminate business relationships with any distributors, and there were no material disputes or litigation between us and the terminated distributors.

Selection of Distributors

Our sales and marketing team screens and selects distributors whom we believe have the required qualifications and capabilities and are suited to our strategic marketing model, and establishes and maintains resource sharing with our distributors to effectively execute our marketing strategies specifically tailored to each geographic location and the hospitals located within their locations.

Upon selecting distributors, we will first measure the market demand in accordance with the locations and geographical distribution of local medical institutions in each of our target regions and decide the number of distributors we will need to fully cover the respective area. We will then evaluate the qualifications of the distributor candidates. We select our distributors based on their experience in the medical device industry and established relationships with hospitals and physicians within their designated territories. In addition, they must possess the requisite business licenses and permits to sell medical devices in the respective jurisdictions. We also reassess the distributors' financial condition and market management capabilities before and after sale. We review the qualifications of our distributors when our contracts with them are due to be renewed. In addition, we have and will continue to establish collaborative long-term relationships with distributors that have strong local knowledge and reputation. In particular, we entered into strategic framework agreements with two leading distributors in China, China Resources Pharmaceutical Commercial Group Medical Devices Cot., Ltd. (華潤醫藥商業集團醫療器械有限公司) ("**China Resources Pharmaceutical**") and Jointown Medical Devices Group Cot., Ltd. (九州通醫療器械集團有限公司) ("**Jointown Pharmaceutical**") in October 2021. Pursuant to the respective framework agreements with China Resources Pharmaceutical and Jointown Pharmaceutical, we intent to collaborate with these two leading distributors in the following aspects, including resource sharing, human resources cooperation, marketing promotion, and product delivery. Pursuant to each of the framework agreement, individual agreements may be entered into between our Group and the two leading distributors respectively for future cooperation. Both of the two framework agreements have a term of three years. We plan to determine the pricing of future transactions between our Group and these two leading distributors on an arm's length basis with reference to (i) the prevailing market rate for the provision of similar distributorship services and (ii) the anticipated operational costs (including but not limited to labor costs and material costs). During the Track Record Period, nil revenue and cost was attributable to the sales made to China Resources Pharmaceutical and a RMB1.6 million revenue was attributable to the sales made to Jointown Pharmaceutical. To the knowledge of our Directors, none of the two leading distributors we entered into framework agreements with (including their shareholders,

directors, shareholders and senior management), had any past or present relationships (including, without limitation, business, employment, family, trust, financing or otherwise) with our Group, our subsidiaries, our shareholders, Directors, senior management or any of their respective associates.

During the Track Record Period, to the best of Directors' knowledge, all of our distributors and sub-distributors are independent third parties who were not controlled by our former or current employees, did not use our brand or name nor receive any material advance or financial assistance from us.

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 products and brand reputation. To that end, we and our distributors generally enter into a distribution framework agreement with a term ranging from three months to three years depending on the distributors' previous performance, experience and other relevant factors. For distributors whom we appoint for the first time, we generally grant an initial term of three months. If such distributors fail to meet the terms set forth in the distribution agreement or the sales target over the three-month period, we retain the right to withdraw the distributorship authorization. We conduct periodic reviews of our distributors, based on their sales performance, inventory level, hospitals' feedbacks and regulatory compliance, and retain the discretion to renegotiate order price. In addition, we focus on prevention of cannibalization of sales among our distributors, inventory management and control, anti-corruption and anti-bribery measures as well as the management of sub-distributors.

Prevention of Cannibalization

In order to avoid cannibalization of sales among our distributors, we adopt the following measures:

- *Region restrictions.* We authorize distributors to sell our products only within their designated hospitals. We only permit one distributor or sub-distributor for sales to one hospital in order to avoid cannibalization of sales among distributors.

- *End customer monitoring.* Our sales and marketing team visits hospitals where our products are sold to understand which distributors they work with and we require our distributors to report periodically to us their sales to hospitals. Our sales and marketing team collects and reviews our product sales data and usage information to the extent possible. During our day-to-day operations and through conferences, seminars, physician education programs and other activities that we attend, we also monitor the actual usage of our products and collect feedback on our products and information on potential cannibalization.

- *Mutual supervision.* 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 termination of relevant distribution agreements.

- *Accountability.* We have the right to terminate the agreements with distributors because of their cannibalization activities. Distributors that violate our distribution agreements or policies may also be liable to pay damages.

Inventory Management and Control

Our distributors generally place orders with us based on actual demand from hospitals. 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 to control costs. As such, our distributors place purchase orders rather frequently, and some of them request that we ship our products directly to hospitals. 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 from the same distributor, which we believe generally reflect their actual order backlog. To accommodate the immediate demand of distributors, we endeavor to ship products within three working days of receiving the purchase orders.

- *Full prepayment.* We generally require all our distributors to make full prepayment for our products before delivery.

- *Close monitoring.* We collect information about our distributors' sales performance periodically as well as the demand and needs of hospitals they cover and their procurement practices. If a distributor makes noticeably large orders or any orders that are inconsistent with its normal practice, we will check with this distributor and trace its sales to ensure its order volume was in line with the actual demand of hospitals within the distributor's authorized region. 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 to us details of their sales volume to hospitals and make periodic

assessments of all collected data to assess actual market demand for our products and distributors' performance. 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 supplier-customer 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 within the warranty period.

- *Distributor independence*. During the Track Record Period, to the best of our Directors' knowledge, all of our distributors were Independent Third Parties, and none of them were controlled by our current or former employees. During the Track Record Period, we did not provide any advance or financial assistance to our distributors. To our best knowledge, (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) we, our Directors, shareholders and senior management and their respective associates as of the Latest Practicable Date; and (ii) we, our Directors, shareholders and senior management and their respective associates have never financed, directly or indirectly, our 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. Although we did not have contractual relationships with sub-distributors, we review the qualification of sub-distributors, issue the authorization letters to sub-distributors and closely monitor the sales of these sub-distributors. Based on the feedbacks from and confirmation by our distributors, in 2020 and 2021 the sales of our products which were resold by our distributors to sub-distributors accounted for 0.3% and 5.1% of our total sales of products in China, respectively. As of December 31, 2020 and 2021, and May 31, 2022, the unsold units of FlashAngio caFFR system held by our distributors were 19, 275 and 285, respectively; the unsold units of FlashPressure caFFR pressure transducer held by our distributors were 701, 18,456, and 22,991, respectively. In addition, no unsold unit of FlashAngio caFFR system or FlashPressure caFFR pressure transducer was held by our sub-distributors as of December 31, 2020, 2021 and May 31, 2022. For details, see "– Sale To Distributors – Management of Sub-Distributors" in this section.

Anti-Corruption and Anti-Bribery Measures

Distributors are subject to a contractual undertaking to us on anti-commercial bribery, under which distributors (i) are prohibited from providing or promising any form of improper benefits, directly or indirectly, to persons who may affect and make decisions on cooperation; and (ii) are required to comply with and require their employees to comply with applicable anti-bribery laws and regulations. Furthermore, we reserve the right to take actions and pursue any other legal rights available to us against the non-compliance of distributors.

Additionally, as advised by our PRC Legal Adviser, the National Health and Family Planning Commission of China has published Provisions on the Establishment of Commercial Bribery Blacklist in the Pharmaceutical Purchase and Sales Industries (《關於建立醫藥購銷領域商業賄賂不良記錄的規定》) in 2013 with respect to anti-corruption and anti-bribery compliance by distributors 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

In some cases, when our distributors cannot directly cover remote or unfamiliar markets in their designated areas, some of our distributors may further sell our products to sub-distributors. In general, we do not enter into contracts with such sub-distributors. According to CIC, it is a common industry practice for practitioners in the industries in which we operate to rely on third-party distributors to sell the practitioners' products to sub-distributors without entering into contractual relationships with such sub-distributors. We believe that our sales correspond to actual end-customer demand and therefore our products are at low risk of channel stuffing in our distribution network, because (i) we require full payment from distributors before delivery of products regardless of whether distributors plan to engage sub-distributors or not; (ii) we generally do not allow returns of products sold to distributors, except for quality defects that occurred during the warranty period; and (iii) we closely monitor and manage the inventory level of our distributors. For relevant risks of channel stuffing, please refer to "Risk Factors – Risks Relating to Commercialization and Distribution of Our Products – We may fail to effectively manage our distributors or completely avoid the occurrence of channel stuffing among our distributors." As of December 31, 2020 and 2021, and May 31, 2022 (being the latest practicable date for the purpose of counting the inventory), the unsold units of FlashAngio caFFR system held by our distributors were 19, 275 and 285, respectively; the unsold units of FlashPressure caFFR pressure transducer held by our distributors were 701, 18,456, and 22,991 respectively. In addition, nil unsold unit of FlashAngio caFFR system or FlashPressure caFFR pressure transducer was held by our sub-distributors as of December 31, 2020, 2021 and May 31, 2022.

The utilization of unsold caFFR consoles and transducers substantially increased during the Track Record Period, which was largely driven by increased purchase demands from hospitals in line with our business expansion. As of May 31, 2022, we and our distributors sold and installed caFFR Systems in over 300 hospitals and completed the procurement approval procedures with over 400 hospitals. Accordingly, we designed our production volume to ensure sufficient supply to meet the demands from these hospitals. We produced 606 caFFR consoles and 33,051 caFFR transducers in 2021 based on our estimation that (i) the hospitals offering procurement approvals are in need of at least one caFFR consoles; (ii) a portion of the hospitals that already installed caFFR Systems are in need of additional caFFR consoles; and (iii) each of the hospitals that have installed or plan to install caFFR Systems needs to store at least 50 caFFR transducers for the FFR measurement procedures given that caFFR transducers are disposable consumables each of which can be used only once in one FFR measurement procedure. In 2021, on average, hospitals purchased one caFFR console bundled with approximately 72 caFFR transducers while the actual purchases by each hospital varied with the scale of the hospital, procurement budget and actual demand.

While procurement procedures may vary among hospitals, in general, a hospital department will file a procurement application for the medical device or consumables after it has a long-term purchase plan. The application will then be sent to the hospital procurement meeting for review, and, if passed, will be granted with a procurement approval. The hospital then will commence the procurement procedure through tenders. According to our past sales experience, the whole procurement process may take around three months to one year, varying with the internal procedures of difference hospitals. However, the period may be longer under the impact of COVID-19 as certain hospitals have suspended or postponed its procurement plan due to the pandemic. In some cases, hospitals may have sporadic demand for minor purchase, which is not subject to the official procurement and tender process and may be completed within one or two months. Given the progress we and our distributors have achieved with hospitals, we see the current production volume proportionate to the anticipated demands from hospitals. In 2021, our distributors had a relatively high inventory level as compared with 2020 primarily because (i) it takes time for those hospitals that have offered us procurement approvals to go through their procurement procures before placing orders and such procedures varies in different hospitals and can be lengthy and complicated and (ii) since 2020 is the first year we made sales of caFFR Systems in China, the sales scale in that year was relatively low and not necessarily representative. In addition to the sales estimation as abovementioned, the distributors also stock up caFFR systems for following reasons: (i) distributors need to stock up a certain amount of inventories in preparation for the product trial which is usually requested by hospitals before they file procurement applications; (ii) a sufficient stock is a way for distributors to prove their supply capability and sales authorization to facilitate hospital procurement approvals; and (iii) hospitals usually requires a same-day delivery or a delivery within two days after placing purchasing orders. Distributors are unable to meet the tight delivery schedule if they do not hold sufficient inventories beforehand. It usually takes over a week for distributors to purchase and receive products from us. As of May 31, 2022, approximately 59 unsold FlashAngio caFFR systems held by our distributors as of December 31, 2021 had subsequently been utilized, and approximately 3,086 unsold FlashPressure caFFR pressure transducers held by our distributors as of December 31, 2021 had subsequently been

utilized. For details, please refer to the paragraph headed "– Inventory Management and Control" in this section. In addition, to ensure that sub-distributors engaged by our distributors comply with the terms set out in our distribution agreements with the corresponding distributors, we have adopted the following measures:

- We carry out our sub-distributor management policy pursuant to which we will review the qualification of the sub-distributors and issue authorization letters to qualified sub-distributors within the authorization scope we granted to the corresponding distributors;

- The medical device industry is highly regulated in China so hospitals can only purchase from licensed distributors and manufacturers. Additionally, our current products on sale generally are and can only be distributed by distributors which possess distributor licenses. The licensed distributors have the responsibility in directly managing sub-distributors. Distributors shall select sub-distributors in compliance with our sub-distributor management policy. We require all of our distributors to directly manage and supervise the behaviors of sub-distributors engaged by them and to ensure that the sub-distributors' operations are in line with the contractual obligations of the corresponding distributors. In practice, we communicate with distributors from time to time to determine if there are non-compliance issues with their sub-distributors;

- We can generally terminate the distributorship agreement with our distributors should any distributors or their sub-distributors violate any laws and regulations or the terms of our agreements with our distributors;

- Sub-distributors will not be appointed in circumstances where it is not authorized or allowed, e.g. provinces where Two-invoice System applies; and

- Sub-distributors can only distribute in the regions or hospitals authorized by their distributors and hence cannibalization is minimized. As of the Latest Practicable Date, our Directors confirm that we have not received any complaints from our distributors on cannibalization.

Although our revenue from the sale of products is recognized when the products are delivered to the distributors and we generally require full payments before delivery regardless of whether the distributors plan to resell our products to sub-distributors or not. We also keep monitoring such resales by our distributors to ensure effective management over our products sold. Based on the feedbacks from and confirmation by our distributors, the product sale volume which were resold by our distributors to sub-distributors accounted for 0.3% and 5.1% of our total sales of product volume in the PRC, respectively, in 2020 and 2021.

Distribution Agreements

Domestic Distributor

We enter into a framework agreement with each distributor, which contains appendices setting out tailored terms including target selling price, purchase amount and designated distribution territory and hospitals. The following table summarizes the salient terms of the standard agreement with our domestic distributors:

Term	The distribution agreements typically have a term that ranges from three months to three years.
Designated geographical regions and hospitals	The distributor is authorized to sell designated products to designated hospitals in a designated distribution territory which are specified in the appendix of the distribution agreement.
Exclusivity	A distributor is prohibited from promoting and selling competing products in the designated geographical region/hospitals.
Target sales amount	We set annual target sales amounts for our distributors which are specified in the appendix of the distribution agreement.
Payment and credit terms	We generally require all our distributors to make full prepayment for our products before delivery.
Product return/exchange	We generally do not accept product returns except for products with quality defects within the warranty period, which is in line with market practice.
Obsolete stock return arrangement	We do not have obsolete stock return arrangements with the distributor.
Transportation and delivery	We are responsible for door-to-door transporting our products to the location designated by us and bear the costs. For delivery of our products to any location other than the designated location, the distributor is responsible for transportation and bears the costs. The buyer shall seek damages from the carrier for any shortage or damage to the products during shipment.

Warranty	We warrant that our products are in compliance with applicable laws and regulations and meet the quality standards in the specifications or similar documents.
Regulatory compliance	We require our distributors to comply with all laws, regulations and mandatory industry standards and not to adversely affect our compliance with such laws, regulations and industry standards.
Use of the trademark	The distributor shall have a non-sublicensable, nontransferable, non-assignable and non-exclusive right to use our trademark for selling our products in the designated area during the term of our distribution agreement. Our distributor shall not use the trademark for any other product and shall use the trademark only for the purpose of selling our products in accordance with the agreement.
Termination	The agreement may be terminated by us when, among other things, the distributor (i) sells or transfers all or substantially all of its assets; (ii) is acquired or controlled by a third party entity; (iii) becomes insolvent; or (iv) materially breaches the agreement.

We regularly review our distributors, based on their financial performance, business performance and regulatory compliance. The evaluation of their business performance is primarily based on the distributors' sales performance, such as whether they meet the target sales amount, and the designated hospitals' feedback. We also review their compliance with applicable laws and regulations. We retain the discretion to adjust the selling price and certain other commercial terms with them. Our sales and marketing team monitors, manages and supports the activities of our distributors to help ensure that they comply with our guidelines, policies and procedures. During the Track Record Period, our distributors did not materially breach our contract terms, and we did not have any trade receivables due from our distributors. As of the Latest Practicable Date, we were not aware of any potential abuse or improper use of our name by our distributors which could adversely affect our reputation, business operation or financial contribution.

Overseas Sales

During the Track Record Period, our revenue from overseas sales was approximately RMB310,000 and RMB442,000 in 2020 and 2021, respectively. The revenue contribution, measured by the proportion of revenue from overseas sales to our total revenue, decreased from 2020 to 2021 as our domestic sales rapidly picked up after receiving marketing approval. Therefore, during the Track Record Period, the revenue from overseas sales increased at a relatively slower rate than the revenue from domestic sales, and we expect that domestic sales will continue to be the major source of our sales in the next few years.

We are currently seeking international distributors in overseas markets. In late May 2022, we had 8 overseas distributors and were in the process of negotiating with more than 30 additional overseas distributors for possible distributorship arrangement. In general, we apply similar key terms to our overseas distributors. We do not designate hospitals for our overseas distributors. Our overseas distributors pay the full amount for their purchases in advance of shipment. In addition, a minimum purchase amount is agreed between our overseas distributors and us and no mandatory sales target is specified. We are responsible for arranging transportation of our products at the distributor's expense. Our overseas distributors are independent third parties. Our relationship with them is not that of a principal and an agent, but that of a customer and a supplier with no obsolete stock arrangements.

Aside from our continuous expansion of the number of our overseas distributors, we also endeavor to gain international recognition for our business. We will continue to progress the clinical trials and the process of our product registration and commercialization in Europe, the United States and Japan, and accelerate the establishment and development of our commercialization team. We are building our marketing infrastructure to grow our brand recognition. We plan to build our international marketing headquarters in Hong Kong, and establish our overseas strategic marketing centers in Europe and the United States in the future to provide strong commercialization support for international sales of our products. In late May 2022, our international marketing team had 20 members and were in the process of preparing the establishment of overseas strategic marketing centers. To facilitate our expansion in additional overseas markets, we also plan to attract more experienced sales staff and technical engineers to support our major distributors and experts in each overseas new market. In late May 2022, we completed overseas qualification trainings for four personnel located overseas who can provide technical service and product demonstration for overseas customers. In addition, we will build our overseas consultant team through our collaboration with local renowned KOLs to develop high-quality and reliable local clinical trial protocols. Currently, we have close communications with KOLs in France, Spain, Netherlands, Germany and Belgium. To further increase awareness of our products and brand name in overseas markets, we will support our overseas consultants to participate in well-known local conferences for cardiovascular diseases and share our cases through seminars and academic events. We will also promote our overseas products through publications or articles in international academic journals or forums, and develop long-term partnerships with top international hospitals and research institutions to advance the R&D and clinical progress of our products in the overseas markets and establish the global influence of our products.

Pricing Strategy

With respect to the prices at which our caFFR Systems are sold to our distributors, we have conducted extensive market research with KOLs, hospitals, physicians and patients as well as regulatory bodies before pricing our products and have taken into account various factors such as feedback collected from these parties, our costs, the prices of competing products, our costs and differences in features between our products and competing products, and the estimated demands for our products. As of the Latest Practicable Date, there was no price guidance set by the PRC government on caFFR systems. If the PRC government issues price guidance for caFFR systems, the prices of our products may be negatively affected. For details, please refer to the paragraphs headed "Risk Factors – Risks Relating to Extensive Government Regulations – The policies of centralized procurement of high-value medical consumables set by the PRC government may affect our pricing strategy and cause potential downward change in our product price" and "Risk Factors – Risks Relating to Commercialization and Distribution of Our Products – Our sales may be affected by the level of medical insurance reimbursement patients receive for using our products" in this document. In addition, we do not expect our caFFR System to be covered by the centralized procurement regime in the short-to-mid-term, on the basis that, according to CIC:

- Centralized procurement of high-value medical devices focus on those medical devices with high procurement price which causes heavy pressure on the medical insurance reimbursement system, with sufficient supply from various medical device manufacturers to compete in the bidding process, and are largely used by end hospitals. By comparison, as of the Latest Practicable Date, the market for precision diagnosis and treatment devices was not mature and still at its developing stage, with only a few market players in China. And the penetration of precision diagnosis and treatment in China was relatively low. In 2020, the penetration rate of FFR measurement procedures performed with CAG and PCI in China was 0.4% and 1.4%, respectively, which was far below 22.5% and 36.1% in the U.S., 17.2% and 30.0% in Japan, and 6.9% and 12.6% in the EU.

- Currently, the centralized procurement only applies to a limited number of medical devices. As of the Latest Practicable Date, precision diagnosis and treatment devices were not covered by the centralized procurement regime and there was no known indications from regulators that precision diagnosis and treatment devices will be covered by such regime in the short-to-mid-term. As of the same date, none of FFR measurement products (including wire-guided or non-wire-guided and other FFR measurements with different imaging modalities) were covered by the centralized procurement regime.

Therefore, according to CIC, for highly innovative medical devices like our products and product candidates, it is unlikely that the regulators will mandate centralized procurement for those products, at least not in the short term. But there are uncertainties as to whether the centralized procurement scope would be expanded in the future, resulting in the inclusion of our products and product candidates upon commercialization. For details, see "Risk Factors –

Risks Relating to Extensive Government Regulations – The policies of centralized procurement of high-value medical consumables set by the PRC government may affect our pricing strategy and cause potential downward change in our product price" for details. If and by the time the government issues centralized procurement guidelines covering our products, we will consider factors including, market share, cost of manufacturing, marginal rate of investment and return, to determine detailed adjustment strategy of our commercialization, such as optimizing production and lowering production cost. In addition, we are developing a product portfolio of five product candidates, and we are therefore less affected by the potential centralized procurement of any single product.

Moreover, as of the Latest Practicable Date, we obtained the patient charging price of RMB12,000 for our FlashPressure caFFR pressure transducer in 28 provinces and regions among which 15 provinces and regions (such as Shanghai, Guangdong, Chongqing, Henan, etc.) have also included our FlashPressure caFFR pressure transducer into the medical insurance reimbursement list. According to CIC, among our competing products, the consumables of CAG based FFR measurement products are covered by the medical insurance reimbursement list by about ten provinces and cities. We may need to lower the prices of our products in order to have them included in the medical insurance reimbursement lists of more provinces and regions, and such price reduction and reimbursement may not necessarily lead to an increase in our sales and our results of operations may be adversely affected. For details, please refer the paragraph headed "Risk Factors – Risks Relating to Commercialization and Distribution of Our Products – Our sales may be affected by the level of medical insurance reimbursement patients receive for using our products" in this document.

We determined the price for the caFFR System considering of the following factors: (i) our caFFR System is an innovative FFR measurement system obtaining both certificates of CE Mark and NMPA approval in China; (ii) as compared with other FFR measurement products, our caFFR System has demonstrated advantages in various aspects. As compared with the conventional wire-based products, our caFFR System is time efficient as it shortens the operation time to less than five minutes. Furthermore, as a less-invasive measurement approach, our caFFR System is more operator-friendly as it avoids piercing into patients' lesion and instead calculates the FFR value by the computational fluid dynamics algorithm from the real-time images, making the measurement procedure easy to nurses or technicians. Wire-based FFR systems, on the other hands, requires physicians to perform the procedure by passing through a patient's lesion, which relies on the skills and experience of physicians and leaves the accuracy of the measurement value uncertain. As compared with physicians, participation of nurses and technicians also improves the accessibility and market acceptance of our caFFR System. Additionally, our caFFR measurement incurs no extra incision and does not need to be used with invasive pressure wire after the CAG, the less-invasiveness also provides our caFFR System with favorable safety profile. As compared with other domestic FFR systems, our caFFR System has an accuracy rate of 95.7% which is the highest among all domestic FFR measurement products; and (iii) we also referred to the up-to-date prices of the comparable FFR measurement products.

During the Track Record Period, we had achieved strong sale performance. Our revenue from sales of our products increased from RMB5.9 million in 2020 to RMB80.2 million in 2021.

For our product candidates, we intend to determine the pricing with reference to the price of comparable products from major market players in China. We are planning to seek inclusion of our caIMR into the governmental medical insurance reimbursement list. When determining the prices for our product candidates, we will also consider the potential impact of such inclusion. As of the Latest Practicable Date, the inclusion possibility of our product candidates into the governmental medical insurance reimbursement list was still remote, as they were still at clinical stage or had just completed the clinical trial.

PRODUCT WARRANTY, RETURN, RECALL AND EXCHANGES

We normally offer a one-year warranty to our distributors for our commercialized products. Under such warranties, during the term of the warranty, we offer free maintenance and part replacement services for the failure of products that are not caused by customers.

For our commercialized products, our internal policy is to assume responsibility as required by law if the competent regulatory authorities find that our products are defective. During the Track Record Period and up to the Latest Practicable Date, we were not aware of any such finding. Our return and exchange policy generally does not allow any product return or exchange, except that in case of any product defect, we will consider returning or exchanging products by considering the specific scenario and our working relationship with our distributors. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any product exchange, return or recall events nor any product liability claims.

Product Liability

Should there occur any mis-diagnosis or faulty management of patients involving the use of our caFFR System and caIMR System, we may be held liable under certain circumstances. According to our PRC Legal Adviser, there are mainly three circumstances for which we may be liable:

First, if a patient gets injured due to the fault or operating error of the medical personnel during the process of diagnosis and treatment, the medical institute is liable for all damages and compensation arising therefrom.

Second, if a patient's injury is due to the inherent product defect of our caFFR System or caIMR System, we may be held liable for the patient's damages. Under the PRC laws, product manufacturers bear civil liabilities for personal injury, death or other losses caused by product defects; if a product defect gives rise to serious social consequences (such as injuring a large number of product users), its manufacturer may in addition face administrative punishment (including production suspension, product recall and administrative penalty) and even criminal liabilities. However, a manufacturer will not be deemed liable for the damages, if it is able to prove that (i) the product defect did not exist at the time when the product was first put into circulation, or that (ii) the product defect is not discoverable by the technology of the time when the product was first put into circulation.

Third, if a patient's injury is caused by both the operating errors of the medical personnel and the product defects, the medical institution and product manufacturer are jointly and severally liable. If the percentage of fault can be determined between the infringing parties, each of them will be ultimately liable for an amount equivalent to their corresponding fault. If the percentage of fault can not be determined, then each of the infringing parties bears the liability equally.

Currently, we have maintained product liability insurance in China. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material customer complaint or product return from customers.

CUSTOMERS

During the Track Record Period, all of our customers are distributors and substantially all of our revenue generated from the sales of our caFFR Systems and related installation and training services. We launched sales of our caFFR Systems in October 2019. In 2020 and 2021, sales to our five largest customers were RMB4.9 million and RMB31.0 million, representing 79.6% and 38.2% of our total revenue in each year, respectively. In 2020 and 2021, sales to our largest customer were RMB2.9 million and RMB11.7 million, representing 48.3% and 14.4% of our revenue in each year, respectively. See below a summary of the sales to our four or five largest customers for the year indicated:

Five Largest Customers for 2020	Company Background	Registered Capital	Commencement of Business Relationship	Product Sold	Credit Terms	Payment Method	Sales Amount	Percentage of Total Revenue
							RMB'000	*%*
Shanghai Shengrong Medicine Technology Co., Ltd. (上海盛榮醫藥科技有限公司)	A PRC limited liability company established in 2006 and registered in Shanghai, which mainly engaged in development and sales of medical device	RMB1.0 million	January 2020	caFFR Systems and related installation and training services	Prepayment	Bank transfer	2,944	48.3
Beijing Dadetong Trade Co., Ltd. (北京達德通貿易有限公司)	A PRC limited liability company established in 2007 and registered in Beijing, which mainly engaged in sales of medical device and other equipment	RMB2.0 million	April 2020	caFFR Systems and related installation and training services	Prepayment	Bank transfer	716	11.7

Five Largest Customers for 2020	Company Background	Registered Capital	Commencement of Business Relationship	Product Sold	Credit Terms	Payment Method	Sales Amount *RMB'000*	Percentage of Total Revenue *%*
Xi'an Norui Medical Instrument Co., Ltd. (西安諾瑞醫療器械有限公司)	A PRC limited liability company established in 2009 and registered in Shaanxi, which mainly engaged in sales of medical device, electronical device and other device	RMB10.0 million	March 2020	caFFR Systems and related installation and training services	Prepayment	Bank transfer	446	7.3
Tianjin Meizhe Medical Technology Co., Ltd. (天津美哲醫療科技有限公司)	A PRC limited liability company established in 2019 and registered in Tianjin, which mainly engaged in R&D of medical technology and sales of medical device	RMB3.0 million	June 2020	caFFR Systems and related installation and training services	Prepayment	Bank transfer	408	6.7
Henan Yajian Medical Instrument Co., Ltd. (河南雅健醫療器械有限公司)	A PRC limited liability company established in 2019 and registered in Henan, which mainly engaged in R&D and sales of medical device	RMB3.0 million	January 2020	caFFR Systems and related installation and training services	Prepayment	Bank transfer	340	5.6
Total							**4,854**	**79.6**

Five Largest Customers for 2021	Company Background	Registered Capital	Commencement of Business Relationship	Product sold	Credit Terms	Payment method	Sales Amount *RMB'000*	Percentage of Total Revenue *%*
Shanghai Shengrong Medicine Technology (上海盛榮醫藥科技有限公司)	A PRC limited liability company established in 2006 and registered in Shanghai, which mainly engaged in development and sales of medical device	RMB1.0 million	January 2020	caFFR Systems and related installation and training services	Prepayment	Bank transfer	11,672	14.4

Five Largest Customers for 2021	Company Background	Registered Capital	Commencement of Business Relationship	Product sold	Credit Terms	Payment method	Sales Amount *RMB'000*	Percentage of Total Revenue *%*
Tibet Deling Logistics Co., Ltd. (西藏德靈物流有限公司)	A PRC limited liability company established in 2010 and registered in Tibet Autonomous Region, which mainly engaged in sales, operation and shipment of medical device	RMB40.0 million	March 2020	caFFR Systems and related installation and training services	Prepayment	Bank transfer	5,239	6.5
JD Pharmaceutical (Beijing) Co., Ltd. (京東醫藥(北京)有限公司)	A PRC limited liability company established in 1985 and registered in Beijing, which mainly engaged in sales of medical device and traditional Chinese medicines	RMB50.0 million	September 2021	caFFR Systems and related installation and training services	Prepayment	Bank transfer	5,208	6.4
Sichuan Xince Medical Instrument Co., Ltd. and its affiliates (四川欣策醫療器械有限公司及其關聯方)	A PRC limited liability company established in 2020 and registered in Sichuan, which mainly engaged in sales of medical device and other equipment, and its associates	RMB5.0 million	September 2020	caFFR Systems and related installation and training services	Prepayment	Bank transfer	4,618	5.7
Guangdong Luyue Medical Technology Co., Ltd. (廣東魯粵醫療科技有限公司)	A PRC limited liability company established in 2019 and registered in Guangdong, which mainly engaged in sales of medical device and R&D of computer technology and medical device	RMB3.0 million	March 2020	caFFR Systems and related installation and training services	Prepayment	Bank transfer	4,218	5.2
Total							**30,955**	**38.2**

During the Track Record Period, none of our Directors or any Shareholders, who, to the knowledge of our Directors, owns more than 5% of our issued share capital immediately following the completion of the [**REDACTED**] (but without taking into account the exercise of the [**REDACTED**]) nor any of their respective associates had any interest in any of our five largest customers.

SUPPLIERS AND RAW MATERIALS

Our Suppliers

Supplier Selection

We typically conduct an all-department screening and selection of the qualifications of a potential supplier by our R&D, quality control and procurement teams to assess the stability of relative raw material supplies by such potential supplier. We also conduct annual reviews of our suppliers based on their supply performance and regulatory compliance.

Top Five Suppliers

During the Track Record Period, our suppliers mainly comprised raw material suppliers, equipment and facility providers and other professional service providers. In 2020 and 2021, purchases from our five largest suppliers accounted for 32.4% and 50.6% of our total purchases for the same year, respectively, and purchases from our largest supplier accounted for 12.8% and 26.6% of our total purchases for the same year, respectively. The table below summarizes the purchases from our five largest suppliers for the year indicated:

Five Largest Suppliers for 2020	Company Background	Registered Capital	Products/ Services Purchases	Commencement of Business Relationship	Credit Terms	Payment method	Purchase Amount	Percentage of Total Purchases
							RMB'000	*%*
Supplier A	A PRC company established in 2010, which mainly engaged in building construction and furnishing services	RMB60.0 million	Building furnishing services	November 2020	Paid according to work progress	Bank transfer	2,752	12.8
Supplier B	A PRC company established in 2010, which mainly engaged in R&D, manufacture and sales of moulds and components of medical device and electronic device	RMB30.0 million	Production moulds and components	June 2019	50% as prepayment and 50% after inspection	Bank transfer	2,044	9.5

Five Largest Suppliers for 2020	Company Background	Registered Capital	Products/ Services Purchases	Commencement of Business Relationship	Credit Terms	Payment method	Purchase Amount	Percentage of Total Purchases
							RMB'000	*%*
Supplier C	A PRC company established in 2017, which mainly engaged in R&D of computer technology, and sales of components	RMB5.0 million	Raw materials and office facilities	March 2018	EOM 30 days	Bank transfer	871	4.0
Supplier D	A PRC company established in 2019, which mainly engaged in consulting services in relation to healthcare management and business consultancy services	RMB0.1 million	Marketing/ Consulting services	November 2020	Paid upon receipt of invoice	Bank transfer	703	3.3
Supplier E	A wholly foreign-owned enterprise registered in the PRC in 2012, which mainly engaged in manufacture and sales of moulds and components of medical device	USD3.9 million	Raw materials	July 2019	EOM 30 days	Bank transfer	609	2.8
Total							**6,979**	**32.4**

Five Largest Suppliers for 2021	Company Background	Registered Capital	Products/ Services Purchases	Commencement of Business Relationship	Credit Terms	Payment method	Purchase Amount *RMB'000*	Percentage of Total Purchases *%*
Supplier A	A PRC company established in 2010, which mainly engaged in building construction and furnishing services	RMB60.0 million	Building furnishing services	November 2020	Paid according to work progress	Bank transfer	23,295	26.6
Supplier F	A PRC company established in 2018, which mainly engaged in market research, technology development and consultancy services	RMB10.0 million	Financial advisory and market consultancy service involving the market research, planning, design, and promotion as well as support in business negotiation	June 2021	Paid according to work progress	Bank transfer	13,025	14.9
Supplier C	A PRC company established in 2017, which mainly engaged in R&D of computer technology, and sales of components	RMB5.0 million	Raw materials and office facilities	March 2018	EOM 30 days	Bank transfer	3,480	4.0
Supplier G	A PRC company, established 2010, which mainly engaged in property rental and management service	RMB1,891.1 million	Rental and property management	August 2016	Paid on monthly basis	Bank transfer	2,705	3.1
Supplier H	A PRC company established in 2018, which mainly engaged in property rental service and technology consultancy	RMB120.0 million	Rental and property management	November 2020	Paid on monthly basis	Bank transfer	1,750	2.0
Total							**44,255**	**50.6**

In particular, details (including principal business activities, scale of operations and independence of their shareholders and directors) of our five largest suppliers which contributed to our cost of sales and research and development expenses for each year during the Track Record Period are summarized in the table below:

Suppliers for 2020	Background	Registered Capital	Independence of the shareholders and directors	Purchase Amount *RMB'000*	Percentage of Total Purchases *%*
Supplier B	A PRC company established in 2010, which mainly engaged in R&D, manufacture and sales of moulds and components of medical device and electronic device	RMB30.0 million	Independent third party	2,044	9.5
Supplier C	A PRC company established in 2017, which mainly engaged in R&D of computer technology, and sales of components	RMB5.0 million	Independent third party	871	4.0
Supplier E	Wholly foreign-owned enterprise registered in the PRC in 2012, which mainly engaged in manufacture and sales of moulds and components of medical device	N/A	Independent third party	609	2.8
Supplier I	A PRC company established in 2019, which mainly engaged in consultancy service in relation to R&D, biotechnology and computer software and hardware development	RMB1.0 million	Independent third party	419	1.9
Supplier J	A PRC company established in 2019, which mainly engaged in business of medical device, electronic device and computer accessories	RMB5.0 million	Independent third party	382	1.8
Total				**4,325**	**20.0**

Suppliers for 2021	Background	Registered Capital	Independence of the shareholders and directors	Purchase Amount *RMB'000*	Percentage of Total Purchases *%*
Supplier C	A PRC company established in 2017, which mainly engaged in R&D of computer technology, and sales of components	RMB5.0 million	Independent third party	3,480	4.0
Supplier K	A PRC company established in 2007, which mainly engaged in R&D of computer technology and sales of electronic devices	RMB2.0 million	Independent third party	1,463	1.7
Supplier B	A PRC company established in 2010, which mainly engaged in R&D, manufacture and sales of moulds and components of medical device and electronic device	RMB30.0 million	Independent third party	1,301	1.5
Supplier L	A joint venture established in the PRC in 2009, which mainly engaged in development, manufacture and sales of electronic device and components	USD0.4 million	Independent third party	1,287	1.5
Supplier M	A PRC company established in 2018, which mainly engaged in R&D, manufacture and sales of components and medical device	RMB3.0 million	Independent third party	1,081	1.2
Total				**8,612**	**9.9**

None of our Directors or any Shareholder who, to the knowledge of our Directors, owns more than 5% of our issued share capital immediately following completion of the [**REDACTED**] (but without taking into account the exercise of the [**REDACTED**]) nor any of their respective associates had any interest in any of our five largest suppliers or our five largest suppliers contributed to our cost of sales and research and development expenses during the Track Record Period.

Raw Materials Procurement

Raw materials we use for our manufacturing process primarily include pressure transducer chips and identifying chips, PVC tubes, injection molds and adaptors. We primarily use a limited number of suppliers for our certain raw materials, although there are alternate suppliers available for most of such materials. As of the Latest Practicable Date, our suppliers for raw materials were based both in China and overseas, from whom we purchased raw materials on an as-needed basis with consideration of production schedule and logistics arrangements.

We generally enter into supply agreements with our raw material suppliers. Our agreement with the supplier specifically lists our quality requirements. We will decide whether to accept the supply upon inspecting and examining the materials.

Procurement Agreements With Suppliers

The following table summarizes key terms of the agreements with our suppliers:

Quality specifications	We list quality specifications for the raw materials in each agreement and/or purchase order.
Price and pricing policy	Price or pricing policy is specified in each agreement and/or purchase order.
Transportation and delivery	Delivery method is specified in each agreement and/or purchase order.
Payment	The payment term varies with different suppliers.
Raw materials return/exchange	We examine raw materials when we receive them and may return any raw materials that do not meet our requirements/specifications within specified periods after receipt.
Exclusivity	Our supply agreements generally do not have exclusive clauses prohibiting suppliers from selling their products to our competitors.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material difficulties in procuring our major raw materials and had not experienced significant fluctuations in the prices of our supplies. To the best knowledge of our Directors, there has been no material breach of procurement agreements with our suppliers during the Track Record Period. Our Directors believe, after taking into consideration the impact of the potential outbreak of COVID-19, that we would not experience any material difficulties in procuring our major raw materials.

INVENTORY

Our inventories consist of raw materials, work in progress and finished goods. We have a warehouse in our manufacturing facility as well as a leased warehouse in Suzhou, Jiangsu province, for storage of our inventories. We regularly monitor our inventories and endeavor to keep an optimal inventory level in line with the expected usage in the near term. We have adopted an inventory management system to monitor each stage of the warehousing process. Our inventory management system records inventory data, such as inventory balance and validity period to keep a track of inventory levels, enabling us to make adjustments whenever necessary. In addition, we have in place internal policies which require monthly inventory aging analysis and regular physical count of our raw materials, work in progress and finished goods to identify products that are damaged, expired or soon-to-be expired. Warehouse personnel are responsible for the inspection, storage and distribution of raw materials.

As of December 31, 2020 and 2021, our inventories amounted to RMB5.3 million and RMB9.9 million, respectively. Our Directors confirmed that our inventory control policies have been effective and we did not experience any material shortage in supply or overstocking of inventories during the Track Record Period and up to the Latest Practicable Date.

INTELLECTUAL PROPERTY

Intellectual property rights are important to the success of our business. Our success depends, in part, on our ability to obtain and maintain patent and other intellectual property and proprietary protections for commercially important technologies, inventions and know-how related to our business, defend and enforce our patents, preserve the confidentiality of our trade secrets, and operate without infringing, misappropriating or otherwise violating the valid, enforceable intellectual property rights of third parties.

We have built a comprehensive intellectual property portfolio in China and overseas to protect our technologies and inventions and ensure our future success with commercializing our products. As of the Latest Practicable Date, we had (i) 81 approved patents including 79 approved in China, one approved in the U.S. and one approved in Japan; (ii) 145 pending patent applications, including 106 in China and 39 overseas; (iii) 36 active PCT patent applications; (iv) 269 registered trademarks; and (v) 10 registered software copyrights.

As of the Latest Practicable Date, we were not aware of any potential exposure to any objection or claim from other market players in respect of similar technologies or features underlying their registered patents or patent applications targeting similar indications with the following basis: (i) our legal advisers as to intellectual property law have conducted the freedom-to-operate ("**FTO**") searches and analysis and did not identify any substantial risk of infringement by all of current key technologies and features of our Core Products against active patents in China; (ii) based on our communications during academic promotion activities and with KOLs, as well as our regular monitoring of other major market player's patent applications in the course of daily operations, we have not identified any foreseeable risk of infringement of our Core Products against other major market player's patent applications; and (iii) during the Track Record Period and up to the Latest Practicable Date, we had not received any IP rights infringement complaints and our products had not been subjected to any claim, litigation or investigation for any IP issue.

The following table sets forth material patents and patent applications relating to our Core Products, caFFR System and caIMR Systems, as of Latest Practicable Date.

No.	Publication No.	Description	Application	Jurisdiction	Status	Expiration Date	Commercialization power scope
1.	CN201921552911.X	a blood pressure collection terminal and coronary artery analysis system (血壓採集終端及冠脈分析系統)	caFFR, caIMR	PRC	Approved	September 18, 2029	Proprietary right
2.	CN201922154046.X	a detachable blood pressure collection system and coronary artery analysis system (可拆卸血壓採集系統及冠狀動脈分析系統)	caFFR, caIMR	PRC	Approved	December 3, 2029	Proprietary Right
3.	CN201922150870.8	a blood pressure collection system and coronary artery analysis system (血壓採集系統及冠狀動脈分析系統)	caFFR, caIMR	PRC	Approved	December 3, 2029	Proprietary right
4.	CN201922139171.3	a single-use blood pressure collection apparatus and coronary artery analysis system (一次性血壓採集裝置及冠狀動脈分析系統)	caFFR, caIMR	PRC	Approved	December 3, 2029	Proprietary right
5.	CN201610681191.1	a method for calculating FFR on basis of X-ray coronary angiogram (基於X射線冠脈造影圖像的冠狀動脈血流儲備分數計算方法)	caFFR	PRC	Approved	August 18, 2036	Proprietary right
6.	CN201910206438.8	a method for calculating FFR on basis of pressure transducer and angiogram (基於壓力傳感器和造影圖像計算血流儲備分數的方法)	caFFR	PRC	Approved	March 19, 2039	Proprietary right

No.	Application No.	Description	Application	Jurisdiction	Status	Application Date	Commercialization power scope
1.	CN201980040566.8	a method and apparatus for obtaining blood vessel assessment parameter under resting state based on angiography image (基於造影圖像獲取靜息態下血管評定參數的方法及裝置)	caFFR, caIMR	PRC	Pending	November 13, 2019	Proprietary right
2.	US17/237662	method, device and system for acquiring blood vessel evaluation parameters based on angiography image (基於造影圖像獲取血管評定參數的方法、裝置及系統)	caFFR, caIMR	US	Pending	November 13, 2019	Proprietary right
3.	EP19885173.5	method, device and system for acquiring blood vessel evaluation parameters based on angiography image (基於造影圖像獲取血管評定參數的方法、裝置及系統)	caFFR, caIMR	Europe	Pending	November 13, 2019	Proprietary right
4.	CN201811344281.7	a method for calculating the ratio of angiography-derived FFR against resting pressure based on angiography image (基於造影圖像計算造影血流儲備分數和靜息態壓力比值的方法)	caFFR	PRC	Pending	November 13, 2018	Proprietary right

The key features or characteristics of our Core Products include (i) the pressure transducer and angiography image technology; and (ii) the single-use blood pressure collection apparatus technology. With reference to the views of our legal adviser as to intellectual property law, our two patents (CN201610681191.1 and CN201910206438.8) and four patent applications (CN201980040566.8, US17/237662, EP19885173.5, CN201811344281.7) have covered the pressure transducer and angiography image technologies; while our four patents (CN201921552911.X, CN201922154046.X, CN201922150870.8, CN201922139171.3) have covered the single-use blood pressure collection apparatus technology. In view of the above, we come to the conclusion that our current patent and patent application portfolio has covered all the key features or characteristics of the Core Products.

The following table sets forth material patents and patent applications relating to our other product candidates as of Latest Practicable Date.

No.	Publication/ Application No.	Description	Jurisdiction	Status	Expiration Date	Commercialization power scope
1.	CN202111280014.X	an interventional consumable push feedback device and method (一種介入耗材推送反饋裝置及方法)	PRC	Pending	–	Proprietary right
2.	CN202111394995.0	a radio-frequency ablation catheter device (射頻消融導管裝置)	PRC	Pending	–	Proprietary right
3.	CN202111273429.4	an interventional surgical robotic system and navigation method (介入手術機器人系統以及導航方法)	PRC	Pending	–	Proprietary right

During the Track Record Period and up to the Latest Practicable Date, we were not involved in any material proceedings in respect of intellectual property right infringement claims against us or initiated by us.

EMPLOYEES

As of the Latest Practicable Date, we had 395 employees in total. The following table sets forth the number of our employees categorized by function as of the Latest Practicable Date.

Function	Numbers of full-time employees
Management and Administration	81
Manufacturing	40
Sales and marketing	113
Research and development	147
Quality Control	14
Total	395

All of our employees are stationed in China. In compliance with the applicable labor laws, we enter into individual employment contracts with our employees covering matters such as wages, bonuses, employee benefits, workplace safety, confidentiality obligations, non-competition and grounds for termination. These employment contracts typically have terms of three years.

We recruit our employees through recruitment websites, recruiters, internal referrals and job fairs based on a number of factors, including work experience, educational background and the requirements of a relevant vacancy.

To remain competitive in the labor market, we provide various incentives and benefits to our employees. We provide a series of annual training plans, including orientation programs, on-the-job training, professional skill training and external training, to our management staff and other employees to upgrade their skills and knowledge. We also provide competitive salaries, project and stock incentive plans to our employees especially key employees.

We require all of our employees, especially those involved in sales and marketing and business development activities, to abide by our anti-bribery and anti-corruption compliance requirements and applicable laws and regulations to eliminate bribery and corruption risks. We closely monitor our employees' compliance with anti-bribery and anti-corruption policies. 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 and up to the Latest Practicable Date, we did not experience any strikes, labor disputes or industrial actions which had a material effect on our business, and we consider our relations with our employees to be good. As of the Latest Practicable Date, save as otherwise disclosed in the section headed "Risk Factors" in this document, we did not have any non-compliance with statutory social security insurance fund and housing fund obligations applicable to us under applicable laws in all material respects.

INSURANCE

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. For example, we maintain group accident insurance policies for our employees and clinical trial liability insurance policies for medical devices that cover losses arising from expected adverse events and unexpected serious adverse events occurred during clinical trials of our products. In addition, we currently maintain property insurance, employer liability insurance, product liability insurance and supplemental medical insurance to employees in China. We consider that the coverage from the insurance policies maintained by us is adequate for our present operations and is in line with the industry norm. During the Track Record Period, we had not made, or been the subject of, any material insurance claims. For more details, please refer to the paragraph headed "Risk Factors – Risks Relating to Our General Operations – Our insurance coverage may not completely cover the risks related to our business and operations" in this document.

SOCIAL, HEALTH, WORK SAFETY AND ENVIRONMENTAL MATTERS

We are subject to various health, safety, social and environmental laws and regulations and our operations are regularly inspected by local government authorities. We are committed to social responsibilities, and consider environmental, social and governance ("**ESG**") essential to our continuous development, and we believe we have adequate policies ensuring compliance with all health, safety, social and environmental protection regulations.

Under the oversight of the Board, we actively identify and monitor the actual and potential impact of environmental, social and climate-related risks on our business, strategy and financial performance, and incorporate considerations for these issues into our business, strategic and financial planning. We focus on areas such as employee responsibility, environment responsibility and public responsibility. Corporate social responsibility is viewed as part of our core growth philosophy that will be pivotal to our ability to create sustainable value for our Shareholders by embracing diversity and public interests.

We have established an environmental safety and health ("**ESH**") team led by our deputy general manager, Mr. Wu Xingyun, to monitor and enforce the compliance of our operations with environment, health and safety laws and regulations. This responsibility is executed through training, formulation and implementation of strategies, policies, standards and metrics, communication of environmental, health and safety policies and procedures through a team of coordinators, environmental, health and safety audits, and incident response planning and implementation. With the oversight of our management, our quality control team will assess the likelihood of such risks occurring and the estimated magnitude of any potential impact.

Environmental Risks And Our Mitigating Measures

We do not operate in a highly polluting industry; but the manufacturing process of our products and product candidates for our clinical trials and research may generate solid and liquid waste and disposable reagents (such as hydrochloric acid, sulfuric acid, nitric acid and potassium nitrate). Our business operations sometimes involve the use of hazardous and flammable chemical materials.

We have engaged third-party waste treatment service providers to collect and treat hazardous waste produced in connection with our operations. We select such service providers by considering their quality, industry reputation and compliance with relevant regulatory agencies. We inspect their business licenses, relevant operating permits and certificates for hazardous waste before engaging such service providers and require them to treat and dispose our hazardous waste in accordance with the applicable PRC environmental laws and regulations. In 2020 and 2021, we spent RMB265,300 and RMB324,130, respectively, with respect to environmental protection. There was an increase in the costs incurred on environmental protection in 2021 as compared with that of 2020 primarily because (i) the emissions of waste liquid and hazardous chemicals substantially increased in line with our rapid increasing production volume and the market expansion. For example, in line with the increased sales of our caFFR System, the actual production volume of consoles increased from 140 in 2020 to 606 in 2021 and the actual production volume of the single-use pressure

transducers increased from 22,148 in 2020 to 33,051 in 2021. Due to the increase in production, it requires us to incur an increasing amount of fees for hazardous waste disposal; (ii) more stringent laws and regulations in recent years have set up higher standards of waste disposal to manufacturers, resulting in higher environmental protection costs. For example, there are an increasing number of legislation and regulations enacted to address the potential effects of climate change, which have affected our operations due to the requirements placed on ourselves and our supply chain, and have caused additional costs, including increased energy and raw material costs and pollutant emission costs; and (iii) our construction of new manufacturing facility incurred extra costs in compliance with requirements of "Three Simultaneities" (Under the Environmental Protection Law of PRC, "Three Simultaneities" requires all enterprises and institutions to design, construct and put into use the pollution prevention and control installations simultaneously with the main body of the construction projects.) for safety facilities of construction projects. Our Directors consider that the annual costs of compliance with the applicable health, safety, social and environmental laws and regulations were not material during the Track Record Period and we do not expect the costs of such compliance to be material going forward.

We have adopted stringent policies to ensure the proper handling, management and disposal of hazardous waste. We will continue to engage qualified third parties to dispose of our hazardous waste. We expect that the fees paid by us for hazardous waste disposal will increase as a result of our business growth, while the relevant expenses are expected to remain a small portion of our total operating expenses and will not significantly affect our financial position in the foreseeable future.

In compliance with the relevant environmental laws and regulations, we have also adopted stringent policies to ensure the proper handling and management of hazardous and flammable chemical materials, and disposal of hazardous waste produced in our manufacturing process. For example, we have adopted our Environmental Protection Management Measures. Also, in accordance with the GB/T24001:2016 environmental management system standard, we have adopted a comprehensive management policy on environment protection that sets forth, among others, our detailed requirements and procedures for managing and disposing of hazardous waste. Our environmental policies are equally applicable to all of our products and product candidates. In addition, since we have obtained the CE Mark for our caFFR system, we are currently and will continue to be subject to the EU's "restriction of hazardous substances" ("**RoHS**") regulations, originated by Directive 2002/95/EC in 2002 and amended by Directive 2011/65/EU and Directive 2015/863 in 2011 and 2015, respectively, which restricts the use of ten hazardous substances in electrical and electronic equipment, namely lead, cadmium, mercury, hexavalent chromium, polybrominated biphenyls (PBB), polybrominated diphenyl ethers (PBDE), bis (2-ethylhexyl) phthalate (DEHP), butyl benzyl phthalate (BBP), dibutyl phthalate (DBP) and diisobutyl phthalate (DIBP). We also have to consider biocompatibility with respect to components that have contact with human tissues. As such, we believe that we have been using raw materials with least environmental impact to the best of our knowledge. However, we stay tuned on any possibilities of switching to raw materials with even less environmental impact in the course of technological advancement and our research and development progress, and will duly assess the feasibility of adopting such raw materials and the regulatory framework thereof.

Occupational Health And Safety-Related Risks And Our Mitigating Measures

We also identify occupational health and safety-related risks arising from our daily production. As we strive to provide a safe working environment for our employees, we have implemented work safety guidelines setting out safety practices, accident prevention and accident reporting procedures. We conduct regular safety inspections and maintenance for our manufacturing facility. We have implemented company-wide health, safety, social and environmental protection policies and standard operating procedures that include management systems and procedures relating to construction, process safety management, handling, use, storage, treatment and disposal of hazardous substances, worker health and safety requirements, noise pollution control, emergency planning and response. During the Track Record Period and up to the Latest Practicable Date, we had not had any workplace accidents.

Climate-Related Risks And Our Mitigating Measures

In the long term, we have also identified potential risks from climate change and other environmental issues that may have potential financial implications for us. For example, if we suffer from extreme weather conditions, our facilities may encounter disruptions and our operations may be directly impacted. Extreme weather may also cause disruptions for our suppliers, which may in turn adversely impact our ability to provide on-premise deployment, on-site meetings or technical support to our customers and end-users. In view of the nature of our business, we do not anticipate the climate change to have any material impact on our business operation. In case of extreme natural weather, we will actively respond to the relevant policies of local government, make contingency plans in addition to the life insurance to ensure the safety of our staff. In the case of acute physical risks such as direct damage to assets and indirect impacts from supply chain disruption as a result of extreme weather events, we will make the corresponding disaster preparedness plan. We believe that we have the ability to deal with climate crisis. As of the Latest Practicable Date, we had not experienced any material impact on our business operations, strategies or financial performance as a result of climate-related issues.

Our business operations are subject to environmental protection laws and regulations promulgated by the PRC government. For example, we are required by the relevant governmental authorities to carry out an environmental impact assessment before constructing factory or production equipment to minimize the impact of our business operations on the environment. Maintaining compliance with applicable environmental rules and regulations is costly. If we breach any environmental-related laws and regulations, or face any accusation of negligence in environmental protection, in addition to the potential fines and penalties, such incidents may also adversely affect our reputation and creditability. Our business opportunities may be negatively impacted. For the relevant risk factor, see "Risk Factors – Risks Relating to Extensive Government Regulations – We, our CROs or SMOs may fail to comply with environmental, health and safety laws and regulations" in this document. Notwithstanding the above, due to our effective internal control and risk management measures as outlined in details below, our business, results of operations and financial condition had not been materially adversely impacted by any climate-related incident during the Track Record Period and up to the Latest Practicable Date.

Furthermore, besides the mitigating measures already in place, we are planning on adopting various strategies and measures to identify, assess, manage and mitigate environmental, social and climate-related risks, including but not limited to:

- reviewing and assessing the ESG reports of similar companies in the industry to ensure that all relevant ESG-related risks are identified on a timely basis.

- discussing among management from time to time to ensure all the material ESG areas are recognized and reported.

- discussing with key stakeholders on key ESG principles and practices to ensure that the significant aspects are covered.

- initiating a specific ESG risk management process to identify and consider ESG risks and opportunities separate from other business risks and opportunities.

- setting targets for environment KPIs with regard to factors including emission, pollution and other impact on the environment, to reduce emissions and natural resource consumption.

In addition, we plan to review our key ESG performance on a regular basis. We may from time to time engage independent professional third parties to help us make necessary improvements. We will also adopt policies include reporting on the emission level of gas pollutants, waste water and solid waste to our management to the extent applicable and evaluation of such emission levels on a regular basis. If there is any deviation from the applicable emission standard, we will investigate the cause and will take rectification measures accordingly. We will prepare annual plan and report on the management of pollutants and waste and file such report with the relevant environmental authority for review.

We attach great importance to ESG and act proactively to conform with ESG standards. We are committed to minimizing environmental impacts and ensuring sustainability through our entire value chain. Our Directors recognize the importance of good corporate governance to protect the interests of our Shareholders. After the [**REDACTED**], we will publish an ESG Report each year pursuant to Appendix 27 of the Listing Rules to analyze and disclose important environmental, social and governance matters, risk management and the accomplishment of performance objectives. Our Directors consider that we have adequate policies relating to social, health, work safety and environmental matters.

During the Track Record Period and up to the Latest Practicable Date, we had been in compliance with the relevant PRC laws and regulations in all material aspects, and had not been subject to any material claim or penalty in relation to health, safety, social or environmental protection, or been involved in any significant workplace accident or fatality. We are committed to contributing to the well-being of the communities and society through developing innovative medical solutions.

We identify our ESG-related KPIs to include energy conservation and emissions reduction. For energy conservation, the metrics we use generally include water consumption and electricity consumption. For the year ended December 31, 2021, the average monthly consumption volume of water and electricity 206.8 tons/month and 70,666.7 kWh/month, respectively. For emissions reduction, the metrics we use mainly include exhaust gas emissions and discharge of hazardous wastes. Our production activities had not generated exhaust gas during the Track Record Period but we expect the emission of exhaust of gas once our new manufacturing facility is put into operation and we set the targeted volatile organic compounds concentration below 120 mg/m^3 per year. We discharged 1.1 tons hazardous waste in 2021, and such waste was disposed by qualified third parties. As we are still at the early stage of development and expected to open a new facility in 2022 to enhance our production capacity, we expect the energy consumption, gas emission and waste discharge to increase accordingly in the following years and remain at a relatively stable level after all our facilities are put into full operation. We will use these KPIs to evaluate our ESG results annually in order to ensure that they have met our requirements and to make corrective actions when necessary. We will also endeavor to streamline the construction process while reducing and replacing the use of toxic and pollutant substances. We target to reduce our consumption of water and electricity, as well as our gas emissions and hazardous waste discharged by 10% in the next five years after our facilities are put into full operation.

PROPERTIES

We are headquartered in Suzhou, Jiangsu province, China. As of the Latest Practicable Date, we did not own any properties and we leased four properties with an aggregate gross floor area of 12,621 sq.m. in China. The following table sets forth the details of our leased properties as of the Latest Practicable Date:

No.	Address	Usage	Leased Area *(Approximate sq.m.)*	End of Lease Term
1	Suzhou, Jiangsu	R&D, manufacturing, offices	5,143	May 2024
2	Suzhou, Jiangsu	R&D, manufacturing, offices	1,019	November 2022
3	Suzhou, Jiangsu	R&D, offices	5,727	May 2024
4	Beijing	Offices	732	January 2025

As of the Latest Practicable Date, we have completed registration with the relevant regulatory authorities of the lease agreements for all of our leased properties. As of the Latest Practicable Date, we were not subject to any penalties arising from the non-registration of lease agreement. During the Track Record Period, we did not experience any dispute arising out of our leased properties. Save as disclosed herein, our PRC Legal Adviser has confirmed that the building ownership certificates of the aforementioned leased properties have been obtained,

our lease agreements with the lessors were duly signed and our leasing of the aforementioned properties is valid. For details of risks relating to our leased properties, please refer to the paragraph headed "Risk Factors – Risks Relating to Our General Operations – We do not own the real property for our current major operation sites and may be subject to risks relating to leased properties" in this document.

AWARDS AND RECOGNITION

The table below sets forth a summary of the major awards and projects for which we received government grants as of the Latest Practicable Date:

Year	Award/Grant	Awarding Authority
2021	National High-Tech Enterprise (國家高新技術企業)	Jiangsu Provincial Science and Technology Department (江蘇省科學技術廳)
2021	Technology SME Certificate (科技型中小企業)	Jiangsu Provincial Science and Technology Department (江蘇省科學技術廳)
2020 and 2015	Jiangsu Private Scientific and Technological Enterprise (江蘇省民營科技企業)	Jiangsu Association of Private Scientific and Technological Enterprises (江蘇省民營科技企業協會)
2018 and 2022	Special Approval Procedures of Innovative Medical Devices (創新醫療器械特別審查程序)	NMPA
2015	The Third Prize of the Third China • Jiangsu Innovation and Entrepreneurship Competition (第三屆中國江蘇創新創業大賽三等獎)	The Office of Leading Group for Talented Individuals in Jiangsu Province (江蘇省人才工作領導小組辦公室)
2015	Jiangsu Technological Enterprises Technology Innovation Fund (江蘇科技型企業技術創新資金)	Jiangsu Provincial Science and Technology Department (江蘇省科學技術廳)

Year	Award/Grant	Awarding Authority
2014	The Third Prize of Team Award in the Second Jiangsu Technology Innovation Competition in conjunction with the Third National Innovation and Entrepreneurship Competition (Jiangsu) in 2014 (2014年第二屆江蘇科技創業大賽暨第三屆中國創新創業大賽(江蘇賽區)團隊組三等獎)	The Committee of Jiangsu Technology Innovation Competition (江蘇科技創業大賽組織委員會)
2014	The Second Place in the Second Jiangsu Technology Innovation Competition in 2014: Entrepreneurial Team (2014年第二屆江蘇科技創業大賽:創業團隊組第二名)	The Committee of Jiangsu Technology Innovation Competition (江蘇科技創業大賽組織委員會)
From 2017	Membership of Suzhou Association for Medical Device Industry	Suzhou Association for Medical Device Industry (蘇州市醫療器械行業協會)
2015	Jiangsu Technology SME Certificate (江蘇科技型中小企業)	Suzhou Science and Technology Bureau (蘇州市科學技術局)
2014	The First Prize for Entrepreneur Team in the Sixth "Innovative Gusu" Youth Elite Entrepreneurship Competition (第六屆"創業姑蘇"青年精英創業大賽創業團隊組一等獎)	The Office of Leading Group for Talented Individuals in Suzhou (蘇州市人才工作領導小組), Suzhou Science and Technology Bureau (蘇州市科學技術局), Suzhou Committee of Communist Youth League of China (共青團蘇州市委員會), Suzhou Daily (蘇州日報社) and Suzhou Youth Federation (蘇州市青年聯合會)

LICENSES, PERMITS AND APPROVALS

As of the Latest Practicable Date, we had obtained all requisite licenses, approvals and permits from relevant authorities that are material to our operations. The table below sets forth the relevant details of the material licenses required for our operation in the PRC and overseas:

License/Permit	License/Permit No.	Validity Period	Authority/Authorized Parties
CE Mark	CE 705664	September 23, 2019 – May 26, 2024	British Standards Institution
ISO 13485 Certificate	MD 705665	May 22, 2021 – April 13, 2024	British Standards Institution
Medical Device Registration Certificate of the PRC	Guo Xie Zhu Zhun No. 20193070969 (國械注准 20193070969)	December 9, 2019 – December 8, 2024	NMPA
Medical Device Registration Certificate of the PRC	Guo Xie Zhu Zhun No. 20193070970 (國械注准 20193070970)	December 9, 2019 – December 8, 2024	NMPA
Medical Device Registration Certificate of the PRC	Guo Xie Zhu Zhun No. 20223070272 (國械注准 20223070272)	February 25, 2022 – February 24, 2027	NMPA
Medical Device Registration Certificate of the PRC	Guo Xie Zhu Zhun No. 20223070466 (國械注准 20223070466)	April 6, 2022 – April 5, 2027	NMPA
Permit for Medical Device Production	Su Shi Yao Jian Xie Sheng Chan Xu No. 20200008 (蘇食藥監械生產許20200008號)	January 8, 2020 – January 7, 2025	Jiangsu MPA
Permit for Medical Device Operation	Su Su Shi Yao Jian Xie Jing Ying Xu No. 20211025 (蘇蘇食藥監械經營許20211025號)	June 10, 2021 – June 9, 2026	Suzhou Administration for Market Regulation
Class II Record-Filing Certificate for Operation of Medical Devices	Su Su Shi Yao Jian Xie Jing Ying Bei No. 20211034 (蘇蘇食藥監械經營備20211034號)	Since June 18, 2021	Suzhou Administration for Market Regulation

License/Permit	License/Permit No.	Validity Period	Authority/Authorized Parties
Record Form of Medical Device Export (醫療器械出口備案表)	Su Su No. 20201004 (蘇蘇20201004)	From February 18, 2020	Suzhou Administration for Market Regulation
Record Form of Medical Device Export (醫療器械出口備案表)	Su Su No. 20201005 (蘇蘇20201005)	From February 18, 2020	Suzhou Administration for Market Regulation
Certificate of Sale: Medical Device Export (醫療器械產品出口銷售證明)	Su Su Shi Yao Jian Xie Chu No. 20200086 (蘇蘇食藥監械出20200086)	March 17, 2020 – March 16, 2022	Jiangsu MPA
Certificate of Sale: Medical Device Export (醫療器械產品出口銷售證明)	Su Su Shi Yao Jian Xie Chu No. 20200087 (蘇蘇食藥監械出20200087)	March 17, 2020 – March 16, 2022	Jiangsu MPA
Foreign Trade Operators Registration Form (對外貿易經營者備案登記表)	03350499	From March 28, 2019	Ministry of Commerce

LEGAL PROCEEDING AND COMPLIANCE

Legal Proceedings

We may from time to time be involved in legal, arbitral or administrative proceedings arising in our ordinary operations. Our Directors confirmed that, as of the Latest Practicable Date, none of the legal, arbitral or administrative proceedings to which we were a party, individually or in aggregate, would have a material and adverse effect on our business, financial condition or results of operations and our Directors are not aware of any ongoing, potential or threatened legal, arbitral or administrative proceedings to which we were, or will be, named as a party. Our Directors further confirm that none of our Directors or senior management personnel was personally involved in any of these legal, arbitral or administrative proceedings which would have a material and adverse impact on our business, financial condition or results of operations.

Legal Compliance

During the Track Record Period and up to the Latest Practicable Date, we did not have any non-compliance incidents which our Directors believe would, individually or in the aggregate, have a material operational or financial impact on our business as a whole. As advised by our PRC Legal Adviser, during the Track Record Period and up to the Latest Practicable Date, we had complied with the applicable laws and regulations in all material respects.

RISK MANAGEMENT AND INTERNAL CONTROL

Risk Management

We are exposed to various risks for our operations so risk management is important for our business. For details of the various operational risks we face, please refer to the section headed "Risk Factors" in this document. In addition, we are also exposed to different financial risks, such as foreign exchange risk, cash flow and fair value interest rate risk, credit and liquidity risks that arise in the ordinary course of our business. For details, please refer to the paragraph headed "Financial Information – Financial Risk Disclosure" in this document. In order to identify, assess, control and monitor the risks that may cause impediments to our business, we have designed and implemented policies and procedures to help ensure effective risk management in our operations.

We have adopted a comprehensive set of risk management policies, which set out a risk management framework to identify, assess, evaluate and monitor key risks associated with our strategic objectives on an ongoing basis. Our senior management, and ultimately our Directors, supervise the implementation of our risk management policies. Risks identified by management will be analyzed on the basis of likelihood and impact, and will be properly followed up and mitigated and rectified by our Group and reported to our Directors.

To monitor the ongoing implementation of our risk management policies and corporate governance measures, we have adopted or will adopt, among other things, the following risk management and internal control measures:

- Our audit committee will oversee and manage the overall risks associated with our business operation, including (i) reviewing and approving our risk management policies to ensure that it is consistent with our corporate objectives; (ii) reviewing and approving our corporate risk tolerance; (iii) monitoring the most significant risks associated with our business operation and our management's handling of such risks; (iv) reviewing our corporate risk in light of our corporate risk tolerance; and (v) monitoring and ensuring the appropriate application of our risk management framework across our Company. Please refer to the paragraph headed "Directors and Senior Management – Board Committees – Audit Committee" in this document for the qualifications and experience of these committee members as well as a detailed description of the responsibility of our audit committee.

- Our senior management are responsible for (i) formulating and updating our risk management policy and targets; (ii) reviewing and approving major risk management issues of our Company; (iii) promulgating risk management measures; (iv) providing guidance on our risk management approach to the relevant departments in our Company; (v) reviewing the relevant departments' reporting on key risks and providing feedback; (vi) supervising the implementation of our risk management measures by the relevant departments; (vii) ensuring that the appropriate structure, processes and competencies are in place across our Company; and (viii) reporting to our audit committee on our material risks.

- We 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.

- The relevant departments in our Company, including but not limited to the finance department, the legal department and the human resources department, are responsible for implementing our risk management policy and carrying out our day-to-day risk management practice. In order to standardize risk management across our Company and set a common level of transparency and risk management performance, the relevant departments will (i) gather information about the risks relating to their operation or function; (ii) conduct risk assessments, which include the identification, prioritization, measurement and categorization of all key risks that could potentially affect their objectives; (iii) continuously monitor the key risks relating to their operation or function; (iv) implement appropriate risk responses where necessary; and (v) develop and maintain an appropriate mechanism to facilitate the application of our risk management framework.

We consider that our Directors and members of our senior management possess the necessary knowledge and experience in providing good corporate governance oversight in connection with risk management and internal control.

Internal Control

Our Board of Directors is responsible for establishing and ensuring effective internal controls to safeguard our Shareholder's investment at all times. Our internal control policies set out a framework to identify, assess, evaluate and monitor key risks associated with our strategic objectives on an ongoing basis. Below is a summary of the internal control policies, measures and procedures we have implemented or plan to implement:

- We have adopted various measures and procedures regarding each aspect of our operations, such as protection of intellectual property, environmental protection and occupational health and safety. We provide periodic training on these measures and procedures to our employees as part of our employee training program. We also regularly monitor the implementation of those measures and procedures through our on-site internal control team for each stage of the product development process.

- Our Directors (who are responsible for monitoring the corporate governance of our Group) with assistance from our legal advisors, will periodically review our compliance status with all relevant laws and regulations after the [**REDACTED**].

- We have established the Audit Committee which shall (i) make recommendations to our Directors on the appointment and removal of external auditors; and (ii) review the financial statements and render advice in respect of financial reporting as well as oversee the risk management and internal control procedures of our Group. For more details, please refer to the paragraph headed "Directors and Senior Management – Board Committees – Audit Committee" in this document.

- We have engaged Opus Capital Limited as our compliance adviser to provide advice to our Directors and management team until the publication of the annual report of the first fiscal year after the [**REDACTED**] regarding matters relating to the Listing Rules. Our compliance adviser is expected to ensure our use of the [**REDACTED**] from the [**REDACTED**] complies with the section entitled "Future Plans and [**REDACTED**]" in this document after the [**REDACTED**], as well as to provide support and advice regarding the requirements of relevant regulatory authorities in a timely fashion.

- We have engaged a PRC law firm to advise us on and keep us abreast with PRC laws and regulations after the [**REDACTED**]. We will continue to arrange various training to be provided by external legal advisors from time to time when necessary and/or any appropriate accredited institution to update our Directors and senior management and relevant employees on the latest applicable laws and regulations.

- We maintain strict anti-corruption policies among our sales personnel and distributors in our sales and marketing activities. We also monitor to ensure that our sales and marketing personnel comply with applicable promotion and advertising requirements, which include restrictions on promoting our products for unapproved uses or patient populations, also known as off-label use, and limitations on industry-sponsored scientific and educational activities.

During the Track Record Period, we have regularly reviewed and enhanced our internal control system. We believe that our Directors and members of our senior management possess the necessary knowledge and experience in providing good corporate governance oversight in connection with risk management and internal control.

You should read the following discussion and analysis in conjunction with our consolidated financial statements and the accompanying notes included in the Accountant's Report in Appendix I to this document. Our consolidated financial statements have 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 Accountant's Report and not merely rely on the information contained in this section.

The following discussion and analysis contain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors 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, please refer to the sections headed "Forward-Looking Statements" and "Risk Factors" in this document.

OVERVIEW

We are committed to becoming a global leading vascular interventional surgical robotics company, with our current focus on the design, development and commercialization of caFFR System and caIMR System. Our Core Products, caFFR System and caIMR System, are innovative medical devices designed to eliminate the usage of pressure wires, significantly reduce the risk of technical errors and operation time, and improve physiological assessment. These two systems are currently utilized singularly for precision diagnosis of CAD, and are expected to form the center and crucial modules for our future vascular interventional surgical robots.

During the Track Record Period, we only started to generate revenue after the commercialization of our caFFR System in October 2019. For the years ended December 31, 2020 and 2021, we recorded revenue of RMB6.1 million and RMB81.2 million, respectively. During the Track Record Period, in addition to our operating expenses, we incurred substantial amounts of fair value loss of financial liabilities as a result of the increase in the fair value of our Preferred Shares in line with the increase of our Group's valuation. As such, we incurred net losses of RMB145.2 million and RMB633.6 million for the years ended December 31, 2020 and 2021, respectively. We expect to incur an increasing amount of operating expenses for at least several years as we further our preclinical research, continue the clinical development of, seek regulatory approval for and commercialize, our pipeline products, and add personnel necessary to operate our business. Subsequent to the [**REDACTED**], we expect to incur additional costs associated with operating as a public company.

BASIS OF PREPARATION

Our Company was incorporated as a company with limited liability in the Cayman Islands on April 9, 2021. In preparation for the [**REDACTED**], our Group underwent the Reorganization, pursuant to which our Company became the holding company of our Group. For details, please refer to the paragraph headed "History, Reorganization and Corporate Structure – Reorganization" in this document. Our Company, as the holding company of our business, indirectly owns Suzhou Rainmed in China that is primarily engaged in research and development, manufacturing, and commercialization of medical devices in the PRC. The consolidated financial information has been prepared in accordance with the Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA. The consolidated financial information has been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss ("**FVTPL**").

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Growth of the Vascular Precision Diagnosis and Treatment Medical Device Market in China

The overall growth of and our competitiveness in the medical device market, in particular the vascular precision diagnosis and treatment medical device market, will significantly affect our financial performance and future growth. In China, vascular precision diagnosis and treatment medical device market is at its emerging stage. With the escalating prevalence of coronary artery diseases, enhanced patient health awareness, favorable government policies, increased patient affordability, and improved clinical practice of physicians, the vascular interventional medical device market in China has experienced exponential growth in recent years, and is expected to continue to maintain its growth momentum. Particularly, the FFR measurement and the IMR measurement play an increasingly important role in the precision diagnosis of coronary artery diseases in China in which we operate. According to CIC, the market size of the FFR measurement in China is expected to increase from RMB78.6 million in 2020 to RMB2,385.7 million in 2025, representing a CAGR of 97.9%, and further increase to RMB5,385.5 million in 2030. In addition, the market size of the IMR measurement in China is expected to increase from approximately RMB24.2 million in 2023 to RMB2,116.3 million in 2030 at a CAGR of 89.4%, and the IMR measurement penetration rate is expected to increase from 0.3% in 2023 to 17.3% in 2030.

We believe that we will benefit from the expected growth of the overall medical device market, in particular, the significant growth potential of markets for FFR measurement and IMR measurement in China. Through our robust product pipeline, proprietary R&D expertise, in-house manufacturing capabilities and comprehensive commercialization network, we believe we are well positioned to capture the significant potential growth in the vascular precision diagnosis and treatment medical device market.

Our Ability To Successfully Develop and Commercialize our Product Candidates, and Increase the Sales of our Products

Our business and results of operations depend on our ability to successfully develop and commercialize our product candidates and increase the sales of commercialized products. During the Track Record Period and up to the Latest Practicable Date, we had commercialized our caFFR System, comprising the FlashAngio caFFR system and the FlashPressure caFFR pressure transducer. We are currently expanding the indications of our caFFR System to three new therapeutic areas in China, and are also developing four other product candidates, including the caIMR System, Intelligent Angiographic Injection System, Flash Robot Vascular Intervention Navigation Operation System and Flash RDN System. For more information on the development status of our products and product candidates, please refer to the paragraph headed "Business – Our Products and Product Candidates" in this document. Whether our products and product candidates can demonstrate favorable safety and efficacy clinical trial results, and whether we can obtain the requisite regulatory approvals for our product candidates in time, are crucial for our business and results of operations.

Our results of operations also depend on our ability to successfully commercialize our product candidates upon approval. The commercial success of our products depends upon the degree of market acceptance each of such products achieves, particularly among hospitals and physicians. Physicians' and hospitals' receptiveness to our products in turn depends on, among others, our ability to convince them as to the distinctive characteristics, advantages, safety and cost effectiveness of our products as compared to our competitors' products.

In addition, the sales volume of our commercialized caFFR System will affect our results of operation in the next several years. During the Track Record Period, substantially all of our revenue was generated from the sales of our caFFR System, which was commercially launched in overseas markets (such as the Czech Republic, France and Austria) since October 2019 and in China since January 2020. We expect that the sales of our caFFR System will continue to account for a substantial portion of our total revenue in the near term.

Our Research and Development Expenses and Selling Expenses

We believe our ability to successfully develop product candidates is the primary factor affecting our long-term competitiveness, as well as our future growth and development. The development of medical devices requires a significant investment of resources over a prolonged period of time, and we intend to continue making sustained investments in this area. We have devoted significant resources to research and development activities and our pipeline of product candidates has been steadily advancing and expanding. We expect our expenditures to increase significantly in connection with our ongoing activities, particularly as we advance the clinical development of our clinical assets, continue research and development of our preclinical assets and initiate additional clinical trials of, and seek regulatory approvals for, these and other future product candidates.

In addition to our research and development expenses, we also incurred costs in connection with the commercialization of our approved products as well as selling expenses. We utilize our distribution network to sell our products in China. As precision diagnosis and treatment medical device market in China is still at its early stage compared to the markets of developed countries, it requires long-term investment on customer education and brand exposure, which will increase the awareness of physicians and hospitals. During the Track Record Period, we made significant investments in promoting customer awareness of our brand and our products. In light of the cost and time needed for expanding our marketing and sales network, we expect to continue to devote resources to commercialize and market our products and product candidates. Our ability to control selling expenses may significantly affect our profitability. Going forward, we expect to continuously evaluate and monitor the effectiveness and efficiency of our promotion activities and marketing spending in order to further enhance our brand awareness and attract a broader customer base in a sustainable manner.

Government Policies, Medical Device Pricing Policies and Medical Insurance Coverage

Government policies, pricing policies and medical insurance coverage significantly affect the overall medical device industry, and specifically they can directly affect the end-market prices, sales volume and market acceptance of our products. For example, the government authorities may issue additional pricing guidance or exercise any other control measures on the tendering process of any of our products, at the national or provincial level.

In recent healthcare 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," "13th Five-Year Special Plan for Medical Device Technology Innovations" and "14th Five-year National Clinical Specialty Capacity Building Plan." These policies will help accelerate the innovation and upgrading of medical device industry, and boost the development of the medical device market into the future.

Pricing guidance and other policies issued by the government may also affect our operations and financial performance. The Chinese government has recently implemented a number of policies to gradually improve the affordability of medical devices, including combining a list of high-value medical consumables, requiring public hospitals to have zero margin for high-value medical consumables, and establishing provincial-level platforms for procurement. In addition, in order to improve the pricing mechanism and reduce the high prices of high-value medical consumables, the General Office of the State Council issued the Reform Plan for Governance of High-value Medical Consumables (《治理高值醫用耗材改革方案》) in July 2019, exploring the classified and centralized procurement of high-value medical consumables. Although such centralized procurement is not directly affecting the pricing of our products currently, there are uncertainties whether the centralized procurement scope would be expanded in the future, resulting in the inclusion of our products. Any of the events related to pricing policies may exert a significant influence over the sales volume of our products and further affect our profitability. For more details, please refer to the paragraph headed "Risk Factors – Risks Relating to Extensive Government Regulations – The policies of centralized procurement of high-value medical consumables set by the PRC government may affect our pricing strategy and cause potential downward change in our product price" in this document.

Additionally, the growth in population coverage and funding for public medical insurance programs have significantly improved patients' abilities to pay for medical treatment, resulting in considerable growth in both patient enrollment and average spending. If our products were included in government insurance coverage, it would significantly increase the demand and therefore have a positive impact on the sales volume of our products and our financial performance. However, there are uncertainties as to whether the government will continue to increase its healthcare spending, and whether our products can be included in all provinces' public insurance coverage, and different provinces may have different practices for the reimbursement of our products. PRC regulations and medical insurance plans may also exert significant influence over the pricing of medical devices, for example, by imposing reimbursement limits, which could affect physicians' choices and therefore patients' access to our products as well as our profitability.

Funding for our Operations

During the Track Record Period, we funded our operations primarily through equity financing and debt financing. Going forward, as our products achieve greater recognition and adoption by physicians and hospitals, and our product candidates successfully receive regulatory approval and commence commercialization, we expect to fund our operations at least in part with revenue generated from sales of our commercialized products. However, with the continuing expansion of our business, we may require further funding through public or private [**REDACTED**], debt financing, collaboration and licensing arrangements or other sources. Any fluctuation in the funding for our operations will impact our cash flow plan and our results of operations.

CRITICAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

Our discussion and analysis of our financial condition and results of operations are based on our financial statements, which have been prepared in accordance with accounting principles that conform with HKFRSs issued by the HKICPA. The preparation of these financial statements requires us to make estimates, assumptions and judgments that affect the reported amounts of assets, liabilities, revenue, costs and expenses. We evaluate our estimates and judgments on an ongoing basis, and our actual results may differ from these estimates. We base our estimates on historical experience, known trends and events, contractual milestones and other various factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources.

Our most critical accounting policies, judgments and estimates are summarized below. Please refer to Note 2 and Note 4 to the Accountant's Report set out in Appendix I to this document for a description of our significant accounting policies, judgments, and estimates.

Revenue Recognition

Revenue is recognized when, or as, obligations under the terms of a contract are satisfied, which occurs when control of the promised products or services is transferred to customers. Revenue is measured as the amount of consideration we expect to receive in exchange for transferring products or services to a customer ("**transaction price**").

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Depending on the terms of the contract and the laws applicable, control of the goods and services may be transferred over time or at a point in time.

A contract asset represents our right to consideration in exchange for goods or services that we have transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with using the same approach as for trade receivables. In contrast, a receivable represents our unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due. There is normally no significant cost to obtain contract.

A contract liability represents our obligation to transfer goods or services to a customer for which we have received consideration (or an amount of consideration is due) from the customer.

The following is a description of the accounting policy for the principal revenue streams of us.

Sale of Products

Revenue from the sale of products is recognized at a point in time when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been delivered to the specific location where the risks of obsolescence and loss have been transferred to the customers, and either the customers have accepted the products in accordance with the sales contract, or we have objective evidence that all criteria for acceptance have been satisfied. Costs related to sales of goods are included in cost of sales. Revenue is recognized after netting off the estimated sales return (if any).

Installation and Training Services

We provide installation and training services that are bundled together with the sale of products to customers.

Contracts for bundled sales of products and installation and training services are comprised of two performance obligations because the promises to transfer the products and provide installation and training services are capable of being distinct and separately identifiable. Accordingly, the transaction price is allocated based on the relative stand-alone selling prices of the products and installation and training services. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin approach.

Revenue from installation and training services is recognized over time, using input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by us. The input method recognizes revenue on the basis of labor time spent on the services. Given that an installation and training service order is generally completed within a short period of time, the revenue from the provision of the installation and training services is recognized when the services have been rendered.

Leases

We lease various offices and warehouses. Rental contracts for offices and warehouses are typically made for fixed period from one year to four years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants.

Leases are recognized as right-of-use assets at the date at which the leased assets are available for use by us. The right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets arising from a lease are initially measured on a present value basis.

Right-of-use assets are measured at cost comprising the following:

- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of twelve months or less.

Financial Assets

Classification

We classify our financial assets in the following measurement categories:

(i) Those to be measured subsequently at fair value (either through other comprehensive income ("**OCI**"), or through profit or loss), and

(ii) Those to be measured at amortized cost.

The classification depends on our business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held and cash flow characteristics. For investments in equity instruments that are not held for trading, this will depend on whether we have made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through OCI ("**FVOCI**").

We reclassify debt investments when and only when its business model for managing those assets changes.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on the trade-date, the date on which we commit to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and we have transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, we measure a financial asset at its fair value plus, in the case of financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are recorded in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on our business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which we classify our debt instruments:

Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in finance income using the effective interest method.

FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in "Other gains – net." Interest income from these financial assets is included in finance income using the effective interest method. Foreign exchange gains and losses and impairment expenses are presented in "Other gains – net" and impairment expenses are presented as separate line item in the consolidated statement of comprehensive income.

FVTPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognized in profit or loss and presented net in the consolidated statements of comprehensive income within other gains – net, net in the period in which it arises.

Equity instruments

We subsequently measure all equity investments at fair value. Where our management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when our right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognized in "Other gains – net" in profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment of financial assets

We assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

We have two types of financial assets subject to HKFRS 9's expected credit loss model: trade receivables and other receivables.

For trade receivables, we apply the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

Impairment on other receivables is measured as either 12-months expected credit loss or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit loss.

Convertible Preferred Shares

Convertible preferred shares are shares with preferred rights issued to investors by us. For details, please refer to Note 28 to the Accountant's Report set out in Appendix I to this document.

These convertible preferred shares are accounted for as equity instruments or financial liabilities at FVTPL.

For convertible preferred shares with no anti-dilution, redemption rights or liquidation preferences, they are accounted for as equity and are initially recognized at the proceeds received.

For convertible preferred shares which are redeemable or refundable upon occurrence of certain events, they are designated as financial liabilities at FVTPL. They are initially recognized at fair value. Subsequent to initial recognition, these shares are carried at fair value with changes in fair value recognized in the consolidated statements of comprehensive income.

If our own credit risk results in fair value changes in financial liabilities designated as at FVTPL, they are recognized in other comprehensive income in the circumstances other than avoiding accounting mismatch or recognizing in profit or loss for loan commitments or financial guarantee contracts.

Critical Accounting Estimates and Judgements

Fair Value of Financial Liabilities at FVTPL

The financial liabilities at FVTPL are certain convertible preferred shares issued by us, which are not traded in an active market and the respective fair value is determined by using valuation techniques. We used the discounted cash flow method and back-solve method to determine the underlying share value and adopted the equity allocation model to determine the fair value of the financial liabilities at FVTPL as at each date of issuance and at the end of each reporting period. Key assumptions, such as discount rate, risk-free interest rate, volatility, discount for lack of marketability ("**DLOM**") and probability for a qualified initial [**REDACTED**] are disclosed in Note 28 to the Accountant's Report set out in Appendix I to this document. Any change in key assumptions used in the discounted cash flow method and the back-solve method will have impacts on the fair values.

Deferred Income Tax

Deferred tax assets relating to certain temporary differences and tax losses are recognized when management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilized. Where the expectation is different from the original estimates, such difference will impact the recognition of deferred tax assets and income tax in the period in which such estimates are changed.

Research and Development Expenses

Development costs incurred on our medical instrument pipelines are capitalized only when we can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, our intention to complete and our ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the pipeline and the ability to measure reliably the expenditure during the development. Development costs which do not meet these criteria are expensed when incurred. Determining the amounts to be capitalized requires management to make assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. During the Track Record Period, all expenses incurred for research and development activities were regarded as research expenses and therefore were expensed when incurred.

Share-Based Compensation Expenses

(i) Share award

As mentioned in Note 26 to the Accountant's Report set out in Appendix I to this document, 10% equity of Suzhou Runxin were awarded to selected grantees, at nominal consideration for their past contributions made to us. As there was no future service conditions attached to the award, the share-based awards were vested immediately. The Directors used the discounted cash flow method to determine our valuation and equity allocation model to determine the total fair value of these shares awarded. Significant judgments on key

assumptions, such as discount rate, risk-free interest rate, volatility and dividend yield are required to be made by the Directors. For more details, please refer to Note 26 to the Accountant's Report set out in Appendix I to this document.

(ii) Pre-[**REDACTED**] *share option scheme*

As mentioned in Note 26 to the Accountant's Report set out in Appendix I to this document, we have granted share options to selected employees. We have used the Binomial option-pricing model to determine the total fair value of the options granted, which is to be expensed over the vesting period. Significant estimate on assumptions, such as the underlying equity valued, risk-free interest rate, expected volatility and dividend yield, is required to be made by us in applying the Binomial option-pricing model.

Fair Value Estimation

The carrying amounts of our financial instruments not measured at fair value (including cash and cash equivalents, other receivables (excluding prepayments), contract assets, borrowings and accruals and other payables) approximate their fair value.

We apply HKFRS 13 for financial instruments that are measured in the consolidated balance sheets at fair value, which requires disclosure of fair value measurements by levels of the following fair value measurement hierarchy:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- Discounted cash flow model and unobservable inputs mainly including assumptions of expected future cash flows and discount rate; and
- A combination of observable and unobservable inputs, including risk-free rate, expected volatility, discount rate for lack of marketability, market multiples, etc.

There were no transfers between level 1, 2 and 3 during the Track Record Period. We have no financial instruments in level 1 and level 2.

The changes in level 3 instruments for the years ended December 31, 2020 and 2021 are presented in Note 21 and 28 to the Accountant's Report set out in Appendix I to this document.

During the years ended December 31, 2020 and 2021, our financial assets at FVTPL represented several non-capital protected wealth management products denominated in RMB and issued by reputable banks in the PRC. As these instruments were not traded in active market, their fair values were determined based on the expected rate of return on our investment.

We issued preferred shares to investors, which were classified as financial liabilities and designed as financial liabilities at FVTPL. They are initially recognized at fair value, and subsequently stated at fair value with changes in fair value.

Our financial assets at FVTPL represented wealth management products denominated in Renminbi and issued by reputable banks in the PRC. As these instruments were not traded in active market, their fair values were determined based on the expected rate of return on our investment. As of December 31, 2020 and 2021, we recorded financial assets at FVTPL of RMB3.0 million and nil, respectively.

We issued Series Angel-1 Preferred Shares, Series Angel-2 Preferred Shares, Series A+ Preferred Shares, Series B Preferred Shares, Series C-1 Preferred Shares, Series C-2 Preferred Shares and Series D Preferred Shares from 2016 to 2021, which were classified as financial liabilities and designed as financial liabilities at FVTPL. They are initially recognized at fair value, and subsequently stated at fair value with changes in fair value. As disclosed in note 28 to the Accountant's Report set out in Appendix I to this Document, the amounts of these financial liabilities at FVTPL as of December 31, 2020 and 2021 are RMB227.2 million and RMB1,361.7 million, respectively.

In the relation to the valuation of our Group's financial assets and liabilities measured at FVTPL categorized within level 3 of fair value measurement, our Group had (i) engaged an independent qualified valuer, and reviewed the valuation methods and assumptions adopted by such valuer; and (ii) reviewed relevant agreements and supporting documents, including investment agreements, memorandum of associations, among others, to understand the detailed underlying terms and conditions that may affect the valuation of financial instruments. Based on the above-mentioned work, our management is satisfied with the categorization within level 3 of fair value measurement pursuant to the SFC's "Guidance note on directors' duties in the context of valuations in corporate transactions."

The Sole Sponsor has conducted relevant due diligence work, including (i) understanding from the Company the nature and details of the financial assets and liabilities and obtaining and reviewing the list of the financial assets and liabilities during the Track Record Period; (ii) obtaining and reviewing the terms of the relevant agreements and documents regarding the financial assets and liabilities; (iii) reviewing relevant notes in the Accountant's Report as

contained in Appendix I to this document; (iv) understanding from the independent qualified valuer the key bases, assumptions and methodologies used in the valuation report; (v) understanding from the Company the key bases and assumptions for the valuation of the financial assets and liabilities; and (vi) discussing with the Reporting Accountant to understand the work it has performed in relation to the valuation of the level 3 financial assets for the purpose of reporting on the Historical Financial Information, as a whole, of our Group. Having considered the work done by the management, the Reporting Accountant and the independent qualified valuer, and the relevant due diligence done as stated above, nothing material has come to the Sole Sponsor's attention that indicates that the Company's management have not undertaken independent and sufficient investigation and due diligence on such level 3 financial assets and liabilities.

Details of the fair value measurement of financial assets and liabilities, particularly the fair value hierarchy, the valuation techniques and key inputs, including significant unobservable inputs, the relationship of unobservable inputs to fair value are disclosed in Note 3.3 to the Accountant's Report set out in Appendix I to this document, which was reported on by the Reporting Accountant in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. The Reporting Accountant's opinion on the historical financial information of our Group for the Track Record Period as a whole is set out on page I-1 of Appendix I to this document.

DESCRIPTION OF SELECTED ITEMS OF CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

The table below sets forth the components of our consolidated statements of comprehensive income for the years indicated:

	Year Ended December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
Revenue	6,097	81,199
Cost of sales	(837)	(12,167)
Gross profit	5,260	69,032
Research and development expenses	(11,826)	(26,970)
Selling expenses	(17,934)	(70,120)
General and administrative expenses	(11,739)	(115,206)
Net impairment reversal/(losses) of impairment on financial assets	70	(6)
Other income	3,490	447
Other gains, net	320	45

	Year Ended December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
Operating loss	(32,359)	(142,778)
Finance costs, net	(349)	(2,047)
Fair value loss of financial liabilities	(118,250)	(493,864)
Loss before income tax	(150,958)	(638,689)
Income tax credit	5,718	5,043
Loss for the year	(145,240)	(633,646)
Loss attributable to:		
Owners of the Company	(145,240)	(633,645)
Non-controlling interests	–	(1)
	(145,240)	(633,646)

Non-HKFRS Measures

To supplement our consolidated statements of comprehensive income which are presented in accordance with HKFRS, we also use adjusted net loss as a non-HKFRS measure, which is not required by, or presented in accordance with, HKFRS. We believe that the presentation of non-HKFRS measure when shown in conjunction with the corresponding HKFRS measures provides useful information to investors and management in facilitating a comparison of our operating performance from year to year by eliminating potential impacts of certain non-cash or other expenses that do not affect our ongoing operating performance, including fair value loss of financial liabilities, share-based payment expenses and [**REDACTED**]. Fair value loss of financial liabilities represents the changes in fair value of the preferred shares in relation to our Series Angel-1, Series Angel-2, Series A+, Series B, Series C-1, Series C-2 and Series D Preferred Shares, and that is a non-cash item and pertains to financial instruments that will cease upon the [**REDACTED**]. Share-based payment expenses are non-cash expenses arising from share awards and Pre-[**REDACTED**] Share Option Scheme granted to certain management personnel and employees, which are commonly not included in similar non-HKFRS measures adopted by other companies in our industry. [**REDACTED**] are expenses in relation to the [**REDACTED**] and the [**REDACTED**] and commonly not included in similar non-HKFRS measures. The non-HKFRS measure is used by our management as an additional measure of our operating performance and to compare our operating performance with peer companies. We believe that this measure provides useful information to investors to understand and evaluate the Group's consolidated results of operations in the same manner as it helps our management. The use of the non-HKFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for or superior to analysis of, our

results of operations or financial condition as reported under HKFRS. In addition, the non-HKFRS financial measure may be defined differently from similar terms used by other companies and therefore may not be comparable to similar measures presented by other companies.

The following table shows reconciliation of net loss for the year/period to our adjusted net loss for the years indicated:

	Year Ended December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
Loss for the year	(145,240)	(633,646)
Add:		
Fair value loss of financial liabilities	118,250	493,864
Share-based payment expenses	–	67,171
[**REDACTED**]	–	[**REDACTED**]
Adjusted net loss for the year (unaudited)	(26,990)	[**REDACTED**]

Revenue

During the Track Record Period, substantially all of our revenue was generated from the sales of our caFFR System, comprising the FlashAngio caFFR system and the FlashPressure caFFR pressure transducer, since its commercialization in October 2019. We sold all of our products through distributors during the Track Record Period. Our contracts with distributors include a component of installing our devices and training services in addition to delivering products. We recognize revenue for sales of products upon delivery and recognize revenue for installation and training services after we have completed the relevant services. The following table sets forth a breakdown of our revenue by nature for the periods indicated:

	Year Ended December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
Sales of products	5,939	80,244
– Sales of FlashAngio caFFR system	*3,843*	*23,335*
– Sales of FlashPressure caFFR pressure transducer	*2,096*	*56,909*
Installation and training services	158	955
Total	6,097	81,199

Cost of Sales

During the Track Record Period, our cost of sales was all relating to our caFFR System, which primarily consisted of (i) raw material costs; (ii) employee benefit expenses, including salaries, bonus and fringe benefits for our manufacturing team; (iii) depreciation and amortization charges; and (iv) changes in inventories of finished goods and work in progress related to the goods made in prior years that were subsequently sold in that period. The following table sets forth a breakdown of our cost of sales for the periods indicated:

	Year Ended December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
Raw material costs	1,881	7,811
Employee benefit expenses	1,550	5,063
Depreciation and amortization charges	503	830
Changes in inventories of finished goods and work in progress[(1)]	(3,440)	(2,552)
Share-based payment expenses	–	27
Other expenses	343	988
Total	837	12,167

Note:

(1) The negative amounts reflected the fact that our production exceeds sales, as we prepared more inventories (i) in anticipation of increased sales in China; and (ii) to mitigate the impact of COVID-19 on our production.

Gross Profit and Gross Profit Margin

For the years ended December 31, 2020 and 2021, our gross profit was RMB5.3 million, and RMB69.0 million, respectively, and our gross profit margin for the same periods was 86.3% and 85.0%, respectively. In 2021, our gross profit increased significantly, primarily due to the significant increased sales of our caFFR System in 2021.

Research and Development Expenses

During the Track Record Period, our research and development expenses primarily consisted of (i) employee benefit expenses, including salaries, bonus and fringe benefits for research and development team; (ii) raw material costs for our research and development activities; (iii) clinical trial and testing expenses, including (a) payments to CROs, hospitals, SMOs and other service providers in connection with our research and development activities, and (b) our testing expenses for our products; (iv) professional service expenses, mainly representing expenses incurred in relation to (a) our intellectual property rights, such as patent

application fees and patent maintenance fees, (b) our product registration applications; and (v) depreciation and amortization charges. The following table sets forth a breakdown of our research and development expenses for the periods indicated:

	Year Ended December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
Employee benefit expenses	5,711	15,477
Raw material costs	3,782	4,672
Clinical trial and testing expenses	954	2,607
Depreciation and amortization charges	379	1,306
Professional service expenses	731	1,229
Share-based payment expenses	–	128
Other expenses	269	1,551
Total	11,826	26,970

For the years ended December 31, 2020 and 2021, we recorded RMB8.6 million and RMB20.7 million, respectively, in research and development expenses for our Core Products.

Selling Expenses

During the Track Record Period, our selling expenses primarily consisted of (i) employee benefit expenses, including salaries, bonus and fringe benefits for sales and marketing team; (ii) share-based payment expenses in relation to share awards and Pre-[**REDACTED**] Share Option Scheme granted to certain members of our sales team; (iii) marketing development expenses, primarily including expenses in connection with our sales and marketing activities, such as conference costs, travel expenses, expenses incurred for exhibitions and expenses paid to third-party research institutes for conducting market researches; and (iv) depreciation and amortization charges. The following table sets forth a breakdown of our selling expenses for the periods indicated:

	Year Ended December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
Employee benefit expenses	10,292	26,450
Share-based payment expenses	–	25,441
Marketing development expenses	6,756	15,932
Depreciation and amortization charges	446	1,131
Other expenses	440	1,166
Total	17,934	70,120

General and Administrative Expenses

During the Track Record Period, our general and administrative expenses primarily consisted of (i) share-based payment expenses in relation to share awards and Pre-[**REDACTED**] Share Option Scheme granted to certain members of our general management team; (ii) employee benefit expenses, including salaries, bonus and fringe benefits for administrative team; (iii) professional service expenses, which were primarily associated with business consulting services and auditors' services; (iv) [**REDACTED**]; and (v) depreciation and amortization charges. The following table sets forth a breakdown of our general and administrative expenses for the periods indicated:

	Year Ended December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
Share-based payment expenses	–	41,574
Employee benefit expenses	7,627	20,638
Professional service expenses	1,618	18,238
[**REDACTED**]	–	[**REDACTED**]
Depreciation and amortization charges	1,021	7,596
Travel expenses	204	501
Other expenses[(1)]	1,269	5,733
Total	11,739	[**REDACTED**]

Note:

(1) Mainly included office expenses, entertainment expenses and property management fees.

Net Impairment Reversal/(Losses) of Impairment on Financial Assets

Our net impairment losses on financial assets primarily consisted of impairment made for other receivables. During the Track Record Period, we recorded net reversal of impairment on financial assets of approximately RMB70,000 for the year ended December 31, 2020, and recorded net impairment losses on financial assets of approximately RMB6,000 for the year ended December 31, 2021. For more details, please refer to Note 3.1 to the Accountant's Report set out in Appendix I to this document.

Other Income

Our other income primarily consisted of (i) government grants related to costs, representing the grants received from local governments to support our R&D activities and business operation; (ii) amortization of deferred income, representing the government grants for specific equipment; and (iii) interest income from loans to related parties. Such loans had been fully repaid in 2020. The following table sets forth the components of our other income for the periods indicated:

	Year Ended December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
Government grants related to costs	2,764	447
Amortization of deferred income	355	–
Interest income from related parties	365	–
Others	6	–
Total	3,490	447

Other Gains, Net

Our other net gains primarily consisted of (i) net foreign exchange gains mainly in connection with bank balance denominated in European dollars ("**EUR**") and US dollars; (ii) gains or losses on disposals of property, plant and equipment; and (iii) fair value change in financial assets at FVTPL, representing the gains from wealth management products we purchased. For more details, please refer to the paragraph headed "– Discussion of Selected Items From the Consolidated Balance Sheets – Financial Assets at FVTPL" in this section. The following table sets forth the components of our net other losses or gains for the periods indicated:

	Year Ended December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
Net foreign exchange gains	7	74
Gains/(losses) on disposals of property, plant and equipment	72	(44)
Fair value change in financial assets at FVTPL	126	37
Others	115	(22)
Total	320	45

Finance Costs, Net

During the Track Record Period, our finance income represented interest income arising from bank deposits; our finance costs consisted of interest expenses on lease liabilities and borrowings from commercial banks and financial institutions. The following table sets forth the components of our net finance costs and our net financial income for periods indicated:

	Year Ended December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
Finance income		
Interest income on bank deposits	34	1,811
Finance costs		
Interest expenses on lease liabilities	(184)	(713)
Interest expenses on borrowings	(199)	(3,145)
Subtotal	(383)	(3,858)
Finance costs – net	(349)	(2,047)

Our interest expenses on borrowings significantly increased from RMB0.2 million in 2020 to RMB3.1 million in 2021, primarily because we made a bridge loan in 2021 during our Reorganization to purchase shares from Suzhou Runxin, which was fully repaid in July 2021.

Fair Value Loss of Financial Liabilities

Our fair value loss of financial liabilities represented the changes in fair value of the preferred shares in relation to our Series Angel-1, Series Angel-2, Series A+, Series B, Series C-1, Series C-2 and Series D Preferred Shares. Subsequent to initial recognition, changes in the fair value of our Preferred Shares are recognized in the consolidated statements of comprehensive income. For more details regarding Preferred Shares, please refer to the paragraph headed "History, Reorganization and Corporate Structure – Pre-[**REDACTED**] Investments" in this document. We recorded fair value loss of RMB118.3 million and RMB493.9 million for the years ended December 31, 2020 and 2021, respectively. Upon the [**REDACTED**], the Preferred Shares will be automatically and irrevocably converted into ordinary shares, after which we do not expect to recognize any further loss or gain on fair value changes of the Preferred Shares. For more details, please refer to Note 28 to the Accountant's Report set out in Appendix I to this document.

Income Tax Credit

Our principal applicable taxes and tax rates are set forth as follows:

Cayman Islands and British Virgin Islands

We are incorporated in the Cayman Islands as an exempted company and is not liable for taxation in the Cayman Islands. Our Group's subsidiary incorporated in the British Virgin Islands is also an exempted company and is not liable from taxation in British Virgin Islands.

Hong Kong

Subsidiary incorporated in Hong Kong is subject to Hong Kong profits tax at a rate of 16.5%. No provision for Hong Kong profits tax has been made as our Group did not have estimated assessable profit in Hong Kong during the Track Record Period.

Mainland China

Pursuant to the Enterprise Income Tax Law of the PRC (the "**EIT Law**") and the Implementation Rules of the EIT Law, the EIT is unified at 25% for all types of entities, effective from January 1, 2008.

Suzhou Rainmed, our Group's major operating subsidiary in the PRC, has obtained the approvals to become a new and high-technology enterprise in December 2021, which is effective for three years commencing on January 1, 2021. Suzhou Rainmed are entitled to a preferential income tax rate of 15% on the estimated assessable profits for the year ended December 31, 2021.

No provision for Mainland China profits tax has been made as our Group's PRC entities have no estimated assessable profits during the Track Record Period.

According to the relevant laws and regulations promulgated by the State Administration of Taxation of the PRC that has been effective from 2018 onwards, we are entitled to claim 175% of our eligible research and development expenses so incurred as tax-deductible expenses when determining our assessable profits for that year ("**Super Deduction**"). The additional tax deducting amount of the qualified research and development expenses has been increased from 175% to 200% for manufacturing enterprises, effective from 2021, according to a new tax incentive policy promulgated by the State Tax Bureau of the PRC in March 2021. We have considered the Super Deduction to be claimed for our entities in ascertaining our assessable profits during the Track Record Period.

As a result, we recorded income tax credits of RMB5.7 million and RMB5.0 million for the years ended December 31, 2020 and 2021, respectively. Our Directors confirm that during the Track Record Period, we had made all the required tax filings and had no outstanding tax liabilities with the relevant tax authorities in the relevant jurisdictions and we are not aware of any outstanding or potential disputes with such tax authorities.

RESULTS OF OPERATIONS

Year Ended December 31, 2021 Compared To Year Ended December 31, 2020

Revenue

Our revenue increased significantly from RMB6.1 million in 2020 to RMB81.2 million in 2021, primarily due to the increased sales of our caFFR System.

Cost of Sales

Our cost of sales increased significantly from RMB0.8 million in 2020 to RMB12.2 million in 2021, primarily due to (i) an increase of RMB5.9 million in raw material costs in relation to the increasing production of our caFFR System and (ii) an increase of RMB3.5 million in employee benefit expenses mainly as a result of an increase in our manufacturing employee headcount.

Gross Profit and Gross Profit Margin

Our gross profit increased significantly from RMB5.3 million in 2020 to RMB69.0 million in 2021, primarily due to the increased sales of our caFFR System. Our gross profit margin remained relatively stable at 86.3% and 85.0% for the same periods.

Research and Development Expenses

Our research and development expenses increased from RMB11.8 million in 2020 to RMB27.0 million in 2021, primarily due to (i) an increase of RMB9.8 million in employee benefit expenses mainly as a result of salary increase and an increase in our R&D employee headcount and (ii) an increase of RMB1.7 million in clinical trial and testing expenses mainly in connection with our clinical trials and other research and development activities for our Core Products.

Selling Expenses

Our selling expenses increased significantly from RMB17.9 million in 2020 to RMB70.1 million in 2021, primarily due to (i) an increase of RMB25.4 million in share-based payment expenses as a result of the share awards and Pre-[**REDACTED**] Share Option Scheme granted to certain members of our sales team in 2021; (ii) an increase of RMB16.2 million in employee benefit expenses mainly as a result of an increase in our sales and marketing employee headcount to support our increasing sales and marketing activities; and (iii) an increase of RMB9.2 million in marketing development expenses mainly in relation to our increasing marketing activities.

General and Administrative Expenses

Our general and administrative expenses increased significantly from RMB11.7 million in 2020 to RMB[**REDACTED**] million in 2021, primarily due to (i) an increase of RMB41.6 million in share-based payment expenses as a result of the share awards and Pre-[**REDACTED**] Share Option Scheme granted to certain members of our general management team in 2021; (ii) an increase in professional service expenses of RMB16.6 million, including our payment for the financing advisory service we received in relation to our Series D Financing; (iii) the incurrence of [**REDACTED**] of RMB[**REDACTED**] million; and (iv) an increase of RMB13.0 million in employee benefit expenses mainly in relation to an increase in salaries and our administrative employee headcount.

Other Income

Our other income decreased significantly from RMB3.5 million in 2020 to RMB0.4 million in 2021, primarily due to a decrease in government grants related to costs, as we received some one-off government grants in 2020.

Fair Value Loss of Financial Liabilities

Our fair value loss of financial liabilities increased significantly from RMB118.3 million in 2020 to RMB493.9 million in 2021, primarily attributable to the increase in the fair value of our Preferred Shares in line with the increase of the Group's valuation in 2021.

Income Tax Credit

Our income tax credit decreased from RMB5.7 million in 2020 to RMB5.0 million in 2021, primarily due to a decrease in our tax rate caused by our entitlement to a preferential income tax rate of 15% in 2021.

Loss for the Year

For the reasons described above, we recorded a loss of RMB145.2 million in 2020, compared with a loss of RMB633.6 million in 2021.

DISCUSSION OF SELECTED ITEMS FROM THE CONSOLIDATED BALANCE SHEETS

The following table sets forth selected items from our consolidated balance sheets as of the dates indicated:

	As of December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
ASSETS		
Non-current assets		
Property, plant and equipment	5,123	28,870
Right-of-use assets	12,459	14,327
Intangible assets	16	244
Deferred income tax assets	13,880	19,163
Other receivables	673	1,089
Prepayments	–	854
	32,151	64,547
Current assets		
Inventories	5,313	9,908
Other receivables	1,105	379
Prepayments	1,358	6,218
Financial assets at FVTPL	3,007	–
Cash and cash equivalents	27,588	559,140
	38,371	575,645
Total assets	70,522	640,192

	As of December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
LIABILITIES		
Non-current liabilities		
Financial liabilities at FVTPL	227,206	1,361,749
Borrowings	3,060	–
Lease liabilities	8,212	8,860
	238,478	1,370,609
Current liabilities		
Borrowings	7,960	–
Trade and other payables	17,740	29,518
Contract liabilities	22,969	6,730
Lease liabilities	4,316	7,819
	52,985	44,067
Total liabilities	291,463	1,414,676
Net current (liabilities)/assets	(14,614)	531,578
DEFICIT		
Share capital	–	1
Convertible preferred shares	13,000	13,000
Accumulated losses	(239,949)	(873,594)
Other reserves	6,016	86,109
Deficit attributable to the owners of the Company	(220,933)	(774,484)
Non-controlling interests	(8)	–
Total deficit	(220,941)	(774,484)

We had net liabilities of RMB774.5 million as of December 31, 2021, primarily due to the increasing value of our convertible Preferred Shares which are recorded as a liability item and measured at fair value at the end of each of the Track Record Period. We expect to turn to a net asset position upon the automatic and irrevocably conversion of the convertible Preferred Shares into ordinary shares upon the [**REDACTED**], at which time we will reclassify them from liabilities to equity. For more details regarding our Preferred Shares, please refer to Note 28 to the Accountant's Report set out in Appendix I to this document.

Property, Plant and Equipment

During the Track Record Period, our property, plant and equipment primarily consisted of equipment and instruments, office equipment and furniture, leasehold improvements and construction in progress. Our property, plant and equipment increased significantly from RMB5.1 million as of December 31, 2020 to RMB28.9 million as of December 31, 2021 mainly due to the construction and renovation we made to our newly leased premises and manufacturing facility since 2020.

Right-of-Use Assets

Our right-of-use assets consisted of our right to use leased properties and leased vehicles, which are measured at cost less any accumulated depreciation and impairment losses, and adjusted for any reimbursement of lease liability. Our right-of-use assets increased from RMB12.5 million as of December 31, 2020 to RMB14.3 million as of December 31, 2021, primarily due to our newly leased premises in Beijing in October 2021.

Deferred Income Tax Assets

Our deferred income tax assets increased from RMB13.9 million as of December 31, 2020 to RMB19.2 million as of December 31, 2021, primarily due to the increases in our deductible tax losses during the Track Record Period.

Other Receivables

During the Track Record Period, our other receivables primarily consisted of (i) deposits primarily made for our leased premises and equipment; and (ii) value-added tax recoverable, representing value-added tax paid by us on purchases that are deductible against future value-added tax payables. The following table below sets forth a breakdown of our other receivables as of the dates indicated:

	As of December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
Deposits	763	1,412
Value-added tax recoverable	987	–
Others	36	70
	1,786	1,482
Less: provision for impairment of other receivables	*(8)*	*(14)*
Total	1,778	1,468

Our other receivables decreased from RMB1.8 million as of December 31, 2020 to RMB1.5 million as of December 31, 2021, primarily attributable to a decrease in value-added tax recoverable.

Prepayments

During the Track Record Period, our prepayments primarily consisted of (i) prepayments for purchase of services, (ii) prepaid [**REDACTED**], (iii) prepayments for purchase of raw materials, and (iv) prepayments for purchase of equipment. The following table below sets forth a breakdown of our prepayments as of the dates indicated:

	As of December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
Prepayments		
Prepayments for purchase of services	702	4,655
Prepaid [**REDACTED**]	–	[**REDACTED**]
Prepayments for purchase of raw materials	468	947
Prepayments for purchase of equipment	–	674
Others	188	397
Total	1,358	[**REDACTED**]

Our prepayments increased significantly from RMB1.4 million as of December 31, 2020 to RMB7.1 million as of December 31, 2021, primarily due to an increase of RMB4.0 million in prepayments of clinical trial services and intellectual property related services, such as services for patent analysis and research.

Inventories

Our inventories consisted of raw materials, work in progress and finished goods during the Track Record Period. We formulate the purchase plan of raw materials according to delivery time needed by our suppliers, our production and sales targets. We formulate and supervise production progress, R&D progress, inventory levels and projected sales of our products, and adjust our sales and purchase plans every month according to sales performance, to minimize the risk of inventory shortage or accumulation. We have also established an inventory management system that monitors each stage of the warehousing process. We did not experience any material shortage or accumulation of inventory during the Track Record Period. For further details of our inventory management, please refer to the paragraph headed "Business – Inventory" in this document. The following table below sets forth a breakdown of our inventory balances as of the dates indicated:

	As of December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
Raw materials	1,546	3,589
Work in progress	2,150	3,036
Finished goods	1,617	3,283
Total	5,313	9,908

Our inventory balances increased from RMB5.3 million as of December 31, 2020 to RMB9.9 million as of December 31, 2021, primarily attributable to the increase in raw materials and finished goods, which was in line with our commercialization of our caFFR System in China since 2020. The table below sets forth our inventory and finished goods turnover days as of the dates indicated:

	Year Ended December 31,	
	2020	2021
	(days)	
Inventory turnover days[(1)]	233	165
Finished goods turnover days[(2)]	67	53

Notes:

(1) Inventory turnover day is the arithmetic mean of the beginning and ending balances of inventory for the year divided by the sum of (a) cost of sales, and (b) material expenses for R&D for the year and multiplied by 365 days for the full-year period.

(2) Finished goods turnover days is the arithmetic mean of the beginning and ending balances of finished goods for the year divided by the sum of (a) cost of sales, and (b) material expenses for R&D for the year and multiplied by 365 days for the full-year period.

For the years ended December 31, 2020 and 2021, our inventory turnover days were 233 days and 165 days, respectively. Our relatively high inventory turnover days during the Track Record Period were primarily because we prepared more inventories for the expected sales growth in China, as well as to mitigate the expected impact of COVID-19 on our production. The decrease in inventory turnover days from 2020 to 2021 was due to our increasing sales of our caFFR System in 2021.

As of April 30, 2022, approximately RMB7.5 million, or 76.1%, of our inventories as of December 31, 2021 had been delivered or consumed.

Financial Assets at FVTPL

Our financial assets at FVTPL mainly represented wealth management products we purchased from banks, with expected rates of return ranging from 2.3% to 4.1% per annum. As of December 31, 2020 and 2021, we recorded financial assets at FVTPL of RMB3.0 million and nil, respectively.

We have implemented a series of internal control policies and rules regarding investment in financial assets to ensure that the purpose of investment is to preserve capital and liquidity until free cash is used in our primary business and operation. Prior to making an investment, we ensure that there remains sufficient working capital for our business needs, operating activities, research and development and capital expenditures even after purchasing such wealth management products. We adopt a prudent approach in selecting wealth management products. Our investment decisions are made on a case-by-case basis and after due and careful consideration of a number of factors, such as the duration of the investment and the expected returns. To control our risk exposure, we have in the past sought, and may continue in the future to seek other low-risk wealth management products with terms no longer than twelve months. Additionally, we will mainly invest in wealth management products offered by reputable commercial banks in China in the future. After making an investment, we closely monitor its performance on a regular basis.

Cash and Cash Equivalents

Our cash and cash equivalents primarily consist of our cash and bank balances. The following table below sets forth a breakdown of our cash and cash equivalents by currency type as of the dates indicated:

	As of December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
Cash at bank		
– RMB	26,633	94,896
– USD	15	453,856
– EUR	940	1,083
– HKD	–	9,305
Total	27,588	559,140

Our cash and cash equivalents increased from RMB27.6 million as of December 31, 2020 to RMB559.1 million as of December 31, 2021, primarily due to the proceeds received from our financing activities and the increasing sales of our caFFR System.

Financial Liabilities at FVTPL

Our financial liabilities at FVTPL primarily represented the Series Angel-1 Preferred Shares, Series Angel-2 Preferred Shares, Series A+ Preferred Shares, Series B Preferred Shares, Series C-1 Preferred Shares, Series C-2 Preferred Shares and Series D Preferred Shares issued from 2016 to 2021. For details in relation to our convertible Preferred Shares, please refer to Note 28 to the Accountant's Report set out in Appendix I to this document. Our financial liabilities at FVTPL increased from RMB227.2 million as of December 31, 2020 to RMB1,361.7 million as of December 31, 2021, primarily due to (i) the fair value loss caused by the increase in the fair value of our Preferred Shares in line with the Group's valuation in 2021; and (ii) our issuance of Series C-1 Preferred Shares, Series C-2 Preferred Shares and Series D Preferred Shares in 2021. The following table sets forth the movements of Preferred Shares for the years indicated:

	Year Ended December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
At beginning of the year	108,956	227,206
Issuance	–	657,228
Fair value loss	118,250	493,864
Currency translation differences	–	(16,549)
At the end of the year	227,206	1,361,749

Trade and Other Payables

Our trade and other payables primarily consisted of (i) staff salaries and welfare payables; (ii) accrued [**REDACTED**]; (iii) other tax payables, mainly represented value-added tax for the prepayment we received from distributors; (iv) trade payables mainly related to our purchase of raw materials; and (v) payables for deposits received from our distributors. The following table sets forth the components of our trade and other payables as of the dates indicated:

	As of December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
Staff salaries and welfare payables	7,618	13,586
Accrued [**REDACTED**]	–	[**REDACTED**]
Other tax payables	3,122	3,530
Trade payables	274	963
Payables for deposits	4,400	–
Amounts due to related parties	62	10
Others[(1)]	2,264	2,916
Total	17,740	[**REDACTED**]

Note:

(1) Others included payables for service suppliers, payables for equipment and intangible assets and other accrued expenses.

Our trade and other payables increased from RMB17.7 million as of December 31, 2020 to RMB[**REDACTED**] million as of December 31, 2021, primarily due to (i) an incurrence of RMB[**REDACTED**] million in accrued [**REDACTED**]; and (ii) an increase of RMB[**REDACTED**] million in staff salaries and welfare payables, as a result of an increase in our employee headcount to support our business operation in 2021. The increase was partially offset by a decrease of RMB[**REDACTED**] million in our payables for deposits as we amended deposit clauses in our distribution agreement and converted most of the distributors' deposits to their prepayments for the purchase of our caFFR System in 2021.

The table below sets forth our average trade payables turnover days for the periods indicated:

	Year Ended December 31,	
	2020	**2021**
	(days)	
Average trade payables turnover days[(1)]	12	13

Note:

(1) Average trade payables turnover days equals the arithmetic mean of the beginning and ending trade payables balances divided by the sum of cost of sales and material costs for R&D for the year and multiplied by 365 days for the full-year period.

The average trade payables turnover days increased from 12 days in 2020 to 13 days in 2021, primarily because we purchased more raw materials for the sales of our caFFR System.

The following table sets forth an aging analysis of our trade payables based on invoice dates as of the dates indicated:

	As of December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
Within 1 year	274	963
Total	274	963

Contract Liabilities

Our contract liabilities during the Track Record Period mainly represented the advanced payments received from customers for goods or services that have not yet been provided to customers. The following table sets forth our contract liabilities as of the dates indicated:

	As of December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
Consideration for sales of goods	22,912	5,342
Consideration for installation and training services	57	1,388
Total	22,969	6,730

Our contract liabilities decreased significantly from RMB23.0 million as of December 31, 2020 to RMB6.7 million as of December 31, 2021, mainly due to the completion of delivery of most of our caFFR System to our customers in 2021.

KEY FINANCIAL RATIOS

The table below sets forth our key financial ratios as of the dates indicated:

	As of December 31,	
	2020	2021
Current ratio[(1)]	0.7	13.1
Quick ratio[(2)]	0.6	12.8

Notes:

(1) Current ratio represents current assets divided by current liabilities as of the same dates.

(2) Quick ratio represents current assets less inventories and divided by current liabilities as of the same dates.

Our current ratio increased from 0.7 as of December 31, 2020 to 13.1 as of December 31, 2021, while our quick ratio increased from 0.6 as of December 31, 2020 to 12.8 as of December 31, 2021, primarily due to the increase in cash and cash equivalent, reflecting the proceeds received from our financing activities and the increasing sales of our caFFR System.

LIQUIDITY AND CAPITAL RESOURCES

Net Current Assets/(Liabilities)

	As of December 31,		As of April 30,
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000 (Unaudited)*
Current assets			
Other receivables	1,105	379	1,921
Cash and cash equivalents	27,588	559,140	526,808
Inventories	5,313	9,908	9,641
Prepayments	1,358	6,218	10,160
Financial assets at FVTPL	3,007	–	–
	38,371	575,645	548,530
Current liabilities			
Trade and other payables	17,740	29,518	31,048
Contract liabilities	22,969	6,730	6,394
Lease liabilities	4,316	7,819	7,786
Borrowings	7,960	–	–
	52,985	44,067	45,228
Net current (liabilities)/assets	(14,614)	531,578	503,302

We had net current assets of RMB531.6 million as of December 31, 2021, compared to net current liabilities of RMB14.6 million as of December 31, 2020. The increase was primarily due to an increase of RMB531.6 million in cash and cash equivalents, mainly caused by the completion of Series C and Series D Financing and the increasing sales of our caFFR System.

As of April 30, 2022, we had unutilized bank facilities of RMB190.0 million.

We have incurred negative cash flows from our operations since our inception. During the Track Record Period, our primary uses of cash were to fund the development of our product pipeline and payment for the purchase of plant and equipment, administrative expenses, employee benefit expenses and other recurring expenses. The following table provides information regarding our cash flows for the periods indicated:

	Year Ended December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
Cash outflows from operating activities before movements in working capital	(30,579)	(64,724)
Changes in working capital	32,816	(9,919)
Interest received	34	1,811
Net cash generated/(used in) from operating activities	2,271	(72,832)
Net cash generated/(used in) from investing activities	8,685	(27,983)
Net cash generated from financing activities	9,526	633,847
Net increase in cash and cash equivalents	20,482	533,032
Cash and cash equivalents at beginning of the year	7,106	27,588
Exchange losses on cash and cash equivalents	–	(1,480)
Cash and cash equivalents at end of the year	27,588	559,140

Operating Activities

In 2021, our net cash used in operating activities was RMB72.8 million, which was primarily attributable to our loss before income tax of RMB638.7 million, adjusted for non-cash and non-operating items, mainly including (i) fair value loss of financial liabilities at FVTPL of RMB493.9 million; (ii) share-based compensation of RMB67.2 million; (iii) depreciation of property, plant and equipment of RMB6.1 million; and (iv) depreciation of right-of-use assets of RMB4.7 million. The amount was further adjusted by cash usage from changes in working capital, primarily representing (i) a decrease of RMB16.2 million in contract liabilities; (ii) an increase of RMB4.9 million in prepayments; and (iii) an increase of RMB4.6 million in inventories, partially offset by an increase of RMB16.3 million in trade and other payables.

In 2020, our net cash generated from operating activities was RMB2.3 million, which was primarily attributable to our loss before tax of RMB151.0 million, adjusted for non-cash and non-operating items, including (i) fair values loss of financial liabilities at fair value through profit or loss of RMB118.3 million; (ii) depreciation of right-of-use assets of RMB1.6 million; and (iii) depreciation of property, plant and equipment of RMB0.7 million. The amount was further adjusted by cash generation from changes in working capital, primarily including (i) an increase of RMB22.6 million in contract liabilities; and (ii) an increase of RMB13.9 million in trade and other payables, partially offset by an increase of RMB4.7 million in inventories.

We monitor and maintain a level of cash and cash equivalents deemed adequate to finance our operations and mitigate the effects of fluctuations in cash flows. As our business develops and expands, we expect to generate more net cash from our operating activities, through increasing sales revenue of the existing commercialized products. In view of our net operating cash outflows in 2021, we plan to improve such position by (i) further increase the sales of our approved products, caFFR System. For example, we plan to enhance our sales efforts and engage more distributors to cover more hospitals and further increase the sales of our products. In particular, our revenue from product sales increased significantly since caFFR System's commercialization, and we expect our revenue from product sales will continue to achieve robust growth going forward; (ii) optimizing our production plan based on our sales volumes to shorten our inventory turnover days in order to keep a stable cash flow; (iii) rapidly advancing our pipeline products towards commercialization to generate revenue from product sales. In particular, we submitted the confirmatory clinical trial results of our caIMR System to the NMPA for regulatory approval in April 2022 and expect to obtain the NMPA approval for the commercialization in China in the fourth quarter of 2022. After the commercialization of our caIMR System, we expect to generate more net cash from our operating activities. We also plan to kickstart academic promotional activities for our other product candidates by educating target hospitals and physicians to prepare for the formal commercial launch in the following years. As we optimize our product portfolio and cost structure, increase the sales of our products, and continue to grow our business, we expect to generate a steady inflow of cash from operations in the foreseeable future, which will be applied to our working capital; (iv) adopting comprehensive measures to effectively control our cost and operating expenses. For example, by leveraging economies of scale, we plan to negotiate volume discounts with our

suppliers when necessary. In particular, for third-party contractors, for example, raw material suppliers, we would enjoy stronger bargaining power as we have an increasing number of projects with them; (v) enhancing working capital management efficiency. For example, we plan to adopt technological solutions to optimize our operational process and enhance our efficiency; (vi) successfully launching the [**REDACTED**] to obtain the [**REDACTED**]; and (vii) seeking additional funding through public or private [**REDACTED**], debt financing, collaboration and licensing arrangements or other sources, if needed.

Investing Activities

In 2021, our net cash used in investing activities was RMB28.0 million, primarily as a result of our purchase of property, plant and equipment of RMB30.8 million, partially offset by the proceeds from disposal of financial assets at FVTPL of RMB3.0 million.

In 2020, our net cash generated from investing activities was RMB8.7 million, primarily as a result of proceeds from disposal of financial assets at FVTPL of RMB15.6 million and repayments from related parties of RMB15.2 million, partially offset by purchase of financial assets at FVTPL of RMB18.5 million and purchases of property, plant and equipment of RMB4.0 million.

Financing Activities

In 2021, our net cash generated from financing activities was RMB633.8 million, primarily as a result of proceeds from issuance of Preferred Shares. During the Reorganization, we borrowed a bridge loan, used the loan proceeds to purchase shares from Suzhou Runxin (our holding entity in China before the Reorganization), received capital injection from shareholders into our offshore holding company Rainmed Medical Limited, and repaid the bridge loan, which created cash flow items of bank and other borrowing proceeds, payment for acquisition, capital injection and borrowing repayment of similar amounts of approximately RMB270.0 million during this period.

In 2020, our net cash generated from financing activities was RMB9.5 million, primarily as a result of proceeds from bank and other borrowings of RMB16.0 million, partially offset by repayments of bank and other borrowings of RMB5.0 million and payments of lease liabilities of RMB1.3 million.

CASH OPERATING COSTS

The following table sets forth key information relating to our cash operating costs for the periods indicated:

	Year Ended December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
R&D costs		
R&D costs for our Core Products		
– Clinical trial expenses	535	2,810
– Employee benefit expenses	2,152	9,164
– Raw material costs	2,781	6,040
– Others	890	3,188
R&D costs for our other product candidates		
– Clinical trial expenses	–	192
– Employee benefit expenses	2,510	2,772
– Raw material costs	25	424
– Others	200	1,107
Workforce employment costs(1)	15,640	49,847
Product marketing expenses	7,362	18,248
Direct production costs	2,278	9,116
Non-income taxes, royalties and other governmental charges	–	–
Contingency allowances	–	–

Note:

(1) Workforce employment costs represented total non-R&D staff costs comprising mainly salaries, bonus and benefits.

INDEBTEDNESS

As of December 31, 2020 and 2021 and April 30, 2022 except as disclosed in the table below, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance or other similar indebtedness, any guarantees, litigations or claims of immaterial importance, pending or threatened against any member of our Group or other material contingent liabilities. Since April 30, 2022, the latest practicable date for the purpose of the indebtedness statement, and up to the date of this document, there had been no material adverse change to our indebtedness. The following table sets forth the breakdown of our indebtedness as of dates indicated:

	As of December 31,		As of April 30,
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*
Current			
Borrowings	7,960	–	–
Lease liabilities	4,316	7,819	7,786
Non-current			
Financial Liabilities at FVTPL	227,206	1,361,749	1,700,126
Borrowings	3,060	–	–
Lease liabilities	8,212	8,860	6,411
Total	250,754	1,378,428	1,714,323

Borrowings

Our borrowings represented bank borrowings and other borrowings we made during the Track Record Period and were primarily used to supplement our working capital. Our borrowings amounted to RMB11.0 million, nil and nil as of December 31, 2020 and 2021 and April 30, 2022, respectively. As of December 31, 2020 and 2021, the weighted average effective interest rate of our bank borrowings and other borrowings was 4.00% and nil, respectively. As of October 31, 2021, all of the guarantees from our founder, Mr. HUO Yunfei, and all of the pledges of our intellectual properties, had been released. We primarily used the proceeds of our borrowings for our operation. The following table sets forth our borrowings as of the dates indicated:

	As of December 31,		As of April 30,
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*
Current			
Bank borrowings[(1)]	5,006	–	–
Other borrowings[(2)]	2,954	–	–
Non-current			
Other borrowings[(2)]	3,060	–	–
Total	11,020	–	–

Notes:

(1) As of December 31, 2020, our Group's bank borrowings were guaranteed by shareholder, which had been released as of October 31, 2021.

(2) As of December 31, 2020, the Group's other borrowings were secured by the Group's intellectual properties, which had been released as of October 31, 2021.

Our bank borrowing agreements contain standard terms, conditions and covenants that are customary for commercial bank loans. Our Directors confirm that we have not defaulted in the repayment of the bank loans and other borrowings during the Track Record Period. Our Directors have confirmed that there was no material covenant on any of our outstanding debt and there was no breach of any covenants during the Track Record Period and up to April 30, 2022. During the Track Record Period and up to April 30, 2022, to the best knowledge of our Directors, we did not experience any difficulty in obtaining bank loans. As of the date of this document, we did not have any plan for material external debt financing. Given our credit history and our current credit status, we believe that we will not encounter any major difficulties in obtaining additional bank borrowings in the future.

Lease Liabilities

Our lease liabilities amounted to RMB12.5 million, RMB16.7 million and RMB14.2 million as of December 31, 2020 and 2021 and April 30, 2022, respectively, mainly in relation to properties we leased for our office premises. The lease terms normally ranged from one to four years. The following table sets forth our lease liabilities as of the dates indicated:

	As of December 31,		As of April 30,
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
			(Unaudited)
Current	4,316	7,819	7,786
Non-current	8,212	8,860	6,411
Total	12,528	16,679	14,197

Our lease liabilities increased from RMB12.5 million as of December 31, 2020 to RMB16.7 million as of December 31, 2021, primarily due to our newly leased premises in Beijing in October 2021. Our lease liabilities then decreased to RMB14.2 million as of April 30, 2022, primarily due to our continuous payment of rent.

Financial Liabilities at FVTPL

Our financial liabilities at FVTPL primarily represented the Series Angel-1 Preferred Shares, Series Angel-2 Preferred Shares, Series A+ Preferred Shares, Series B Preferred Shares, Series C-1 Preferred Shares, Series C-2 Preferred Shares and Series D Preferred Shares issued from 2016 to 2021. We recorded financial liabilities at FVTPL of RMB227.2 million, RMB1,361.7 million and RMB1,700.1 million as of December 31, 2020 and 2021 and April 30, 2022, respectively. For more details, please refer to the paragraph headed "Discussion of Selected Items From the Consolidated Balance Sheets – Financial Liabilities at FVTPL" in this section and Note 28 to the Accountant's Report set out in Appendix I to this document.

WORKING CAPITAL CONFIRMATION

The Directors are of the opinion that, taking into account the financial resources available to our Group, including cash and cash equivalents, internally generated funds and the estimated net [**REDACTED**] from the [**REDACTED**], we have sufficient working capital to cover at least 125% of our costs, including research and development expenses, selling expenses, general and administrative expenses, and other operating costs, for at least the next 12 months from the date of this document.

Our cash burn rate refers to the average monthly (i) net cash used in operating activities, (ii) capital expenditures, and (iii) lease payments. Assuming an average cash burn rate going forward of [**REDACTED**] the level in 2021, which is primarily based on the difference between the average monthly burn rate in 2021 and the prospective burn rate based on the average monthly net cash used in operating activities and capital expenditure in 2022 and the first half of 2023, even without taking into account the estimated net [**REDACTED**] from the [**REDACTED**], we estimate that our cash and cash equivalents as of December 31, 2021, will be able to maintain our financial viability for [**REDACTED**] or, if we take into account the estimated net [**REDACTED**] from the [**REDACTED**] (based on the mid-point of the [**REDACTED**] stated in this document), for [**REDACTED**]. We will continue to monitor our cash flows from operations closely and expect to raise our next round of financing, if needed, with a minimum buffer of 12 months. Our Directors and our management team will continue to monitor our working capital, cash flows, and our business development status. In the event our business operations experience any material and adverse impact, we will proactively manage our cash flows and control our costs and expenses; on the other hand, in the event we identify any additional promising research and development projects, or identify any suitable target for investment or acquisition, we may adjust our financing plans to take advantage of such opportunities. We may also diversify our source of funding to further support the development of our product candidates going forward.

CAPITAL EXPENDITURE

We regularly incur capital expenditures to expand our operations, upgrade our facilities and increase our operating efficiency. During the Track Record Period, our capital expenditures primarily consisted of expenditures on the purchase of property, plant and equipment. Historically, we have funded our capital expenditures mainly through equity financing. The following table sets forth our capital expenditures for the periods indicated:

	Year Ended December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
Purchase of property, plant and equipment	3,998	30,835
Purchase of intangible assets	37	280
Total	4,035	31,115

We expect to incur capital expenditures of approximately RMB7.5 million for the year ending December 31, 2022 primarily for equipment purchase. We may adjust our capital expenditures for any given period according to our development plans or in light of market conditions and other factors we believe to be appropriate. We expect to finance such capital expenditures through a combination of operating cash flow and proceeds from our equity financing.

CONTRACTUAL COMMITMENTS

As of December 31, 2020 and 2021, we had contractual commitments for our property, plant and equipment of RMB15.6 million and RMB2.2 million, respectively.

CONTINGENT LIABILITIES

As of December 31, 2020 and 2021, we did not have any contingent liabilities. We confirm that as of the Latest Practicable Date, there had been no material changes or arrangements to our contingent liabilities.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

FINANCIAL RISK DISCLOSURE

Our activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. Our overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial position and financial performance. For further details, please refer to Note 3 to the Accountant's Report set out in Appendix I to this document. The discussion below provides a summary of our financial risks.

Market Risk

Foreign Exchange Risk

Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not our Group entities' functional currency.

Certain bank balances and cash and other payables are denominated in foreign currencies of respective group entities which are exposed to foreign currency risk. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity. We have entities operating in HKD, USD and RMB, and we will constantly review the economic situation and its foreign exchange risk profile, and will consider appropriate hedging measures in the future, as may be necessary.

Most foreign exchange transactions were denominated in USD and EUR for the group companies that have functional currency in HKD and RMB. Our Directors consider the foreign currency risk arising from recognized assets and liabilities to be minimal. Accordingly, no sensitivity analysis is presented for foreign exchange risk. We did not hedge against any fluctuation in foreign currency. We timely monitor foreign exchange risk and will take measure to minimize foreign exchange risk.

Credit Risk

The carrying amounts of cash and cash equivalents, financial assets at FVTPL, other receivables included in the financial statements represent our maximum exposure to credit risk in relation to its financial assets. The objective of our measures to manage credit risk is to control potential exposure to recoverability problem.

Cash and Cash Equivalents and Financial Assets at FVTPL

To manage this risk, cash and cash equivalents and financial assets at FVTPL are mainly placed or invested with state-owned or reputable financial institutions in the PRC and reputable international financial institutions outside of the PRC. While cash and cash equivalents were also subject to the impairment requirement of HKFRS 9, the identified impairment loss was immaterial as we do not expect any losses from non-performance by these banks as they have no default history in the past.

Other Receivables

For other receivables, we made periodic collective assessment as well as individual assessment on the recoverability based on past experience and forward-looking information including but not limited to the economic impact of COVID-19, and other factors.

Our other receivables (excluding value-added tax recoverable) were mainly transactions with related parties and refundable deposits. The directors were of the view that the expected credit losses are not material as historically they had no history of default and the debtors had a strong capacity to meet its contractual cash flow obligations in the near term.

For more details, including the loss allowance as of December 31, 2020 and 2021 determined for other receivables and amount due from related parties and movements on our allowance of impairment of other receivables, please refer to Note 3 to the Accountant's Report set out in Appendix I to this document.

Liquidity Risk

We aim to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying businesses, our policy is to regularly monitor our liquidity risk and to maintain adequate cash and cash equivalents to meet our liquidity requirements. For more details, including the analysis of our non-derivative financial liabilities that will be settled into relevant maturity grouping based on the remaining period at each balance sheet date to the contractual maturity date, please refer to Note 3 to the Accountant's Report set out in Appendix I to this document.

TRANSACTIONS WITH RELATED PARTIES

We had the following transactions during the Track Record Period, and the following table sets forth our transactions with related parties for the periods indicated:

	Year Ended December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
Interest Income	365	–

In 2019, we granted a loan of RMB15.7 million with an interest rate of 4.27% per annum to Ningbo Zhusheng for its business operations, especially the purchase of Suzhou Runxin's shares. Such loan was fully repaid in December 2020. In addition, in January 2020, we also made a loan of RMB0.5 million with an interest rate of 5.35% per annum to one of our employees, which was fully repaid in September 2020. We recognized interest income from related parties of RMB0.4 million and nil in 2020 and 2021, respectively.

As advised by our PRC Legal Adviser, the provision of loan by us to Ningbo Zhusheng involved the lending of funds that might not be in compliance with the General Lending Provisions (《貸款通則》), a regulation promulgated by the People's Bank of China (the "**PBOC**") in 1996. According to the General Lending Provisions, only financial institutions may legally engage in the business of extending loans, and loans as between companies that are not financial institutions are prohibited. The PBOC may impose penalties on the lender that is not a financial institution in the amount equivalent to one to five times of the income generated (being interests charged) from the provision of the loan.

However, based on the following reasons, our PRC Legal Adviser is of the view that such loan is legally binding on the relevant parties and there will be no material adverse legal consequences: (i) when a loan is extended by a non-financial institution not for the purposes of conduct lending business, the PBOC seldom imposes administrative penalties pursuant to the General Lending Provisions in practice; (ii) according to the Provisions of the Supreme People's Court on Several Issues Concerning the Application of Law in the Trial of Private Lending Cases (Second Revision in 2020) (《最高人民法院關於審理民間借貸案件適用法律若干問題的規定(2020第二次修正)》) (the "**Provisions**") which has been last amended on December 23, 2020 and effective on January 1, 2021, except under the circumstances as set

forth in the Civil Code (《民法典》) and the Provisions, the people's court shall support a claim for the validity of a private lending contract entered into by companies for the purpose of production or business operations; and (iii) as confirmed by the Directors, (a) such loan did not involve any unallowed circumstances as set forth in the Civil Code or the Provisions, (b) the above-mentioned loan was for the purposes of business operations, and such loan was repaid in full in December 2020, (c) the funds provided under the loan is our own funds, and (d) we had not received any notice of claim or penalty relating to such provision of loan from any relevant authority.

As advised by our PRC Legal Adviser, the provision of loan by us to one of our employees did not violate applicable laws and regulations, as according to the Provision that loan contracts between individuals and companies shall be upheld by courts as valid if no circumstances stipulated in Article 13 of the Provision are involved.

We had the following outstanding balance during the Track Record Period, and the following table sets forth our outstanding balance as of the dates indicated:

	As of December 31,	
	2020	**2021**
	RMB'000	*RMB'000*
Non-trade		
Amounts due to related parties[(1)]	62	10[(1)]

Note:

(1) Fully settled in January 2022.

Other than disclosed in the table above, we did not have any material related-party transactions during the Track Record period. It is the view of our Directors that each of the above related party transactions during the Track Record Period (i) was conducted in the ordinary course of business and on an arm's length basis and on normal commercial terms between the relevant parties, and (ii) did not distort our results of operations over the Track Record Period or made our historical results over the Track Record Period not reflective of our expectations for our future performance.

DIVIDENDS

We have never declared or paid regular cash dividends on our shares. Any declaration and payment as well as the amount of dividends will be subject to our Memorandum and Articles and the Cayman Companies Act. The declaration and payment of any dividends in the future will be determined by our Board of Directors, in its discretion, and will depend on a number of factors, including our earnings, capital requirements, overall financial condition and contractual restrictions. In addition, our Shareholders in a general meeting may approve any declaration of dividends, which must not exceed the amount recommended by our Board. As advised by our Cayman counsel, under the Cayman Companies Act, a Cayman Islands company

may pay a dividend out of either profits or share premium account, provided that in no circumstances may a dividend be paid if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business. In light of our accumulated losses as disclosed in this document, it is unlikely that we will be eligible to pay a dividend out of our profits in the foreseeable future. We may, however, pay a dividend out of our share premium account unless the payment of such a dividend would result in our Company being unable to pay our debts as they fall due in the ordinary course of business. There is no assurance that dividends of any amount will be declared to be distributed in any year.

If we pay dividends in the future, in order for us to distribute dividends to our Shareholders, we will rely to some extent on any dividends distributed by our PRC subsidiaries. Any dividend distributions from our PRC subsidiaries to us will be subject to PRC withholding tax. In addition, regulations in the PRC currently permit payment of dividends of a PRC company only out of accumulated distributable after-tax profits as determined in accordance with its articles of association and the accounting standards and regulations in China. For details, please refer to the paragraph headed "Risk Factors – Risks Relating to Doing Business in China" in this document.

DISTRIBUTABLE RESERVES

As of December 31, 2021, we did not have any distributable reserves.

[**REDACTED**]

Our [**REDACTED**] mainly include [**REDACTED**] fees and commissions and professional fees paid to legal advisers and the Reporting Accountant for their services rendered in relation to the [**REDACTED**] and the [**REDACTED**]. Assuming full payment of the discretionary incentive fee, the estimated total [**REDACTED**] (based on the mid-point of our indicative [**REDACTED**] for the [**REDACTED**] and assuming that the [**REDACTED**] is not exercised) for the [**REDACTED**] are approximately RMB[**REDACTED**] million, and are expected to represent approximately [**REDACTED**]% of the gross [**REDACTED**] of the [**REDACTED**], comprising of (i) [**REDACTED**]-related expenses, including [**REDACTED**] commission and other expenses, of RMB[**REDACTED**] million; and (ii) non-[**REDACTED**]-related expenses of RMB[**REDACTED**] million, including (a) fee paid and payable to Legal Advisors and Reporting Accountant of RMB[**REDACTED**] million; and (b) other fees and expenses, including sponsor fees, of RMB[**REDACTED**] million. We recorded [**REDACTED**] of RMB[**REDACTED**] million recognized in profit or loss in 2021. The rest of the expenses in connection with the [**REDACTED**] is expected to be RMB[**REDACTED**] million, of which an estimated amount of RMB[**REDACTED**] million is expected to be recognized as administrative expenses and the remaining amount of RMB[**REDACTED**] million is expected to be recognized directly as a deduction from equity upon the [**REDACTED**]. The [**REDACTED**] above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate. Our Directors do not expect such [**REDACTED**] to have a material adverse impact on our results of operations for the year ended December 31, 2022.

[REDACTED] STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following [**REDACTED**] statement of adjusted net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is for illustration purpose only, and is set out below to illustrate the effect of the [**REDACTED**] on the net tangible assets of the Group attributable to the owner of the Company as of December 31, 2021 as if the [**REDACTED**] had taken place on December 31, 2021, assuming the [**REDACTED**] is not exercised.

This [**REDACTED**] statement of adjusted net tangible assets has been prepared for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group as of December 31, 2021 or at any future dates following the [**REDACTED**]. It is prepared based on the consolidated net liabilities of the Group as of December 31, 2021 as set out in the Accountant's Report of the Group, the text of which is set out in Appendix I to this document, and adjusted as described below. The [**REDACTED**] statement of adjusted net tangible assets does not form part of the Accountant's Report.

	Audited consolidated net tangible liabilities of the Group attributable to the owners of the Company as of December 31, 2021[(1)]	**Estimated impact to the consolidated net tangible liabilities upon conversion of the Refundable Preferred Shares[(2)]**	**Estimated net [REDACTED] from the [REDACTED][(3)]**	**[REDACTED] adjusted net tangible assets of the Group attributable to the owners of the Company as of December 31, 2021**	**[REDACTED] adjusted net tangible assets per Share**	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB[(4)]*	*HK$[(5)]*
Based on an [REDACTED] of HK$[REDACTED] per Share	(774,728)	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[REDACTED]	[REDACTED]
Based on an [REDACTED] of HK$[REDACTED] per Share	(774,728)	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[REDACTED]	[REDACTED]

Notes:

(1) The audited consolidated net tangible liabilities attributable to the owners of the Company as of December 31, 2021 is extracted from the Accountant's Report set out in Appendix I to this document, which is based on the audited consolidated net liabilities of the Group attributable to the owners of the Company as of December 31, 2021 of RMB774,484,000 with an adjustment for the intangible assets attributable to the owners of the Company as of December 31, 2021 of RMB244,000.

(2) The Series Angel-1, Series Angel-2, Series A+, Series B, Series C-1 and Series C-2 and Series D preferred shares (collectively, the "**Refundable Preferred Shares**") issued by the Company are accounted for as financial liabilities to the Company. All Refundable Preferred Shares will be automatically and irrevocably converted into ordinary shares of the Company upon the [**REDACTED**]. Accordingly, for the purpose of the [**REDACTED**] adjusted net tangible assets, the adjustment represents the impact of conversion of the Refundable Preferred Shares into ordinary shares. The estimated impact is RMB1,361,749,000, being the carrying amount of the Refundable Preferred Shares as of December 31, 2021.

(3) The estimated net [**REDACTED**] from the [**REDACTED**] are based on the indicative [**REDACTED**] of HK$[**REDACTED**] and HK$[**REDACTED**] per Share, being the low and high end of the indicative [**REDACTED**] range respectively, after deduction of the [**REDACTED**] fees and other related expenses payable by the Company (exclude those [**REDACTED**] of approximately RMB20,926,000 which have been accounted for in the consolidated statements of comprehensive income up to December 31, 2021) and takes no account of any shares which may fall to be issued upon the exercise of the [**REDACTED**], any Shares which may be issued under the Pre-[**REDACTED**] Share Option Scheme or any Shares which may be issued or repurchased by the Company pursuant to the General Mandate.

(4) The [**REDACTED**] net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that [**REDACTED**] Shares were in issue assuming that the conversion of the Refundable Preferred Shares, the [**REDACTED**], and the [**REDACTED**] have been completed on December 31, 2021 but takes no account of or adjustment for anti-dilution of the Refundable Preferred Shares after the date of the document, if any, any shares which may fall to be issued upon the exercise of the [**REDACTED**], any shares which may be issued under the Pre-[**REDACTED**] Share Option Scheme or any shares which may be issued or repurchased by the Company pursuant to the General Mandate.

(5) For the purpose of this [**REDACTED**] adjusted net tangible assets per Share, the amounts stated in Renminbi are converted into Hong Kong dollars at the rate of HK$1.00 to RMB[0.8500]. No representation is made that Renminbi has been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

(6) Save as disclosed above, no adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to December 31, 2021.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this document, save as disclosed under "Summary – Recent Developments and No Material Adverse Change" in this document, there has been no material adverse change in our financial, operational or trading position or prospects since December 31, 2021 and up to the date of this document and there is no event since December 31, 2021 which would materially affect the information shown in our consolidated financial statements included in the Accountant's Report in Appendix I to this document.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, except as otherwise disclosed in this document, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid as of the date of this document and immediately following completion of the [**REDACTED**] and the [**REDACTED**]:

Authorized Share Capital

Number of Shares	Description of shares	Aggregate nominal value of Shares *(HK$)*
3,800,000,000	ordinary shares of a par value of HK$0.0001 each	380,000

Issued Share Capital

Assuming the* [REDACTED] *is not exercised

Description of Shares	Number of Shares	Aggregate nominal value of Shares *(HK$)*	Approximate percentage of total issued share capital *(%)*
Shares in issue as of the date of this document	22,880,000	2,288	[**REDACTED**]
Shares to be issued under the [**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Shares to be issued under the [**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Total	[**REDACTED**]	[**REDACTED**]	100

Assuming the [**REDACTED**] *is exercised in full*

Description of Shares	Number of Shares	Aggregate nominal value of Shares *(HK$)*	Approximate percentage of total issued share capital *(%)*
Shares in issue as of the date of this document	22,880,000	2,288	[**REDACTED**]
Shares to be issued under the [**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Shares to be issued under the [**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Total	[**REDACTED**]	[**REDACTED**]	100

The above tables assume that the [**REDACTED**] becomes unconditional and the Shares are issued pursuant to the [**REDACTED**] and the [**REDACTED**], and do not take into account any Shares which may be allotted and issued under the Pre-[**REDACTED**] Share Option Scheme or any Shares which may be issued or repurchased by our Company pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

RANKING

The [**REDACTED**] are Shares in the share capital of our Company and rank equally with all Shares currently in issue or to be issued and, in particular, will rank equally for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this document.

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS ARE REQUIRED

Pursuant to the Cayman Companies Act and the terms of the Articles of Association, our Company may from time to time by ordinary resolution of Shareholders: (i) increase its share capital; (ii) consolidate and divide its share capital into shares of larger amount; (iii) divide its shares into several classes; and (iv) cancel any Shares which have not been taken or agreed to be taken. In addition, our Company may, subject to the provisions of the Cayman Companies Act, reduce its share capital or capital redemption reserve by its Shareholders passing a special resolution. For further details, please refer to the paragraph headed "2. Articles of Association – 2.5 Alteration of capital" in Appendix III to this document.

PRE-[REDACTED] SHARE OPTION SCHEME

Our Company adopted the Pre-[**REDACTED**] Share Option Scheme. For further details, please refer to the paragraph headed "D. Pre-[**REDACTED**] Share Option Scheme" in Appendix IV to this document.

GENERAL MANDATE TO ISSUE AND REPURCHASE SHARES

Subject to the [**REDACTED**] becoming unconditional, our Directors have been granted a general unconditional mandates to issue and repurchase our Shares.

For further details of the general mandates, please refer to the paragraphs headed "A. Further Information about our Group – 4. Resolutions of our Shareholders" and "A. Further Information about our Group – 5. Repurchase of Our Own Securities" in Appendix IV to this document.

So far as our Directors are aware, immediately following the completion of the [**REDACTED**] and the [**REDACTED**] (assuming the [**REDACTED**] is not exercised and the options granted under the Pre-[**REDACTED**] Share Option Scheme are not exercised), the following persons will have an interest or short position in the Shares or the 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, 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 or any other member of our Group:

		As of the Latest Practicable Date		Immediately following completion of the [REDACTED] and the [REDACTED]	
Name of Shareholder	**Capacity/Nature of Interest**	**Number of Shares held**	**Approximate percentage of interest** *(%)*	**Number of Shares held**	**Approximate percentage of interest** *(%)*
Opera Rose Limited[(1)]	Beneficial owner	4,294,980	18.77	[**REDACTED**]	[**REDACTED**]
Dawning Sky Limited[(1)]	Nominee for another person	4,294,980	18.77	[**REDACTED**]	[**REDACTED**]
Mr. Huo[(1)]	Founder of a discretionary trust	4,294,980	18.77	[**REDACTED**]	[**REDACTED**]
	Beneficial owner[(2)]	59,928	0.26	[**REDACTED**]	[**REDACTED**]
Vermilion Bird Limited[(3)]	Beneficial owner	3,198,680	13.98	[**REDACTED**]	[**REDACTED**]
Glowing Fame Limited[(3)]	Nominee for another person	3,198,680	13.98	[**REDACTED**]	[**REDACTED**]
Dr. Huo Yunlong[(3)]	Founder of a discretionary trust	3,198,680	13.98	[**REDACTED**]	[**REDACTED**]
The Core Trust Company Limited	Trustee[(1)]	4,294,980	18.77	[**REDACTED**]	[**REDACTED**]
	Trustee[(3)]	3,198,680	13.98	[**REDACTED**]	[**REDACTED**]
Tongxiang Haoqian[(4)]	Beneficial owner	2,002,840	8.75	[**REDACTED**]	[**REDACTED**]
Xinyu Tongchuang Investment Management Co., Ltd. (新余同創精選投資管理有限公司)[(4)]	Interest in controlled corporations	2,002,840	8.75	[**REDACTED**]	[**REDACTED**]

Name of Shareholder	Capacity/Nature of Interest	As of the Latest Practicable Date		Immediately following completion of the [REDACTED] and the [REDACTED]	
		Number of Shares held	Approximate percentage of interest *(%)*	Number of Shares held	Approximate percentage of interest *(%)*
Shenzhen Futian Tongchuang Weiye Dajiankang Industry Investment Fund Partnership (Limited Partnership) (深圳福田同創偉業大健康產業投資基金合夥企業(有限合夥))[4]	Interest in controlled corporations	2,002,840	8.75	[REDACTED]	[REDACTED]
Shenzhen Cowin Asset Management Co., Ltd. (深圳同創偉業資產管理股份有限公司) ("**Cowin**")[4]	Interest in controlled corporations	2,592,120	11.33	[REDACTED]	[REDACTED]
Shenzhen Cowin Venture Capital Investments Co., Ltd. (深圳市同創偉業創業投資有限公司)[4]	Interest in controlled corporations	2,592,120	11.33	[REDACTED]	[REDACTED]
Ms. Huang Li (黃荔)[4]	Interest in controlled corporations	2,592,120	11.33	[REDACTED]	[REDACTED]
Ping An Insurance (Group) Company of China, Ltd. (中國平安保險(集團)股份有限公司) ("**Ping An Group**")[5]	Interest in controlled corporations	2,400,000	10.49	[REDACTED]	[REDACTED]
Mr. Zhou Bin[6]	Interest in controlled corporations	1,654,400	7.23	[REDACTED]	[REDACTED]
Hebei Dongto Investment Co., Ltd. (河北東拓投資有限公司) ("**Hebei Dongto**")[7]	Beneficial owner	1,196,020	5.23	[REDACTED]	[REDACTED]
Ms. Liu Jingxia (劉競霞)[7]	Interest in controlled corporations	1,196,020	5.23	[REDACTED]	[REDACTED]
Mr. Liu Lirui (劉力睿)[7]	Interest in controlled corporations	1,196,020	5.23	[REDACTED]	[REDACTED]

Name of Shareholder	Capacity/Nature of Interest	As of the Latest Practicable Date		Immediately following completion of the [REDACTED] and the [REDACTED]	
		Number of Shares held	Approximate percentage of interest *(%)*	Number of Shares held	Approximate percentage of interest *(%)*
Shanghai Jingmairun Enterprise Management Center (L.P.) (上海景邁潤企業管理中心(有限合夥)) ("**Shanghai Jingmairun**")[8]	Beneficial owner	1,178,540	5.15	[**REDACTED**]	[**REDACTED**]
Shenzhen Jinghui Equity Investment Management Partnership (Limited Partnership) (深圳景輝股權投資管理合夥企業(有限合夥))[8]	Interest in controlled corporations	1,178,540	5.15	[**REDACTED**]	[**REDACTED**]
Shanghai Greenwoods Equity Investment Management Co., Ltd. (上海景林股權投資管理有限公司)[8]	Interest in controlled corporations	1,178,540	5.15	[**REDACTED**]	[**REDACTED**]
Greenwoods Capital Management Co., Ltd. (景林資本管理有限公司)[8]	Interest in controlled corporations	1,178,540	5.15	[**REDACTED**]	[**REDACTED**]
Tibet Jingning Enterprise Management Co., Ltd. (西藏景寧企業管理有限責任公司)[8]	Interest in controlled corporations	1,178,540	5.15	[**REDACTED**]	[**REDACTED**]
Shanghai Jingwu Investment Center (Limited Partnership) (上海景武投資中心(有限合夥))[8]	Interest in controlled corporations	1,178,540	5.15	[**REDACTED**]	[**REDACTED**]
Mr. Jiang Jinzhi (蔣錦志)[8]	Interest in controlled corporations	1,178,540	5.15	[**REDACTED**]	[**REDACTED**]
Shenzhen Greenwoods Jingying Equity Investment Fund Partnership (Limited Partnership) (深圳景林景盈股權投資基金合夥企業(有限合夥))[8]	Interest in controlled corporations	1,178,540	5.15	[**REDACTED**]	[**REDACTED**]

Notes:

(1) Opera Rose Limited is owned as to 99.9% by Dawning Sky Limited and 0.1% by Mr. Huo, respectively. Dawning Sky Limited is wholly owned by The Core Trust Company Limited, being the trustee of the Opera Rose Trust which is a discretionary trust established Mr. Huo as the settlor and beneficiary. As such, each of Opera Rose Limited, Dawning Sky Limited, Core Trust and Mr. Huo is deemed to be interested in the Shares held by Opera Rose Limited under the SFO.

(2) These Shares represent Mr. Huo's entitlement to receive up to 59,928 Shares ([**REDACTED**] Shares as adjusted after the [**REDACTED**]) pursuant to the exercise of options granted to him under the Pre-[**REDACTED**] Share Option Scheme, subject to the terms and conditions of these options.

(3) Vermilion Bird Limited is owned as to 99.9% by Glowing Fame Limited and 0.1% by Dr. Huo Yunlong, respectively. Glowing Fame Limited is wholly owned by the Core Trust, being the trustee of the Vermilion Bird Trust which is a discretionary trust established Dr. Huo Yunlong as the settlor and beneficiary. As such, each of Vermilion Bird Limited, Glowing Fame Limited, Core Trust and Dr. Huo Yunlong is deemed to be interested in the Shares held by Vermilion Bird Limited under the SFO.

(4) Xinyu Tongchuang Investment Management Co., Ltd. (新余同創精選投資管理有限公司) is the general partner of Tongxiang Haoqian and is wholly-owned by Cowin, a company listed on National Equities Exchange and Quotations (832793.NEEQ). Shenzhen Cowin Jinxiu Asset Management Co., Ltd. (深圳同創錦繡資產管理有限公司) is the general partner of Tongchuang Guosheng and is also wholly-owned by Cowin. As of the Latest Practicable Date, Cowin was held as to approximately 35.01% by Shenzhen Cowin Venture Capital Investments Co., Ltd. (深圳市同創偉業創業投資有限公司), which was in turn held as to approximately 55% by Ms. Huang Li (黃荔).

As such, Xinyu Tongchuang Investment Management Co., Ltd. (新余同創精選投資管理有限公司) is deemed to be interested in the Shares held by Tongxiang Haoqian under the SFO and each of Cowin Shenzhen Cowin Venture Capital Investments Co., Ltd. (深圳市同創偉業創業投資有限公司) and Ms. Huang Li (黃荔) is deemed to be interested in the 2,002,840 Shares ([**REDACTED**] Shares as adjusted after the [**REDACTED**]) held by Tongxiang Haoqian and the 589,280 Shares ([**REDACTED**] Shares as adjusted after the [**REDACTED**]) held by Tongchuang Guosheng under the SFO.

Shenzhen Futian Tongchuang Weiye Dajiankang Industry Investment Fund Partnership (Limited Partnership) (深圳福田同創偉業大健康產業投資基金合夥企業(有限合夥)) is the limited partner of Tongxiang Haoqian with approximately 96.3% partnership interest. As such, it is deemed to be interested in the Shares held by Tongxiang Haoqian.

(5) Ping An Group (02318.HK and 601318.SH) indirectly holds 100% interest in (i) Ping An Properties Investment Co., Ltd. (深圳市平安置業投資有限公司), which is the general partner of Ping An Investment; and (ii) Ping An Capital Co., Ltd. (平安資本有限責任公司), which is the general partner of Haihui Quanli. As such, Ping An Group is deemed to be interested in the 1,440,000 Shares ([**REDACTED**] Shares as adjusted after the [**REDACTED**]) held by Ping An Investment and the 960,000 Shares ([**REDACTED**] Shares as adjusted after the [**REDACTED**]) held by Haihui Quanli under the SFO.

(6) Mr. Zhou Bin is (i) the sole shareholder of Light Wisdom HK and (ii) the executive partner of Light Silver, which in turn is the general partner of Shanghai Xingzhourun and Qingzhou Internet. As such, Mr. Zhou Bin is deemed to be interested in the 980,920 Shares ([**REDACTED**] Shares as adjusted after the [**REDACTED**]) held by Light Wisdom HK, the 112,480 Shares ([**REDACTED**] Shares as adjusted after the [**REDACTED**]) held by Light Silver, the 172,620 Shares ([**REDACTED**] Shares as adjusted after the [**REDACTED**]) held by Shanghai Xingzhourun, and the 388,380 Shares ([**REDACTED**] Shares as adjusted after the [**REDACTED**]) held by Qingzhou Internet under the SFO.

(7) As of the Latest Practicable Date, Hebei Dongto was held as to 52% and 48% by Ms. Liu Jingxia (劉競霞) and Mr. Liu Lirui (劉力睿), respectively. As such, each of Ms. Liu Jingxia (劉競霞) and Mr. Liu Lirui (劉力睿) is deemed to be interested in the Shares held by Hebei Dongto.

(8) Shanghai Jingmairun is a limited partnership established in the PRC. The general partner of Shanghai Jingmairun is Shenzhen Jinghui Equity Investment Management Partnership (Limited Partnership) (深圳景輝股權投資管理合夥企業(有限合夥)), whose general partner is Shanghai Greenwoods Equity Investment Management Co., Ltd. (上海景林股權投資管理有限公司), which in turn is owned as to 90% by Greenwoods

Capital Management Co., Ltd. (景林資本管理有限公司). As of the Latest Practicable Date, Greenwoods Capital Management Co., Ltd. (景林資本管理有限公司) was held as to 50% by Tibet Jingning Enterprise Management Co., Ltd. (西藏景寧企業管理有限責任公司) and 40% by Shanghai Jingwu Investment Center (Limited Partnership) (上海景武投資中心(有限合夥)), whose general partner is Tibet Jingning Enterprise Management Co., Ltd. (西藏景寧企業管理有限責任公司). As of the Latest Practicable Date, Tibet Jingning Enterprise Management Co., Ltd. (西藏景寧企業管理有限責任公司) was held as to approximately 84.5% by Mr. Jiang Jinzhi (蔣錦志). As such, each of Shenzhen Jinghui Equity Investment Management Partnership (Limited Partnership) (深圳景輝股權投資管理合夥企業(有限合夥)), Shanghai Greenwoods Equity Investment Management Co., Ltd. (上海景林股權投資管理有限公司), Greenwoods Capital Management Co., Ltd. (景林資本管理有限公司), Tibet Jingning Enterprise Management Co., Ltd. (西藏景寧企業管理有限責任公司), Shanghai Jingwu Investment Center (Limited Partnership) (上海景武投資中心(有限合夥)) and Mr. Jiang Jinzhi (蔣錦志) is deemed to be interested in the Shares held by Shanghai Jingmairun.

Shenzhen Greenwoods Jingying Equity Investment Fund Partnership (Limited Partnership) (深圳景林景盈股權投資基金合夥企業(有限合夥)) is the limited partner of Shanghai Jingmairun with approximately 99.99% partnership interest. As such, Shenzhen Greenwoods Jingying Equity Investment Fund Partnership (Limited Partnership) (深圳景林景盈股權投資基金合夥企業(有限合夥)) is deemed to be interested in the Shares held by Shanghai Jingmairun.

Save as disclosed herein, our Directors are not aware of any persons who will, immediately following completion of the [**REDACTED**] and the [**REDACTED**] (assuming the [**REDACTED**] is not exercised and the options granted under the Pre-[**REDACTED**] Share Option Scheme are not exercised), without taking into account the [**REDACTED**] that may be taken up under the [**REDACTED**], have any interests or short positions in the Shares or 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, 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 or any other member of our Group.

BOARD OF DIRECTORS

Our Board of Directors consists of nine Directors, with four executive Directors, two non-executive Directors and three independent non-executive Directors. Our Board of Directors serves a term of three years and is responsible and has general powers for the management and conduct of our business.

The table below sets out certain information of our Directors.

Name	Age	Position(s)	Date of appointment as Director	Date of joining our Group	Role and responsibilities	Relationship with other Directors or senior management
Mr. Huo Yunfei (霍雲飛)	44	Chairman of the Board, executive Director and chief executive officer	April 9, 2021	August 7, 2014	Supervising and providing overall management business, and strategy of our Group	Cousin of Ms. Gu Yang
Mr. Lyu Yonghui (呂永輝)	46	Executive Director and joint chief executive officer	December 10, 2021	January 5, 2021	Overseeing the sales and marketing of our Group	None
Mr. Zhang Liang (張亮)	39	Executive Director, chief financial officer and joint company secretary	December 10, 2021	January 1, 2021	Supervising the internal financial control and securities works of our Group	None
Ms. Gu Yang (谷陽)	35	Executive Director and vice president	November 23, 2021	August 7, 2014	Supervising the human resources of our Group	Cousin of Mr. Huo Yunfei
Mr. Wang Lin (王霖)	38	Non-executive Director	November 23, 2021	November 23, 2021	Providing guidance on investment strategy and governance to our Group	None
Mr. Heng Lei (衡磊)	34	Non-executive Director	November 23, 2021	November 23, 2021	Providing guidance on investment strategy and governance to our Group	None

Name	Age	Position(s)	Date of appointment as Director	Date of joining our Group	Role and responsibilities	Relationship with other Directors or senior management
Mr. Liu Shuen Kong (廖船江)	49	Independent Non-executive Director	December 10, 2021 (effective from the [**REDACTED**] Date)	[**REDACTED**] Date	Supervising and providing independent opinion to our Board	None
Mr. Li Ho Man (李浩民)	38	Independent Non-executive Director	December 10, 2021 (effective from the [**REDACTED**] Date)	[**REDACTED**] Date	Supervising and providing independent opinion to our Board	None
Mr. Lau Tsz Ho Tony (劉梓浩)	33	Independent Non-executive Director	December 10, 2021 (effective from the [**REDACTED**] Date)	[**REDACTED**] Date	Supervising and providing independent opinion to our Board	None

The following sets forth the biographies of our Directors:

Executive Directors

Mr. Huo Yunfei (霍雲飛), aged 44, is our chairman of the Board, executive Director and chief executive officer. He was appointed as our Director on April 9, 2021 and was re-designated as the chairman of the Board, executive Director and chief executive officer of our Group on December 10, 2021. He is responsible for supervising and providing overall management business, and strategy of our Group. Mr. Huo founded Suzhou Runxin Medical Instrument Co., Ltd. (蘇州潤心醫療器械有限公司) ("**Suzhou Runxin**") on August 2014, and he has more than seven years of experience in the medical device industry.

Mr. Huo serves as director of several subsidiaries of our Group. Since March 2021, he has been serving as a director of Rianmed BVI and Rainmed HK and he is responsible to shareholders' meeting and presiding over the relevant affairs of the Board. In addition, he has been serving as an executive director and a director of Beijing Runxin and Rainmed US since August 2020 and November 2019, respectively, and he is responsible for the company's overall management. He has also been serving as a chairman and chief executive officer of Suzhou Rainmed since September 2020, and he is responsible for the company's overall management. Mr. Huo also served as a chairman of the board and a general manager of Suzhou Runxin from August 2014 to August 2020, and he was responsible to the shareholders' meeting and presiding over the relevant affairs of the Board.

Prior to joining our Group, Mr. Huo worked at Aspire Information Technology (Beijing) Co., Ltd. (卓望信息技術(北京)有限公司) ("**Aspire Beijing**") from December 2008 to December 2013, a subsidiary of China Mobile Limited, a listed company on the main board of the Stock Exchange (stock code: 0941.HK) and principally engaged in IT, ICT platform and application development services. He was also a chief engineer of Aspire Technologies (Shenzhen) Ltd. (卓望數碼技術(深圳)有限公司), a subsidiary of China Mobile Limited as well and principally engaged in software development supporting communications and the Internet, and he was responsible for internet marketing platform project from August 2005 to November 2008. Moreover, he worked at Siemens Ltd., China (西門子(中國)有限公司) from October 2004 to September 2005, a branch of Siemens AG (a listed company on the Frankfurt Stock Exchange (stock code: SIE)) and principally creates technology with purpose and focuses on digital innovations, combining the global R&D systems and extensive network of innovation centers with local business needs.

Mr. Huo obtained his bachelor's degree in information science from Beijing Institute of Technology (北京理工大學) in the PRC in July 2000. He further obtained his master's degree in advanced computer science from the University of Manchester in the United Kingdom in December 2003.

Mr. Lyu Yonghui (吕永輝), aged 46, is our executive Director and joint chief executive officer. He was appointed as the executive Director and joint executive officer on December 10, 2021. He is responsible for overseeing the sales and marketing of our Group. Since January 2021, he has been serving as a chief executive officer of Beijing Runxin and a co-chief executive officer of Suzhou Rainmed, and he is responsible for the marketing related works. Mr. Lyu has more than 20 years of experience in the medical equipment industry.

Prior to joining our Group, Mr. Lyu worked at Lepu Medical Technology (Beijing) Co., Ltd. (樂普(北京)醫療器械股份有限公司) from July 2001 to December 2020, a company primarily engaged in R&D and production of medical devices and drugs, and he was responsible for the sales of cardiovascular devices where his last position was deputy general manager. In addition, he was the process engineer of Luoyang Ship Material Research Institute (中國船舶重工集團公司第七二五研究所) ("**LSMRI**") from July 1996 to July 2001, an institution engaged in the research, development and application of shipbuilding materials.

Mr. Lyu obtained an undergraduate diploma in industrial engineering from Zhengzhou University (鄭州大學) in the PRC in December 2003. He also obtained his master's degree in senior management business administration from Renmin University of China (中國人民大學) in the PRC in January 2011. In addition, he received his senior engineer qualification in December 2008 issued by LSMRI. Mr. Lyu was approved by the China Association of Medical Equipment (中國醫學裝備協會) as the meeting member of the first standing committee of the cardiovascular equipment technology committee of the China Association of Medical Equipment (中國醫學裝備協會心血管裝備技術專業委員會) in September 2018 and was elected as a member of the sixth council of China Association of Medical Equipment (中國醫學裝備協會) in July 2015. He has also been a vice president of national association of health industry and enterprise management medical device business branch (全國衛生產業企業管理協會醫療器械商業分會) since November 2021.

Mr. Zhang Liang (張亮), aged 39, is our executive Director, chief financial officer and joint company secretary. He was appointed as our executive Director, chief financial officer and joint company secretary on December 10, 2021. He is responsible for supervising the internal financial control and securities works of our Group. Since March 2021, he has been served as the chief financial officer of Suzhou Rainmed, and is responsible for internal control and financial affairs. He served as the chief financial officer of Suzhou Runxin from January 2021 to February 2021, and he was responsible for the internal control and financial affairs. Mr. Zhang has over 15 years of experience in enterprises senior management especially in compliance, investment and financing.

Prior to joining our Group, he joined Yunnan Water Investment Co., Limited (雲南水務投資股份有限公司) ("**Yunnan water**"), a company listed on the main board of the Stock Exchange (stock code: 6839.HK), and served as the board secretary from September 2015 to December 2016 and rejoined as the board secretary from September 2017 to February 2021. Then he served as an alternate to the authorized representative of Yunnan Water from November 2019 to November 2021, and he was responsible for compliance and acted as the channel of communication between the company and the Stock Exchange. He was the founder, chief technology officer and chief financial officer of H.C. operation capital limited (港陸資本運營有限公司), a company engaged in enterprise management consulting services, and he was responsible for project operations and quality control from October 2015 to December 2020. He was also the board secretary of Shenzhen Wangtong E-commerce Company Limited (深圳市網通電子商務有限公司) from July 2014 to June 2015, an E-commerce company. In addition, he served as vice president and board secretary of Shenzhen Jinxin Industry Group Co., Ltd. (深圳金信實業集團有限公司), a financial affairs service company, and he was responsible for capital operation and management from May 2013 to June 2014. He was also the board secretary and deputy investment general manager of Leoch International Technology Limited (理士國際技術有限公司) (0842.HK) ("**Leoch**"), a Hong Kong listed company engaged in R&D and sales of batteries, and he was responsible for the internal control and public affairs from November 2006 to May 2013.

Mr. Zhang obtained an undergraduate diploma in lawyer from Zhongnan University of Economics and Law (中南財經政法大學) in the PRC in June 2004. He further obtained his master's degree in executive business administration from Jilin University (吉林大學) in the PRC in December 2017. He was qualified as the board secretary from Shenzhen Stock Exchange in September 2016.

Ms. Gu Yang (谷陽), aged 35, is our executive Director and vice president. She was appointed as our Director on November 23, 2021 and was re-designated as the executive Director and vice president on December 10, 2021. She is responsible for supervising the human resources of our Group. Since March 2021, she has been serving as a vice president of Suzhou Rainmed. She has also been a supervisor of Beijing Runxin since August 2020. She also worked as the director of general management department of Suzhou Runxin from August 2014 to February 2021.

Prior to joining our Group, Ms. Gu worked at Aspire Beijing, a subsidiary of China Mobile Limited (中國移動有限公司) from June 2012 to April 2014, a listed company on the main board of the Stock Exchange (stock code: 0941.HK) and primarily engaged in IT, ICT platform and application development services.

Ms. Gu obtained her bachelor's degree in information management and information systems from Tianjin University Ren'ai College (天津大學仁愛學院) in the PRC in July 2010. She received her certificate of human resources management II issued by the Vocational Skills Appraisal Center of Ministry of Human Resources and Social Security (人力資源和社會保障部職業技能鑑定中心) in December 2017.

Non-executive Directors

Mr. Wang Lin (王霖), aged 38, is our non-executive Director. He was appointed as our Director on November 23, 2021 and was re-designated as our non-executive Director on December 10, 2021. He is responsible for providing guidance on investment strategy and governance to our Group.

Prior to joining our Group, Mr. Wang has been working at Ping An Capital Co., Ltd. (平安資本有限責任公司) since March 2019, where his current position is SVP of trust private equity division. He served as a senior deputy director of investment of Ping An Caifu Licai Management Co. Ltd. Shanghai branch (平安財富理財管理有限公司上海分公司) from August 2013 to February 2019, an investment management company. He also served as a senior investment manager of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (上海復星醫藥(集團)股份有限公司) (stock code: 600196.SH) (stock code: 02196.HK) from August 2011 to August 2013, a leading innovation-driven international healthcare group. Prior to that, Mr. Wang started his career at Deloitte Touche Tohmatsu Certified Public Accountants LLP (德勤華永會計師事務所(特殊普通合伙)) on July 2007.

Mr. Wang obtained his bachelor's degree in economics and master's degree in business administration from Shanghai Jiao Tong University (上海交通大學) in the PRC in July 2007 and March 2014, respectively. He has been a certified internal auditor approved by the Institute of Internal Auditors since November 2009. In addition, he has successfully met the prescribed requirements for certification as established by the Information Systems Audit and Control Association and has been awarded the professional designation of Certified Internal Information Systems Auditor since December 2010.

Mr. Heng Lei (衡磊), aged 34, is our non-executive Director. He was appointed as our Director on November 23, 2021 and was re-designated as our non-executive Director on December 10, 2021. He is responsible for providing guidance on investment strategy and governance to our Group.

Prior to joining our Group, Mr. Heng has been a deputy director of investment of Shenzhen Cowin Asset Management Co., Ltd. (深圳同創偉業資產管理股份有限公司) (stock code: 832793.NEEQ) since July 2017, a professional private equity investment company. He served as an analyst of SIP Oriza PE Fund Management Co., Ltd. (蘇州工業園區元禾重元股權投資基金管理有限公司) from April 2015 to June 2017, a subsidiary of Suzhou Oriza Holdings Co., Ltd. (蘇州元禾控股股份有限公司), an investment holding enterprise with a fund scale of more than RMB100 billion. He also worked as an investment manager of SanPower Group Co., Ltd (三胞集團有限公司) from June 2014 to March 2015, a multi-national conglomerate whose core business engagements are within the technology and modern service industries. Moreover, he served as an investment manager of SND Ventures Group Co., Ltd. (蘇州高新創業投資集團有限公司) from May 2012 to June 2014, an equity investment company.

Mr. Heng obtained his bachelor's degree in biology science and master's degree in immunology from Soochow University (蘇州大學) in the PRC in June 2009 and June 2012, respectively.

Independent Non-executive Directors

Mr. Liu Shuen Kong (廖船江), aged 49, is our independent non-executive Director. He was appointed as an independent non-executive Director on December 10, 2021 with effect from the [**REDACTED**] Date and is responsible for supervising and providing independent judgment to our Board. Mr. Liu has more than 20 years of experience in accounting, auditing and management.

Prior to joining our Group, Mr. Liu has been served as an independent non-executive director of Yunnan Water since June 2018. He has also been a managing director of Futec International Holdings Limited (富德國際控股有限公司) since May 2017, a company engaged in professional financial services. He was the chief financial officer, company secretary and executive director of Shenzhen Yestock Automobile Service Co., Ltd. (深圳市贏時通汽車服務有限公司) from January 2014 to March 2017, a car rental company. He was also the chief financial officer of Leoch, a company listed in the main board of the Stock Exchange and primarily engaged in R&D and sales of batteries, and he was responsible for financing, investment and corporate management from September 2010 to November 2013. In addition, Mr. Liu has worked at KPMG Advisory (China) Limited (畢馬威企業諮詢(中國)有限公司) for 14 years from December 1996 to September 2010 where his last position was senior manager.

Mr. Liu obtained his bachelor's degree in accountancy and master's degree in accountancy from Royal Melbourne Institute of Technology (RMIT) University in Australia in November 1997 and September 2003, respectively. He subsequently obtained another master's degree in business administration from Deakin University in Australia in October 2004. He has been a certified public accountant in Australia since May 2000 and a member of Hong Kong Society of Accountants since July 2000. He also has been registered for Type 9 license (asset management) authorized by Hong Kong Securities and Futures Commission since January 2019.

Mr. Li Ho Man (李浩民), aged 38, is our independent non-executive Director. He was appointed as an independent non-executive Director on December 10, 2021 with effect from the [**REDACTED**] Date and is responsible for supervising and providing independent judgment to our Board.

Mr. Li has profound experience in legal industry. Prior to joining our Group, Mr. Li has been an independent non-executive director of Yorkey Optical International (Cayman) Ltd. (精熙國際(開曼)有限公司) (stock code: 2788.HK) since November 2021. He worked at H.Y. Leung & Co. LLP from January 2021 to November 2021, where his last position was a consultant. He joined L&C Legal LLP (a Hong Kong law firm in association with Jingtian & Gongcheng from September 2018 and later renamed as Jingtian & Gongcheng LLP in April 2019) and served as a senior associate from September 2018 to January 2019 and as a salaried partner from January 2019 to June 2020. He served as a senior associate of Mayer Brown from February 2018 to August 2018 and as a senior associate of Holman Fenwick Willan from June 2017 to February 2018. In addition, he has been practising law and has gained experience in Hong Kong listing and compliance matters as an associate at various law firms, including Troutman Sanders from September 2014 to June 2017, Fangda Partners from August 2013 to August 2014, DLA Piper (Hong Kong) from April 2011 to July 2013, Iu, Lai & Li from October 2010 to April 2011 and Stevenson Wong & Co. from September 2009 to June 2010. Moreover, he joined Deacons as a paralegal in April 2006 and further served as a trainee solicitor from August 2007 to July 2009.

Mr. Li obtained his bachelor's degree in law and post graduate certificate in laws from the University of Hong Kong in June 2005 and June 2007, respectively. He was qualified as a solicitor of the High Court of Hong Kong in December 2009.

Mr. Lau Tsz Ho Tony (劉梓浩), aged 33, is our independent non-executive Director. He was appointed as an independent non-executive Director on December 10, 2021 with effect from the [**REDACTED**] Date and is responsible for supervising and providing independent judgment to our Board.

Prior to joining our Group, Mr. Lau was a co-chairman of Celsius Holdings, Inc. (stock code: CELH. Nasdaq) from April 2018 to October 2021, a Nasdaq listed company engaged in fast-moving consumer goods industry. He was also a director of the board of ChromaDex Corporation (stock code: CDXC) from June 2018 to November 2021, a Nasdaq listed company engaged in life science industry. In addition, he worked at HVL Ventures Limited (formerly named Horizons Ventures Limited (維港投資集團有限公司)) from September 2014 to September 2021, a venture capital firm. Prior to that, he also worked at Goldman Sachs Group, Inc.

Mr. Lau obtained his bachelor's degree in finance from Peking University (北京大學) in the PRC in July 2011.

General

Our Directors have confirmed that:

(1) save as disclosed in the paragraph headed "C. Further Information about our Directors – 2. Particulars of Directors' Service Contracts and Appointment Letters" in Appendix IV to this document, none of our Directors has any existing or proposed service contract with our Group or any of its subsidiaries other than contracts expiring or determinable by the relevant member of our Group within one year without payment of compensation (other than statutory compensation);

(2) save as disclosed in the paragraph headed "C. Further Information about our Directors – 1. Disclosure of interests" in Appendix IV to this document and above, each of our Directors has no interests in the Shares within the meaning of Part XV of the SFO;

(3) save as disclosed above, each of our Directors has not been a director of any other publicly listed company during the three years prior to the Latest Practicable Date and as the Latest Practicable Date;

(4) save as disclosed herein, other than being a Director of our Group, none of our Directors has any relationship with any other Directors, senior management of our Group or substantial shareholders of our Group; and

(5) none of our Directors completed their respective education programs as disclosed in this section by way of attendance of long distance learning or online courses.

Except as disclosed in this document, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries:

(1) there is no other matter with respect to the appointment of our Directors that need to be brought to the attention to the Shareholders as at the Latest Practicable Date; and

(2) there is no other information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules as at the Latest Practicable Date.

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management and operation of our business. The table below sets out certain information in respect of the senior management of our Group.

Name	Age	Position(s)	Date of appointment as senior management	Date of joining our Group	Role and responsibilities
Mr. Huo Yunfei (霍雲飛)	44	Chairman of the Board, executive Director and chief executive officer	December 10, 2021	August 7, 2014	Supervising and providing overall management business, and strategy of our Group
Mr. Lyu Yonghui (呂永輝)	46	Executive Director and joint chief executive officer	December 10, 2021	January 5, 2021	Overseeing the sales and marketing of our Group
Mr. Zhang Liang (張亮)	39	Executive Director, Chief financial officer and joint company secretary	December 10, 2021	January 1, 2021	Supervising the internal financial control and securities works of our Group
Ms. Gu Yang (谷陽)	35	Executive Director and vice president	December 10, 2021	August 7, 2014	Supervising the human resources of our Group
Mr. Liu Guangzhi (劉廣志)	42	Chief technology officer	December 10, 2021	August 7, 2014	Supervising the R&D projects and laboratories of our Group
Mr. Wu Xingyun (吳星雲)	45	Vice president	December 10, 2021	August 7, 2014	Supervising supply chain department, quality department, production department and engineering department
Mr. Zhou Chang (周昌)	44	Vice president	December 10, 2021	May 6, 2020	Supervising the business development department

Mr. Huo Yunfei (霍雲飛), see "– Board of Directors – Executive Directors" for details.

Mr. Lyu Yonghui (呂永輝), see "– Board of Directors – Executive Directors" for details.

Ms. Gu Yang (谷陽), see "– Board of Directors – Executive Directors" for details.

Mr. Zhang Liang (張亮), see "– Board of Directors – Executive Directors" for details.

Mr. Liu Guangzhi (劉廣志), aged 42, is our chief technology officer. He was appointed as the chief technology officer on December 10, 2021. He is responsible for supervising the R&D projects and laboratories. Since August 2020, he has been a manager of Beijing Runxin. He has also served as the chief technology officer of Suzhou Rainmed since September 2020, a subsidiary of our Company, and as a deputy general manager of Suzhou Runxin from August 2014 to August 2020, and was responsible for R&D and clinical medicine.

Prior to joining our Group, Mr. Liu worked for four technology companies from April 2005 to February 2014, including, as the manager of business department at Beijing Tonglian Tiandi Technology Co., Ltd. (北京通聯天地科技有限公司) from February 2012 to February 2014, a company engaged in internet operations, where his primary responsibilities were business management and product research and development; as the R&D manager at Beijing Lanlong Tianyou Technology Co., Ltd. (北京藍龍天游科技有限公司) from September 2010 to January 2012, a company engaged in internet operations, where his primary responsibilities were business management and software product development; at Shenzhou Aomei Network Co., Ltd. (神州奧美網絡有限公司) from February 2007 to April 2008, a company engaged in games operations; and at Beijing Jinqiguang Electric Power Technology Co., Ltd. (北京金啟光電力技術有限公司) from April 2005 to May 2006, a company engaged in power system information management.

Mr. Liu obtained his college degree in power supply and consumption technology from Shandong Institute of Engineering (山東工程學院) (subsequently merged with Zibo College (淄博學院) as Shandong University of Technology (山東理工大學)) in the PRC in July 2001. He also passed the National Computer Rank Examination with grade 3B in April 2001.

Mr. Wu Xingyun (吳星雲), aged 45, is our vice president. He was appointed as the vice president on December 10, 2021. He is responsible for supervising supply chain department, quality department, production department and engineering department. Since March 2021, he serves as a vice president of Suzhou Rainmed, and has been responsible for the overall management of supply chain department, quality department, production department and engineering department. He also served as the deputy general manager of Suzhou Runxin from August 2014 to February 2021 and was responsible for the overall management of supply chain department, quality department, production department and engineering department.

Prior to joining our Group, he worked at Alibaba Health Information Technology (Beijing) Limited (阿里健康信息技術(北京)有限公司) from November 2012 to February 2013, a company engaged in software development. Mr. Wu also worked at Zhimei Jiahua Advertising (Beijing) Co., Ltd. (至美嘉華廣告(北京)有限公司) from January 2012 to October 2012, a company engaged in advertisement. He served as the manager engineer of Aspire Beijing from February 2009 to January 2012, a subsidiary of China Mobile Limited (中國移動有限公司) (0941.HK) and primarily engaged in IT, ICT platform and application development services. In addition, he worked at Beijing Saihe Weiye Information Technology Co., Ltd. (北京賽和偉業信息技術有限公司) from April 2006 to November 2008, a company primarily engaged in software development. He served as the product manager of Beijing Linkhead Technologies Co., Ltd. (北京林克海德科技有限公司) from May 2003 to March 2006,

a company engaged in system integration and software development. Moreover, he worked at Ruanxun (Beijing) Information Technologies Co., Ltd. (軟訊(北京)信息技術有限公司) from December 2001 to April 2003, a company engaged in internet development. He also worked at Utstarcom Telecom Co., Ltd. Hangzhou R&D branch (華友斯達康通訊有限公司杭州研發分公司) from September 1999 to July 2000, a company engaged in communications.

Mr. Wu obtained his bachelor degree in electronic instrument and measurement technology from Jimei University (集美大學) in the PRC in July 1999.

Mr. Zhou Chang (周昌), aged 44, is our vice president. He was appointed as the vice president on December 10, 2021. He is responsible for supervising the business development department. Since March 2021, he has been served as the vice president of Suzhou Rainmed and mainly responsible for the business development related affairs. He has also been served as director of business development of Suzhou Runxin, and he was responsible for the business development affairs from May 2020 to February 2021.

Prior to Joining our Group, Mr. Zhou worked at Suzhou Industrial Park Human Resources Development Co., Ltd. (蘇州工業園區人力資源開發有限公司), a human resources company and he was responsible for operation management of public recruitment platform from December 2002 to September 2014.

Mr. Zhou obtained his bachelor's degree in computer and applications from Soochow University (蘇州大學) in the PRC in June 2001.

General

Save as disclosed above, each of our senior management members has confirmed that:

(1) he/she does not hold any other positions in our Group as at the Latest Practicable Date;

(2) save as being a member of the Group's senior management, and the selected participants of the Pre-[**REDACTED**] Share Option Scheme and the relationship disclosed in this section above, he/she does not have any other relationship with any Directors, substantial shareholders of our Group or other members of senior management of our Group as at the Latest Practicable Date;

(3) save as disclosed above, he/she does not hold and has not held any other directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the three years prior to the Latest Practicable Date and as at the Latest Practicable Date; and

(4) he/she has not completed their respective education programs as disclosed in this section by way of attendance of long distance learning or online courses.

JOINT COMPANY SECRETARIES

Mr. Zhang Liang (張亮), see "– Board of Directors – Executive Directors" for details.

Ms. Chu Cheuk Ting (朱卓婷), is our joint company secretary. She was appointed as a joint company secretary of our Group on December 10, 2021. Ms. Chu is a manager of the listing services department of TMF Hong Kong Limited, and she is responsible for providing corporate secretarial and compliance services to listed companies. She has over 12 years of experience in the corporate secretarial field. Ms. Chu is an associate of both The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute in the United Kingdom. Ms. Chu holds a bachelor of arts degree from The Hong Kong Polytechnic University (香港理工大學) and a master of science degree in professional accounting and corporate governance from the City University of Hong Kong (香港城市大學).

COMPLIANCE ADVISER

We have appointed Opus Capital Limited as our compliance adviser pursuant to Rules 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us on the following circumstances:

- before the publication of any announcements, circulars or financial reports required by regulatory authorities or applicable laws;
- where a transaction, which might be a notifiable or connected transaction under Chapters 14 and 14A of the Listing Rules is contemplated, including share issues and share repurchases;
- where we propose to use the [**REDACTED**] of the [**REDACTED**] in a manner different from that detailed in this document or where our business activities, developments or results deviate from any forecast, estimate or other information in this document; and
- where the Stock Exchange makes an inquiry of us regarding unusual price movement and trading volume or other issues under Rule 13.10 of the Listing Rules.

The terms of the appointment shall commence on the [**REDACTED**] Date and end on the date which we distribute our annual report of our financial results for first full the financial year commencing after the [**REDACTED**] Date.

BOARD COMMITTEES

We have established the following committees on our Board: an audit committee, a remuneration committee and a nomination committee. The committees operate in accordance with the terms of reference established by our Board.

Audit Committee

The Group has established an audit committee (effective from the [**REDACTED**] Date) with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.4 and paragraph D.3 of part 2 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "**Corporate Governance Code**"). The audit committee consists of Mr. Liu Shuen Kong, Mr. Lau Tsz Ho Tony and Mr. Li Ho Man, with Mr. Liu Shuen Kong serving as the chairman. Mr. Liu Shuen Kong holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules. The primary duties of the audit committee are to assist our Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of our Group, overseeing the audit process, and performing other duties and responsibilities as assigned by our Board.

Remuneration Committee

The Group has established a remuneration committee (effective from the [**REDACTED**] Date) with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph E.1 of part 2 of the Corporate Governance Code. The remuneration committee consists of Mr. Li Ho Man, Mr. Liu Shuen Kong and Ms. Gu Yang, with Mr. Li Ho Man serving as the chairman. The primary duties of the remuneration committee include, but are not limited to, the following: (i) making recommendations to our Board on our policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration; (ii) determining the specific remuneration packages of all Directors and senior management; and (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by our Board from time to time.

Nomination Committee

The Company has established a nomination committee (effective from the [**REDACTED**] Date) with written terms of reference in compliance with paragraph B.3 of part 2 of the Corporate Governance Code. The nomination committee consists of Mr. Huo Yunfei, Mr. Liu Shuen Kong and Mr. Li Ho Man, with Mr. Huo Yunfei serving as the chairman. The primary functions of the nomination committee include, without limitation, reviewing the structure, size and composition of our Board, assessing the independence of independent non-executive Directors and making recommendations to our Board on matters relating to the appointment of Directors.

CORPORATE GOVERNANCE

Code Provision C.2.1 of the Corporate Governance Code

Mr. Huo is our chairman of the Board and chief executive officer of our Group. He is in charge of overall strategic planning and decision-making, execution, operation and management of our Company. While this will constitute a deviation from Code Provision C.2.1 of the Code as set out in Appendix 14 to the Listing Rules, our Board considers that vesting the roles of both chairman of the Board and chief executive officer all in Mr. Huo has the benefit of ensuring consistent leadership and more effective and efficient overall strategic planning of our Group. The balance of power and authority is ensured by the operation of our Board, which comprises experienced and diverse individuals. Our Board currently comprises two non-executive Directors and three independent non-executive Directors as compared to four executive Directors. Therefore, our Board possesses an independent element in its composition. Save as disclosed above, our Group intends to comply with all code provisions under the Corporate Governance Code after the [**REDACTED**].

Save as disclosed above, our Company intends to comply with all code provisions under the Corporate Governance Code after the [**REDACTED**].

Board Diversity

We have adopted a board diversity policy (the "**Board Diversity Policy**") to enhance the effectiveness of our Board and to maintain a high standard of corporate governance. Pursuant to the Board Diversity Policy, in reviewing and assessing suitable candidates to serve as a Director of the Group, the Nomination Committee will consider a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, age, language, cultural and educational background, professional qualifications, skills, knowledge, industry and regional experience and/or length of service.

Our Directors have a balanced mixed of knowledge and skills, including but not limited to overall business management, finance and accounting, research and development, and investment. They obtained degrees in various majors including engineering, biology science, economics, law, accounting, etc. Furthermore, our Board has a relatively wide range of ages, ranging from 33 years old to 49 years old and consists of eight male members and one female member. The Board of Directors is of the view that our Board satisfies the Board Diversity Policy. The Nomination Committee is responsible for reviewing the diversity of the Board, reviewing the Board Diversity Policy from time to time, developing and reviewing measurable objectives for implementing the Board Diversity Policy, and monitoring the progress on achieving these measurable objectives in order to ensure that the policy remains effective. The Company will (i) disclose the biographical details of each Director and (ii) report on the implementation of the Board Diversity Policy (including whether we have achieved board diversity) in its annual corporate governance report. In particular, our Group will take opportunities to increase the proportion of female members of the Board when selecting and recommending suitable candidates for Board appointments to help enhance gender diversity in

accordance with stakeholder expectations and recommended best practices. Our Group also intends to promote gender diversity when recruiting staff at the mid to senior level so that our Company will have a pipeline of female senior management and potential successors to the Board. We believe that such merit-based selection process with reference to our diversity policy and the nature of our business will be in the best interests of our Group and our Shareholders as a whole.

COMPETITION

Each of our Directors confirms that as of the Latest Practicable Date, he or she did not have any interest in a business which competes or is likely to compete, directly or indirectly, with our business, and requires disclosure under Rule 8.10 of the Listing Rules.

KEY TERMS OF EMPLOYMENT CONTRACTS

We normally enter into (i) an employment contract and (ii) a confidentiality agreement with our senior management members and other key personnel (other than Directors). Below sets forth the key terms of these contracts we enter into with our senior management and other key personnel.

Confidentiality

- *Confidentiality obligations*. The employee shall, during the course of employment with our Company and thereafter, keep in confidence all technical, operational information or trade secrets belonging to the Group or other third parties to whom our Company owes confidentiality obligations. Without our Group's prior consent, the employee shall not leak, disclose, publish, announce, issue, teach, transfer or otherwise make available to any third party (including employees who are not privy to such trade secrets) any such trade secrets of our Group or the aforementioned third parties in any manner and shall not utilize such trade secret beyond his or her scope of work.

Ownership of intellectual work products

- *Acknowledgement:* The employee acknowledges and agrees that our Group shall own all intellectual work products he or she produces during the course of employment with our Group for the purposes of undertaking their duties and responsibilities.

Non-competition

- *Non-competition obligation during employment term*. During the term of his/her employment with our Group, unless with our Group's prior consent, the employee shall not engage in any business that competes with or are similar to that of our Group's business.

Compensation for breach of covenants

- If the employee breaches the obligations under the confidentiality and intellectual property agreements, our Group shall be entitled to recover from the employee any losses incurred and any profits earned by the employee as a result of the breaches.

COMPENSATION OF DIRECTORS AND MANAGEMENT

Our Directors receive compensation in the form of fees, salaries, bonuses, other allowances and benefits in kind, including the Company's contribution to the pension scheme on their behalf. Our Directors' remuneration is determined with reference to the relevant Director's experience and qualifications, level of responsibility, performance and the time devoted to our business, and the prevailing market conditions.

The aggregate amount of remuneration of directors which was recorded for the two years ended December 31, 2020 and 2021 were approximately RMB0.5 million and RMB66.4 million, respectively.

It is estimated that remuneration and benefits in kind (excluding any possible payment of discretionary bonus) equivalent to approximately RMB10.0 million in aggregate will be paid and granted to our Directors by us in respect of the financial year ended December 31, 2022 under arrangements in force at the date of this document.

The five highest paid employees for the two years ended December 31, 2020 and 2021 included nil and 3 directors, respectively, and the aggregate amount of remuneration recorded who are neither a director nor chief executives of our Group were approximately RMB3.2 million and RMB7.8 million, respectively.

During the Track Record Period, (i) no remuneration was paid to our Directors or the five highest paid individuals as an inducement to join, or upon joining our Group, (ii) no compensation was paid to, or receivable by, our Directors or past Directors or the five highest paid individuals for the loss of office as director of any member of our Group or any other office in connection with the management of the affairs of any member of our Group, and (iii) none of our Directors waived any emoluments.

Except as disclosed above, no other payments have been paid, or are payable, by our Group to our Directors or the five highest paid individuals of our Group during the Track Record Period.

For additional information on Directors' remuneration during the Track Record Period as well as information on the highest paid individuals, please refer to Note 8 of the Accountant's Report set out in Appendix I to this document.

[**REDACTED**]

We estimate that we will receive net [**REDACTED**] from the [**REDACTED**] of approximately HK$[**REDACTED**] million, after deducting [**REDACTED**] commissions, fees and estimated expenses payable by us in connection with the [**REDACTED**], and assuming the [**REDACTED**] is not exercised and an [**REDACTED**] of HK$[**REDACTED**] per Share, which is the mid-point of the indicative [**REDACTED**] range stated in this document. If the [**REDACTED**] is set at HK$[**REDACTED**] per Share, which is the high end of the indicative [**REDACTED**] range, the net [**REDACTED**] from the [**REDACTED**] will increase by approximately HK$[**REDACTED**] million. If the [**REDACTED**] is set at HK$[**REDACTED**] per Share, which is the low end of the indicative [**REDACTED**] range, the net [**REDACTED**] from the [**REDACTED**] will decrease by approximately HK$[**REDACTED**] million.

Assuming an [**REDACTED**] at the mid-point of the [**REDACTED**], we currently intend to apply these net [**REDACTED**] for the following purposes:

➢ [**REDACTED**]%, or approximately HK$[**REDACTED**] million, will be allocated to our Core Products, namely, caFFR System and caIMR System. In addition to the net [**REDACTED**] from the [**REDACTED**] to be received and allocated, we also plan to utilize our internal liquidity sources to fund the research and development as well as commercialization of our Core Products.

- [**REDACTED**]%, or approximately HK$[**REDACTED**] million, will be allocated to fund the ongoing research and development, further clinical studies, preparation for registration filings, manufacturing and commercialization of our caFFR System, including:

  o [**REDACTED**]%, or approximately HK$[**REDACTED**] million, will be allocated to fund our planned clinical trials required by the competent authorities for additional indications to cover patients with acute STEMI, acute NSTEMI and HFpEF. We have initiated the patient enrollment for the indication expansion in January 2021 and expect to complete the enrollment in the fourth quarter of 2022. For such indication expansion, we currently plan to enroll 2,132 patients and work with more than 30 clinical trial centers in China. We expect to complete such clinical trials in the fourth quarter of 2024, and to submit the registration application to the NMPA in 2025.

  o [**REDACTED**]%, or approximately HK$[**REDACTED**] million, will be allocated to fund our planned overseas clinical trials and product registration of our caFFR System in overseas markets. We currently expect to initiate the planned clinical trials in Japan, South Korea and the U.S. in the fourth quarter of 2022, and to submit our registration applications to the PMDA, the MFDS and the FDA in the fourth quarter of 2023, the fourth quarter of 2023, and 2025, respectively;

- [**REDACTED**]%, or approximately HK$[**REDACTED**] million, will be allocated to fund the expansion of the manufacturing capacity of our caFFR System, including the addition and upgrade of manufacturing equipment and machines used for the R&D and commercial manufacturing of our caFFR System to build our semi-automation production line, as well as recruiting and training approximately 10 to 20 manufacturing employees within the next five years. Our new manufacturing facility in Suzhou is expected to be put into full operation by the end of 2022; and

- [**REDACTED**]%, or approximately HK$[**REDACTED**] million, will be allocated to fund our sales and marketing activities for our caFFR System in China and overseas to expand our sales channels, continue patient education and sponsor academic conferences to increase the penetration rate of our caFFR System. We plan to recruit and train more sales and marketing employees in China and overseas markets and conduct more market conferences and academic promotion activities both in China and overseas markets. We also plan to further develop our sales and marketing training system to provide training sessions to all of our existing and newly recruited sales and marketing personnel. The training sessions will include basic knowledge of CAD related surgery and interventional medical device, industry knowledge of interventional medical device, knowledge of our caFFR System, and sales skills, especially targeting the cardiology departments in hospitals, where our products are mostly deployed.

• [**REDACTED**]%, or approximately HK$[**REDACTED**] million, will be allocated to fund the ongoing research and development, further clinical studies, preparation for registration filings, manufacturing and commercialization of our caIMR System, including:

  - [**REDACTED**]%, or approximately HK$[**REDACTED**] million will be allocated to fund the ongoing clinical trials of caIMR System in China. We submitted the registration application to the NMPA in April 2022. Currently, we are in the process of completing the registration process and expect to receive the registration approval in the fourth quarter of 2022. Upon the commercialization of our caIMR System, we aim to initiate the clinical trials for indication expansion in China in the first quarter of 2023. We currently plan to enroll more than 2,000 patients and work with more than 30 clinical trial centers in China for such indication expansion.

- o [**REDACTED**]%, or approximately HK$[**REDACTED**] million will be allocated to fund our planned overseas clinical trials and product registration of our caIMR System in overseas markets. We currently expect to initiate such clinical trials in Japan, South Korea and the U.S. in the fourth quarter of 2022. We plan to submit the registration applications to the Notified Body of EU in the second quarter of 2022, the PMDA and the MFDS in the fourth quarter of 2023, as well as to the FDA in 2025;

- o [**REDACTED**]%, or approximately HK$[**REDACTED**] million, will be allocated to fund the expansion of the manufacturing capacity of our caIMR System, including the addition and upgrade of manufacturing equipment and machines used for the R&D and commercial manufacturing of our caIMR System to build our semi-automation production line, as well as recruiting and training approximately 20 to 30 manufacturing employees within the next five years; and

- o [**REDACTED**]%, or approximately HK$[**REDACTED**] million, will be allocated to fund our sales and marketing activities for our caIMR System in China and overseas to expand our sales channels, continue patient education and sponsor academic conferences to increase the penetration rate of our caIMR System. We plan to recruit and train more sales and marketing employees in China and overseas markets and conduct more market conferences and academic promotion activities both in China and overseas markets. We also plan to further develop our sales and marketing training system to provide training sessions to all of our existing and newly recruited sales and marketing personnel. The training sessions will include basic knowledge of CAD related surgery and interventional medical device, industry knowledge of interventional medical device, knowledge of our caIMR System, and sales skills, especially targeting the cardiology departments in hospitals, where our products are mostly deployed.

➢ [**REDACTED**]%, or approximately HK$[**REDACTED**] million, will be allocated to fund the ongoing research and development, manufacturing and commercialization of our other pipeline products, including:

- [**REDACTED**]%, or approximately HK$[**REDACTED**] million, will be allocated to fund our research and development and product registration of our Intelligent Angiographic Injection System in China, Europe and other emerging markets:

  - o [**REDACTED**]%, or approximately HK$[**REDACTED**] million, will be allocated to fund the ongoing and planned research and development activities and product registration of Intelligent Angiographic Injection

System in China. We expect to initiate the type testing in China in the second quarter of 2022. We plan to submit the registration application to the NMPA in the fourth quarter of 2022; and

- o [**REDACTED**]%, or approximately HK$[**REDACTED**] million, will be allocated to fund the planned research and development activities and product registration of our Intelligent Angiographic Injection System in the U.S. and Europe. We expect to complete the type testing in the U.S. in the second quarter of 2023 and submit the registration application to the Notified Body of EU and the FDA in the second quarter of 2023.

- [**REDACTED**]%, or approximately HK$[**REDACTED**] million, will be allocated to fund the ongoing and planned preclinical research, clinical trials and product registration of Flash Robot Vascular Intervention Navigation Operation System, including:

  - o [**REDACTED**]%, or approximately HK$[**REDACTED**] million, will be allocated to fund preclinical research and clinical trials of Flash Robot Vascular Intervention Navigation Operation System for coronary artery diseases. We expect to initiate animal studies and the type testing in the second quarter of 2022, as well as the clinical trials in the fourth quarter of 2022 in China;

  - o [**REDACTED**]%, or approximately HK$[**REDACTED**] million, will be allocated to fund preclinical research and clinical trials of Flash Robot Vascular Intervention Navigation Operation System for peripheral vascular diseases. We expect to the initiate type testing in the third quarter of 2023 and animal studies in the first quarter of 2024. We aim to conduct clinical trials in the third quarter of 2024 in China; and

  - o [**REDACTED**]%, or approximately HK$[**REDACTED**] million, will be allocated to fund preclinical research and clinical trials of Flash Robot Vascular Intervention Navigation Operation System for neurovascular diseases. We expect to initiate the type testing in the third quarter of 2023 and animal studies in the first quarter of 2024. We aim to conduct clinical trials in the third quarter of 2024 in China.

- [**REDACTED**]%, or approximately HK$[**REDACTED**] million, will be allocated to fund the ongoing and planned preclinical research, clinical trials and product registration of Flash RDN System. We expect to commence animal studies and the type testing in the fourth quarter of 2022, as well as the clinical trials for Flash RDN System in the second quarter of 2023 in China;

➢ [**REDACTED**]%, or approximately HK$[**REDACTED**] million, will be allocated to our general working capital and general corporate purposes.

The above allocation of the net [**REDACTED**] from the [**REDACTED**] will be adjusted on a pro rata basis in the event that the [**REDACTED**] is fixed at a higher or lower level compared to the mid-point of the indicative [**REDACTED**] range stated in this document.

In the event that the net [**REDACTED**] from the [**REDACTED**] are not sufficient to fund our expansion plan as disclosed above, we plan to utilize our internal capital resources or external financing as we believe appropriate to fund our future expansion. To the extent that the net [**REDACTED**] from the [**REDACTED**] are not immediately applied to the above purposes, we may hold such funds in short-term demand deposits with licensed banks or authorized financial institutions. We will issue an appropriate announcement if there is any material change to the above [**REDACTED**].

FUTURE PLANS AND PROSPECTS

For a detailed description of our future plans, please refer to the paragraph headed "Business – Our Strategies" in this document. We currently expect to spend approximately RMB[**REDACTED**] (approximately HK$[**REDACTED**]) to fund the research and development efforts to bring our Core Products (including the expansion of indication of our caFFR System) to commercialization. In addition to the net [**REDACTED**] from the [**REDACTED**] allocated to the Core Products above, we plan to fund our research and development efforts partially by utilizing our internal liquidity sources, including, among others, cash and cash equivalents of RMB526.8 million as well as unutilized bank facilities of RMB190.0 million, as of April 30, 2022. In addition, in late May 2022, we obtained the letters of intent from two commercial banks in China for loan facilities of RMB500 million from each. We believe that we would not have any material difficulty in obtaining additional loan facilities in the future if necessary. In addition, in the long term, we also plan to diversify our sources of funding based on market conditions, such as additional equity financings and/or other bank facilities, to solidify our financial positions as appropriate and to further fund research development activities for other product candidates and enhance our research development capabilities. We also expect our operating cash flow to improve and contribute to fund future development, as our caFFR System continues to penetrate the market and more product candidates, including caIMR System, enter into commercialization in the upcoming years.

Our research and development expenses during the Track Record Period were relatively small as compared with similar expenses in our future plans, primarily because (i) we will initiate overseas clinical trials by the end of 2022, the costs of which in developed countries are normally significantly higher than that in China according to CIC; (ii) we mainly focused more on the commercialization of our caFFR System during the Track Record Period, compared to its research and development activities; and (iii) there were no significant expenses for our caIMR System during the Track Record Period.

However, our Directors believe that the relevant amount of proceeds and further financial resources allocated to each Core Product is reasonable taking into account the research and development expenses incurred historically. According to the interviews conducted by CIC, as a benchmark range, diagnostic medical device companies in the field of cardiovascular

diagnosis typically allocate approximately 45% of the total R&D expenses for their Core Products to their post-confirmatory clinical trial and post-launch stage. The relatively wide expense range is primarily because R&D expenses for post-confirmatory clinical trial and post-launch stage vary greatly, mainly depending on whether a diagnostic medical device company plans to expand its indications, competes in overseas market and invests in market education. In the case of expansion plans on indications and geographic markets, R&D expenses would typically be significantly higher due to the additional requirements for clinical trials and product registration. Market education would also be a significant factor affecting the scale of such clinical trials. More clinical trials in more hospitals would help to raise the market awareness of products, which would also lead to significant expenses at the same time.

More than 75% of our total research and development expenses for Core Products, including net proceeds allocated to further R&D on our Core Products, will be used in their post-confirmatory clinical trial and post-launch stage, including indication expansions and overseas clinical trials. According to interviews conducted by CIC, our allocation of a significantly large amount of R&D expenses for post-confirmatory clinical trial and post-launch stage is reasonable because we plan to (a) conduct clinical trials for indication expansions; (b) conduct overseas clinical trials in Japan, South Korea and the United States; and (c) continue to educate the market to raise awareness of our products and brand, all of which lead to a significant amount of R&D expenses.

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

STRUCTURE OF THE [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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[**REDACTED**]

[REDACTED]

The following is the text of a report set out on pages [I-1] to [I-3], received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of HKSIR 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

[Letterhead of PricewaterhouseCoopers] [DRAFT]

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF RAINMED MEDICAL LIMITED AND HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED

Introduction

We report on the historical financial information of Rainmed Medical Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages [I-4] to [I-65], which comprises the consolidated balance sheets as at 31 December 2020 and 2021, the Company's balance sheet as at 31 December 2021, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2020 and 2021 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages [I-4] to [I-65] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [**REDACTED**] (the "Document") in connection with the initial [**REDACTED**] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at 31 December 2021, the consolidated financial position of the Group as at 31 December 2020 and 2021 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE [REDACTED] OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "LISTING RULES") AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page [I-4] have been made.

Dividends

We refer to Note 27 to the Historical Financial Information, which states that no dividends have been paid by Rainmed Medical Limited in respect of the Track Record Period.

No statutory financial statements for the Company.

No statutory financial statements have been prepared for the Company since its date of incorporation.

[PricewaterhouseCoopers]
Certified Public Accountants
Hong Kong
[Date] 2022

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report. The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

Consolidated Statements of Comprehensive Income

	Note	Year ended 31 December 2020	2021
		RMB'000	*RMB'000*
Revenue	*5*	6,097	81,199
Cost of sales	*6*	(837)	(12,167)
Gross profit		5,260	69,032
Research and development expenses	*6*	(11,826)	(26,970)
Selling expenses	*6*	(17,934)	(70,120)
General and administrative expenses	*6*	(11,739)	(115,206)
Net impairment reversal/(losses) of impairment on financial assets	*3.1*	70	(6)
Other income	*9*	3,490	447
Other gains – net	*10*	320	45
Operating loss		(32,359)	(142,778)
Finance income		34	1,811
Finance costs		(383)	(3,858)
Finance costs – net	*11*	(349)	(2,047)
Fair value loss of financial liabilities	*28*	(118,250)	(493,864)
Loss before income tax		(150,958)	(638,689)
Income tax credit	*12*	5,718	5,043
Loss for the year		(145,240)	(633,646)
Loss attributable to:			
Owners of the Company		(145,240)	(633,645)
Non-controlling interests		–	(1)
		(145,240)	(633,646)

Consolidated Statements of Comprehensive Income

	Note	Year ended 31 December 2020	2021
		RMB'000	*RMB'000*
Loss for the year		(145,240)	(633,646)
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Exchange differences arising from translation of the Company		–	15,182
Items that may be reclassified to profit or loss			
Exchange differences arising from translation of subsidiaries of the Company		–	(113)
Other comprehensive income for the year, net of tax	*25*	–	15,069
Total comprehensive loss for the year		(145,240)	(618,577)
Total comprehensive loss attributable to:			
Owners of the Company		(145,240)	(618,576)
Non-controlling interests		–	(1)
		(145,240)	(618,577)
Loss per share for the year and attributable to the owners of the Company			
– Basic and diluted losses per share (RMB)	*13*	(13.06)	(49.27)

Consolidated Balance Sheets

	Note	As at 31 December 2020 RMB'000	2021 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	*14*	5,123	28,870
Right-of-use assets	*16*	12,459	14,327
Intangible assets	*15*	16	244
Deferred income tax assets	*17*	13,880	19,163
Other receivables	*19*	673	1,089
Prepayments	*20*	–	854
		32,151	64,547
Current assets			
Inventories	*18*	5,313	9,908
Other receivables	*19*	1,105	379
Prepayments	*20*	1,358	6,218
Financial assets at fair value through profit or loss ("FVTPL")	*21*	3,007	–
Cash and cash equivalents	*22*	27,588	559,140
		38,371	575,645
Total assets		70,522	640,192
DEFICIT			
Share capital	*24*	–	1
Convertible preferred shares	*28*	13,000	13,000
Accumulated losses		(239,949)	(873,594)
Other reserves	*25*	6,016	86,109
Deficit attributable to the owners of the Company		(220,933)	(774,484)
Non-controlling interests		(8)	–
Total deficit		(220,941)	(774,484)
LIABILITIES			
Non-current liabilities			
Financial liabilities at FVTPL	*28*	227,206	1,361,749
Borrowings	*29*	3,060	–
Lease liabilities	*30*	8,212	8,860
		238,478	1,370,609
Current liabilities			
Borrowings	*29*	7,960	–
Trade and other payables	*31*	17,740	29,518
Contract liabilities	*5*	22,969	6,730
Lease liabilities	*30*	4,316	7,819
		52,985	44,067
Total liabilities		291,463	1,414,676
Total deficit and liabilities		70,522	640,192
Net current (liabilities)/assets		(14,614)	531,578

Balance Sheet – Company

	Note	As at 31 December 2021 RMB'000
ASSETS		
Non-current assets		
Investment in subsidiaries	*35*	194,784
Current assets		
Cash and cash equivalents	*22*	453,490
Prepayments	*20*	425
		453,915
Total assets		648,699
DEFICIT		
Share capital	*24*	1
Convertible preferred shares	*28*	13,000
Accumulated losses		(334,918)
Other reserves	*25*	(406,920)
Total deficit		(728,837)
LIABILITIES		
Non-current liabilities		
Financial liabilities at FVTPL	*28*	1,361,749
Current liabilities		
Other payables	*31*	8,513
Amounts due to subsidiaries		7,274
		15,787
Total liabilities		1,377,536
Total deficit and liabilities		648,699

Consolidated Statements of Changes in Equity

		Attributable to owners of the Company						
	Note	**Share capital** *RMB'000* *(Note 24)*	**Convertible preferred shares** *RMB'000* *(Note 28)*	**Other reserves** *RMB'000* *(Note 25)*	**Accumulated losses** *RMB'000*	**Subtotal** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total** *RMB'000*
Balance at 1 January 2020		–	13,000	6,006	(94,709)	(75,703)	(8)	(75,711)
Loss for the year		–	–	–	(145,240)	(145,240)	–	(145,240)
Total comprehensive loss		–	–	–	(145,240)	(145,240)	–	(145,240)
Contributions from the then shareholder of the Group	*25*	–	–	10	–	10	–	10
Total transactions with owners in their capacity as owners		–	–	10	–	10	–	10
Balance at 31 December 2020		–	13,000	6,016	(239,949)	(220,933)	(8)	(220,941)

		Attributable to owners of the Company						
	Note	**Share capital** *RMB'000* *(Note 24)*	**Convertible preferred shares** *RMB'000* *(Note 28)*	**Other reserves** *RMB'000* *(Note 25)*	**Accumulated losses** *RMB'000*	**Subtotal** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total** *RMB'000*
Balance at 1 January 2021		–	13,000	6,016	(239,949)	(220,933)	(8)	(220,941)
Loss for the year		–	–	–	(633,645)	(633,645)	(1)	(633,646)
Other comprehensive income	*25*	–	–	15,069	–	15,069	–	15,069
Total comprehensive loss		–	–	15,069	(633,645)	(618,576)	(1)	(618,577)
Transactions with owners and investors								
Contributions from shareholders	*25*	1	–	933	–	934	–	934
Share-based compensation expenses	*26*	–	–	67,171	–	67,171	–	67,171
Merger reserves arising from the Reorganisation	*25*	–	–	(3,080)	–	(3,080)	9	(3,071)
Total transactions with owners and investors		1	–	65,024	–	65,025	9	65,034
Balance at 31 December 2021		1	13,000	86,109	(873,594)	(774,484)	–	(774,484)

Consolidated Statements of Cash Flows

	Note	Year ended 31 December 2020	2021
		RMB'000	*RMB'000*
Cash flows from operating activities			
Cash generated from/(used in) operations	*32(a)*	2,237	(74,643)
Interest received	*11*	34	1,811
Net cash generated from/(used in) operating activities		2,271	(72,832)
Cash flows from investing activities			
Purchase of property, plant and equipment		(3,998)	(30,835)
Purchase of intangible assets		(37)	(280)
Repayments from related parties		15,179	–
Loans to related parties		(500)	–
Interest received from related parties		738	–
Repayments from third parties		480	–
Loans to third parties		(480)	–
Interest received from third parties		6	–
Purchase of financial assets at FVTPL		(18,500)	–
Proceeds from disposal of financial assets at FVTPL		15,619	3,044
Proceeds from disposal of property and equipment	*32(b)*	178	88
Net cash generated from/(used in) investing activities		8,685	(27,983)

	Note	Year ended 31 December 2020	2021
		RMB'000	*RMB'000*
Cash flows from financing activities			
Proceeds from capital injection from shareholders of the Group		10	934
Proceeds from bank and other borrowings	*32(c)*	16,000	270,412
Proceeds from issuance of equities with preferred rights	*32(c)*	–	657,228
Payments for [**REDACTED**]		–	[**REDACTED**]
Repayments of bank and other borrowings	*32(c)*	(5,000)	(281,412)
Interests paid	*32(c)*	(179)	(3,165)
Cash out flow resulting from the Reorganisation	*32(d)*	–	(5,650)
Capital injection arising from the Reorganisation	*1.2(c)*	–	268,762
Payments for acquisition of Suzhou Rainmed	*1.2(g)*	–	(269,563)
Payments of lease liabilities	*32(c)*	(1,305)	(3,471)
Net cash generated from financing activities		9,526	633,847
Net increase in cash and cash equivalents		20,482	533,032
Cash and cash equivalents at beginning of the year		7,106	27,588
Exchange differences on cash and cash equivalents		–	(1,480)
Cash and cash equivalents at end of the year	*22*	27,588	559,140

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION, REORGANIZATION AND BASIS OF PRESENTATION

1.1 General information

Rainmed Medical Limited (the "Company") was incorporated in the Cayman Islands on 9 April 2021 as a company with limited liability under the Companies Law, Cap. 22 of the Cayman Islands. The address of its registered office is Campbells Corporate Services Limited, Floor 4, Willow House, Cricket Square, Grand Cayman KY1-9010, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together, the "Group") are primarily engaged in research and development ("R&D"), manufacturing and commercialization of medical instrument related to coronary angiography-derived fractional flow reserve ("caFFR") system and coronary angiography-derived index of microvascular resistance ("caIMR") system (the "[**REDACTED**] Business") in the People's Republic of China (the "PRC"), Europe and other regions.

1.2 Reorganisation

Prior to the incorporation of the Company and the completion of the reorganisation (the "Reorganisation") in preparation for the [**REDACTED**] (the "[**REDACTED**]") of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "HKEX"), the [**REDACTED**] Business was operated by Suzhou Runxin Medical Instrument Co., Ltd (previously known as Suzhou Runxin Medical Technology Co., Ltd.) ("Suzhou Runxin") and its subsidiaries, including Shenzhen Kaifu Medical Technology Company Limited ("Shenzhen Kaifu"), Beijing Runxin Medical Technology Company Limited ("Beijing Runxin") and Suzhou Rainmed Medical Technology Company Limited ("Suzhou Rainmed") and its subsidiary, Rainmed Medical Inc., (collectively, the "Operating Companies").

Upon the completion of the Reorganisation, each of the shareholders of Suzhou Runxin became the shareholders of the Company with substantially the same rights and shareholdings in Suzhou Runxin before and after the Reorganisation, and the Company became the holding company of the companies now comprising the Group. The Reorganisation mainly involved the following major steps:

(a) Incorporation of an offshore subsidiary in the British Virgin Islands (the "BVI")

On 12 March 2021, Rianmed BVI Limited ("Rianmed BVI") was incorporated in the BVI with an authorised share capital of United States Dollars ("USD") 1.00. On the same day, one subscriber share was allotted and issued to Huizhou Merchant Star Investment HK Limited ("Merchant Star"), a third-party investor.

(b) Incorporation of an offshore subsidiary in Hong Kong

On 31 March 2021, Rianmed BVI established Hong Kong Rainmed Medical Limited ("Rainmed HK") in Hong Kong with an issued share capital of HKD100,000, as its wholly owned subsidiary.

(c) Incorporation of the Company

On 9 April 2021, the Company was incorporated in the Cayman Islands. 11,362,880 ordinary shares and 8,436,760 convertible preferred shares were issued to the then shareholders and convertible preferred shares holders of Suzhou Runxin by the Company based on their respective holding percentage of similar instruments in Suzhou Runxin between the date of incorporation and 23 June 2021 as part of the Reorganisation, for cash of approximately Hong Kong dollars ("HKD") 323,000,000 (equivalent to RMB268,762,000).

(d) Investment in Suzhou Rainmed

On 23 April 2021, Rainmed HK invested approximately HKD3,278,300 (equivalent to RMB2,748,000) in Suzhou Rainmed in exchange for its 1.0018% equity interest. The consideration was determined with reference to the valuation of Suzhou Rainmed prepared by an independent valuer (the "Valuation"). Upon the completion of such investment, Suzhou Rainmed became a foreign-invested enterprise, which was owned as to 98.9982% by Suzhou Runxin, and 1.0018% by Rainmed HK, respectively.

(e) Restructuring of the [**REDACTED**] *business*

In order to streamline the Group's business structure, the following steps were involved:

(i) On 1 April 2021, Suzhou Rainmed acquired the entire equity interest of Beijing Runxin from Suzhou Runxin at a consideration of RMB1,000,000, which was based on the book value of Beijing Runxin's registered capital and was settled in cash.

(ii) Pursuant to an asset acquisition agreement dated 15 April 2021 entered into between Suzhou Rainmed and Suzhou Runxin, Suzhou Rainmed acquired assets relating to the [**REDACTED**] Business which consist of fixed assets, intangible assets, inventory and intellectual properties (the "Acquired Assets"), from Suzhou Runxin at a consideration of approximately RMB15,320,000, which was based on fair value of the Acquired Assets and was settled in cash (the "Business Acquisition"). The carrying amount of the Acquired Assets was approximately RMB14,359,000.

Upon the completion of the Business Acquisition, the [**REDACTED**] Business was transferred to Suzhou Rainmed and its subsidiaries.

(iii) Suzhou Runxin and Shenzhen Kaifu (the "Excluded Companies") ceased to engage in the [**REDACTED**] Business since 16 April 2021 (the "Disposal Date") pursuant to resolutions of shareholders' meeting of Suzhou Runxin. Subsequently, Shenzhen Kaifu was deregistered on 28 June 2021, and Suzhou Runxin was acquired by a third party on 29 September 2021.

(f) Acquisition of Rianmed BVI

On 3 June 2021, the Company allotted and issued 200,360 convertible preferred shares at a par value of HKD0.0001 each, credited as fully paid, to Merchant Star, in exchange for its 100% equity interest in Rianmed BVI (Note 28). Upon the completion of this transaction, Rianmed BVI became a wholly owned subsidiary of the Company.

The series transactions related to Merchant Star during the Reorganisation were agreed by the parties after arm's length commercial negotiation and total capital injection to the Group for 200,360 convertible preferred shares was approximately HKD20,414,000 (equivalent to RMB16,915,000).

(g) Acquisition of Suzhou Rainmed

On 24 June 2021, Rainmed HK acquired the remaining 98.9982% equity interest in Suzhou Rainmed from Suzhou Runxin at an aggregate considerations of approximately HKD323,963,000 (equivalent to approximately RMB269,563,000). The consideration was determined with reference to the Valuation. Upon the completion of this step, Suzhou Rainmed is wholly owned by Rainmed HK.

Upon the completion of the Reorganisation, the Company became the holding company of the companies now comprising the Group.

As at the date of this report, the Company has direct or indirect interests in the following subsidiaries:

Name of company	Place and date of incorporation	Registered/ Issued share capital	Principal activities	Effective equity interest held as at			Note
				31 December 2020	2021	Date of this report	
Directly owned							
Rianmed BVI	BVI, 12 March 2021	USD50,000	Investment holding, BVI	–	100%	100%	(i)
Indirectly owned							
Rainmed HK	Hong Kong, 31 March 2021	HKD100,000	Investment holding, Hong Kong	–	100%	100%	(i)

Name of company	Place and date of incorporation	Registered/ Issued share capital	Principal activities	Effective equity interest held as at			Note
				31 December 2020	2021	Date of this report	
Suzhou Runxin* (蘇州潤心醫療器械有限公司, previously known as 蘇州潤心醫療科技有限公司)	PRC, 7 August 2014	RMB10,445,521	R&D, manufacturing, and marketing of medical instrument	100%	–	–	(ii)
Suzhou Rainmed* (蘇州潤邁德醫療科技有限公司)	PRC, 5 December 2016	HKD249,227,697	R&D, manufacturing, and marketing of medical instrument	100%	100%	100%	(iii)
Shenzhen Kaifu* (深圳凱福醫療科技有限公司)	PRC, 29 December 2016	RMB2,000,000	R&D of new medical instrument	90%	–	–	(i)
Beijing Runxin* (北京潤心醫療科技有限公司)	PRC, 4 August 2020	RMB1,000,000	Marketing of medical instrument	100%	100%	100%	(iv)
Rainmed Medical Inc.,	United States, 12 November 2019	USD1,000	Marketing of medical instrument	100%	100%	100%	(i)

* The English name of the PRC company referred to in this note represent management's best efforts in translating the Chinese name of this company as no English name has been registered or is available.

(i) No audited financial statements for the years ended 31 December 2020 and 2021 have been prepared as these companies were newly incorporated or there is no statutory audit requirement under the respective place of incorporation of the subsidiaries.

(ii) The statutory financial statements of Suzhou Runxin for the years ended 31 December 2020 were audited by Suzhou Wanlong Yongding Certified Public Accountants Co. Ltd ("Wanlong"), which is certified public accountants in the PRC.

(iii) The statutory financial statements of Suzhou Rainmed for the years ended 31 December 2020 and 2021 were audited by Wanlong.

(iv) No audited financial statement for the years ended 31 December 2020 has been prepared for Beijing Runxin as there is no statutory audit requirement under the respective place. The statutory financial statements of Beijing Runxin for the years ended 31 December 2021 were audited by Wanlong.

1.3 Basis of presentation

Immediately prior to the Reorganisation, the [**REDACTED**] Business was primarily conducted through the Operating Companies. Pursuant to the Reorganisation, the [**REDACTED**] Business was transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganisation and do not meet the definition of a business. The Reorganisation is merely a recapitalisation of the Operating Companies with no change in management and the ultimate owners. Accordingly, the Group resulting from the Reorganisation is regarded as a continuation of the [**REDACTED**] Business under the Operating Companies, for the purpose of this report, the Historical Financial Information has been presented using the carrying values under the consolidated financial statements of the Operating Companies for all periods presented.

Inter-company transactions, balances and unrealised gains/losses on transactions between the entities within the Group are eliminated on consolidation.

The financial information of Suzhou Runxin and Shenzhen Kaifu were not consolidated in this Historical Financial Information upon the Disposal Date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The Historical Financial Information of the Group has been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

The Historical Financial Information has been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at FVTPL.

The preparation of Historical Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

The Historical Financial Information of the Group has been prepared on a going concern basis. The Group is in the development stage and has been incurring losses from operations since incorporation. While the Group has net deficits and net operating cash outflows, the Group has positive working capital resulting from capital raising activities through issuance of preferred shares.

As at 31 December 2021, the Group had a total deficit of RMB774,484,000 and cash and cash equivalents of RMB559,140,000. On the other hand, the Group have financial instruments issued to investors with carrying amount of RMB1,361,749,000 under non-current liabilities, which would not be contractually redeemable within the next twelve-month period, subject to redemption and other clauses as set out in Note 28. Such financial instruments issued to investors will automatically and irrevocably be converted into ordinary shares upon the [**REDACTED**]. The directors are of the opinion that the preferred shares are not expected to have cash flow impact on the Group and therefore the Group has sufficient cash for its daily operation for the next twelve months. Accordingly, the directors of the Company consider that it is appropriate to prepare the Historical Financial Information on a going concern basis.

All effective standards, amendments to standards and interpretations of HKFRS that are mandatory for the financial years beginning from 1 January 2020 and 2021 are consistently applied to the Group for the Track Record Period.

(a) New standards, amendments to standards and interpretations not yet adopted

Standards, amendments and interpretations that have been issued but not yet effective and have not been early adopted by the Group during the Track Record Period are as follows:

		Effective for annual periods beginning on or after
Amendments to Hong Kong Accounting Standards ("HKAS") 16	Property, plant and equipment – proceeds before intended use	1 January 2022
Accounting Guideline 5 (revised)	Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations	1 January 2022
Amendments to HKFRS 3, HKAS 16 and HKAS 37	Narrow-Scope Amendments	1 January 2022
Amendments to HKAS 37	Onerous contracts – cost of fulfilling a contract'	1 January 2022

		Effective for annual periods beginning on or after
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Annual Improvements	Annual Improvements to HKFRS Standards 2018-2020	1 January 2022
Amendments to HKAS 1	Classification of liabilities as current or non-current	1 January 2023
Hong Kong Interpretation 5 (2020)	Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
HKFRS 17	Insurance contracts	1 January 2023
Amendments to HKFRS 4	Extension of the Temporary Exemption from Applying HKFRS 9	1 January 2023
Amendments to HKFRS 17	Amendments to HKFRS 17	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

Management is in the process of making an assessment of the impact of the above new standards and amendments to standards and considered that these new standards and amendment to standards will not result in any substantial changes to the Group's existing accounting policies and presentation of the Historical Financial Information of the Group.

2.2 Consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statements of comprehensive income, statements of changes in equity and balance sheets respectively.

2.3 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the group entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Historical Financial Information are presented in RMB, which is the Group's presentation currency. The Company's functional currency is HKD.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the consolidated statements of comprehensive income in the period in which they arise.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statements of comprehensive income, within finance costs – net. All other foreign exchange gains and losses are presented in the consolidated statements of comprehensive income on a net basis within other gains – net.

(c) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

(ii) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

(iii) All resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

2.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Borrowing costs incurred during the construction period are capitalised.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to consolidated statements of comprehensive income during the period in which they are incurred.

Construction in progress represents unfinished construction and equipment under construction or pending installation and is stated at cost less impairment losses. Cost comprises direct costs of construction including borrowing costs attributable to the construction during the period of construction. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and ready for intended use.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their costs, net of their residual values, over their estimated useful lives, as follows:

Equipment and instruments	3 years
Office equipment and furniture	5 years
Vehicles	4-5 years
Leasehold improvements	2-4 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and included in profit or loss.

2.7 Intangible assets

(a) Software

Acquired computer software is recognised at historical cost and subsequently carried at cost less accumulated amortisation and accumulated impairment losses. The Group amortised on a straight-line basis over their estimated useful lives of 3 years.

(b) Research and development expenditures

The Group incurs significant costs and efforts on research and development activities. Research expenditures are charged to the profit or loss as an expense in the period which the expenditure is incurred. Development costs are recognised as assets if they can be directly attributable to a newly developed medical instruments and all the following can be demonstrated:

(i) the technical feasibility of completing the development project so that it will be available for use or sale;

(ii) the intention to complete the development project and use or sell the intangible asset;

(iii) the ability to use or sell the intangible assets;

(iv) the manner in which the development project will generate probable future economic benefits for the Group;

(v) the availability of adequate technical, financial and other resources to complete the development project and to use or sell the intangible asset; and

(vi) The expenditure attributable to the asset during its development can be reliably measured.

The cost of an internally generated intangible asset is the sum of the expenditure incurred from the date the asset meets the recognition criteria above to the date when it is available for use. The costs capitalised in connection with the intangible asset include costs of materials and services used or consumed, employee costs incurred in the creation of the asset and an appropriate portion of relevant overheads.

Capitalised development costs are amortised using the straight-line method over the life of the related intangible asset. Amortisation shall begin when the asset is available for use.

Development expenditures not satisfying the above criteria are recognised in the profit or loss as incurred.

During the Track Record Period, all expenses incurred for research and development activities were expensed when incurred.

2.8 Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

(i) Those to be measured subsequently at fair value (either through other comprehensive income ("OCI"), or through profit or loss), and

(ii) Those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held and cash flow characteristics. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through OCI ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are recorded in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest method.

FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in "Other gains – net". Interest income from these financial assets is included in finance income using the effective interest method. Foreign exchange gains and losses and impairment expenses are presented in "Other gains – net" and impairment expenses are presented as separate line item in the consolidated statements of comprehensive income.

FVTPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net in the consolidated statements of comprehensive income within other gains – net, net in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in "Other gains – net" in profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(d) Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group has two types of financial assets subject to HKFRS 9's expected credit loss model:

(i) trade receivables; and

(ii) other receivables.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Impairment on other receivables is measured as either 12-month expected credit loss or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit loss.

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheets when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.12 Trade receivables and other receivables

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.13 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.14 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction, net of tax, from the proceeds.

2.15 Accruals and other payables

Accruals and other payables mainly represent the obligations to pay for services that have been acquired in the ordinary course of business. Accruals and other payables are presented as current liabilities unless payment is not due within one year or less after the reporting period.

Accruals and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Convertible preferred shares

Convertible preferred shares are shares with preferred rights issued to investors by the Group. For details please refer to Note 28.

These convertible preferred shares are accounted for as equity instruments or financial liabilities at FVTPL.

For convertible preferred shares with no anti-dilution, redemption rights or liquidation preferences, they are accounted for as equity and are initially recognised at the proceeds received.

For convertible preferred shares which are redeemable or refundable upon occurrence of certain events, they are designated as financial liabilities at FVTPL. They are initially recognised at fair value. Subsequent to initial recognition, these shares are carried at fair value with changes in fair value recognised in the consolidated statements of comprehensive income.

If the Company's own credit risk results in fair value changes in financial liabilities designated as at fair value through profit or loss, they are recognised in other comprehensive income in the circumstances other than avoiding accounting mismatch or recognising in profit or loss for loan commitments or financial guarantee contracts.

2.17 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in consolidated statements of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

General and specific borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Other borrowing costs are expensed as incurred.

2.18 Current and deferred income tax

The income tax expense or credit for the year is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet dates in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.19 Employee benefit expenses

(a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated balance sheet.

(b) Pension obligations

Full-time employees in the PRC are covered by various government-sponsored defined contribution pension plans under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these retired employees. The Group contributes on a monthly basis to these pension plans. Under these plans, the Group has no further payment obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred and contributions paid to the defined-contribution pension plans for an employee are not available to reduce the Group's future obligations to such defined-contribution pension plans even if the employee leaves.

(c) Housing funds, medical insurance and other social insurance

Employees in the PRC are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plans. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable.

(d) Bonus plan

The expected cost of bonus is recognised as a liability when the Group has a present legal or constructive obligation for payment of bonus as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(e) Employee leave entitlement

Employee entitlement to annual leave are recognised when they have accrued to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period. Employee entitlement to sick leave and maternity leave is not recognised until the time of leave.

(f) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits.

2.20 Share-based compensation benefits of the Group

(a) Equity-settled share-based compensation benefits

Share-based compensation benefits are provided to employees. The fair value of equity-settled share-based compensation for the services received from employees was measured at the grant date of the equity instruments (including shares or share options). It was recognised as share-based compensation expenses in the profit or loss and as share-based compensation reserve respectively. The total amount to be expensed is determined by reference to the fair value of the shares granted as at grant date, including any market performance conditions, excluding the impacts of any service and non-market performance vesting conditions as well as including any non-vesting conditions, when applicable.

At the end of each reporting period, the Group revises its estimates of the number of share options that are expected to vest based on the non-marketing performance and service conditions, irrespective of whether those non-vesting conditions are satisfied. It recognizes the impact of the revision to original estimates, if any, in the consolidated statements of comprehensive income, with a corresponding adjustment to equity.

(b) Share-based payment transactions among group entities

The grant by the Company of options over its equity instruments to the employees of subsidiaries undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognized over the vesting period as an increase to investment in subsidiaries undertakings, with a corresponding credit to equity in separate financial statements of the Company.

2.21 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to income are deferred and recognised in the profit or loss, separately as "other income", over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment or right-of-use assets are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

2.22 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

The Group provides for warranties in relation to the sale of certain products and the provision of services for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

2.23 Revenue recognition

Revenue is recognised when, or as, obligations under the terms of a contract are satisfied, which occurs when control of the promised products or services is transferred to customers. Revenue is measured as the amount of consideration the Group expects to receive in exchange for transferring products or services to a customer ("transaction price").

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Depending on the terms of the contract and the laws applicable, control of the goods and services may be transferred over time or at a point in time.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with using the same approach as for trade receivables. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due. There is normally no significant cost to obtain contract.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

The following is a description of the accounting policy for the principal revenue streams of the Group.

(a) Sale of products

Revenue from the sale of products is recognised at a point in time when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been delivered to the specific location where the risks of obsolescence and loss have been transferred to the customers, and either the customers have accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied. Costs related to sales of goods are included in cost of sales. Revenue is recognised after netting off the estimated sales return (if any).

(b) Installation and training services

The Group provides installation and training services that are bundled together with the sale of products to customers.

Contracts for bundled sales of products and installation and training services are comprised of two performance obligations because the promises to transfer the products and provide installation and training services are capable of being distinct and separately identifiable. Accordingly, the transaction price is allocated based on the relative stand-alone selling prices of the products and installation and training services. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin approach.

Revenue from installation and training services is recognised over time, using input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group. The input method recognises revenue on the basis of labour time spent on the services. Given that an installation and training service order is generally completed within a short period of time, the revenue from the provision of the installation and training services is recognised when the services have been rendered.

2.24 Leases

The Group leases various offices and warehouses. Rental contracts for offices and warehouses are typically made for fixed period from 1 year to 4 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants.

Leases are recognised as right-of-use assets at the date at which the leased assets are available for use by the Group. The right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets arising from a lease are initially measured on a present value basis.

Right-of-use assets are measured at cost comprising the following:

- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs, and;
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

2.25 Interest income

Interest income is recognised on a time-proportion basis taking into account of the principal outstanding and the effective interest rate over the period to maturity, when it is determined that such income will accrue to the Group.

2.26 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's directors or shareholders, where applicable.

2.27 Loss per share

To calculate loss per share, the Company assumes the capital structure upon the Reorganisation had been in effect historically as stated in Note 1.2.

(a) Basic loss per share

Basic loss per share is calculated by dividing:

- The loss attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares;
- By the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(b) Diluted loss per share

Diluted loss per share adjusts the figures used in the determination of basic loss per share to take into account:

- The after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- The weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial position and financial performance.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the Group entities' functional currency.

Certain bank balances and cash and other payables are denominated in foreign currencies of respective group entities which are exposed to foreign currency risk. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity. The Group has entities operating in HKD, USD and RMB, and the Group will constantly review the economic situation and its foreign exchange risk profile, and will consider appropriate hedging measures in the future, as may be necessary.

Most foreign exchange transactions were denominated in USD and European Dollar ("EUR") for the group companies that have functional currency in HKD and RMB. The directors consider the foreign currency risk arising from recognised assets and liabilities to be minimal. Accordingly, no sensitivity analysis is presented for foreign exchange risk. The Group did not hedge against any fluctuation in foreign currency. The Group timely monitors foreign exchange risk and will take measure to minimise foreign exchange risk.

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk mainly arises from borrowings. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

For the years ended 31 December 2020 and 2021, if the interest rate on borrowings increased/decreased by 0.5% with all other variables held constant, the Group's post-tax loss for the years would have been approximately RMB17,000, RMB18,000 higher/lower, respectively.

During the Track Record Period, the Group did not enter into any interest rate swap to hedge its exposure to cash flow and fair value interest rate risk.

(b) Credit risk

The carrying amounts of cash and cash equivalents, financial assets at FVTPL, other receivables included in the financial statements represent the Group's maximum exposure to credit risk in relation to its financial assets. The objective of the Group's measures to manage credit risk is to control potential exposure to recoverability problem.

(i) Cash and cash equivalents and financial assets at FVTPL

To manage this risk, cash and cash equivalents and financial assets at FVTPL are mainly placed or invested with state-owned or reputable financial institutions in the PRC and reputable international financial institutions outside of the PRC. While cash and cash equivalents were also subject to the impairment requirement of HKFRS 9, the identified impairment loss was immaterial as the Group does not expect any losses from non-performance by these banks as they have no default history in the past.

(ii) Other receivables

For other receivables, the Group made periodic collective assessment as well as individual assessment on the recoverability based on past experience and forward-looking information including but not limited to the economic impact of the unprecedented Corona Virus Disease 2019 ("COVID-19") pandemic, and other factors.

The Group's other receivables (excluding value-added tax recoverable) were mainly refundable deposits. The directors were of the view that the expected credit losses are not material as historically they had no history of default and the debtors had a strong capacity to meet its contractual cash flow obligations in the near term.

The loss allowance as at 31 December 2020 and 2021 was determined as follows for other receivables and amounts due from related parties:

	As at 31 December	
	2020	**2021**
	RMB'000	*RMB'000*
Gross carrying amount	799	1,482
Expected loss rate	1.00%	0.94%
Total loss allowance	8	14

Movements on the Group's allowance of impairment of other receivables are as follows:

	As at 31 December	
	2020	**2021**
	RMB'000	*RMB'000*
At beginning of the year	78	8
(Reversal of)/provision for loss allowance	(70)	6
At end of the year	8	14

Other receivables are written off when there is no reasonable expectation of recovery. Subsequent recoveries of amounts previously written off are credited to profit or loss. No written-off was made during the Track Record Period.

(c) Liquidity risk

The Group aims to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying businesses, the policy of the Group is to regularly monitor the Group's liquidity risk and to maintain adequate cash and cash equivalents to meet the Group's liquidity requirements.

The table below analyses the Group's non-derivative financial liabilities that will be settled into relevant maturity grouping based on the remaining period at each balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	On demand or less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2020				
Trade and other payables (excluding other tax payables, staff salaries and welfare payables and payables for deposit)	2,600	–	–	2,600
Borrowings (including interest payables)	8,188	3,120	–	11,308
Lease liabilities (including interest payables)	4,902	3,927	4,852	13,681
	15,690	7,047	4,852	27,589
As at 31 December 2021				
Trade and other payables (excluding other tax payables, staff salaries and welfare payables and payables for deposit)	12,402	–	–	12,402
Lease liabilities (including interest payables)	8,503	5,987	3,304	17,794
	20,905	5,987	3,304	30,196

The Group recognises the financial liabilities issued to investors at fair value through profit or loss. Accordingly, the financial liabilities at FVTPL are managed on a fair value basis rather than by maturing dates (Note 28).

3.2 Capital management

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

The Group monitors capital by regularly reviewing the capital structure. The Group may adjust the amount of dividends paid to shareholders, provide returns for shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total borrowings and lease liabilities less cash and cash equivalents. Adjusted capital comprises all components of equity as shown in the consolidated balance sheets and preferred shares on an as-if-converted basis. As at 31 December 2020 and 2021, the Group has no net debt outstanding.

3.3 Fair value estimation

The carrying amounts of the Group's financial instruments not measured at fair value (including cash and cash equivalents, other receivables (excluding prepayments), contract assets, borrowings and accruals and other payables) approximate their fair values.

The Group applies HKFRS 13 for financial instruments that are measured in the consolidated balance sheets at fair value, which requires disclosure of fair value measurements by levels of the following fair value measurement hierarchy:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- Discounted cash flow model and unobservable inputs mainly including assumptions of expected future cash flows and discount rate; and
- A combination of observable and unobservable inputs, including risk-free rate, expected volatility, discount rate for lack of marketability, market multiples, etc.

There were no transfers between levels 1, 2 and 3 during the Track Record Period. The Group has no financial instruments in level 1 and level 2.

The changes in level 3 instruments for the years ended 31 December 2020 and 2021 are presented in Note 21 and Note 28.

Financial instruments in level 3

The following table presents the Group's assets and liabilities that were measured at fair value at 31 December 2020:

	Level 3 *RMB'000*
Assets	
– Financial assets at FVTPL *(Note 21)*	3,007
Liabilities	
– Financial liabilities at FVTPL *(Note 28)*	227,206

The following table presents the Group's assets and liabilities that were measured at fair value at 31 December 2021:

	Level 3 *RMB'000*
Liabilities	
– Financial liabilities at FVTPL *(Note 28)*	1,361,749

During the year ended 31 December 2020, the Group's financial assets at FVTPL represented wealth management products denominated in RMB and issued by reputable banks in the PRC. As these instruments were not traded in active market, their fair values were determined based on the expected rate of return on the Group's investment.

The Group issued certain preferred shares to investors, which were classified as financial liabilities and designed as financial liabilities at FVTPL (Note 28). They are initially recognised at fair value, and subsequently stated at fair value with changes in fair value.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Fair value of financial liabilities at FVTPL

The financial liabilities at FVTPL are certain convertible preferred shares issued by the Group, which are not traded in an active market and the respective fair value is determined by using valuation techniques. The Group used the discounted cash flow method and back-solve method to determine the underlying share value and adopted the equity allocation model to determine the fair value of the financial liabilities at FVTPL as at each date of issuance and at the end of each reporting period. Key assumptions, such as discount rate, risk-free interest rate, volatility, discount for lack of marketability ("DLOM") and probability for a qualified initial [**REDACTED**] ("[**REDACTED**]") are disclosed in Note 28. Any change in key assumptions used in the discounted cash flow method and the back-solve method will have impacts on the fair values.

(b) Deferred income tax

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimates, such difference will impact the recognition of deferred tax assets and income tax in the period in which such estimates are changed.

(c) Research and development expenses

Development costs incurred on the Group's medical instrument pipelines are capitalised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, the Group's intention to complete and the Group's ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the pipeline and the ability to measure reliably the expenditure during the development. Development costs which do not meet these criteria are expensed when incurred. Determining the amounts to be capitalised requires management to make assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. During the Track Record Period, all expenses incurred for research and development activities were regarded as research expenses and therefore were expensed when incurred.

(d) Share-based compensation expenses

(i) Share award

As mentioned in Note 26, 10% equity of Suzhou Runxin were awarded to selected grantees of the Group at nominal consideration for their past contributions made to the Group. As there was no future service conditions attached to the award, the share-based awards were vested immediately. The directors used the discounted cash flow method to determine the Group's valuation and equity allocation model to determine the total fair value of these shares awarded. Significant judgments on key assumptions, such as discount rate, risk-free interest rate, volatility and dividend yield are required to be made by the directors (Note 26).

(ii) Pre-*[REDACTED] *share option scheme

As mentioned in Note 26, the Group has granted share options to its selected employees. The Company has used the Binomial option-pricing model to determine the total fair value of the options granted, which is to be expensed over the vesting period. Significant estimate on assumptions, such as the underlying equity valued, risk-free interest rate, expected volatility and dividend yield, is required to be made by the Company in applying the Binomial option-pricing model (Note 26).

5 SEGMENT AND REVENUE INFORMATION

(a) Description of segments and principal activities

The Group is engaged in the R&D, manufacturing, and commercialization of medical instrument related to caFFR system and caIMR system. 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.

(b) The amount of each category of revenue is as follows:

	Year ended 31 December	
	2020	**2021**
	RMB'000	*RMB'000*
Timing of revenue recognition		
At a point in time:		
– Sales of products	5,939	80,244
Over time:		
– Installation and training services	158	955
	6,097	81,199

(c) The following table presents the analysis of contract liabilities related to the above-mentioned revenues.

	As at 31 December	
	2020	**2021**
	RMB'000	*RMB'000*
Contract liabilities:		
Consideration for sales of goods	22,912	5,342
Consideration for installation and training services	57	1,388
	22,969	6,730

Contract liabilities of the Group mainly arise from the advance payments made by customers while the underlying products or services are yet to be delivered or provided. As at 31 December 2021, such liabilities decreased mainly due to the completion of delivery of products to customers.

(d) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

	Year ended 31 December	
	2020	**2021**
	RMB'000	*RMB'000*
Revenue recognised that was included in the balance of contract liabilities at the beginning of the year:		
– Sales of goods	354	16,314
– Installation and training services	–	32
	354	16,346

(e) Geographical information

Revenue from customers by geographic location as determined by destination of delivery is as follows:

	Year ended 31 December	
	2020	**2021**
	RMB'000	*RMB'000*
	Revenue	*Revenue*
China	5,787	80,757
Others	310	442
	6,097	81,199

As at 31 December 2020 and 2021, all of the non-current assets of the Group were located in the PRC.

(f) Information about major customers

The major customers which contributed more than 10% of the total revenue of the Group for the years ended 31 December 2020 and 2021 are listed as below:

	Year ended 31 December	
	2020	**2021**
Customer A	48.29%	14.37%
Customer B	11.74%	*
Total	60.03%	14.37%

* This customer contributed less than 10% of total revenue for the corresponding year.

(g) Unsatisfied performance obligations

The Group does not disclose information about remaining performance obligations as their original expected duration is less than one year as permitted under the practical expedient in accordance with HKFRS 15.

6 EXPENSES BY NATURE

Expenses included in cost of sales, research and development expenses, selling expenses and general and administrative expenses were analysed as follow:

	Year ended 31 December	
	2020	**2021**
	RMB'000	*RMB'000*
Employee benefit expenses *(Note 7)*	25,180	134,798
Professional services	2,129	19,396
Depreciation and amortisation charges	2,349	10,863
Raw material costs	6,482	13,333
Changes in inventories of finished goods and work in progress	(3,440)	(2,552)
Travelling expenses	1,315	4,740
Promotion and hospitality expenses	5,375	13,731
Short-term lease expenses	70	213
Clinical trials and testing expenses	954	2,607
Utilities	150	536
Auditors' remuneration	220	71
[**REDACTED**]	–	[**REDACTED**]
Tax surcharges	83	384
Other expenses	1,469	5,417
	42,336	[**REDACTED**]

7 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS)

	Year ended 31 December	
	2020	**2021**
	RMB'000	*RMB'000*
Salaries, wages and bonuses	22,184	54,337
Contributions to pension plans (a) & (b)	112	4,971
Housing fund, medical insurance and other social insurance (b)	1,995	5,234
Share-based compensation expenses *(Note 26)*	–	67,171
Other welfare for employees	889	3,085
	25,180	134,798

(a) The employees of the Group in the PRC are members of a state-managed pension scheme operated by the PRC Government. The Group is required to contribute a specified percentage of payroll costs as determined by local government authority to the pension obligations to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contribution under the scheme.

(b) The PRC government have implemented assistance for the relief of the social insurance in respect of COVID-19 pandemic. According to the notices issued by the PRC government, in order to minimize the impact of the COVID-19 pandemic on social and economic development, the PRC government has reduced part of the social security fees for medium-sized enterprises from February to December 2020.

8 DIRECTORS' EMOLUMENTS

(a) Directors' emoluments

The remuneration paid or payable to the executive directors of the Company (including emoluments for services as employees/directors of the group entities prior to becoming the directors of the Company) during the years ended 31 December 2020 and 2021 were as follows.

	Salary	**Employer's housing fund and social security costs**	**Share-based compensation expenses**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2020				
Executive directors				
Mr. Huo Yunfei	288	59	–	347
Ms. Gu Yang	188	11	–	199
	476	70	–	546
Year ended 31 December 2021				
Executive directors				
Mr. Huo Yunfei	1,261	89	34,616	35,966
Ms. Gu Yang	710	78	23	811
Mr. Lyu Yonghui	1,498	106	23,285	24,889
Mr. Zhang Liang	1,307	82	3,361	4,750
	4,776	355	61,285	66,416

(i) Mr. Huo Yunfei was appointed as director on 9 April 2021 and re-designated as executive director as well as chief executive of the Company and chairman of the Board of the Company on 10 December 2021.

(ii) Ms. Gu Yang was appointed as director of the Company on 23 November 2021 and was re-designated as executive director of the Company on 10 December 2021.

(iii) Mr. Lyu Yonghui was appointed as executive director of the Company on 10 December 2021.

(iv) Mr. Zhang Liang was appointed as executive director of the Company on 10 December 2021.

(v) Mr. Wang Lin and Mr. Heng Lei were appointed as directors of the Company on 23 November 2021 and were re-designated as non-executive directors of the Company on 10 December 2021.

[Mr. Liu Shuen Kong], [Mr. Li Ho Man] and [Mr. Lau Tsz Ho Tony] were appointed as independent non-executive directors of the Company on [date].

During the years ended 31 December 2020 and 2021 the non-executive directors and the independent non-executive directors have not yet been appointed and did not receive directors' remuneration in the capacity of non-executive directors and independent non-executive directors.

(b) Directors' retirement benefits

None of the directors received or will receive any retirement benefits during the Track Record Period.

(c) Directors' termination benefits

None of the directors received or will receive any termination benefits during the Track Record Period.

(d) Consideration provided to third parties for making available directors' services

During the Track Record Period, the Company did not pay consideration to any third parties for making available Directors' services.

(e) Information about loans, quasi-loans and other dealings in favour of directors, bodies corporate controlled by or entities connected with directors

There were no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors during the Track Record Period.

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the Track Record Period.

(g) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include nil and 3 directors for the years ended 31 December 2020 and 2021, respectively. Their emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 5 and 2 individuals during the Track Record Period are as follows:

	Year ended 31 December	
	2020	**2021**
	RMB'000	*RMB'000*
Salaries, wages and bonuses	3,131	2,177
Housing fund and social security costs	80	211
Share-based compensation expenses	–	5,365
	3,211	7,753

The emoluments fell within the following bands:

	Year ended 31 December	
	2020	**2021**
Emoluments bands		
Nil to HKD1,000,000	5	–
HKD3,500,001 to HKD4,000,000	–	1
HKD5,000,001 to HKD5,500,000	–	1
	5	2

9 OTHER INCOME

	Year ended 31 December	
	2020	**2021**
	RMB'000	*RMB'000*
Government grants related to costs *(a)*	2,764	447
Amortisation of deferred income *(b)*	355	–
Interest income from related parties *(Note 34 (b)(i))*	365	–
Others	6	–
	3,490	447

(a) Government grants relating to costs are recognised in the profit or loss in the period necessary to match them with the expenses that they are intended to compensate.

(b) Government grants relating to assets are included in liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

10 OTHER GAINS – NET

	Year ended 31 December	
	2020	**2021**
	RMB'000	*RMB'000*
Net foreign exchange gains	7	74
Gains/(losses) on disposals of property, plant and equipment	72	(44)
Fair value change in financial assets at FVTPL *(Note 21)*	126	37
Others	115	(22)
	320	45

11 FINANCE COSTS – NET

	Year ended 31 December	
	2020	2021
	RMB'000	*RMB'000*
Finance income		
– Interest income on bank deposits	34	1,811
Finance costs		
– Interest expenses on borrowings	(199)	(3,145)
– Interest expenses on lease liabilities	(184)	(713)
	(383)	(3,858)
Finance costs – net	(349)	(2,047)

12 INCOME TAX CREDIT

	Year ended 31 December	
	2020	2021
	RMB'000	*RMB'000*
Deferred income tax	5,718	5,043

The Group's principal applicable taxes and tax rates are as follows:

(a) Cayman Islands and BVI

The Company is incorporated in the Cayman Islands as an exempted company and is not liable for taxation in the Cayman Islands. The Group's subsidiary incorporated in the BVI is also an exempted company and is not liable for taxation in the BVI.

(b) Hong Kong

Subsidiary incorporated in Hong Kong is subject to Hong Kong profits tax at a rate of 16.5%. No provision for Hong Kong profits tax has been made as the Group did not have estimated assessable profit in Hong Kong during the Track Record Period.

(c) Mainland China

Pursuant to the Enterprise Income Tax Law of the PRC (the "EIT Law") and the Implementation Rules of the EIT Law, the EIT is unified at 25% for all types of entities, effective from 1 January 2008.

Suzhou Rainmed, the Group's major operating subsidiary in the PRC, has obtained the approvals to become a new and high-technology enterprise in December 2021, which is effective for three years commencing on 1 January 2021. Suzhou Rainmed are entitled to a preferential income tax rate of 15% on the estimated assessable profits for the year ended 31 December 2021.

No provision for Mainland China profits tax has been made as the Group's PRC entities have no estimated assessable profits during the Track Record Period.

According to the relevant laws and regulations promulgated by the State Administration of Taxation of the PRC that has been effective from 2018 onwards, enterprises engaging in research and development activities are entitled to claim 175% of their eligible research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year ("Super Deduction"). The additional tax deducting amount of the qualified research and development expenses has been increased from 175% to 200% for manufacturing enterprises, effective from 2021, according to a new tax incentives policy promulgated by the State Tax Bureau of the PRC in March 2021. The Group has considered the Super Deduction to be claimed for the Group entities in ascertaining their assessable profits during the Track Record Period.

(d) The tax on the Group's loss before income tax differs from the theoretical amount that would arise using the statutory tax rate applicable to loss of the consolidated entities as follows:

	Year ended 31 December	
	2020	**2021**
	RMB'000	*RMB'000*
Loss before income tax	150,958	638,689
Tax calculated at tax rates (25% and 15% for years ended 31 December 2020 and 2021, respectively)	37,740	148,080
Tax effect of:		
Effect of different tax rate	–	(5,510)
Changes in the applicable tax rate	–	(5,459)
Expenses not deductible for tax purposes	(29,767)	(134,236)
Additional deduction of research and development and other expenses	1,577	4,026
Tax loss not recognised as deferred tax assets	(3,694)	(1,835)
Temporary differences not recognised as deferred tax assets	(138)	(23)
Income tax credit	5,718	5,043

(e) Deferred tax assets not recognised:

The Group has not recognised any deferred tax assets in respect of the following items:

	Year ended 31 December	
	2020	**2021**
	RMB'000	*RMB'000*
Accumulated deductible losses	61,668	3,573
Accumulated deductible temporary differences	1,302	–
	62,970	3,573

(f) Deductible losses that are not recognised as deferred tax assets will be expired as follows:

	As at 31 December	
	2020	**2021**
	RMB'000	*RMB'000*
2022	7	–
2023	10	–
2024	1,031	–
2025	1,764	–
2026	9,102	–
2027	9,048	–
2028	14,144	–
2029	11,789	–
2030	14,773	–
No expiry date	–	3,573
	61,668	3,573

The tax losses will normally expire within 5 years. Pursuant to the relevant regulations on extending the expired years of tax losses of High-Tech Enterprises and Small and Medium-sized Technological Enterprises issued in July 2018, which retrospectively effects from 1 January 2018, the expiration year of the unused tax losses was extended from 5 years to 10 years.

As at 31 December 2020, the deductible losses that are not recognised as deferred tax assets belonged to the Excluded Companies, which were disposed during the year ended 31 December 2021.

13 LOSS PER SHARE

(a) Basic loss per share

Basic loss per share is calculated by dividing the loss of the Group attributable to owners of the Company by weighted average number of ordinary shares outstanding during the Track Record Period.

In the calculation of weighted average number of ordinary shares outstanding for Track Record Period, the shares issued to shareholders of the Company during the Reorganisation who were the then shareholders of Suzhou Runxin as at 1 January 2020 had been adjusted retrospectively as if those shares have been issued since 1 January 2020. Basic loss per share is calculated by dividing the loss attributable to shareholders of the Company by the weighted average number of ordinary shares outstanding.

	Year ended 31 December	
	2020	**2021**
Loss attributable to owners of the Company (RMB'000)	(145,240)	(633,645)
Weighted average number of ordinary shares in issue (thousand) (i) & (ii)	11,123	12,861
Basic loss per share (in RMB/share)	(13.06)	(49.27)

(i) 1,527,460 Series A convertible preferred shares ("Series A Preferred Shares") are treated as ordinary shares (Note 28) for the purpose of calculating loss per share as they are recognised in equity and have no preferred right as to dividends compared with ordinary shares.

(ii) 1,527,460 Series A Preferred Shares described above and 9,595,040 ordinary shares issued to the then shareholders of Suzhou Runxin during the Reorganisation had been adjusted retrospectively as if those shares have been issued since 1 January 2020.

(iii) The loss per share presented above has not taken into account the proposed [**REDACTED**] issue pursuant to the resolutions of the shareholders passed on [●] because the proposed [**REDACTED**] has not become effective as at report date.

(b) Diluted loss per share

The Group has potential dilutive shares throughout the Track Record Period related to the Pre-[**REDACTED**] share option scheme (Note 26) and convertible preferred shares, other than Series A Preferred Shares (Note 28), outstanding to assume conversion of all the underlying dilutive potential ordinary shares. For the years ended 31 December 2020 and 2021 respectively, the potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for the years ended 31 December 2020 and 2021 are the same as basic loss per share.

14 PROPERTY, PLANT AND EQUIPMENT

	Equipment and instruments	Office equipment and furniture	Vehicles	Leasehold improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2020						
Cost	1,165	933	194	1,596	–	3,888
Accumulated depreciation	(746)	(323)	(178)	(697)	–	(1,944)
Net book amount	419	610	16	899	–	1,944
Year ended 31 December 2020						
Opening net book amount	419	610	16	899	–	1,944
Additions	322	310	108	–	3,258	3,998
Disposals	(71)	(35)	–	–	–	(106)
Depreciation charge	(217)	(184)	(4)	(308)	–	(713)
Closing net book amount	453	701	120	591	3,258	5,123
At 31 December 2020						
Cost	1,113	1,188	302	1,596	3,258	7,457
Accumulated depreciation	(660)	(487)	(182)	(1,005)	–	(2,334)
Net book amount	453	701	120	591	3,258	5,123
Year ended 31 December 2021						
Opening net book amount	453	701	120	591	3,258	5,123
Additions	1,494	1,839	19	29	26,600	29,981
Disposals	(21)	(27)	(10)	–	(74)	(132)
Transfers	389	971	–	23,640	(25,000)	–
Depreciation charge	(534)	(434)	(23)	(5,111)	–	(6,102)
Closing net book amount	1,781	3,050	106	19,149	4,784	28,870
At 31 December 2021						
Cost	2,553	3,892	130	25,265	4,784	36,624
Accumulated depreciation	(772)	(842)	(24)	(6,116)	–	(7,754)
Net book amount	1,781	3,050	106	19,149	4,784	28,870

Depreciation charges have been charged to the consolidated statements of comprehensive income as follows:

	Year ended 31 December	
	2020	2021
	RMB'000	*RMB'000*
Cost of sales	404	613
Research and development expenses	131	760
Selling expenses	57	222
General and administrative expenses	121	4,507
	713	6,102

15 INTANGIBLE ASSETS

Intangible assets of the Group during the Track Record Period were acquired software.

16 RIGHT-OF-USE ASSETS

(a) Amounts recognised in the consolidated balance sheets:

	Year ended 31 December	
	2020	2021
	RMB'000	*RMB'000*
Cost	14,105	19,501
Accumulated depreciation	(1,646)	(5,174)
Net book amount	12,459	14,327
Opening net book amount	2,169	12,459
Additions	11,884	7,772
Termination of lease contracts	–	(1,195)
Depreciation charge	(1,594)	(4,709)
Closing net book amount	12,459	14,327

(b) The consolidated statements of comprehensive income and the consolidated statements of cash flows contain the following amounts relating to leases:

	Year ended 31 December	
	2020	2021
	RMB'000	*RMB'000*
Interest expenses	184	713
Expenses relating to short-term leases	70	213
The cash outflow for leases as operating activities	70	213
The cash outflow for leases as financing activities	1,305	3,471

(c) The Group's leasing activities and how these are accounted for

The Group leases various offices and warehouses. Rental contracts are typically made for fixed periods of 1 year to 4 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

17 DEFERRED TAX ASSETS

(a) The analysis of deferred income tax assets is as follows:

	As at 31 December	
	2020	**2021**
	RMB'000	*RMB'000*
Deferred income tax assets		
– to be recovered within 12 months	2,964	3,217
– to be recovered after more than 12 months	10,916	15,946
	13,880	19,163

(b) The net movements on the deferred income tax were as follows:

	Year ended 31 December	
	2020	**2021**
	RMB'000	*RMB'000*
At beginning of the year	8,162	13,880
Credited to profit or loss	5,718	5,043
Credited to reserves *(Note 25(iv))*	–	240
Net book amount	13,880	19,163

(c) The movements in deferred income tax assets during the years ended 31 December 2020 and 2021 are as follows:

	Provisions	**Tax losses**	**Accruals**	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2020	–	8,047	114	1	8,162
Credited to profit or loss	–	5,137	549	32	5,718
At 31 December 2020	–	13,184	663	33	13,880
At 1 January 2021	–	13,184	663	33	13,880
Credited to profit or loss	2	4,901	51	89	5,043
Credited to reserves *(Note 25(iv))*	–	–	–	240	240
At 31 December 2021	2	18,085	714	362	19,163

18 INVENTORIES

	As at 31 December	
	2020	**2021**
	RMB'000	*RMB'000*
Raw materials	1,546	3,589
Work in progress	2,150	3,036
Finished goods	1,617	3,283
	5,313	9,908

Cost of inventories included in cost of sales, research and development expenses, selling expenses and general and administrative expenses during the years ended 31 December 2020 and 2021 were as follows:

	Year ended 31 December	
	2020	2021
	RMB'000	*RMB'000*
Cost of sales	754	11,782
Research and development expenses	3,782	4,672
Selling expenses	816	491
General and administrative expenses	3	359
	5,355	17,304

19 OTHER RECEIVABLES

Group

	As at 31 December	
	2020	2021
	RMB'000	*RMB'000*
Value-added tax recoverable	987	–
Deposits	763	1,412
Others	36	70
	1,786	1,482
Less: provision for impairment of other receivables	(8)	(14)
Other receivables – net	1,778	1,468
Less: non-current portion	(673)	(1,089)
	1,105	379

The carrying amounts of the Group's other receivables were denominated in RMB.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above.

The carrying amounts of the Group's other receivables approximate their fair values.

20 PREPAYMENTS

Group

	As at 31 December	
	2020	**2021**
	RMB'000	*RMB'000*
Prepayments		
Prepayments for [**REDACTED**]	–	[**REDACTED**]
Prepayments for purchase of raw materials	468	947
Prepayments for purchase of equipment	–	674
Prepayments for purchase of services	702	4,655
Others	188	397
	1,358	7,072
Less: non-current portion	–	(854)
Current portion	1,358	[**REDACTED**]

Company

	As at 31 December 2021
	RMB'000
Prepayments – current	
Prepayments for [**REDACTED**]	399
Others	[**REDACTED**]
	[**REDACTED**]

21 FINANCIAL ASSETS AT FVTPL

	As at 31 December	
	2020	**2021**
	RMB'000	*RMB'000*
At beginning of the year	–	3,007
Addition	18,500	–
Disposals	(15,619)	(3,044)
Change in fair value *(Note 10)*	126	37
At end of the year	3,007	–

The Group entered into contracts in respect of wealth management products from banks with an expected but not guaranteed rates of return ranging from 2.3% to 4.1% per annum during the Track Record Period. The Group managed and evaluated the performance of investments on a fair value basis, in accordance with the Group's risk management and investment strategy and hence are designated as financial assets at FVTPL as at 31 December 2020 and 2021.

If the expected rate of return of the fair values of financial assets at FVTPL held by the Group had increased/decreased 10%, the loss before income tax for the years ended 31 December 2020 and 2021 would have been approximately RMB12,600 lower/higher, RMB3,700 lower/higher, respectively.

22 CASH AND CASH EQUIVALENTS

Group

	As at 31 December	
	2020	**2021**
	RMB'000	*RMB'000*
Cash at bank		
– RMB	26,633	94,896
– USD	15	453,856
– EUR	940	1,083
– HKD	–	9,305
	27,588	559,140

The effective interest rates of cash and cash equivalent ranged from 0.30% to 1.89% throughout the Track Record Period.

Company

	As at 31 December 2021
	RMB'000
Cash at bank	
– USD	453,408
– HKD	82
	453,490

23 FINANCIAL INSTRUMENTS BY CATEGORY

Group

	As at 31 December	
	2020	**2021**
	RMB'000	*RMB'000*
Assets		
Financial assets at amortised costs:		
– Other receivables *(Note 19)*	1,778	1,468
– Cash and cash equivalents *(Note 22)*	27,588	559,140
Financial assets at fair value:		
– Financial assets at FVTPL *(Note 21)*	3,007	–
Total	32,373	560,608
Liabilities		
Financial liabilities at amortised cost:		
– Trade and other payables (excluding other tax payables, staff salaries and welfare payables and payables for deposit) *(Note 31)*	2,600	12,402
– Borrowings (*Note 29)*	11,020	–
– Lease liabilities *(Note 30)*	12,528	16,679
Financial liabilities at fair value:		
– Financial liabilities at FVTPL *(Note 28)*	227,206	1,361,749
Total	253,354	1,390,830

Company

	As at 31 December 2021 *RMB'000*
Assets	
Financial assets at amortised costs:	
– Cash and cash equivalents *(Note 22)*	453,490
Liabilities	
Financial liabilities at amortised costs:	
– Other payables *(Note 31)*	8,513
– Amounts due to subsidiaries	7,274
Financial liabilities at fair value:	
– Financial liabilities at FVTPL *(Note 28)*	1,361,749
Total	1,377,536

24 SHARE CAPITAL

On 9 April 2021, the Company was incorporated in the Cayman Islands as a company with limited liability with authorised share capital comprised of 3,800,000,000 shares at par value of HKD0.0001 per share.

	Number of ordinary shares	Nominal value *HKD'000*	RMB equivalent value *RMB'000*
Group and Company			
As at 9 April 2021 (date of incorporation)	1	–	–
Issuance of ordinary shares to shareholders of the Company	11,362,879	1	1
As at 31 December 2021	11,362,880	1	1

10,499,400 ordinary shares and 863,480 ordinary shares of the Company were issued to the then shareholders of Suzhou Runxin on 9 April 2021 and 23 June 2021, respectively. Out of which 9,595,040 ordinary shares were issued to the then shareholders of Suzhou Runxin immediately before the Share Award and 1,767,840 ordinary shares were issued to shareholders of Suzhou Huiying Enterprise Management Partnership (Limited Partnership) ("Suzhou Huiying") as part of the Share Award (Note 26).

25 OTHER RESERVES

Group

	Share-based compensation reserve *(i)* *RMB'000*	Foreign currency translation reserve *(ii)* *RMB'000*	Merger reserves *RMB'000*	Total *RMB'000*
At 1 January 2020	–	–	6,006	6,006
Contributions from the then shareholder of the Group *(iii)*	–	–	10	10
At 31 December 2020	–	–	6,016	6,016

	Share-based compensation reserve *(i)* *RMB'000*	Foreign currency translation reserve *(ii)* *RMB'000*	Merger reserves *RMB'000*	Total *RMB'000*
At 1 January 2021	–	–	6,016	6,016
Share-based compensation expense *(Note 26)*	67,171	–	–	67,171
Contributions from shareholders in relation to the share award *(Note 26)*	–	–	933	933
Merger reserves arising from the Reorganisation *(iv)*	–	–	(3,080)	(3,080)
Currency translation differences	–	15,069	–	15,069
At 31 December 2021	67,171	15,069	3,869	86,109

Company

	Share-based compensation reserve *(i)* *RMB'000*	Foreign currency translation reserve *(ii)* *RMB'000*	Merger reserves *RMB'000*	Total *RMB'000*
At 1 January 2021	–	–	–	–
Merger reserves arising from the Reorganisation	–	–	(419,462)	(419,462)
Share-based compensation expense *(Note 26)*	726	–	–	726
Currency translation differences	–	11,816	–	11,816
At 31 December 2021	726	11,816	(419,462)	(406,920)

(i) Share-based compensation reserve arises from share-based compensation granted to employees of the Group.

(ii) Foreign currency translation reserve represents the difference arising from the translation of financial statements of companies within the Group that have a functional currency different from the presentation currency of RMB for the financial statements of the Company and the Group.

(iii) On 9 July 2020, a capital injection of RMB10,000 was contributed from the then shareholder to Shenzhen Kaifu.

(iv) Merger reserves arising from the Reorganisation represented:

– Net assets of the Excluded Companies amounting to approximately RMB2,519,000 which were not transferred to the Group on the Disposal Date, were accounted for as a deemed distribution to the then shareholders and investors.

– Difference between the consideration injected by the then shareholders of Suzhou Runxin to set up the Company (Note 1.2(c)) and the consideration for Rainmed HK to acquire Suzhou Rainmed (Note 1.2(g)) during the Reorganisation, amounting to approximately RMB801,000, was accounted for as a deemed distribution to the then shareholders and investors.

– Deferred tax assets amounting to approximately RMB240,000 was recognised for the difference between the consideration and carrying amount of the Acquired Assets (Note 1.2(e)(ii)).

26 SHARE-BASED COMPENSATION

(a) Share award

On 6 January 2021, the shareholders of the Group agreed to award 10% equity interest of Suzhou Runxin to Suzhou Huiying, a limited partnership established by certain directors and employees of the Group (the "Share Award"), at a nominal consideration of approximately RMB933,000 for past contributions made to the Group by selected grantees. These equity interest were converted into 1,767,840 ordinary shares of the Company during the Reorganisation. As there were no future service conditions attached to the Share Award, these share-based awards were vested immediately.

The excess of the fair value of the above equity interest on the grant date over the cash consideration paid by the selected grantees is accounted for as share-based compensation expenses (included in the employee benefit expenses) in the Group's consolidated statements of comprehensive income. Accordingly, share-based compensation expenses of approximately RMB66,445,000 were recognised during the year ended 31 December 2021.

The valuation of the equity interests of the Group for the share-based awards was undertaken by an independent qualified professional valuer, which adopted discounted cash flow method in determining the Group's valuation and equity allocation model in determining the fair value of the ordinary shares.

The fair value of the shares granted and the significant input to the model at grant date are summarised as below:

Fair value of the shares granted (RMB)	67,378,000
Number of shares granted	1,767,840
Grant date	6 January 2021
Vesting date	6 January 2021
Discount rate	22.00%
Risk-free interest rate	2.98%
Volatility	45.36%
Expected dividend yield	0.00%

(b) Pre-[**REDACTED**] share option scheme

On 10 December 2021, the board of directors adopted a Pre-[**REDACTED**] share option scheme ("the Pre-[**REDACTED**] Share Option Scheme") to attract, retain and motivate employees of the Group. Under the Share Option Scheme, a number of [**REDACTED**] share options of ordinary shares of the Company, have been granted to the Group's employees, with an exercise price of HKD[**REDACTED**] (equivalent to USD[**REDACTED**]) per share.

Under the Pre-[**REDACTED**] Share Option Scheme, the options are to be vested based on service condition. The service condition is designed to acquire service from employees for a specified period. The vesting period of the share options granted is three years after the [**REDACTED**] and the vesting schedule is 30% after twelve months after the [**REDACTED**], 30% after 24 months after the [**REDACTED**], and 40% after 36 months after the [**REDACTED**], respectively.

The share-based compensation expenses for the Pre-[**REDACTED**] Share Option Scheme recognised during the year ended 31 December 2021 were approximately RMB726,000.

The valuation of the share options of the Company for the Pre-[**REDACTED**] Share Option Scheme was undertaken by an independent qualified professional valuer, which adopted the Binomial option-pricing model in determining the Group's valuation and equity allocation model in determining the fair value of the share options.

The significant input to the model at grant date are summarised as below:

Number of shares under the option granted	[**REDACTED**]
Grant date	10 December 2021
Fair value of the ordinary shares on the date of option grant (USD)	18.39
Risk-free interest rate	1.48%
Volatility	44.38%
Expected dividend yield	0.00%

Movements of the number of share options outstanding and their related weighted average exercise prices are as follows:

	Average exercise price	Number of shares under the option
As at 1 January 2021	–	–
Granted	HKD[**REDACTED**]	[**REDACTED**]
As at 31 December 2021	HKD[**REDACTED**]	[**REDACTED**]

27 DIVIDEND

No dividend has been paid or declared by the Company or the companies now comprising the Group during each of the years ended 31 December 2020 and 2021.

28 CONVERTIBLE PREFERRED SHARES

Group and Company

	As at 31 December	
	2020	**2021**
	RMB'000	*RMB'000*
Convertible preferred shares (a) recognised as:		
Liabilities		
– Financial liabilities at FVTPL (b)	227,206	1,361,749
Equity		
– Equity instrument (c)	13,000	13,000

(a) Issuance of preferred shares

Series Angel-1 Preferred Shares

In 2016, Suzhou Runxin issued certain equity with preferred rights at a cash consideration of RMB9,000,000. These equity were converted into 1,218,620 Series Angel-1 convertible preferred shares ("Series Angel-1 Preferred Shares") of the Company during the Reorganisation.

Series Angel-2 Preferred Shares

In 2016, Suzhou Runxin issued certain equity with preferred rights at a cash consideration of RMB7,000,000. These equity were converted into 935,940 Series Angel-2 convertible preferred shares ("Series Angel-2 Preferred Shares") of the Company during the Reorganisation.

Series A Preferred Shares

In 2017, Suzhou Runxin issued certain equity with preferred rights at a cash consideration of RMB13,000,000. These equity were converted into 1,527,460 Series A Preferred Shares of the Company during the Reorganisation.

Series A+ Preferred Shares

In 2018, Suzhou Runxin issued certain equity with preferred rights at a cash consideration of RMB20,000,000. These equity were converted into 1,770,280 Series A+ convertible preferred shares ("Series A+ Preferred Shares") of the Company during the Reorganisation.

Series B Preferred Shares

In 2019, Suzhou Runxin issued certain equity with preferred rights at a cash consideration of approximately RMB28,679,000. These equity were converted into 863,060 Series B convertible preferred shares ("Series B Preferred Shares") of the Company during the Reorganisation.

Series C-1 Preferred Shares

In 2021, Suzhou Runxin issued certain equity with preferred rights at a cash consideration of RMB150,000,000. These equity were converted into 1,767,820 Series C-1 convertible preferred shares ("Series C-1 Preferred Shares") of the Company during the Reorganisation.

Series C-2 Preferred Shares

In 2021, Suzhou Runxin issued certain equity with preferred rights at a cash consideration of RMB30,000,000. These equity were converted into 353,580 Series C-2 convertible preferred shares ("Series C-2 Preferred Shares") of the Company during the Reorganisation.

As mentioned in Note 1.2(f), the Company issued 200,360 Series C-2 Preferred Shares to Merchant Star for its investments in the Group during the Reorganisation.

The Series C-2 Preferred Shares are initially recognized at purchase price. As the purchase price is higher than the fair value, the difference between the purchase price and fair value amounting to RMB13,391,000 was deferred and will be released to the consolidated statements of comprehensive income when Series C-2 Preferred Shares are either redeemed or converted to ordinary shares.

Series D Preferred Shares

In 2021, the Company issued 2,880,000 Series D convertible preferred shares ("Series D Preferred Shares") at a cash consideration of USD72,000,000 (equivalent to approximately RMB460,313,000).

Series Angel-1 Preferred Shares, Series Angel-2 Preferred Shares, Series A Preferred Shares, Series A+ Preferred Shares, Series B Preferred Shares, Series C-1 Preferred Shares, Series C-2 Preferred Shares and Series D Preferred Shares are collectively referred as "Preferred Shares".

Series Angel-1 Preferred Shares, Series Angel-2 Preferred Shares, Series A+ Preferred Shares, Series B Preferred Shares, Series C-1 Preferred Shares, Series C-2 Preferred Shares and Series D Preferred Shares are collectively referred as "Refundable Preferred Shares".

Series Angel-1 Preferred Shares and Series Angel-2 Preferred Shares are collectively referred as "Series Angel Preferred Shares".

(b) Refundable Preferred Shares accounted for as financial liabilities at FVTPL

The Refundable Preferred Shares have embedded derivatives for the conversion feature, the entire Refundable Preferred Shares are recognised as financial liabilities at FVTPL as mentioned in Note 2.16. They are initially recognised at fair value.

Although the Refundable Preferred Shares were automatically converted into ordinary shares immediately before the date of the submission for the [**REDACTED**], it will be automatically converted back to preferred shares upon occurrence of certain future events mentioned in Note 28(b)(i). The Refundable Preferred Shares are recognised as financial liabilities at FVTPL until they are irrevocably converted into ordinary shares.

The key terms

The key terms of Refundable Preferred Shares of the Company, which have been issued before 31 December 2021, are summarized as follows:

(i) Conversion right of Refundable Preferred Shares

(1) Optional Conversion

Series C-2 Preferred Shares

Series C-2 Preferred Shares may, at the option of the holder thereof, be converted at any time into fully-paid and nonassessable ordinary shares based on the then-effective applicable conversion price. The conversion price equals the original issue price at all time and shall not be adjusted. The conversion ratio for Series C-2 Preferred Shares to ordinary shares shall be 1:1 at all times.

Series Angel Preferred Shares, Series A+ Preferred Shares, Series B Preferred Shares, Series C-1 Preferred Shares and Series D Preferred Shares (collectively, "Anti-diluted Preferred Shares")

Anti-diluted Preferred Shares may, at the option of the holder thereof, be converted at any time into fully-paid ordinary shares based on the then-effective applicable conversion price. The conversion price shall initially equal the original issue price of each of the series of Anti-diluted Preferred Shares, and each shall be adjusted from time to time as provided in below situation.

The initial conversion ratio for each series of Anti-diluted Preferred Shares to ordinary shares shall be 1:1. No adjustment in the applicable conversion price shall be made in respect of the issuance of additional ordinary shares unless the consideration for any additional ordinary share issued or deemed to be issued by the Company is less than the applicable conversion price in effect on the date of and immediately prior to such issue. In the event that the Company shall issue additional ordinary shares without consideration or for a consideration per share received by the Company (net of any selling concessions, discounts or commissions) that is less than the applicable conversion price in effect on the date of and immediately prior to such issue, then and in such event, the applicable conversion price shall be reduced, concurrently with such issue, to the consideration per share for which the new securities are issued.

(2) Automatic Conversion

Preferred Shares shall automatically be converted, based on the then-effective applicable conversion price, into ordinary shares immediately before the date of the submission for a qualified [**REDACTED**], provided that such ordinary share shall automatically be converted into preferred share upon the earlier of: (i) the application for the qualified [**REDACTED**] is withdrew, invalid or vetoed by the applicable [**REDACTED**] or the competent regulatory body; (ii) the process of the qualified [**REDACTED**] is withdrew, terminated or elapsed for any reason; or (iii) the qualified [**REDACTED**] is not completed within twelve months after the submission of the application for the qualified [**REDACTED**].

(ii) Liquidation preferences of Refundable Preferred Shares

The liquidation preferences were granted to Series Angel-1 Preferred Shares, Series Angel-2 Preferred Shares, Series A+ Preferred Shares, Series B Preferred Shares, Series C-1 Preferred Shares and Series D Preferred Shares ("Refundable Preferred Shares with Liquidation Preferences").

In the event of any liquidation, dissolution or winding up of the Company, either voluntarily or involuntarily (each a "liquidation event") or deemed liquidation event (as defined below), the holders of Refundable Preferred Shares with Liquidation Preferences shall be entitled to receive the liquidation preference amount, prior and in preference to any distribution of any of the assets or surplus funds of the Company to the holders of Series C-2 Preferred Shares, Series A Preferred Shares and ordinary shares.

The liquidation order of Refundable Preferred Shares with Liquidation Preferences is as follows:

Refundable Preferred Shares with Liquidation Preference	Liquidation order
Series D Preferred Shares	first batch
Series C-1 Preferred Shares	second batch
Series B Preferred Shares	third batch
Series A+ Preferred Shares	fourth batch
Series Angel Preferred Shares	fifth batch

The liquidation preference amount for each series of Refundable Preferred Shares with Liquidation Preferences is equal to the original issue price of each series of Refundable Preferred Shares with Liquidation Preferences, plus an annual simple rate of 8% of the original issue price of each series of Refundable Preferred Shares with Liquidation Preferences for a period of time commencing from the original issue date to the actual payment date of the settlement, plus all dividends declared and unpaid with respect to each series of Refundable Preferred Shares with Liquidation Preferences and minus all dividends already received for each series of Refundable Preferred Shares with Liquidation Preferences.

Deemed liquidation events shall be treated as a liquidation event. A deemed liquidation event means (a) any merger or consolidation of the Company with or into any other corporation or corporations or other entity or entities or any other corporate reorganisation after which the holders of the Company's voting shares prior to such transaction own or control less than a majority of the outstanding voting shares of the surviving corporation or other entity on account of shares held by them prior to the transaction; or (b) a sale of a majority of the outstanding voting shares of the Company; (c) sale, lease, transfer or disposition by the Company and/or any of the subsidiaries of the Company ("Group Company") of all or substantially all of the assets of any Group Company; (d) the exclusive licensing of all or substantially all of the Group Companies intellectual property to a third party.

(iii) Redemption rights of Refundable Preferred Shares

Redemption rights were granted to Series Angel-1 Preferred Shares, Series A+ Preferred Shares, Series B Preferred Shares, Series C-1 Preferred Shares, Series C-2 Preferred Shares and Series D Preferred Shares ("Refundable Preferred Shares with Redemption Right").

The holders of Refundable Preferred Shares with Redemption Right have the right to require the Company to redeem their preferred shares when the following events happen:

(a) The Company failed to complete qualified [**REDACTED**] on or prior to 31 December 2024.

(b) There is any matter that has a material adverse effect on the qualified [**REDACTED**].

(c) Any holders of Refundable Preferred Shares with Redemption Right requests the Company to redeem its shares in accordance with the memorandum and article of association of the Company and the Company agrees such request.

(d) the date on which there occurs a material breach by any Group Company, or Mr. Huo Yunfei and Dr. Huo Yunlong of any of their respective representations, warranties, covenants or undertakings and such breach is not rectified within thirty days after receipt of the request for remedy from holders of Refundable Preferred Shares with Redemption Right and makes material adverse effect on Group Company.

The redemption amount of Refundable Preferred Shares with Redemption Right is the original issue price of each Refundable Preferred Shares with Redemption Right, plus an annual simple rate of 8% of the original issue price of each Refundable Preferred Shares with Redemption Right for a period of time commencing from the original issue date to the actual payment date of the settlement, plus all dividends declared and unpaid with respect to each Refundable Preferred Shares with Redemption Right and minus all dividends already received for each Refundable Preferred Shares with Redemption Right.

(iv) Voting rights

Each Refundable Preferred Shares shall be entitled to the number of votes equal to the number of ordinary shares into which such Refundable Preferred Shares could be converted.

(v) Termination of preferred rights

In the scenario of an [**REDACTED**] of the shares of the Company on a stock exchange, the special rights of the holders of the Refundable Preferred Shares shall terminate upon [**REDACTED**] pursuant to the relevant requirement of the exchange.

Movements of Refundable Preferred Shares

The movements of Refundable Preferred Shares for the years ended 31 December 2020 and 2021 are set out below:

	Year ended 31 December	
	2020	**2021**
	RMB'000	*RMB'000*
At beginning of the year	108,956	227,206
Issuance	–	657,228
Fair value loss	118,250	493,864
Currency translation differences	–	(16,549)
At end of the year	227,206	1,361,749

The Group has engaged an independent valuer to determine the fair value of Refundable Preferred Shares. The discounted cash flow method and back-solve method were used to determine the underlying share value and the equity allocation model was adopted to determine the fair value of Refundable Preferred Shares as at each date of issuance and at the end of each reporting period.

Key valuation assumptions used to determine the fair value of Refundable Preferred Shares as at 31 December 2020 and 2021 are as follows:

	As at 31 December	
	2020	**2021**
	RMB'000	*RMB'000*
Discount rate	22.00%	18.00%
Risk-free interest rate	2.72%~2.82%	0.19%~0.97%
Volatility	45.51%~46.20%	34.69%~43.68%
DLOM	20.00%	10.00%
[**REDACTED**] possibility	40.00%	60.00%

Sensitivity test

The Company performed sensitivity test to changes in unobservable inputs in determining the fair value of Refundable Preferred Shares issued by the Company. The changes in unobservable inputs including discount rate, DLOM and [**REDACTED**] possibility will result in a significantly higher or lower fair value measurement. The increase in the fair value of Refundable Preferred Shares would increase the fair value loss in the consolidated statements of comprehensive income. When performing the sensitivity test, management applied an increase or decrease to each unobservable input, which represents management's assessment of reasonably possible change to these unobservable inputs, and effect of those changes to the fair value of Refundable Preferred Shares is as below:

If the discount rate had increased/decreased 1%, the loss before income tax for the years ended 31 December 2020 and 2021 would have been approximately RMB24,902,000 lower/RMB28,876,000 higher, RMB115,284,000 lower/RMB134,449,000 higher, respectively.

If the DLOM had increased/decreased 5%, the loss before income tax for the years ended 31 December 2020 and 2021 would have been approximately RMB12,324,000 lower/RMB12,356,000 higher, RMB54,639,000 lower/RMB54,630,000 higher, respectively.

If the [**REDACTED**] possibility had increased/decreased 10%, the loss before income tax for the years ended 31 December 2020 and 2021 would have been approximately RMB2,860,000 lower/RMB2,860,000 higher, RMB33,967,000 lower/RMB33,967,000 higher, respectively.

(c) Series A Preferred Shares recognised as an equity instrument

Series A Preferred Shares are also eligible to rights of conversion with reference to Series C-2 Preferred Shares and voting rights mentioned in Note 28(b)(i) and Note 28(b)(iv), respectively, but do not have rights as anti-dilution, liquidation preferences or redemption right and therefore were accounted for as an equity instrument.

In the scenario of an [**REDACTED**] of the shares of the Company on a [**REDACTED**], the special rights of the holders of Series A Preferred Shares shall terminate upon [**REDACTED**] pursuant to the relevant requirement of the exchange.

29 BORROWINGS

	As at 31 December	
	2020	**2021**
	RMB'000	*RMB'000*
Non-current		
Secured: *(Note a)*		
– Other borrowings	3,060	–
Current		
Secured: *(Note a)*		
– Bank borrowings	5,006	–
– Other borrowings	2,954	–
	7,960	–
Total borrowings	11,020	–

(a) As at 31 December 2020, the Group's bank borrowings were guaranteed by shareholder, Mr. Hou Yunfei and his spouse (Note 34).

As at 31 December 2020, the Group's other borrowings were secured by the Group's intellectual properties.

(b) As at 31 December 2020 and 2021, the Group's borrowings were repayable as follows:

	As at 31 December	
	2020	**2021**
	RMB'000	*RMB'000*
Within 1 year	7,960	–
Between 1 and 2 years	3,060	–
	11,020	–

(c) The weighted average effective interest rates as at 31 December 2020 was 4.00%.

(d) The fair values of borrowings equal to their carrying amounts as the discounting impact is not significant.

(e) As at 31 December 2020, the Group had no unutilised bank facility.

As at 31 December 2021, the Group had unutilised bank facility of RMB190,000,000.

30 LEASE LIABILITIES

	As at 31 December	
	2020	2021
	RMB'000	*RMB'000*
Lease liabilities		
– Current	4,316	7,819
– Non-current	8,212	8,860
Total lease liabilities	12,528	16,679

As at 31 December 2020 and 2021, the Group's lease liabilities were repayable as follows:

	As at 31 December	
	2020	2021
	RMB'000	*RMB'000*
Within 1 year	4,316	7,819
Between 1 and 2 years	3,550	5,630
Between 2 and 5 years	4,662	3,230
	12,528	16,679

31 TRADE AND OTHER PAYABLES

Group

	As at 31 December	
	2020	2021
	RMB'000	*RMB'000*
Trade payables	274	963
Staff salaries and welfare payables	7,618	13,586
Payables for deposit	4,400	–
Other tax payables	3,122	3,530
Accrued [**REDACTED**]	–	[**REDACTED**]
Payables for equipment and intangible assets	221	163
Payables for service suppliers	453	865
Amounts due to related parties *(Note 34(c))*	62	10
Other accrued expenses	1,590	1,888
	17,740	[**REDACTED**]

The aging analysis of trade payables based on invoice date are as follows:

	As at 31 December	
	2020	2021
	RMB'000	*RMB'000*
Within 1 year	274	963

The Group's trade and other payables are denominated in the following currencies:

	As at 31 December	
	2020	2021
	RMB'000	*RMB'000*
– RMB	17,740	22,887
– USD	–	6,631
	17,740	29,518

Company

	As at 31 December 2021
	RMB'000
Accrued [**REDACTED**]	[**REDACTED**]

32 CASH FLOW INFORMATION

(a) Cash generated from/(used in) operations

Reconciliation of loss before income tax to net cash generated from/(used in) operations was as follows:

	Year ended 31 December	
	2020	2021
	RMB'000	*RMB'000*
Loss for the year before income tax	(150,958)	(638,689)
Adjustments for:		
– Depreciation of property, plant and equipment *(Note 14)*	713	6,102
– Amortisation	42	52
– Depreciation of right-of-use assets *(Note 16)*	1,594	4,709
– Interest expenses on borrowings and lease liabilities *(Note 11)*	383	3,858
– Interest income	(405)	(1,811)
– Fair value loss of financial liabilities at FVTPL *(Note 28)*	118,250	493,864
– Fair value change on financial assets at FVTPL *(Note 21)*	(126)	(37)
– (Gains)/losses on disposal of property, plant and equipment *(Note 10)*	(72)	44
– Loss on termination of lease contract	–	13
– Share-based compensation	–	67,171
	(30,579)	(64,724)
Changes in working capital:		
– Inventories	(4,730)	(4,595)
– Other receivables	280	(425)
– Prepayments	1,076	(4,947)
– Deferred income	(355)	–
– Trade and other payables	13,930	16,287
– Contract liabilities	22,615	(16,239)
Cash generated from/(used in) operations	2,237	(74,643)

(b) In the consolidated statements of cash flows, proceeds from disposal of property, plant and equipment comprise:

	Year ended 31 December	
	2020	**2021**
	RMB'000	*RMB'000*
Net book value *(Note 14)*	106	132
Gains/(losses) on disposal of property, plant and equipment *(Note 10)*	72	(44)
Proceeds from the disposal	178	88

(c) Changes in liabilities from financing activities:

	Borrowings	**Lease liabilities**	**Financial liabilities at FVTPL**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2020	–	1,765	108,956	110,721
Cash flows	10,821	(1,305)	–	9,516
Other non-cash movements				
– Fair value loss on financial liabilities at FVTPL	–	–	118,250	118,250
– Accrued interest expense	199	184	–	383
– Addition of right-of-use assets	–	11,884	–	11,884
At 31 December 2020	11,020	12,528	227,206	250,754
At 1 January 2021	11,020	12,528	227,206	250,754
Cash flows	(14,165)	(3,471)	657,228	639,592
Other non-cash movements				
– Accrued interest expense	3,145	713	–	3,858
– Addition of right-of-use assets	–	7,772	–	7,772
– Termination of lease contracts	–	(746)	–	(746)
– Fair value loss on financial liabilities at FVTPL	–	–	493,864	493,864
– Disposed during the Reorganisation	–	(117)	–	(117)
– Currency translation differences	–	–	(16,549)	(16,549)
At 31 December 2021	–	16,679	1,361,749	1,378,428

(d) Cash out flow from the Reorganisation represents cash and cash equivalents amounting to approximately RMB5,650,000 of the Excluded Companies which were not transferred to the Group on the Disposal Date.

33 COMMITMENTS

Capital expenditures contracted for at each balance sheet date, but not yet incurred are as follows:

	As at 31 December	
	2020	**2021**
	RMB'000	*RMB'000*
Property, plant and equipment	15,617	2,176

34 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control. Members of key management and their close family member of the Group are also considered as related parties.

(a) Name and relationship with related parties

The following individual is a related party of the Group that had significant balances and/or transactions as at/during the years ended 31 December 2020 and 2021:

Name of related parties	Nature of relationship
Dr. Huo Yunlong	Shareholder
Mr. Huo Yunfei	Shareholder and director of the Company
Ningbo Zhusheng Enterprise Management Partnership (L.P.)	Shareholder
Mr. Liu Guangzhi	Shareholder and key management
Ms. Gu Yang	Shareholder and director of the Company
Mr. Li Wei	Shareholder and director of Group Company, before the Disposal Date
Mr. Zhang Liang	Shareholder and director of the Company

(b) Transactions with related parties

Discontinuing transactions

(i) Interest income

	Year ended 31 December	
	2020	**2021**
	RMB'000	*RMB'000*
Ningbo Zhusheng Enterprise Management Partnership (L.P.)	352	–
Mr. Liu Guangzhi	13	–
	365	–

The related party transactions above were carried out on terms mutually agreed between the parties. In the opinion of the directors of the Company, these transactions are in the ordinary courses of business of the Group and in accordance with the terms of underlying agreements.

(c) Balances with related parties

(i) Amounts due to related parties

	As at 31 December	
	2020	**2021**
	RMB'000	*RMB'000*
Non-trade		
Mr. Li Wei	25	–
Mr. Huo Yunfei	26	–
Ms. Gu Yang	1	10
Dr. Huo Yunlong	6	–
Mr. Liu Guangzhi	2	–
Mr. Zhang Liang	2	–
	62	10

The amounts due to related parties were unsecured, non-trade in nature, interest-free, repayable on demand and denominated in RMB. The balances have been fully settled in January 2022.

(d) Key management compensation

Key management includes chairman, executive directors and senior management of the Group.

The compensation paid or payable to the key management during the Track Record Period, excluding those paid to the executive directors which has been disclosed in Note 8, was shown as below.

	Year ended 31 December	
	2020	**2021**
	RMB'000	*RMB'000*
Salaries, wages and bonuses	623	2,337
Contributions to pension plans	3	98
Housing fund, medical insurance and other social insurance	41	113
Share-based compensation expenses	–	110
	667	2,658

(e) Bank borrowings guaranteed by related parties

The Group's bank borrowings as at 31 December 2020 were guaranteed by Mr. Huo Yunfei and his spouse, which was subsequently released on 9 April 2021.

35 INVESTMENT IN SUBSIDIARIES

Company

	As at 31 December 2021
	RMB'000
Unlisted equity investments, at cost	197,424
Issuance of share option to the employees of subsidiaries *(Note 26)*	726
Currency translation differences	(3,366)
	194,784

Particulars of the Company's subsidiaries are set out in Note 1.2.

36 SUBSEQUENT EVENTS

Pursuant to the resolution passed by the shareholders on [●], [subject to the [**REDACTED**] becoming unconditional in all respects], the Directors are authorised to allot and issue a total of [●] shares credited as fully paid at par to the existing shareholders of the Company by way capitalisation of the sum of RMB[●] standing to the credit of the share premium account of the Company.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2021 and up to the date of this report. No dividend or distribution have been declared, made or paid by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2021.

The information set out in this Appendix does not form part of the Accountant's Report from the reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, as set out in Appendix I, and is included herein for illustrative purposes only. The [**REDACTED**] *should be read in conjunction with the section entitled "Financial Information" in this document and the Accountant's Report set out in Appendix I to this document.*

A. [REDACTED] STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following [**REDACTED**] statement of adjusted net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the [**REDACTED**] on the net tangible assets of the Group attributable to the owners of the Company as of 31 December 2021 as if the [**REDACTED**] had taken place on 31 December 2021, assuming the [**REDACTED**] is not exercised.

This [**REDACTED**] statement of adjusted net tangible assets has been prepared for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group as at 31 December 2021 or at any future dates following the [**REDACTED**]. It is prepared based on the consolidated net liabilities of the Group as at 31 December 2021 as set out in the Accountant's Report of the Group, the text of which is set out in Appendix I to this document, and adjusted as described below. The [**REDACTED**] statement of adjusted net tangible assets does not form part of the Accountant's Report.

	Audited consolidated net tangible liabilities of the Group attributable to the owners of the Company as at 31 December 2021 *RMB'000 (Note 1)*	**Estimated impact to the consolidated net tangible liabilities upon conversion of the Refundable Preferred Shares** *RMB'000 (Note 2)*	**Estimated net [REDACTED] from the [REDACTED]** *RMB'000 (Note 3)*	**[REDACTED] adjusted net tangible assets of the Group attributable to the owners of the Company as at 31 December 2021** *RMB'000*	**[REDACTED] adjusted net tangible assets per Share** *RMB (Note 4)*	*HK$ (Note 5)*
Based on an [**REDACTED**] of HK$[**REDACTED**] per Share	(774,728)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on an [**REDACTED**] of HK$[**REDACTED**] per Share	(774,728)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

(1) The audited consolidated net tangible liabilities attributable to the owners of the Company as at 31 December 2021 is extracted from the Accountant's Report set out in Appendix I to this document, which is based on the audited consolidated net liabilities of the Group attributable to the owners of the Company as at 31 December 2021 of RMB774,484,000 with an adjustment for the intangible assets attributable to the owners of the Company as at 31 December 2021 of RMB244,000.

(2) The Series Angel-1, Series Angel-2, Series A+, Series B, Series C-1, Series C-2 and Series D preferred shares (collectively, the "Refundable Preferred Shares") issued by the Company are accounted for as financial liabilities to the Company. All Refundable Preferred Shares will be automatically and irrevocably converted into ordinary shares of the Company upon the [**REDACTED**]. Accordingly, for the purpose of the [**REDACTED**] adjusted net tangible assets, the adjustment represents the impact of conversion of the Refundable Preferred Shares into ordinary shares. The estimated impact is RMB1,361,749,000, being the carrying amount of the Refundable Preferred Shares as of 31 December 2021.

(3) The estimated net [**REDACTED**] from the [**REDACTED**] are based on the indicative [**REDACTED**] of HK$[**REDACTED**] and HK$[**REDACTED**] per Share, being the low and high end of the indicative [**REDACTED**] range respectively, after deduction of the [**REDACTED**] fees and other related expenses payable by the Company (exclude those [**REDACTED**] expenses of approximately RMB[**REDACTED**] which have been accounted for in the consolidated statements of comprehensive income up to 31 December 2021) and takes no account of any shares which may fall to be issued upon the exercise of the [**REDACTED**], any Shares which may be issued under the Pre-[**REDACTED**] Share Option Scheme or any Shares which may be issued or repurchased by the Company pursuant to the General Mandate.

(4) The [**REDACTED**] net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that [**REDACTED**] Shares were in issue assuming that the conversion of the Refundable Preferred Shares, the [**REDACTED**], and the [**REDACTED**] have been completed on 31 December 2021 but takes no account of adjustment for anti-dilution of the Refundable Preferred Shares after the date of the document, if any, any shares which may fall to be issued upon the exercise of the [**REDACTED**], any shares which may be issued under the Pre-[**REDACTED**] Share Option Scheme or any shares which may be issued or repurchased by the Company pursuant to the General Mandate.

(5) For the purpose of this [**REDACTED**] adjusted net tangible assets per Share, the amounts stated in Renminbi are converted into Hong Kong dollars at the rate of HK$1.00 to RMB[0.8500]. No representation is made that Renminbi has been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

(6) Save as disclosed above, no adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 31 December 2021.

[REDACTED]

[REDACTED]

[REDACTED]

SUMMARY OF THE CONSTITUTION OF THE COMPANY

1 Memorandum of Association

The Memorandum of Association of the Company was conditionally adopted on June 18, 2022 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 Cayman Companies Act or any other law of the Cayman Islands.

The Memorandum of Association is available for inspection at the address specified in Appendix V to this document.

2 Articles of Association

The Articles of Association of the Company were conditionally adopted on June 18, 2022 and include provisions to the following effect:

2.1 Classes of Shares

The share capital of the Company consists of ordinary shares. The authorized share capital of the Company at the date of adoption of the Articles is HK$380,000 divided into 3,800,000,000 shares of HK$0.0001 each.

2.2 Directors

(a) *Power to allot and issue Shares*

Subject to the provisions of the Cayman Companies Act 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 Cayman

Companies Act 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 Cayman Companies Act expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Cayman Companies Act 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 realized by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the board of Directors at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by 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 traveling 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 number of Directors shall not be less than two.

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 first annual general meeting of the Company after his appointment and shall then be eligible for re-election at that 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. Any Director so appointed shall hold office only until the first annual general meeting of the Company after his appointment and shall then be eligible for re-election but shall not be taken into account in determining the number of Directors and which Directors who are to retire by rotation at such meeting.

No person shall, unless recommended by the Board, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the dispatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of 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 a notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of 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 dispatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.3 Alteration to constitutional documents

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

2.4 Variation of rights of existing shares or classes of shares

If at any time the share capital of 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 Cayman Companies Act, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall mutatis mutandis apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorized representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking pari passu therewith.

2.5 Alteration of capital

The Company may, from time to time, whether or not all the shares for the time being authorized shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

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 ratably 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 canceled subject to the provisions of the Cayman Companies Act; and

(c) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Cayman Companies Act, 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 authorized and subject to any conditions prescribed by the Cayman Companies Act.

2.6 Special resolution – majority required

A "special resolution" is defined in the Articles of Association to have the meaning ascribed thereto in the Cayman Companies Act, 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, where proxies are allowed, by proxy or, in the case of corporations, by their duly authorized representatives, at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution signed by all members for the time being entitled to receive notice of and to attend and vote at general meetings (or being corporations by their duly appointed representatives), and any such resolution shall be deemed to have been passed at a meeting held on the date on which it was signed by the last member to sign.

In contrast, an "ordinary resolution" is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, where proxies are allowed, by proxy or, in the case of corporations, by their duly authorized representatives, at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of 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 authorized 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 authorized in such circumstances to do so and such person may vote by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by 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 recognized clearing house (or its nominee(s)) is a member of the Company it may authorize such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any meeting of the Company (including general meeting and creditors 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 authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognized clearing house (or its nominee(s)) which he represents as that recognized clearing house (or its nominee(s)) could exercise as if it were an individual member of the Company holding the number and class of shares specified in such authorization, including, where a show of hands is allowed, the right to vote individually on a show of hands.

2.8 Annual general meetings and extraordinary general meetings

The Company must hold a general meeting as its annual general meeting each financial year. Such meeting must be held within six months after the end of the Company's financial year. The annual general meeting shall be specified as such in the notices calling it.

Extraordinary general meetings may be convened on the requisition of one or more shareholders (or any one member which is a recognized clearing house (or its nominee(s)) holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings.

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 Cayman Companies Act.

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 Cayman Companies Act or any other relevant law or regulation or as authorized 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 statement of financial position as at the date to which the profit and loss account is made up and a Director's report with respect to the profit or loss of 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.

The appointment, removal and remuneration of an auditor or auditors of the Company shall require the approval of an ordinary resolution of the members in general meeting. 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; and the remuneration of such auditor(s) shall be fixed by the Company at the annual general meeting at which they are appointed. 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; and the members shall, by ordinary resolution, at that meeting appoint new auditor in its place for the remainder of the term.

2.10 Notice of meetings and business to be conducted thereat

An annual general meeting shall be called by not less than 21 days' notice in writing and any extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place (except in the case of a Virtual Meeting) 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.

2.11 Transfer of shares

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as 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, in its absolute discretion, and without assigning any reason, refuse to register any transfer of any share which is not fully paid up or on which 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 canceled) 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 favor 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).

2.12 Power of the Company to purchase its own shares

The Company is empowered by the Cayman Companies Act 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 canceled upon the repurchase. The holder of the shares being purchased shall be bound to deliver up to the Company at its principal place of business in Hong Kong or such other place as the Directors shall specify the certificate(s) thereof, if any, for cancellation and thereupon the Company shall pay to him the purchase or redemption monies in respect thereof.

2.13 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.

2.14 Dividends and other methods of distribution

Subject to the Cayman Companies Act 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 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, installments 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.

Whenever the Directors or the Company in general meeting have resolved that a dividend may be paid or declared, the Directors may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution 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.

2.15 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 favor of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorized in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorized to sign the same.

The instrument appointing a proxy and (if required by 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.

2.16 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 installments and shall be deemed to have been made at the time when the resolution of the Directors authorizing the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and installments due in respect of such share or other monies due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15% per annum, as 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 installment 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 bolder of such shares requiring payment of so much of the call or installment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or installment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or installments and interest due in respect thereof has been made, be forfeited by a resolution of 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.

2.17 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.

2.18 Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman which shall not be treated as part of the business of the meeting.

Two members of 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 authorized representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of 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.

2.19 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.20 Procedure on liquidation

If 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 Cayman Companies Act, 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 Cayman Companies Act, 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.

2.21 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 Cayman Companies Act is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Cayman Companies Act and the current Companies Act of England. Set out below is a summary of certain provisions of the Cayman Companies Act, 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 9 April 2021 under the Cayman Companies Act. 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 authorized share capital.

3 Share Capital

The Cayman Companies Act permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Cayman Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the "share premium account." At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancelation of shares in any other company and issued at a premium. The Cayman Companies Act provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

(a) paying distributions or dividends to members;

(b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Cayman Companies Act);

(d) writing-off the preliminary expenses of the company;

(e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and

(f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Cayman Companies Act provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Cayman Companies Act, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorized either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

4 Dividends and Distributions

With the exception of section 34 of the Cayman Companies Act, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Cayman Companies Act 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 Cayman Companies Act contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8 Accounting and Auditing Requirements

The Cayman Companies Act requires that a company shall cause to be kept proper books of account with respect to:

(a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;

(b) all sales and purchases of goods by the company; and

(c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

9 Register of Members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Cayman Companies Act for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

10 Inspection of Books and Records

Members of a company will have no general right under the Cayman Companies Act to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

11 Special Resolutions

The Cayman Companies Act provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorized by the articles of association of the company.

12 Subsidiary Owning Shares in Parent

The Cayman Companies Act does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13 Mergers and Consolidations

The Cayman Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and

liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by (a) a special resolution of each constituent company and (b) such other authorization, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

14 Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75% in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

15 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

16 Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

17 Liquidation

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, ratably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

18 Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

19 Taxation

Pursuant to section 6 of the Tax Concessions Act (2018 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Financial Secretary of the Cayman Islands for a period of twenty years from 10 September 2021:

(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 Act (2018 Revision).

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to 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 Economic Substance Requirements

Pursuant to the International Tax Cooperation (Economic Substance) Act, 2018 ("**ES Law**") that came into force on 1 January 2019, a "relevant entity" is required to satisfy the economic substance test set out in the ES Law. A "relevant entity" includes an exempted company incorporated in the Cayman Islands as is the Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, if an exempted company incorporated in the Cayman Islands is tax resident outside the Cayman Islands, it will not be required to satisfy the economic substance test set out in the ES Law.

22 General

Campbells, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarizing aspects of Cayman Islands company law. This letter, together with a copy of the Cayman Companies Act, is available for inspection as referred to Appendix V to this document. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of Our Company

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Companies Act on April 9, 2021. Our registered office address is at Floor 4, Willow House, Cricket Square, Grand Cayman KY1-9010, Cayman Islands. As our Company is incorporated in the Cayman Islands, our operation is subject to the relevant laws and regulations of the Cayman Islands, the Articles and the Memorandum. A summary of the relevant laws and regulations of the Cayman Islands and of our constitution is set out in Appendix III to this document.

Our Company was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on November 16, 2021. Our principal place of business in Hong Kong is at 31/F Tower Two, Time Square, 1 Matheson street, Causeway bay, Hong Kong. Mr. Zhang Liang and Ms. Chu Cheuk Ting have been appointed as our authorized representatives for the acceptance of service of process and notices in Hong Kong. The address of service of process is 31/F Tower Two, Time Square, 1 Matheson street, Causeway bay, Hong Kong.

As of the date of this document, our Company's head offices are located at Building 31, Northeast District, No. 99, Jinji Lake Avenue, Suzhou Industrial Park, Suzhou, Jiangsu Province, China.

2. Changes in the Share Capital of Our Company

As of the date of incorporation of our Company, our authorized share capital was HK$380,000 divided into 3,800,000,000 ordinary shares with a par value of HKD0.0001 each. Upon our incorporation, one Share was issued and allotted to the initial subscriber and was later transferred to Rainmed01 Limited. On the same day, our Company further allotted and issued 11,062,579 shares to Rainmed01 Limited, Hyljrkcyn888 Limited, Light wisdom HK LIMITED, Litwis HK LIMITED, WP Health Limited, Sugar Health Limited, Rainmed Yi Limited, AIMEI LIMITED, Stevenwu Limited, ASHG HK LIMITED, Mingze. Limited, Nicholas Duan Limited, NEXT DAWN LIMITED and ANC HK LIMITED.

On June 3, 2021, our Company allotted and issued 200,360 ordinary shares to Huizhou Merchant Star Investment HK Limited.

On June 23, 2021, our Company allotted and issued 8,737,060 ordinary shares to Shanghai Tongxiang Haoqian Enterprise Management Partnership (Limited Partnership) (上海同襄灝乾企業管理合夥企業(有限合夥)), Shanghai Xingzhourun Enterprise Management Partnership (Limited Partnership) (上海興舟潤企業管理合夥企業(有限合夥)), Shanghai Yujiaorong Enterprise Management Center (L.P.) (上海嵐焦榮企業管理中心(有限合夥)), Shanghai Yuanyizhu Enterprise Management Center (Limited Partnership) (上海元翼築企業管理中心(有限合夥)), Shanghai Runrimi Enterprise Management Center (L.P.) (上海潤日咪企業管理中心(有限合夥)), Shanghai Hongyu Jingyang Enterprise Management Center (L.P.) (上海鴻彧景陽企業管理中心(有限合夥)), Shanghai Gongxiangqianshun Enterprise Management Center (L.P.) (上海共襄乾順企業管理中心(有限合夥)), Shanghai Zhiguanjie Enterprise

Management Center (Limited Partnership) (上海智莞捷企業管理中心(有限合夥)), Zhuhai Hengqin Lanxu Venture Capital Partnership (Limited Partnership) (珠海橫琴瀾栩創業投資合夥企業 (有限合夥)), Beijing light silver capital Partnership (General Partnership) (北京輕舟互動投資管理合夥企業(普通合夥)), Beijing Qingzhou Internet Investment Center (Limited Partnership) (北京輕舟互聯投資中心(有限合夥)), Hebei Dongto Investment Co., Ltd (河北東拓投資有限公司), Beijing Oriental Hongji Ecological Construction Investment Co., Ltd. (北京東方鴻基生態建設投資有限公司), Shenzhen Futian New Trend Industrial Polymerization Equity Investment Fund Partnership (Limited Partnership) (深圳福田新趨勢產業聚合股權投資基金合夥企業(有限合夥)), Shanghai Jingmairun Enterprise Management Center (L.P.) (上海景邁潤企業管理中心(有限合夥)) and Xinyu Tongchuang Guosheng Technology Innovation Industry Investment Partnership (Limited Partnership) (新余市同創國盛科創產業投資合夥企業(有限合夥)).

On October 19, 2021, the authorized share capital of our Company was changed to HK$380,000 divided into 3,800,000,000 shares of a par value of HK$0.0001 each, consisting of (i) 3,788,482,880 ordinary shares, (ii) 1,218,620 Series Ange-1 Preferred Shares, (iii) 935,940 Series Ange-2 Preferred Shares, (iv) 1,527,460 Series A Preferred Shares, (v) 1,770,280 Series A+ Preferred Shares, (vi) 863,060 Series B Preferred Shares, (vii) 1,767,820 Series C-1 Preferred Shares, (viii) 533,940 Series C-2 Preferred Shares, and (ix) 2,880,000 Series D Preferred Shares by way of re-classification and re-designation.

On November 23, 2021, our Company allotted and issued 2,680,000 Series D Preferred Shares to Guangzhou Ping An Consumer Equity Investment Partnership (Limited Partnership) (廣州市平安消費股權投資合夥企業(有限合夥)), Shenzhen Haihui Quanli Investment Consulting Partnership (limited Partnership) (深圳市海匯全利投資諮詢合夥企業(有限合夥)), Seresia Funds SPC – Seresia Income and Growth Fund SP and Ms. Zhu Ke.

On November 26, 2021, our Company allotted and issued 200,000 Series D Preferred Shares to LC Multi Strategy Fund SG VCC – LC Multi Strategy SF4.

For details of the authorized and issued share capital of our Company, please refer to the sections headed "Share Capital" and "History, Reorganization and Corporate Structure" in this document.

On December 27, 2021, each Preferred Share was automatically converted into the ordinary shares of a par value of HK$0.0001 each in the capital of the Company on an one-to-one basis by re-classification and re-designation and the authorized share capital of our Company changed to HK$380,000 divided into 3,800,000,000 shares of a par value of HK$0.0001 each.

Save as disclosed above, there has been no alternation in our share capital within the two years immediately preceding the date of this document.

3. Changes in the Share Capital of Our Subsidiaries

A summary of the corporate information and the particulars of our subsidiaries are set out in Note 1 to the Accountant's Report as set out in Appendix I to this document.

The following sets out the changes in the share capital of our subsidiaries within the two years immediately preceding the date of this document:

Rianmed BVI

On March 12, 2021, Rianmed BVI was incorporated in the British Virgin Islands with an initial authorized share capital of US$50,000, divided into 50,000 ordinary shares of US$1.0 each. Upon its incorporation, Rianmed BVI had an issued share capital of US$1.0, divided into one ordinary share of US$1.0 each, which was transferred to our Company on June 3, 2021.

Rainmed HK

On March 31, 2021, Rainmed HK was incorporated in the Hong Kong with a total issued share capital of HK$100,000 divided into 100,000 ordinary shares which was held by Rianmed BVI.

Suzhou Rainmed

On April 21, 2021, the registered capital of Suzhou Rainmed increased from RMB10.0 million to RMB206.8 million.

On April 29, 2021, Suzhou Rainmed converted its registered capital from RMB206.8 million to HK$246,730,934 and further increased its registered capital to HK$249,227,697 with the additional capital subscribed by Rainmed HK.

Beijing Runxin

On August 4, 2020, Beijing Runxin was established under the laws of the PRC with a registered capital of RMB1.0 million.

Save as disclosed above, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this document.

4. Resolutions of our Shareholders

Written resolutions of our Shareholders were passed on June 18, 2022 pursuant to which, among others:

(a) conditional on (i) the [**REDACTED**] Committee granting the [**REDACTED**] of, and permission to deal in, the Shares in issue and to be issued as stated in this document; (ii) the [**REDACTED**] having been determined; (iii) the execution and delivery of the [**REDACTED**] on or around the [**REDACTED**] Date; and (iv) the obligations of the [**REDACTED**] under the [**REDACTED**] and the [**REDACTED**] under the [**REDACTED**] to be made with, amongst others, the Company becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the [**REDACTED**] (on behalf of the [**REDACTED**])) and not being terminated in accordance with the terms thereof or otherwise:

(i) the [**REDACTED**] and the [**REDACTED**] (including the [**REDACTED**]) were approved, and the proposed allotment and issue of the Shares under the [**REDACTED**] and the [**REDACTED**] were approved, and the Directors were authorized to determine the [**REDACTED**] for, and to allot and issue the Shares under the [**REDACTED**] and the [**REDACTED**];

(ii) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with Shares or securities convertible into Shares and to make or grant offers, agreements or options (including any warrants, bonds, notes and debentures conferring any rights to subscribe for or otherwise receive Shares) which might require Shares to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of the Shares to allotted and issued or agreed conditionally or unconditionally to be allotted and issued, otherwise than by way of the [**REDACTED**], rights issue or pursuant to the exercise of any subscription rights attaching to any warrants which may be allotted and issued by the Company from time to time or, pursuant to the exercise of any options which may be granted under the Pre-[**REDACTED**] Share Option Scheme or allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association on a specific authority granted by our Shareholders in general meeting, shall not exceed 20% of the aggregate nominal value of the Shares in issue immediately following completion of the [**REDACTED**] and the [**REDACTED**], excluding any Shares which may fall to be issued pursuant to the exercise of the [**REDACTED**];

(iii) a general unconditional mandate (the "**Repurchase Mandate**") was given to our Directors to exercise all powers of our Company to repurchase Shares on the Stock Exchange or on any other stock exchange on which the Shares of our Company may be [**REDACTED**] and which is recognized by the SFC and the

Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the aggregate nominal value of the Shares in issue immediately following completion of the [**REDACTED**] and the [**REDACTED**], excluding any Shares which may be issued pursuant to the exercise of the [**REDACTED**] or under the Pre-[**REDACTED**] Share Option Scheme;

(iv) the general unconditional mandate as mentioned in paragraph (ii) 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 repurchased by our Company pursuant to the mandate to purchase Shares referred to in paragraph (iii) above up to 10% of the aggregate nominal value of the Shares in issue immediately following completion of the [**REDACTED**] and the [**REDACTED**], excluding any Shares which may be issued pursuant to the exercise of the [**REDACTED**] or under the Pre-[**REDACTED**] Share Option Scheme; and

(b) the Memorandum and the Articles were conditionally approved and adopted with effect from the [**REDACTED**].

Each of the general mandates referred to in paragraphs (a)(ii), (a)(iii) and (a)(iv) above will remain in effect until whichever is the earliest of:

- 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 to be held by any applicable law or the Articles of Association; or
- the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in a general meeting.

5. Repurchase of Our Own Securities

The following paragraphs include, among others, certain information required by the Stock Exchange to be included in this document concerning the repurchase of our own securities.

(a) Provision of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the most important of which are summarized below:

(i) Shareholders' Approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in a general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution passed by our Shareholders on June 18, 2022, the Repurchase Mandate was given to our Directors authorizing them to exercise all powers of our Company to repurchase Shares on the Stock Exchange or on any other stock exchange on which the securities of our Company may be [**REDACTED**] and which is recognized by the SFC and the Stock Exchange for this purpose, with a total nominal value up to 10% of the aggregate nominal value of our Shares in issue immediately following completion of the [**REDACTED**] and the [**REDACTED**] (excluding any Shares which may be issued pursuant to the exercise of the [**REDACTED**] or under the Pre-[**REDACTED**] Share Option Scheme), with such mandate to expire at the earliest of (i) the conclusion of the next annual general meeting of our Company (unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions), (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association or any other applicable laws to be held, and (iii) the date when it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

(ii) Source of Funds

Purchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and the Articles and the applicable laws and regulations of Hong Kong and the Cayman Islands. A listed company may not purchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. As a matter of Cayman Islands law, any purchases by the Company may be made out of profits or out of the proceeds of a new issue of shares made for the purpose of the purchase or from sums standing to the credit of our share premium account or out of capital, if so authorized by the Articles of Association and subject to the Cayman Companies Act. Any premium payable on the purchase over the par value of the shares to be purchased must have been provided for out of profits or from sums standing to the credit of our share premium account or out of capital, if so authorized by the Articles of Association and subject to the Cayman Companies Act.

(iii) Trading Restrictions

The total number of shares which a [**REDACTED**] company may repurchase on the Stock Exchange is the number of shares representing up to 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 [**REDACTED**] 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 [**REDACTED**] company from repurchasing its securities if the repurchase would result in the number of [**REDACTED**] 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.

(iv) Status of Repurchased Shares

The [**REDACTED**] of all purchased securities (whether on the Stock Exchange or otherwise) is automatically cancelled and the relevant certificates must be cancelled and destroyed. Under the laws of the Cayman Islands, unless the Directors resolve to hold the shares purchased by our Company as treasury shares prior to the purchase, shares purchased by our Company shall be treated as cancelled and the amount of our Company's issued share capital shall be diminished by the nominal value of those shares. However, the purchase of shares will not be taken as reducing the amount of the authorized share capital under Cayman Islands law.

(v) Suspension of Repurchase

A [**REDACTED**] company may not make any repurchase of securities after inside information has come to its knowledge until the information is made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) 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 [**REDACTED**] company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (b) the deadline for a [**REDACTED**] company to announce its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules) and ending on the date of the results announcement, the [**REDACTED**] 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 [**REDACTED**] company has breached the Listing Rules.

(vi) 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 on which a listed company makes a purchase of its shares. In addition, a [**REDACTED**] company's annual report is required to disclose details regarding repurchases of securities made during the year, including the number of securities purchased each month (whether on the Stock Exchange or otherwise), the purchase price per share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate prices paid.

(vii) Core Connected Persons

The Listing Rules prohibit a company from knowingly purchasing 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 a close associate of any of them (as defined under the Listing Rules) and a core connected person shall not knowingly sell its securities to the company.

(b) Reasons for Repurchases

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to have a general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and Shareholders.

(c) Funding of Repurchases

Repurchase of the Shares must be funded out of funds legally available for such purpose in accordance with the Articles of Association and the applicable laws of the Cayman Islands. Our Directors may not repurchase the Shares 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. Subject to the foregoing, our Directors may make repurchases with profits of our Company or out of the proceeds of a new issuance of shares made for the purpose of the repurchase or, if authorized by the Articles of Association and subject to the Cayman Companies Act, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or from sums standing to the credit of the share premium account of our Company or, if authorized by the Articles of Association and subject to Cayman Companies Act, out of capital.

However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on 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.

(d) General

The exercise in full of the Repurchase Mandate, on the basis of [**REDACTED**] Shares in issue immediately following completion of the [**REDACTED**] and the [**REDACTED**] (without taking into account any Shares which may be issued pursuant to the exercise of the [**REDACTED**] or under the Pre-[**REDACTED**] Share Option Scheme), could accordingly result in up to [**REDACTED**] Shares being repurchased by our Company during the period prior to the earliest of:

(i) the conclusion of the next annual general meeting of our Company (unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions);

(ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association or any other applicable laws to be held; or

(iii) the date when it is varied or revoked by an ordinary resolution of the Shareholders in general meeting.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws in the Cayman Islands.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert 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. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than 25% of the Shares then in issue could only be implemented if the Stock Exchange agreed to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

No core connected person of our Company has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

The following contract (not being contracts entered into in the ordinary course of business) was entered into by members of our Group within the two years immediately preceding the date of this document which are or may be material:

(a) the [**REDACTED**].

2. Intellectual Property Rights

(a) Trademarks

As of the Latest Practicable Date, we had registered the following trademarks, which we consider to be material to our Group's business:

No.	Trademark	Registered Owner	Place of Registration
1.	润迈德/潤邁德	Suzhou Rainmed	Hong Kong
2.	RainMed	Suzhou Rainmed	Hong Kong
3.	RainMed	Suzhou Rainmed	China
4.	caFFR	Suzhou Rainmed	China
5.	caIMR	Suzhou Rainmed	China
6.	Rain Med Flash Angio	Suzhou Rainmed	China
7.	FlashBot	Suzhou Rainmed	China

(b) Domain Names

As of the Latest Practicable Date, we had registered the following domain name:

No.	Domain Name	Registered Owner	Expiry Date
1.	rainmed.com	Suzhou Rainmed	October 30, 2027

(c) Patents

For a discussion of the details of the material patents and patent applications in connection with our clinical and preclinical products, please refer to the paragraph headed "Business – Intellectual Property" in this document.

Save as aforesaid, as of the Latest Practicable Date, there were no other trade or service marks, patents, intellectual or industrial property rights which were material in relation to our business.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS

1. Disclosure of Interests

(a) Interests and short positions of our Directors and chief executive in the share capital of our Company and its associated corporations following completion of the [**REDACTED**] *and the* [**REDACTED**]

Immediately following completion of the [**REDACTED**] and the [**REDACTED**] (assuming the [**REDACTED**] is not exercised and the options granted under the Pre-[**REDACTED**] Share Option Scheme are not exercised), so far as our Directors are aware, the interests and/or short positions (as applicable) of our Directors and chief executive 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 have 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/or short positions (as applicable) which they are 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 recorded in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, will be as follows:

Name of Director	Nature of Interest	Number of Shares held	Approximate percentage of interest immediately following completion of the [**REDACTED**] and the [**REDACTED**] *(%)*
Mr. Huo	Founder of a discretionary trust[(1)]	[**REDACTED**]	[**REDACTED**]
	Beneficial owner[(2)]	[**REDACTED**]	[**REDACTED**]

Name of Director	Nature of Interest	Number of Shares held	Approximate percentage of interest immediately following completion of the [REDACTED] and the [REDACTED] *(%)*
Mr. Lyu Yonghui	Interest in controlled corporations[3]	[**REDACTED**]	[**REDACTED**]
	Beneficial owner[4]	[**REDACTED**]	[**REDACTED**]
Mr. Zhang Liang	Interest in controlled corporations[5]	[**REDACTED**]	[**REDACTED**]
	Beneficial owner[6]	[**REDACTED**]	[**REDACTED**]
Ms. Gu Yang	Interest in controlled corporations[7]	[**REDACTED**]	[**REDACTED**]
	Beneficial owner[8]	[**REDACTED**]	[**REDACTED**]

Notes:

(1) Mr. Huo is the settlor and beneficiary of the Opera Rose Trust, for which The Core Trust Company Limited acts as the trustee, which holds the entire interest in Dawning Sky Limited, which in turn holds 99.9% interest in Opera Rose Limited. As such, Mr. Huo is deemed to be interested in the Shares held by Opera Rose Limited under the SFO.

(2) These Shares represent Mr. Huo's entitlement to receive up to [**REDACTED**] Shares pursuant to the exercise of options granted to him under the Pre-[**REDACTED**] Share Option Scheme, subject to the terms and conditions of these options.

(3) Mr. Lyu Yonghui is the sole shareholder of Mingze. Limited. As such, he is deemed to be interested in the Shares held by Mingze. Limited.

(4) These Shares represent Mr. Lyu Yonghui's entitlement to receive up to [**REDACTED**] Shares pursuant to the exercise of options granted to him under the Pre-[**REDACTED**] Share Option Scheme, subject to the terms and conditions of these options.

(5) Mr. Zhang Liang is the sole shareholder of ANC HK LIMITED. As such, he is deemed to be interested in the Shares held by ANC HK LIMITED.

(6) These Shares represent Mr. Zhang Liang's entitlement to receive up to [**REDACTED**] Shares pursuant to the exercise of options granted to him under the Pre-[**REDACTED**] Share Option Scheme, subject to the terms and conditions of these options.

(7) Ms. Gu Yang is the sole shareholder of ASHG HK LIMITED. As such, he is deemed to be interested in the Shares held by ASHG HK LIMITED.

(8) These Shares represent Ms. Gu Yang's entitlement to receive up to [**REDACTED**] Shares pursuant to the exercise of options granted to him under the Pre-[**REDACTED**] Share Option Scheme, subject to the terms and conditions of these options.

(b) Interests and short positions discloseable under Divisions 2 and 3 of Part XV of the SFO

For information on the persons who will, immediately following completion of the [**REDACTED**] and the [**REDACTED**], have interests or short position in our Shares or underlying Shares which would be required 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 directly or indirectly be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group, please refer to the section headed "Substantial Shareholders" in this document.

Save as set out above, as of the Latest Practicable Date, our Directors were not aware of any persons who would, immediately following completion of the [**REDACTED**] and the [**REDACTED**], 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 share capital.

2. Particulars of Directors' Service Contracts and Appointment Letters

(a) Executive Directors and Non-executive Directors

Each of our executive Directors and non-executive Directors has entered into a service contract with us under which the initial term of their service contracts shall be three years commencing from the date of their appointment until terminated in accordance with the terms and conditions of the service contract or by either party giving to the other not less than one month's prior notice.

(b) Independent non-executive Directors

Each of our independent non-executive Directors has entered into an appointment letter with us for an initial term of three years from the [**REDACTED**] Date 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.

3. Remuneration of Directors

Save as disclosed in the section headed "Directors and Senior Management" and the paragraph headed "Note 8. Directors' Emoluments" in Appendix I to this document for the two financial years ended December 31, 2020 and 2021, none of our Directors received other remunerations of benefits in kind from us.

4. Disclaimers

Save as disclosed in this document:

(i) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between the Directors and any member of the Group;

(ii) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group taken as a whole;

(iii) taking no account of any Shares which may be taken up under the [**REDACTED**] and the [**REDACTED**], so far as is known to any Director or chief executive of our Company, no other person (other than a Director or chief executive of our Company) will, immediately following completion of the [**REDACTED**] and the [**REDACTED**], have interests or short positions in the Shares or 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 (not being a member of the Group), 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 the Group; and

(iv) none of the Directors or chief executive of our Company has any interests or short positions in the Shares, underlying Shares or debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will have 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 is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or 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 the Company and the Stock Exchange.

D. PRE-[REDACTED] SHARE OPTION SCHEME

1. Summary of Principal Terms

The following is a summary of the principal terms of the Pre-[**REDACTED**] Share Option Scheme as adopted by our Company on December 10, 2021. The Pre-[**REDACTED**] Share Option Scheme is not subject to the provisions of Chapter 17 of the Listing Rules as it does not involve the grant of any option by our Company to subscribe for the Shares after the [**REDACTED**].

(a) Purpose

The purpose of the Pre-[**REDACTED**] Share Option Scheme is to enable our Company to grant options to eligible participants as incentives, attraction, motivation or rewards for their contribution or potential contribution to our Group.

(b) Who May Join

Participants under the Pre-[**REDACTED**] Share Option Scheme may include directors, employees, advisers and consultants of the Group who, in the sole opinion of the Board, have contributed or will contribute to the Group, and for the avoidance of doubt, includes any trusts serving for any of such persons.

(c) Maximum number of Shares

The maximum number of Shares in respect of which options may be granted is [**REDACTED**] Shares (or [**REDACTED**] Shares as adjusted after the [**REDACTED**]), which shall be adjusted in the event of any alternation in the capital structure of our Company.

(d) Duration

No option shall be offered after the [**REDACTED**] Date, although the provisions of the Pre-[**REDACTED**] Share Option Scheme will in all other respects remain in full force and effect to the extent necessary to give effect to the exercise of any options granted under the Pre-[**REDACTED**] Share Option Scheme prior to the [**REDACTED**] Date or otherwise as may be required in accordance with the provisions of the Pre-[**REDACTED**] Share Option Scheme and options granted prior thereto but not yet exercised shall continue to be valid and exercisable in accordance with the Pre-[**REDACTED**] Share Option Scheme and their terms of grant.

(e) Administration

The Pre-[**REDACTED**] Share Option Scheme shall be subject to the administration of the Board and the decision of the Board shall be final and binding on all parties. The Board shall have the sole and absolute right to (i) interpret and construe the provisions of the Pre-[**REDACTED**] Share Option Scheme, (ii) approve the persons who will be granted the options and the terms and conditions on which the options are granted,

(iii) make such appropriate and equitable adjustments to the terms of the options granted as it deems necessary, (iv) appoint one or more independent third party professionals and contractors to assist in the administration of Pre-[**REDACTED**] Share Option Scheme and delegate such powers and/or functions relating to the administration of the Pre-[**REDACTED**] Share Option Scheme as the Board deems appropriate, and (v) make such other decisions or determinations as it shall deem appropriate in the administration of the Pre-[**REDACTED**] Share Option Scheme.

(f) Options

The Board and/or any person duly authorized by the Board shall be entitled to (but shall not be bound) approve the offer to grant an option to any eligible participant as the Board may in its absolute discretion select on such terms and conditions as it may think fit.

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when a copy of the offer document has been duly signed by the grantee, together with a remittance or payment in cash to our Company of RMB1 or its HK$ equivalent by way of consideration for the grant, is received by our Company on or before the relevant acceptance date.

A grantee may subscribe for the Shares on the exercise of an option at the exercise price approved by the Board in its absolute discretion with reference to factors which may include business performance and value of our Company and individual performance of the relevant grantee, and in any case, shall not be less than the par value of the Shares.

An option shall be exercised in whole or in part and, other than where it is exercised to the full extent outstanding, shall be exercised in integral multiples of such number of Shares as shall represent one board lot for dealing in Shares on the Stock Exchange for the time being, by the grantee by giving notice in writing to the Company stating that the option is thereby exercised and specifying the number of Shares in respect of which it is exercised. Such notice shall be accompanied by a remittance for the full amount of the aggregate exercise price for the Shares in respect of which the notice is given. Within thirty (30) days after receipt of the notice and the remittance, the Company shall allot and issue the relevant number of Shares to the grantee credited as fully paid and issue to the grantee certificates in respect of the Shares so allotted.

An option is personal to the grantee and is not assignable and no grantee is permitted in any way to sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option (with the exception that the grantee may transfer the Options to a trust in which he is a beneficiary thereof or the grantee may nominate a nominee in whose name the Shares issued pursuant to the Pre-[**REDACTED**] Share Option Scheme may be registered). Any breach of the foregoing shall entitle our Company to cancel any outstanding Options or any part thereof granted to such grantee without compensation.

In terms of rights on death or termination of employment:

(i) If the grantee ceases to be an eligible participant of the Pre-[**REDACTED**] Share Option Scheme as a result of death, ill-health, injury or disability, provided that the grantee's relationship with the Group had not been otherwise terminated by the occurrence of events which would have caused his option(s) to lapse (as defined in the Pre-[**REDACTED**] Share Option Scheme), the grantee or his personal representatives is entitled within twelve months from the date of cessation of to exercise his option in full (to the extent not already exercised);

(ii) If the grantee ceases to be an eligible participant of the Pre-[**REDACTED**] Share Option Scheme for any reason other than those referred to in paragraph (a) above or as a result of termination of his relationship with the Group referred to in paragraph (g)(iv) below, the grantee may exercise his option up to his entitlement at the date of cessation of being an eligible participant (to the extent not already exercised) within sixty (60) days following the date of such cessation.

(g) Lapse of Options

An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of, among others:

(i) the expiry of the period during which an option may be exercised, which is to be determined and notified by the Board to each grantee and shall not exceed a period of ten years from the date of grant;

(ii) the date on which the compromise or arrangement of the Company becomes effective;

(iii) the date of commencement of the winding up of the Company (as determined in accordance with the Companies Law);

(iv) the date on which the Grantee ceases to be an eligible participant by termination of his relationship with the Group on any one or more of the grounds as set out in the Pre-[**REDACTED**] Share Option Scheme, such as breach of fiduciary duty, unfair competition with the Group, material breach of any agreement with the Group, violation of applicable labour or employment laws, any ground as determined by the Board that would warrant the termination of his employment at common law or pursuant to any applicable laws or under his service contract with the Group; or

(v) the date on which the Board shall exercise the Company's right to cancel the option at any time in accordance with the terms of the Pre-[**REDACTED**] Share Option Scheme.

(h) Capital Restructuring

In the event of any alteration in the capital structure of the Company (whether by way of capitalization issue, rights issue, open offer, sub-division, consolidation of shares, or reduction of capital of the Company), such corresponding alterations (if any) shall be made (except on an issue of securities of the Company as consideration in a transaction which shall not be regarded as a circumstance requiring alteration or adjustment) in:

(i) the maximum number of Shares subject to the Pre-[**REDACTED**] Share Option Scheme;

(ii) the number or nominal amount of Shares subject to any outstanding options; and/or

(iii) the exercise price,

as the auditors or the approved independent financial adviser shall, at the request of the Company or any grantee, certify in writing either generally or as regards any particular grantee, to be in their opinion fair and reasonable, provided that any such alterations shall be made on the basis that a grantee shall have substantially the same proportion of the equity capital of the Company as that to which he was entitled to subscribe had he exercised all the options held by him immediately before such adjustments and the aggregate exercise price payable by a grantee on the full exercise of any option shall remain as nearly as possible the same as (and shall not be materially greater than) it was before such event and that no such alterations shall be made if the effect of such alterations would be to enable an Ordinary Share to be issued at less than its nominal value. The capacity of the auditors or the approved independent financial adviser, as the case may be, is that of experts and not arbitrators and their certificate shall, in the absence of manifest error, be final and conclusive and binding on the Company and the grantees.

(i) Alternation of the Pre-[**REDACTED**] *Share Option Scheme*

The Board may, at any time, alter in any respect the terms and conditions of and the regulations for the administration and operation of the Pre-[**REDACTED**] Share Option Scheme, provided that such alteration does not adversely affect the terms of issue of any option granted or agreed to be granted prior to such alteration or to reduce the proportion of the equity capital to which any person was entitled pursuant to such option prior to such alteration except (i) with the written consent of the grantees holding in aggregate options which if exercised in full on the date immediately preceding that on which such consent is obtained would entitle them to the issue of three-fourths in nominal value of all Shares which would fall to be issued upon the exercise of all options outstanding on that date; or (ii) by special resolution passed at a meeting of the grantees.

2. Outstanding Grants

As of the date of this document, outstanding options to subscribe for an aggregate of [**REDACTED**] Shares (or [**REDACTED**] Shares as adjusted after the [**REDACTED**]) have been granted to a total of 146 eligible participants by our Company under the Pre-[**REDACTED**] Share Option Scheme.

The table below shows the details of share options granted to the Directors and other connected person of our Company under the Pre-[**REDACTED**] Share Option Scheme that are outstanding as of the date of this document.

Name of Grantee	Address	Position/ Relationship with our Group	Exercise period	Consideration paid	Exercise Price (as adjusted after the [REDACTED])	Number of Shares under outstanding options granted (as adjusted after the [REDACTED])	Date of grant	Vesting period	Approximate percentage of equity interest in our Company underlying the outstanding options upon completion of the [REDACTED] and the [REDACTED] (assuming the [REDACTED] is not exercised and no Share are issued pursuant to the Pre-[REDACTED] Share Option Scheme)
Mr. Huo	No. 203, Gate 2, Building 104, Century Oriental Garden, Chaoyang District, Beijing, PRC	Chairman of the Board, executive Director and chief executive officer	December 10, 2021 to December 10, 2031	RMB1.00	HKD3.90	[**REDACTED**]	December 10, 2021	Please refer to the Note (1) below	[**REDACTED**]
Mr. Lyu Yonghui	Room 402, Unit 2, Building No. 17, Jian An Li, Changping District, Beijing, PRC	Executive Director and joint chief executive officer	December 10, 2021 to December 10, 2031	RMB1.00	HKD3.90	[**REDACTED**]	December 10, 2021	Please refer to the Note (1) below	[**REDACTED**]
Mr. Zhang Liang	Room 706, Unit 3, Building 11-1 Honglang Second Village XIX District, Xin'an Street Bao'an District Shenzhen, Guangdong Province PRC	Executive Director, chief financial officer and joint company secretary	December 10, 2021 to December 10, 2031	RMB1.00	HKD3.90	[**REDACTED**]	December 10, 2021	Please refer to the Note (1) below	[**REDACTED**]
Ms. Gu Yang	Room 307, Building 37, Jinyi New Village, Suzhou Industrial Park, Suzhou, Jiangsu Province, PRC	Executive Director and vice president	December 10, 2021 to December 10, 2031	RMB1.00	HKD3.90	[**REDACTED**]	December 10, 2021	Please refer to the Note (1) below	[**REDACTED**]
Ms. Cheng Nina[(2)]	Room 304, Building 1, No. 2, Nancailian Lane, Suzhou, Jiangsu Province, PRC	International marketing manager	December 10, 2021 to December 10, 2031	RMB1.0	HKD3.90	[**REDACTED**]	December 10, 2021	Please refer to the Note (1) below	[**REDACTED**]

The table below shows the details of the shares options granted to (1) senior management of our Company (except Directors) and (2) all other grantees in aggregate under the Pre-[**REDACTED**] Share Option Scheme that are outstanding as of the date of this document.

Name of Grantee	Address	Position/ Relationship with our Group	Exercise period	Consideration paid	Exercise Price (as adjusted after the [REDACTED])	Number of Shares under outstanding options granted (as adjusted after the [REDACTED])	Date of grant	Vesting period	Approximate percentage of equity interest in our Company underlying the outstanding options upon completion of the [REDACTED] and the [REDACTED] (assuming the [REDACTED] is not exercised and no Share are issued pursuant to the Pre-[REDACTED] Share Option Scheme)
Mr. Liu Guangzhi	No. 355, Guiren Village, Nanhuang Town, Rushan, Shandong Province, PRC	Chief technology officer	December 10, 2021 to December 10, 2031	RMB1.00	HKD3.90	[**REDACTED**]	December 10, 2021	Please refer to the Note (1) below	[**REDACTED**]
Mr. Wu Xingyun	Jade International 2-301, Jiuhua Road, Suzhou Industrial Park, Suzhou, Jiangsu Province, PRC	Vice president	December 10, 2021 to December 10, 2031	RMB1.00	HKD3.90	[**REDACTED**]	December 10, 2021	Please refer to the Note (1) below	[**REDACTED**]
Mr. Zhou Chang	16-103 Haishang Yipin, Suzhou Industrial Park, Suzhou, Jiangsu Province, PRC	Vice president	December 10, 2021 to December 10, 2031	RMB1.00	HKD3.90	[**REDACTED**]	December 10, 2021	Please refer to the Note (1) below	[**REDACTED**]
138 other option holders of our employees	Not applicable	Not applicable	December 10, 2021 to December 10, 2031	RMB1.00	HKD3.90	[**REDACTED**]	December 10, 2021	Please refer to the Note (1) below	[**REDACTED**]

Note:

(1) 30% of the share options granted under the Pre-[**REDACTED**] Share Option Scheme will vest on the date commencing from the expiry of the 12 months after the [**REDACTED**]. 30% of the share options granted under the Pre-[**REDACTED**] Share Option Scheme will vest on the date commencing from the expiry of the 24 months after the [**REDACTED**]. 40% of the share options granted under the Pre-[**REDACTED**] Share Option Scheme will vest on the date commencing from the expiry of the 36 months after the [**REDACTED**].

(2) Ms. Cheng Nina is a sister-in-law of Dr. Huo Yunlong.

3. Dilution Effect and Impact on Earnings per share

Subject to any alterations set out under the Pre-[**REDACTED**] Share Option Scheme in the event of any capitalization issue, rights issue, open offer, sub-division, consolidation of shares, or reduction of capital of our Company that may take place after the [**REDACTED**], the total number of shares subject to the options granted under the Pre-[**REDACTED**] Share Option Scheme shall be no more than [**REDACTED**] Shares (or [**REDACTED**] Shares as adjusted after the [**REDACTED**]), representing approximately [**REDACTED**]% of the issued share capital of our Company immediately upon completion of the [**REDACTED**] and the [**REDACTED**] (assuming the [**REDACTED**] is not exercised and the options granted under the Pre-[**REDACTED**] Share Option Scheme are not exercised). Assuming full exercise of the options outstanding under the Pre-[**REDACTED**] Share Option Scheme, the shareholding of our Shareholders immediately following completion of the [**REDACTED**] and the [**REDACTED**] (assuming the [**REDACTED**] is not exercised) will be diluted by approximately [**REDACTED**]%. There is no consequent impact on the earnings per ordinary Share for the two years ended December 31, 2020 and 2021 as the options would not be included in the calculation of diluted earnings per share due to anti-dilution.

E. OTHER INFORMATION

1. Litigation

As of the Latest Practicable Date, we were not involved in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened against any member of our Group, which would have a material adverse effect on our Group's results of operations or financial condition, taken as a whole.

2. Preliminary expenses

As of the Latest Practicable Date, we have not incurred any material preliminary expense.

3. 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.

4. Promoters

Our Company has no promoter for the purpose of the Listing Rules. Within the two years immediately preceding the date of this document, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the [**REDACTED**] and the related transactions described in this document.

5. Sole Sponsor

The Sole Sponsor has made an application on our behalf to the Stock Exchange for the listing of, and permission to deal in, (i) the Shares in issue, (ii) the Shares to be issued pursuant to the [**REDACTED**] and the [**REDACTED**] (including any Shares which may be issued pursuant to the exercise of the [**REDACTED**]), and (iii) the Shares to be issued under the Pre-[**REDACTED**] Share Option Scheme.

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. The Sole Sponsor will receive a fee of US$500,000 for acting as a sponsor for the [**REDACTED**].

6. Qualification of Experts

The qualifications of the experts (as defined under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) who have given opinions and/or advice in this document are as follows:

Name	Qualification
Huatai Financial Holdings (Hong Kong) Limited	A licensed corporation under the SFO to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities as defined under the SFO
PricewaterhouseCoopers	Certified Public Accountants under Professional Accountant Ordinance (Chapter 50 of the laws of Hong Kong) and Registered Public Interest Entity Auditor under Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong)
Jingtian & Gongcheng	Legal adviser to our Company as to PRC laws
Campbells	Legal adviser to our Company as to Cayman Islands laws
China Insights Industry Consultancy Limited	Industry consultant

7. Consents

Each of the experts as referred to in the paragraph headed "6. Qualifications of Experts" in this appendix has given and has not withdrawn its respective written consents to the issue of this document with the inclusion of certificates, letters, opinions or reports and the references to its name included herein in the form and context in which it respectively included.

8. No Material Adverse Change

The Directors confirm that there has been no material adverse change in the financial or trading position of our Group since December 31, 2021 (being the date to which the latest audited financial statements of our Group were made up) up to the date of this document.

9. Binding Effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

10. Miscellaneous

Save as otherwise disclosed in this document:

(i) none of our Directors or experts referred to in the paragraph headed "D. Other Information – 6. Qualification of Experts" in this appendix, have any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(ii) none of the experts referred to in the paragraph headed "D. Other Information – 6. Qualification of Experts" in this appendix had any shareholding interest in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;

(iii) within the two years immediately preceding the date of this document, no share or loan capital or debenture of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be issued as fully or partly paid either for cash or for a consideration other than cash;

(iv) 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;

(v) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted within the two years immediately preceding the date of this document in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries;

(vi) within the two years preceding the date of this document, no commission has been paid or is payable (except commissions to sub-[**REDACTED**]) for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any Shares in the Company;

(vii) there are no founder, management or deferred shares in our Company or any of our subsidiaries;

(viii) our Company has no outstanding convertible debt securities or debentures;

(ix) there is no arrangement under which future dividends are waived or agreed to be waived;

(x) no member of our Group is presently listed on any stock exchange or traded on any trading system, and no listing or permission to deal is being or proposed to be sought; and

(xi) there is no restriction affecting the remittance of profits or repatriation of capital of our Company into Hong Kong from outside Hong Kong.

11. Bilingual Document

The English language and Chinese language versions of this document are being published separately in reliance upon the exemption provided under section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this document and delivered to the Registrar of Companies in Hong Kong for registration were:

(i) a copy of the [**REDACTED**];

(ii) a copy of each of the material contracts referred to in the paragraph headed "B. Further Information about our Business – 1. Summary of Material Contracts" in Appendix IV to this document; and

(iii) the written consents referred to in the paragraph headed "E. Other Information – 7. Consents" in Appendix IV to this document.

DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the website of the Stock Exchange at **www.hkexnews.hk** and our website at **www.rainmed.com** during a period of 14 days from the date of this document:

(a) the Memorandum of Association and the Articles of Association;

(b) the accountant's report prepared by PricewaterhouseCoopers, the text of which is set out in Appendix I to this Document;

(c) the audited consolidated financial statements of our Company for the two financial years ended December 31, 2020 and 2021;

(d) the report prepared by PricewaterhouseCoopers on the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this Document;

(e) the PRC legal opinions issued by Jingtian & Gongcheng, our PRC Legal Adviser, in respect of certain general corporate matters and property interests of our Group under PRC laws;

(f) the letter of advice prepared by Campbells, our legal adviser as to the Cayman Islands laws, summarizing certain aspects of the Cayman Islands companies law referred to in Appendix III to this Document;

(g) the industry report prepared by China Insights Industry Consultancy Limited;

(h) the material contracts referred to in the paragraph headed "B. Further Information about our Business – 1. Summary of Material Contracts" in Appendix IV to this document;

(i) the service contracts and the appointment letters referred to in the paragraph headed "C. Further Information about our Directors – 2. Particulars of Directors' Service Contracts and Appointment Letters" in Appendix IV to this document;

(j) the written consents referred to in the paragraph headed "E. Other Information – 7. Consents" in Appendix IV to this document;

(k) the terms of the Pre-[**REDACTED**] Share Option Scheme; and

(l) the Cayman Companies Act.

DOCUMENT AVAILABLE FOR INSPECTION

A list of grantees under the Pre-[**REDACTED**] Share Option Scheme, containing all details as required under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance, will be available for inspection at the office of O'Melveny & Myers, at 31/F, AIA Central, 1 Connaught Road Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this document.