You should read the following discussion and analysis in conjunction with our consolidated financial statements included in "Appendix I—Accountants' Report" to this document, together with the accompanying notes. Our consolidated financial information has been prepared in accordance with HKFRSs, which may differ in material aspects from generally accepted accounting principles in other jurisdictions. You should read the entire Accountants' Report and not merely rely on the information contained in this section.

The following discussion and analysis contain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analyzes made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate under the circumstances. However, whether the actual outcome and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. For details, see "Forward-looking Statements" and "Risk Factors."

OVERVIEW

We are the pioneer and largest Chinese company in the neuro-interventional medical device industry, dedicated to providing innovative solutions for physicians and patients. Since our first product approval in 2004, we have amassed a total of 30 commercialized products and product candidates in our portfolio. As of the Latest Practicable Date, we had six therapeutic products approved in China, the most among Chinese companies in the industry, according to CIC, in addition to three approved access products. We boast a comprehensive product portfolio covering all of the three major areas of neurovascular disease, namely hemorrhagic stroke, cerebral atherosclerotic stenosis and acute ischemic stroke (AIS). In the field of hemorrhagic stroke, the largest segment of the neuro-interventional medical device industry in China by product sales, we are the only company that has a full portfolio of commercialized products in all key therapeutic categories, including embolization coils, flow-diverting stents and stent grafts, according to CIC. In addition to approvals in China, *NUMEN* and *NUMEN FR*, two of our flagship embolization coil products, have been approved in the United States, the European Union and South Korea. We also plan to establish a R&D and production center in the United States to supply the global market and to move forward with our global expansion. According to CIC, we are the only Chinese company among the top five players in China's neuro-interventional medical device market in terms of revenue in 2020.

We recorded remarkable financial growth during the Track Record Period. Our revenue increased rapidly during the Track Record Period, which amounted to RMB124.1 million, RMB183.7 million, RMB221.9 million, RMB122.2 million and RMB237.7 million in 2018, 2019 and 2020 and the eight months ended August 31, 2020 and 2021, respectively.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

We believe that the most significant factors affecting our results of operations and financial condition include the following.

Growth of the Neuro-interventional Medical Device Market in China

Our financial performance and future growth depend on the overall growth of the neuro-interventional medical device market in China. Neuro-interventional procedures remain relatively under-penetrated in China as compared to that of the developed countries. Given the vast market potential, China's neuro-interventional medical device market is expected to experience tremendous growth. According to CIC, the size of the neuro-interventional medical device industry in China is expected to expand from RMB5.8 billion in 2020 to RMB17.5 billion in 2026, at a CAGR of 20.1%. Medical devices for hemorrhagic stroke represent the sub-market with the largest market size in China. The market size for hemorrhagic stroke medical devices reached RMB3.8 billion in 2020 and is expected to grow steadily and reach RMB8.4 billion in 2026 at a CAGR of 14.2%. The market size of the China cerebral atherosclerotic stenosis neuro-interventional device market in terms of sales by ex-factory price is expected to increase from RMB0.7 billion in 2020 to RMB1.8 billion in 2026 at a CAGR of 16.2% from 2020 to 2026. Medical devices for AIS represent the sub-market with the highest growth rate in China, with a CAGR of 33.0% between 2020 and 2026.

In addition to the overall growth of China's neuro-interventional medical device market, we have also benefitted from and expect to continue to benefit from favorable industry trends, such as China's favorable policies promoting treatments for stroke and the general trend of Chinese-developed products substituting imported products. For details, see "Industry Overview." As the largest Chinese neuro-interventional medical device Company according to CIC, we believe we are well positioned to continue our growth in the large and fast-growing neuro-interventional medical device market and expect our results of operations to further improve in the future.

Product Pipeline and Commercialization

Our business and results of operations depend on our ability to commercialize our pipeline candidates. During the Track Record Period, we primarily offered a comprehensive product portfolio covering all of the three major areas in neurovascular diseases, namely hemorrhagic stroke, cerebral atherosclerotic stenosis and AIS. As of the Latest Practicable Date, we had six therapeutic products approved in China, the most among Chinese companies in the industry, according to CIC. We also had three approved access products as of the Latest Practicable Date. Our *NUMEN* and *NUMEN FR* obtained FDA registration in the United States, CE Marking in the European Union and approval in South Korea in 2021. We also expect our other products to complete overseas registration and commercialize in the corresponding markets. As we generate revenue primarily from product sales, pricing and sales volume of our commercialized product have a significant impact on our results of operation. We also actively develop new products and upgrade existing products to support a more extensive range of neuro-interventional procedures, which we believe will diversify our revenue streams and enable us to maintain sustainable growth. For details of our product pipeline, see "Business—Our Product Portfolio."

Expansion of Sales Network

Our business and results of operations depend on our ability to successfully commercialize our products and grow our sales network. As of the Latest Practicable Date, we have built an in-house marketing team and an extensive distribution network covering all provinces in China. We had penetrated into approximately 2,200 hospitals as of the Latest Practicable Date, among which over 1,300 hospitals are Class III hospitals.

During the Track Record Period, we generated substantially all of our revenue from sales of medical devices to our distributors in China. Our ability to effectively manage our sales network and to expand hospital coverage of our sales network in China is critical to our business performance. Going forward, we will continue to encourage distributors to increase penetration in hospitals. In addition to sales in China, we also plan to accelerate product registrations under our brand, expand our market presence and enhance our brand recognition in overseas markets, such as Europe. We believe that our efforts in expanding our international presence will enable us to increase sales and further enhance our results of operations.

Product Mix

Our overall gross profit margin is affected by our product mix, as the selling price, sales volume and gross profit margin of different products in our portfolio vary. During the Track Record Period, the gross profit margins of hemorrhagic stroke products and cerebral atherosclerotic stenosis products were higher than that of access products, primarily Asahi guidewires, because the gross profit margins of our self-developed products were generally higher than those of the products that we distribute. For the year ended December 31, 2018, 2019 and 2020 and the eight months ended August 31, 2020 and 2021, gross profit margins of hemorrhagic stroke products and cerebral atherosclerotic stenosis products were 91.4%, 85.2%, 77.2%, 76.8% and 82.1%, respectively, and 91.1%, 87.7%, 88.9%, 89.0% and 87.7%, respectively, while gross profit margin of access products was 42.3%, 40.0%, 38.9%, 37.4% and 43.2%, respectively. During the same period, our revenue contribution from hemorrhagic stroke products increased from 40.2% in 2018 to 45.2% in 2020, and further increased from 42.1% for the eight months ended August 31, 2020 to 57.2% for the same period in 2021; revenue contribution from cerebral atherosclerotic stenosis products decreased from 47.2% in 2018 to 41.6% in 2019 and 35.5% in 2020, and further decreased from 34.1% for the eight months ended August 31, 2020 to 27.9% for the same period in 2021; revenue contribution from access products increased from 11.9% in 2018 to 14.2% in 2019 and 18.6% in 2020 but decreased from 23.2% for the eight months ended August 31, 2020 to 14.7% for the same period in 2021. As a result, our overall gross profit margin fluctuated during the Track Record Period. Our product mix may continue to change in the future as we launch new products that have different margin profiles, which will have an impact on our overall gross profit margin.

Operational Efficiency and Economies of Scale

Our profitability has benefited from the effective control of our costs and expenses and ability to improve operational efficiency and achieve economies of scale. During the Track Record Period, our operating expenses mainly consisted of research and development costs, selling and marketing expenses and administrative expenses. We expect our cost structure to evolve as our business expands and as we develop and launch new products in the future. Going forward, we will endeavor to further improve operating efficiency and to enhance economies of scale to increase our profit margin.

Research and development activities are essential to our business. For the years ended December 31, 2018, 2019 and 2020 and the eight months ended August 31, 2020 and 2021, our total research and development costs amounted to RMB28.3 million, RMB38.2 million, RMB53.0 million, RMB30.2 million and RMB52.9 million, accounting for 22.8%, 20.8%, 23.9%, 24.7% and 22.3% of our total revenue, respectively. Our research and development costs primarily consist of staff costs and cost of materials and consumables. We expect that we will continue to incur research and development costs for the foreseeable future as the increased development programs progress and we continue to support the R&D of our product candidates.

Selling and marketing expenses is another major component of our operating expenses. For the years ended December 31, 2018, 2019 and 2020 and the eight months ended August 31, 2020 and 2021, our selling and marketing expenses amounted to RMB34.7 million, RMB45.2 million, RMB48.2 million, RMB23.3 million and RMB40.3 million, accounting for 28.0%, 24.6%, 21.7%, 19.1% and 17.0% of our total revenue, respectively. Our selling and marketing expenses primarily consist of staff costs, market development expenses and transportation and travel expenses. We expect our selling and marketing expenses to increase in the foreseeable future to support the expanded marketing of our existing products and the commercialization of our product candidates upon their registration with the relevant authorities.

BASIS OF PREPARATION

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on September 30, 2020. For more details, see "History, Reorganization and Corporate Structure" in this document. Our historical financial information has been prepared in accordance with HKFRSs issued by the HKICPA and accounting principles generally accepted in Hong Kong. The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing our historical financial information, we adopted all applicable new and revised HKFRSs consistently throughout the Track Record Period.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of these financial statements requires us to make estimates, assumptions and judgments that affect the reported amounts of assets, liabilities, revenues, 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. See Note 2 and Note 3 to the Accountants' Report set out in Appendix I for a description of our significant accounting policies, judgments and estimates.

Revenue Recognition

We classify income as revenue when it arises from the sales of goods, the provision of services or the use by others of our assets under leases in the ordinary course of business.

We recognize revenue when control over a product or service is transferred to the distributor or the lessee has the right to use the asset, at the amount of promised consideration to which we are expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Sale of Medical Devices

We recognize revenue from the sales of medical devices through appointed distributors when the distributors take possession of and accept the products in accordance with the terms specified in the sales contract. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognized is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis. The amount of the revenue recognized is adjusted for the expected returns, which are estimated based on the historical return rate. Accordingly, a refund liability and a right to recover returned good asset are recognized, where applicable.

The right to recover returned goods asset is recognized only when the returned goods are available to resell. The refund liability is included in other payables and the right to recover returned goods, if any, is included in the inventories. Our Group review the estimate of expected returns at each reporting date and updates the amounts of the assets and liabilities accordingly.

Rental Income from Operating Leases

We recognize rental income receivable under operating leases in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. We recognize lease incentives granted in profit or loss as an integral part of the aggregate net lease payments receivable. We recognize variable lease payments that do not depend on an index or a rate as income in the accounting period in which they are earned.

Government Grants

We recognize government grants in the statement of financial position initially when there is reasonable assurance that they will be received and that we will comply with the conditions attaching to them. We recognize grants that compensate us for expenses incurred as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. We recognize grants that compensate us for the cost of an asset as deferred income and subsequently recognize them in profit or loss on a systematic basis over the useful life of the asset.

Leased Assets

At inception of a contract, we assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessee

Where the contract contains lease component(s) and non-lease component(s), we have elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, we recognize a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for us are primarily laptops and office furniture. When we enter into a lease in respect of a low-value asset, we decide whether to capitalize the lease on a lease-by-lease basis. We recognize the lease payments associated with those leases which are not capitalized as an expense on a systematic basis over the lease term.

Where the lease is capitalized, we initially recognized the lease liability at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, we measured the lease liability at amortized cost and calculate interest expense using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

We initially measure the right-of-use asset recognized when a lease is capitalized at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. We subsequently state the right-of-use asset at cost less accumulated depreciation and impairment losses.

We account for the initial fair value of refundable rental deposits separately from the right-of use assets in accordance with the accounting policy applicable to investments in debt securities carried at amortized cost. We account for any difference between the initial fair value and the nominal value of the deposits as additional lease payments made and include it in the cost of right-of-use assets.

We remeasure the lease liability when there is a change in future lease payments arising from a change in an index or rate, or there is a change in our estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether we will be reasonably certain to exercise a purchase, extension or termination option. When we measure the lease liability in this way, we make a corresponding adjustment to the carrying amount of the right-of-use asset, or record it in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

We remeasure the lease liability when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of HKFRS 16 *Leases*. In such cases, we have taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognized the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

In the consolidated statements of financial position, we determine the current portion of long-term lease liabilities as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

As a lessor

When we act as a lessor, we determine at lease inception whether each lease is a finance lease or an operating lease. We classify a lease as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, we classify a lease as an operating lease.

When a contract contains lease and non-lease components, we allocate the consideration in the contract to each component on a relative stand-alone selling price basis. We recognize the rental income from operating leases.

When we are an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which we apply the exemption, then we classify the sub-lease as an operating lease.

Other Investments in Debt and Equity Securities

Our policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

We recognize/derecognize investments in debt and equity securities on the date we commit to purchase/sell the investment. We initially state the investments at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("FVPL") for which transaction costs are recognized directly in profit or loss. we subsequently account for these investments as follows, depending on their classification.

(i) Investments other than equity investments

We classify non-equity investments held by us into one of the following measurement categories:

- amortized cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method.

- fair value through other comprehensive income ("FVOCI")—recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognized in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is Derecognized, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

- FVPL, if the investment does not meet the criteria for being measured at amortized cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognized in profit or loss.

(ii) Equity investments

We classify an investment in equity securities as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment we make an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognized in other comprehensive income. We make such election on an instrument-by-instrument basis, but we may only make it if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognized in profit or loss as other income.

Inventories

Inventories are assets that we hold for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realizable value. We calculate cost using the moving weighted average method and costs comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. When inventories are sold, we recognize the carrying amount of those inventories as an expense in the period in which the related revenue is recognized.

We recognize the amount of any write-down of inventories to net realizable value and all losses of inventories as an expense in the period that the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

Intangible Assets

We recognize expenditure on research activities as an expense in the period in which it is incurred. We capitalize expenditure on development activities if the product or process is technically and commercially feasible and our Group has sufficient resources and intends to complete its development. The expenditure capitalized includes the costs of materials, direct labor, and an appropriate proportion of overheads and borrowing costs, where applicable. Capitalized development costs are stated at cost less accumulated amortization and impairment losses. We recognize other development expenditure as an expense in the period in which it is incurred.

Other intangible assets that are acquired by our Group are stated at cost less accumulated amortization (where the estimated useful life is finite) and impairment losses. We recognize expenditure on internally generated goodwill and brands as an expense in the period in which it is incurred.

We charge amortization of intangible assets with finite useful lives to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortized from the date they are available for use and their estimated useful lives are as follows:

-	Software	3 years
-	Capitalized development costs	10 years

Both the period and method of amortization are reviewed annually.

We estimate the useful life of capitalized development costs based on the expected life cycle of the underlying product since the commercialization.

Convertible Bonds that Contain an Equity Component

Convertible bonds that can be converted into ordinary shares at the option of the holder, where a fixed number of shares are issued for a fixed amount of cash or other financial assets, are accounted for as compound financial instruments, i.e. they contain both a liability component and an equity component.

At initial recognition, we measure the liability component of the convertible bonds at the fair value based on the future interest and principal payments, discounted at the prevailing market rate of interest for similar non-convertible instruments. The equity component is the difference between the initial fair value of the convertible bonds as a whole and the initial fair value of the liability component. We allocate transaction costs that relate to the issue of a compound financial instrument to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortized cost. We calculate interest expense recognized in profit or loss on the liability component using the effective interest method. We do not remeasure and do recognize the equity component in the capital reserve until either the bonds are converted or redeemed.

If the bonds are converted, we transfer the capital reserve, together with the carrying amount of the liability component at the time of conversion, to share capital and share premium as consideration for the shares issued. If the bonds are redeemed, we release capital reserve directly to retained profits.

Critical Judgments and Estimates

Research and Development Costs

Development expenses incurred on our pipelines are capitalized and deferred only when we can demonstrate the technical feasibility of completing the pipeline 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 expenses which do not meet these criteria are recognized as an expense in profit or loss when incurred. Management will assess the progress of each of the development projects and determine the criteria met for capitalization.

Impairment of Capitalized Development Costs

We are required to test capitalized development costs not available for use on an annual basis. Intangible assets are tested whenever events or changes in circumstances indicate that the carrying amount of those assets exceeds its recoverable amount. The recoverable amount is determined based on the higher of fair value less cost to sell and value in use.

Determination of the recoverable amount is an area involving management judgment in order to assess whether the carrying value of the intangible assets not available for use can be supported by the net present value of future cash flows. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters including management’s expectations of (i) timing of commercialization, productivity and market size; (ii) revenue compound growth rate; (iii) costs and operating expenses; and (iv) the selection of discount rates to reflect the risks involved.

Fair Value of Unlisted Equity Investments

We acquired unlisted equity investments during the Track Record Period as set out in Note 15 to the Accountants’ Report set out in Appendix I to this document, which the Group classified as financial assets at FVPL in which no quoted prices in an active market exist. The fair value of these financial instruments is established by using valuation techniques, including equity allocation model. Valuation techniques are certified by an independent and recognized international business valuer before being implemented for valuation and are calibrated to ensure that outputs reflect market conditions. Valuation models established by the valuer make the maximum use of market inputs and rely as little as possible on the Group’s specific data. However, it should be noted that some inputs, such as possibilities under certain events, require management estimates. Management estimates and assumptions are reviewed periodically and are adjusted if necessary. Should any of the estimates and assumptions changed, it may lead to a change in the fair value of the unlisted equity investments.

Sale returns

We only permit distributors to return or exchange near-expiry products under situations specified in the distribution agreements. We assess that such return/exchange would not result in any significant outflow of the Group’s embodying economic benefits. We have recorded refund liabilities under trade and other payables based on the expected return/exchange rate.

DESCRIPTION OF CERTAIN ITEMS IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

The following table sets forth a summary of our consolidated statements of profit or loss for the periods indicated. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

	For the year ended December 31,			For the eight months ended August 31,	
	2018	2019	2020	2020	2021
			RMB'000		
				Unaudited	
Revenue	124,097	183,720	221,923	122,205	237,657
Cost of sales	(18,396)	(37,266)	(57,140)	(34,450)	(52,667)
Gross profit	105,701	146,454	164,783	87,755	184,990
Other net income	467	6,452	11,463	4,692	16,010
Research and development costs	(28,276)	(38,166)	(53,037)	(30,239)	(52,940)
Selling and marketing expenses	(34,732)	(45,150)	(48,215)	(23,295)	(40,327)
Administrative expenses	(9,810)	(15,286)	(18,130)	(8,009)	(21,122)
Other operating costs	(30)	(200)	(1,000)	–	(982)
Profit from operations	**33,320**	**54,104**	**55,864**	**30,904**	**85,629**
Finance costs	(522)	(1,693)	(4,467)	(1,951)	(18,373)
Share of losses of an associate	–	–	–	–	(4,155)
Profit before tax	**32,798**	**52,411**	**51,397**	**28,953**	**63,101**
Income tax expense	(3,531)	(5,436)	(6,110)	(3,623)	(7,918)
Profit for the year/period and attributable to equity shareholders of the Company	**29,267**	**46,975**	**45,287**	**25,330**	**55,183**

Revenue

Product Type

We generated substantially all of our revenue from sales of medical devices, which amounted to RMB123.2 million, RMB182.7 million, RMB220.5 million, RMB121.4 million and RMB237.3 million in 2018, 2019 and 2020 and the eight months ended August 31, 2020 and 2021, respectively. Revenue from sales of medical devices represents revenue from the sales of (i) hemorrhagic stroke products; (ii) cerebral atherosclerotic stenosis products; and (iii) access products during the Track Record Period. The following table sets forth the breakdown of our revenue by business and by product type for the periods indicated.

	For the year ended December 31,						For the eight months ended August 31,			
	2018		2019		2020		2020		2021	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	RMB'000 (except percentages)						*Unaudited*			
Revenue from sales of medical devices										
Hemorrhagic stroke products	49,880	40.2%	80,190	43.7%	100,440	45.2%	51,414	42.1%	135,903	57.2%
Cerebral atherosclerotic stenosis products	58,567	47.2%	76,397	41.6%	78,730	35.5%	41,674	34.1%	66,420	27.9%
Access products	14,788	11.9%	26,155	14.2%	41,298	18.6%	28,340	23.2%	34,975	14.7%
Rental income from operating leases	862	0.7%	978	0.5%	1,455	0.7%	777	0.6%	359	0.2%
Total	**124,097**	**100.0%**	**183,720**	**100.0%**	**221,923**	**100.0%**	**122,205**	**100.0%**	**237,657**	**100.0%**

Hemorrhagic Stroke Products

During the Track Record Period, a significant portion of our revenue was generated from the sales of hemorrhagic stroke products. Revenue from the sales of hemorrhagic stroke products increased from 2018 to 2020 at a CAGR of 41.9% and further increased from RMB51.4 million for the eight months ended August 31, 2020 to RMB135.9 million for the same period in 2021 and was one of the primary drivers for our overall revenue growth. As a percentage of total revenue, sales of hemorrhagic stroke products increased from 40.2% in 2018 to 45.2% in 2020 and increased from 42.1% in the eight months ended August 31, 2020 to 57.2% in the same period in 2021, primarily attributable to the commercialization of our flow-diverting stent and coil embolization system during the Track Record Period. For details, see "—Results of Operations."

Cerebral Atherosclerotic Stenosis Products

During the Track Record Period, We also generated a significant portion of our revenue from the sales of cerebral atherosclerotic stenosis products. For the years ended December 31, 2018, 2019 and 2020 and the eight months ended August 31, 2020 and 2021, we recorded revenue from the sales of cerebral atherosclerotic stenosis products of RMB58.6 million, RMB76.4 million, RMB78.7 million, RMB41.7 million and RMB66.4 million, respectively. The increase revenue generated from the sales of cerebral atherosclerotic stenosis products was primarily attributable to a steady increase in the sales volume of our intracranial stent systems. For details, see "—Results of Operations."

Access Products

For the years ended December 31, 2018, 2019 and 2020 and the eight months ended August 31, 2020 and 2021, we recorded revenue from the sales of access products RMB14.8 million, RMB26.2 million, RMB41.3 million, RMB28.3 million and RMB35.0 million, respectively. Revenue generated from sales of access products increased from 2018 to 2020 at a CAGR of 67.1%, and further increased by 23.4% from RMB28.3 million for the eight months ended August 31, 2020 to RMB35.0 million for the same period in 2021, which was primarily attributable to an increase in the sales revenue that we generated from acting as the exclusive distributor for Asahi guidewires in mainland China. For details, see "—Results of Operations."

Cost of Sales

Our cost of sales mainly consists of (i) raw material costs; (ii) manufacturing costs; and (iii) direct labor costs. In 2018, 2019 and 2020 and the eight months ended August 31, 2020 and 2021, our cost of sales was RMB18.4 million, RMB37.3 million, RMB57.1 million, RMB34.5 million and RMB52.7 million, respectively. During the Track Record Period, the increase in raw material costs, was generally in line with our increased production and sales. The following table sets forth the breakdown of cost of sales for sales of medical devices for the period indicated.

	For the year ended December 31,						For the eight months ended August 31,			
	2018		2019		2020		2020		2021	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	RMB'000 (except percentages)						*Unaudited*			
Raw material costs(1)	13,412	72.9%	27,874	74.8%	42,941	75.2%	26,472	76.8%	34,562	65.6%
Manufacturing costs(2)	4,488	24.4%	8,228	22.1%	12,307	21.5%	7,150	20.8%	15,570	29.6%
Direct labor costs	496	2.7%	1,164	3.1%	1,892	3.3%	828	2.4%	2,535	4.8%
Total	**18,396**	**100.0%**	**37,266**	**100.0%**	**57,140**	**100.0%**	**34,450**	**100.0%**	**52,667**	**100.0%**

Notes:

(1) Include costs of the products that we distribute.

(2) Include overhead labor costs, testing fees, utility costs, repair and maintenance costs and depreciation and amortization.

Gross Profit and Gross Profit Margin

Our gross profit increased from RMB105.7 million in 2018 to RMB146.5 million in 2019, RMB164.8 million in 2020 and from RMB87.8 million in the eight months ended August 31, 2020 to RMB185.0 million in the same period in 2021, primarily attributable to an increase in revenue. The changes in our gross profit margin during the Track Record Period was primarily driven by changes in our product mix. In general, the gross profit margin of hemorrhagic stroke products and cerebral atherosclerotic stenosis products were higher than that of access products, which primarily include Asahi guidewires, to which we acted as the exclusive distributor in mainland China, because the gross profit margin of our self-developed products was generally higher than that of products sold under distributorship. Our gross profit margin fluctuated during the Track Record Period, primarily due to the changes in revenue contribution from hemorrhagic stroke products, cerebral atherosclerotic stenosis products and access products. The following table sets forth the breakdown of gross profit and gross profit margin of sales of medical devices by product type for the periods indicated.

	For the year ended December 31,						For the eight months ended August 31,			
	2018		2019		2020		2020		2021	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000 (except percentages)						*Unaudited*			
Hemorrhagic stroke products	45,581	91.4%	68,332	85.2%	77,540	77.2%	39,467	76.8%	111,514	82.1%
Cerebral atherosclerotic stenosis products	53,330	91.1%	66,983	87.7%	69,955	88.9%	37,081	89.0%	58,229	87.7%
Access products	6,259	42.3%	10,464	40.0%	16,070	38.9%	10,590	37.4%	15,109	43.2%
Gross profit/ gross profit margin of sales of medical devices	**105,170**	**85.3%**	**145,779**	**79.8%**	**163,565**	**74.2%**	**87,138**	**71.8%**	**184,852**	**77.9%**
Total gross profit/overall gross profit margin	**105,701**	**85.2%**	**146,454**	**79.7%**	**164,783**	**74.3%**	**87,755**	**71.8%**	**184,990**	**77.8%**

Research and Development Costs

Research and development costs increased at a CAGR of 37.0% from 2018 to 2020 and by 75.1% from the eight months ended August 31, 2020 to the same period in 2021. Our research and development costs primarily consist of (i) staff costs including salaries, benefits, share-based compensation and other compensation in relation to our research and development team; (ii) cost of materials and consumables in relation to raw material used in our research development process; (iii) depreciation and amortization, including the amortization of right-of-use assets; (iv) consulting fees, primarily including payments to external consultants; (v) testing fees incurred in connection with our research and development activities and (vi) others including office and utility fees, travel expenses and other miscellaneous costs in relation to our research and development activities. The following table sets forth the breakdown of our research and development costs for the periods indicated.

	For the year ended December 31,						For the eight months ended August 31,			
	2018		2019		2020		2020		2021	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(RMB'000, except for percentage)						*Unaudited*			
Staff costs	15,061	53.2%	20,758	54.4%	23,366	44.0%	12,943	42.8%	23,225	43.9%
Costs of materials and consumables	6,180	21.9%	10,900	28.6%	18,908	35.7%	12,388	41.0%	18,374	34.7%
Testing fees	102	0.4%	273	0.7%	3,139	5.9%	948	3.1%	3,704	7.0%
Depreciation and amortization	1,925	6.8%	1,694	4.4%	1,927	3.6%	1,103	3.6%	3,088	5.8%
Consulting fees	2,940	10.4%	2,058	5.4%	3,747	7.1%	2,111	7.0%	2,485	4.7%
Others	2,068	7.3%	2,483	6.5%	1,950	3.7%	746	2.5%	2,064	3.9%
Total	**28,276**	**100.0%**	**38,166**	**100.0%**	**53,037**	**100.0%**	**30,239**	**100.0%**	**52,940**	**100.0%**

Selling and Marketing Expenses

Our selling and marketing expenses primarily consist of (i) staff costs including salaries, benefits, share-based compensation and other compensation for our sales and marketing personnel; (ii) market development expenses primarily including expenses in connection with our sales and marketing activities, such as expenses incurred for academic conferences and exhibitions, and product promotion expenses; (iii) transportation and travel expenses in relation to our sales and marketing activities; and (iv) others including depreciation and amortization, office and utility costs and other miscellaneous costs. The following table sets forth the breakdown of our selling and marketing expenses for the periods indicated.

	For the year ended December 31,						For the eight months ended August 31,			
	2018		2019		2020		2020		2021	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	RMB'000 (except percentages)						*Unaudited*			
Staff costs	14,453	41.6%	20,731	45.9%	23,476	48.7%	14,984	64.3%	21,199	52.5%
Market development expenses	14,455	41.6%	17,652	39.1%	16,881	35.0%	4,217	18.1%	12,465	30.9%
Transportation and travel expenses	3,993	11.5%	4,710	10.4%	5,166	10.7%	2,570	11.0%	5,312	13.2%
Others	1,831	5.3%	2,057	4.6%	2,692	5.6%	1,524	6.6%	1,351	3.4%
Total	**34,732**	**100.0%**	**45,150**	**100.0%**	**48,215**	**100.0%**	**23,295**	**100.0%**	**40,327**	**100.0%**

Administrative Expenses

Our administrative expenses primarily consist of (i) staff costs including salaries, benefits, share-based compensation and other compensation; (ii) depreciation and amortization expenses; (iii) consulting and service fees, primarily including payments to consultants; (iv) office and utility expenses; (v) tax and surcharges; and (vi) others including repair and maintenance costs, travel and transportation expenses, entertainment costs and other miscellaneous costs. The following table sets forth the breakdown of our administrative expenses for the periods indicated.

	For the year ended December 31,						For the eight months ended August 31,			
	2018		2019		2020		2020		2021	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	RMB'000 (except percentages)						*Unaudited*			
Staff costs	5,694	58.0%	9,772	63.9%	9,859	54.4%	5,045	63.0%	11,317	53.6%
Depreciation and amortization expenses	1,521	15.5%	2,098	13.7%	2,844	15.7%	1,145	14.3%	4,352	20.6%
Consulting and service fees	571	5.8%	1,146	7.5%	2,350	12.9%	467	5.8%	3,053	14.4%
Office and utility expenses	438	4.5%	605	4.0%	958	5.3%	394	4.9%	466	2.2%
Tax and surcharges	776	7.9%	910	6.0%	1,189	6.6%	593	7.4%	1,595	7.6%
Others	810	8.3%	755	4.9%	930	5.1%	365	4.6%	339	1.6%
Total	**9,810**	**100.0%**	**15,286**	**100.0%**	**18,130**	**100.0%**	**8,009**	**100.0%**	**21,122**	**100.0%**

Other Operating Costs

Our other operating costs primarily consist of (i) restructuring related expenses; and (ii) donation. We recorded other operating costs of less than RMB0.1 million, RMB0.2 million, RMB1.0 million, nil and RMB1.0 million for the years ended December 31, 2018, 2019 and 2020 and the eight months ended August 31, 2020 and 2021, respectively.

Finance Costs

Our finance costs primarily consist of (i) interest on convertible bonds; (ii) interest on lease liabilities; (iii) interest on interest-bearing borrowings and (iv) interest on loans from related parties. The following table sets forth the components of our finance costs for the periods indicated.

	For the year ended December 31,			For the eight months ended August 31,	
	2018	2019	2020	2020	2021
			RMB'000	*Unaudited*	
Interest on the convertible bonds	–	–	2,262	–	17,332
Interest on lease liabilities	234	270	735	514	972
Interest on interest-bearing borrowings	229	1,256	978	978	–
Interest on loans from related parties	11	91	397	397	–
Others	48	76	95	62	69
Total	**522**	**1,693**	**4,467**	**1,951**	**18,373**

Other Net Income

Other net income primarily consists of (i) government grants, mainly representing subsidies received from the local governments for encouragement of research and development activities; (ii) interest income on bank deposits; (iii) net foreign exchange gain or loss; (iv) net gain or loss on disposal of property, plant and equipment; and (v) fair value changes in financial instruments. The following table sets forth the breakdown of our other income and gains for the periods indicated.

	For the years ended December 31,			For the eight months ended August 31,	
	2018	2019	2020	2020	2021
			RMB'000	*Unaudited*	
Fair value changes in financial instruments	–	–	1,230	–	12,098
Government grants	635	6,551	9,580	4,579	815
Interest income on financial assets carried at amortized cost	23	50	137	36	1,845
Net foreign exchange (loss)/gain	(75)	(138)	377	41	(813)
Net (loss)/gain on disposal of property, plant and equipment	(78)	(21)	(68)	–	394
Others	(38)	10	207	36	1,671
Total	**467**	**6,452**	**11,463**	**4,692**	**16,010**

Income Tax Expenses

Our income tax expenses amounted to RMB3.5 million, RMB5.4 million, RMB6.1 million, RMB3.6 million and RMB7.9 million in 2018, 2019, 2020 and the eight months ended August 31, 2020 and 2021, respectively. We recorded effective income tax rates, calculated by dividing income tax expenses by profit before taxation during the same period, of 10.8%, 10.4%, 11.9%, 12.5% and 12.5%, in 2018, 2019, 2020 and the eight months ended August 31, 2020 and 2021, respectively.

In 2017, NeuroTech Shanghai, one of our PRC subsidiaries, was qualified as a High and New Technology Enterprise (高新技術企業) and NeuroTech Shanghai extended its High and New

Technology Enterprise certificate in 2020 for a period of three years. As a High and New Technology Enterprise, NeuroTech Shanghai enjoys a lower EIT rate of 15% instead of the standard EIT rate of 25% in China.

Pursuant to the current laws and regulations of the Cayman Islands, the Company is not subject to any income tax in that jurisdiction.

RESULTS OF OPERATIONS

Eight Months Ended August 31, 2021 Compared to Eight Months Ended August 31, 2020

Revenue

Our revenue increased by 94.5% from RMB122.2 million for the eight months ended August 31, 2020 to RMB237.7 million for the same period in 2021, reflecting an increase of RMB84.5 million in revenue generated from sales of our hemorrhagic stroke products; an increase of RMB24.7 million in revenue generated from sales of our cerebral atherosclerotic stenosis products and an increase of RMB6.6 million of our access products.

Revenue generated from the sales of hemorrhagic stroke products increased by 164.3% from RMB51.4 million for the eight months ended August 31, 2020 to RMB135.9 million for the same period in 2021. The increase of hemorrhagic stroke products was primarily driven by (i) an increase in the sales volume of flow-diverting stent and (ii) the commercialization of coil embolization system.

Revenue generated from the sales of cerebral atherosclerotic stenosis products increased by 59.4% from RMB41.7 million for the eight months ended August 31, 2020 to RMB66.4 million for the same period in 2021. Such increase was primarily because of (i) an increase in the sales volume of our existing products and (ii) the commercialization of rapamycin target eluting vertebral stent system at the end of 2020.

Revenue generated from the sales of access products increased by 23.4% from RMB28.3 million for the eight months ended August 31, 2020 to RMB35.0 million for the same period in 2021. Such increase was primarily attributable to a significant increase in the sales volume of microcatheter systems and the commercialization of intracranial support catheter system.

Cost of Sales

Our cost of sales increased by 52.9% from RMB34.5 million for the eight months ended August 31, 2020 to RMB52.7 million for the same period in 2021 primarily due to an increase of RMB8.4 million in our manufacturing costs and RMB8.1 million in raw material costs, which were in line with our increased production and sales.

Gross Profit and Gross Profit Margin

Our gross profit increased by 110.8% from RMB87.8 million for the eight months ended August 31, 2020 to RMB185.0 million for the same period in 2021, primarily reflecting an increase of RMB72.0 million in gross profit from sales of our hemorrhagic stroke products, an increase of RMB21.1 million in gross profit from sales of our cerebral atherosclerotic stenosis products and an increase of RMB4.5 million in gross profit from sales of our access products. Increases in our gross profit was primarily driven by an increase in sales volume across our three product lines. Our gross profit margin increased from 71.8% for the eight months ended August 31, 2020 to 77.8% for the same period in 2021 primarily because a change in product mix as the sales of hemorrhagic stroke products and cerebral atherosclerotic stenosis products with a higher profit margin increased at a greater rate than the access products.

Research and Development Costs

Our research and development costs increased by 75.1% from RMB30.2 million for the eight months ended August 31, 2020 to RMB52.9 million for the same period in 2021, primarily due to an increase of RMB10.3 million in staff costs as we hired more research and development staff and an increase of RMB6.0 million in cost of materials and consumables and an increase of RMB2.8 million in testing fees as we continued to increase our research and development activities.

Selling and Marketing Expenses

Our selling and marketing expenses increased from RMB23.3 million for the eight months ended August 31, 2020 to RMB40.3 million for the same period in 2021, primarily due to an increase of RMB8.2 million in market development expenses as we increased our market development activities, including academic conferences, as we introduced new products to the market and the COVID-19 pandemic was gradually brought under control in China and its domestic travel restrictions were gradually lifted in 2021, and an increase of RMB6.2 million in staff costs as we hired more staffs of marketing function.

Administrative Expenses

Our administrative expenses increased by 163.7% from RMB8.0 million for the eight months ended August 31, 2020 to RMB21.1 million for the same period in 2021, primarily due to an increase of RMB6.3 million in staff costs, an increase of RMB3.2 million in depreciation and amortization expenses and an increase of RMB2.6 million in consulting and service fees in line with our business expansion as our product sales continued to increase.

Other Operating Costs

Our other operating costs increased from nil for the eight months ended August 31, 2020 to RMB1.0 million for the same period in 2021, which primarily represented restructuring-related costs.

Finance Costs

Our finance costs increased from RMB2.0 million for the eight months ended August 31, 2020 to RMB18.4 million for the same period in 2021, primarily due to an increase of RMB17.3 million in interest on convertible bonds, partially offset by a decrease of RMB1.0 million in interest on interest-bearing borrowings as we fully repaid our bank loans by the end of 2020.

Other Net Income

Other net income million increased by 241.2% from RMB4.7 million for the eight months ended August 31, 2020 to RMB16.0 million for the same period in 2021, mainly resulting from an increase of RMB12.1 million in fair value movement on financial assets which was primarily related to fair value changes of our investment in Rapid Medical, partially offset by a decrease of RMB4.0 million in government grant because we received one-off government grants of RMB3.2 million for general supporting of the entity's operation in 2020.

Income Tax Expense

Our income tax expense increased by 118.6% from RMB3.6 million for the eight months ended August 31, 2020 to RMB7.9 million for the same period in 2021, primarily due to an increase in profit before tax. Our effective income tax rate, calculated by dividing income tax expenses by profit before taxation during the same period, remained stable at 12.5% in the eight months ended August 31, 2020 and 2021.

Profit for the Period

For the foregoing reasons, our profit for the eight months ended August 31, 2021 increased by 117.9% from RMB25.3 million in the eight months ended August 31, 2020 to RMB55.2 million in the same period in 2021.

Year Ended December 31, 2020 Compared to Year Ended December 31, 2019

Revenue

Our revenue increased by 20.8% from RMB183.7 million for the year ended December 31, 2019 to RMB221.9 million for the year ended December 31, 2020, reflecting an increase in sales volume across our product lines.

Revenue generated from the sales of hemorrhagic stroke products increased by 25.3% from RMB80.2 million in 2019 to RMB100.4 million in 2020 primarily driven by an increase in the sales volume of flow-diverting stent due to our marketing efforts and the commercialization of coil embolization systems in 2020.

Revenue generated from the sales of cerebral atherosclerotic stenosis products increased slightly by 3.1% from RMB76.4 million in 2019 to RMB78.7 million in 2020 due to an increase in sales volume of intracranial stent system.

Revenue generated from access products increased by 57.9% from RMB26.2 million to RMB41.3 million driven by an increase in the sales of Asahi guidewires.

The overall increase in revenue were primarily driven by an increase in sales volume of our neuro-interventional medical device products, which was primarily attributable to (i) our growing comprehensive product portfolio; (ii) our efforts to expand our sales network and penetrate into more hospitals; and (iii) the overall growth of China's neuro-interventional medical device market and favorable industry trends which benefit us, such as the growing acceptance of Chinese-developed products over imported products and market consolidation.

Cost of Sales

Our cost of sales increased by 53.3% from RMB37.3 million for the year ended December 31, 2019 to RMB57.1 million for the year ended December 31, 2020 primarily due to an increase of RMB15.1 million in raw material costs and an increase of RMB4.1 million in manufacturing costs, which were in line with our increased production and sales.

Gross Profit and Gross Profit Margin

Our gross profit increased by 12.5% from RMB146.5 million for the year ended December 31, 2019 to RMB164.8 million for the year ended December 31, 2020, primarily reflecting an increase of RMB9.2 million in gross profit from sales of hemorrhagic stroke products, an increase of RMB3.0 million in gross profit from sales of our access products and an increase of RMB5.6 million in gross profit from sales of our cerebral atherosclerotic stenosis products, driven by an increase in sales volume. Our gross profit margin decreased from 79.7% in 2019 to 74.3% in 2020 primarily due to a change in our product mix due to (i) a decrease in the percentage of revenue generated from sales of cerebral atherosclerotic stenosis products with a higher gross profit margin and (ii) an increase in the percentage of revenue generated from sales of access products, mainly Asahi guidewires which had a relatively lower gross profit margin compared to our self-developed products.

Research and Development Costs

Our research and development costs increased by 39.0% from RMB38.2 million for the year ended December 31, 2019 to RMB53.0 million for the year ended December 31, 2020, primarily due to an increase of RMB8.0 million in cost of materials and consumables as we procured more raw materials for our research and development projects, an increase of RMB2.9 million in testing fees and an increase of RMB2.6 million in staff costs as we expanded research and development activities.

Selling and Marketing Expenses

Our selling and marketing expenses increased from RMB45.2 million for the year ended December 31, 2019 to RMB48.2 million for the year ended December 31, 2020, primarily due to an increase of RMB2.7 million in staff costs, which primarily reflected an increase in the headcount of our sales staff as our business expanded.

Administrative Expenses

Our administrative expenses increased by 18.6% from RMB15.3 million for the year ended December 31, 2019 to RMB18.1 million for the year ended December 31, 2020, primarily due to an increase of RMB1.2 million in consulting and service fees and an increase of RMB0.7 million in depreciation and amortization.

Other Operating Costs

We recorded other operating costs of RMB0.2 million for the year ended December 31, 2019 and RMB1.0 million for the year ended December 31, 2020 which primarily represented donation that we made.

Finance Costs

Finance costs increased from RMB1.7 million for the year ended December 31, 2019 to RMB4.5 million for the year ended December 31, 2020, primarily due to an increase of RMB2.3 million of interest on the convertible bonds.

Other Net Income

Other net income increased by 77.7% from RMB6.5 million for the year ended December 31, 2019 to RMB11.5 million for the year ended December 31, 2020. Such increase mainly resulted from an increase of RMB3.0 million in government grants in relation to our research and development activities.

Income Tax Expense

We recorded income tax expense of RMB5.4 million and RMB6.1 million for the year ended December 31, 2019 and 2020, respectively. Our effective income tax rate, calculated by dividing income tax expenses by profit before taxation during the same period, increased from 10.4% in 2019 to 11.9% in 2020.

Profit for the Year

For the foregoing reasons, our profit for the year decreased by 3.6% from RMB47.0 million in 2019 to RMB45.3 million in 2020.

Year Ended December 31, 2019 Compared to Year Ended December 31, 2018

Revenue

Our revenue increased by 48.0% from RMB124.1 million for the year ended December 31, 2018 to RMB183.7 million for the year ended December 31, 2019, reflecting an increase in sales volume across our product lines.

Revenue generated from the sales of hemorrhagic stroke products increased by 60.8% from RMB49.9 million in 2018 to RMB80.2 million in 2019 primarily driven by an increase in the sales of our flow-diverting stent as it gained wider market acceptance due to our commercialization efforts.

Revenue generated from the sales of cerebral atherosclerotic stenosis products increased by 30.4% from RMB58.6 million in 2018 to RMB76.4 million in 2019 attributable to an increase in the sales volume of these products.

Revenue generated from access products increased by 76.9% from RMB14.8 million to RMB26.2 million driven by an increase in the sales of Asahi guidewires.

Cost of Sales

Our cost of sales increased significantly by 102.6% from RMB18.4 million for the year ended December 31, 2018 to RMB37.3 million for the year ended December 31, 2019, primarily due to an increase of RMB14.5 million in raw materials, which primarily represent increasing costs of the products that we distributed due to an increase in these products' sales volume.

Gross Profit and Gross Profit Margin

Our gross profit increased by 38.6% from RMB105.7 million for the year ended December 31, 2018 to RMB146.5 million for the year ended December 31, 2019, primarily reflecting an increase of RMB22.8 million in gross profit from sales of hemorrhagic stroke products, an increase of RMB13.7 million in gross profit from sales of cerebral atherosclerotic stenosis products and an increase of RMB4.2 million in gross profit from sales of access products. Increases in gross profit was primarily driven by an increase in our product sales volume. Our gross profit margin decreased from 85.2% in 2018 to 79.7% in 2019 primarily due to a change in our product mix as the percentage of revenue generated from the sales of access products, mainly products that we distribute with a relatively lower gross profit margin compared to our self-developed products, increased and the percentage of revenue generated from our cerebral atherosclerotic stenosis products with a higher gross profit margin decreased.

Research and Development Costs

Our research and development costs increased by 35.0% from RMB28.3 million for the year ended December 31, 2018 to RMB38.2 million for the year ended December 31, 2019, primarily due to an increase of RMB4.7 million in cost of materials and consumables as we procured more raw materials for our research and development projects and an increase of RMB5.7 million in staff costs as we increased the headcount of research and development staffs.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 30.0% from RMB34.7 million for the year ended December 31, 2018 to RMB45.2 million for the year ended December 31, 2019, primarily due to an increase of RMB6.3 million in staff costs as we increased headcount of sales staffs, and an increase of RMB3.2 million in market development costs, which mainly included increased labor expenses relating to overseas market development activities.

Administrative Expenses

Our administrative expenses increased by 55.8% from RMB9.8 million for the year ended December 31, 2018 to RMB15.3 million for the year ended December 31, 2019, primarily due to an increase of RMB4.1 million in staff costs as we hired more staffs for business expansion.

Other Operating Costs

We recorded other operating costs of less than RMB0.1 million and RMB0.2 million for the year ended December 31, 2018 and 2019.

Finance Costs

Finance costs increased from RMB0.5 million for the year ended December 31, 2018 to RMB1.7 million for the year ended December 31, 2019, primarily due to an increase of RMB1.0 million in interest on interest-bearing borrowings.

Other Net Income

Other net income increased significantly from RMB0.5 million for the year ended December 31, 2018 to RMB6.5 million for the year ended December 31, 2019. Such increase mainly resulted from an increase of RMB5.9 million in government grants, primarily for the purposes of encouraging research and development activities.

Income Tax Expense

Our income tax expense increased by 54.0% from RMB3.5 million for the year ended December 31, 2018 to RMB5.4 million for the year ended December 31, 2019, primarily due to an increase in profit before tax. Our effective income tax rate, calculated by dividing income tax expenses by profit before taxation during the same period, remained relatively stable at 10.8% and 10.4% in 2018 and 2019, respectively.

Profit for the Year

For the foregoing reasons, our profit for the year increased by 60.5% from RMB29.3 million in 2018 to RMB47.0 million in 2019.

DESCRIPTION OF CERTAIN KEY CONSOLIDATED STATEMENTS OF FINANCIAL POSITION ITEMS

The following table sets forth a summary of our consolidated statements of financial position as of the dates indicated.

	As of December 31,			As of August 31,
	2018	2019	2020	2021
			RMB'000	
Non-current assets				
Property, plant and equipment	35,575	47,348	59,485	189,595
Investment Property	14,640	14,297	13,954	13,726
Intangible assets	72,606	106,756	129,406	129,030
Interest in an associate	–	–	–	174,030
Financial assets measured at fair value through profit or loss	–	38,369	37,051	–
Deferred tax assets	1,807	3,783	4,346	5,710
Other non-current assets	881	2,447	1,463	24,742
Total non-current assets	**125,509**	**213,000**	**245,705**	**536,833**
Current assets				
Inventories	14,204	37,992	55,006	78,207
Trade and other receivables	42,376	61,525	59,406	97,890
Time deposits	–	–	–	40,422
Cash and cash equivalents	5,695	22,211	425,493	369,730
Total current assets	**62,275**	**121,728**	**539,905**	**586,249**
Current liabilities				
Interest-bearing borrowings	(10,033)	(40,548)	–	–
Convertible bonds	–	–	(19,202)	(17,112)
Trade and other payables	(37,838)	(106,474)	(62,803)	(98,131)
Contract liabilities	(84)	(622)	(2,541)	(14,219)
Lease liabilities	(2,636)	(3,982)	(5,952)	(29,366)
Income tax payables	–	–	(4,256)	(3,088)
Total current liabilities	**(50,591)**	**(151,626)**	**(94,754)**	**(161,916)**
Net current assets/(liabilities)	**11,684**	**(29,898)**	**445,151**	**424,333**
Total assets less current liabilities	**137,193**	**183,102**	**690,856**	**961,166**
Non-current liabilities				
Interest-bearing borrowings	(10,000)	–	–	–
Convertible bonds	–	–	(297,794)	(428,551)
Lease liabilities	(2,196)	(5,105)	(8,200)	(84,876)
Deferred income	(3,803)	(8,592)	(9,554)	(10,993)
Other non-current liabilities	(869)	(1,247)	(2,426)	(2,601)
Total non-current liabilities	**(16,868)**	**(14,944)**	**(317,974)**	**(527,021)**
Net assets	**120,325**	**168,158**	**372,882**	**434,145**

Intangible Assets

Our intangible assets primarily represent capitalized development costs. We had intangible assets of RMB72.6 million, RMB106.8 million, RMB129.4 million and RMB129.0 million as of December 31, 2018, 2019 and 2020 and August 31, 2021, respectively. The increase in the carrying amount of our intangible assets from 2018 to 2020 was primarily due to an increase in capitalized development costs relating to our development activities.

Financial Assets Measured at Fair Value through Profit or Loss ("FVPL")/Interest in an Associate

Our financial assets at FVPL mainly represent our investment in Rapid Medical. We recorded financial assets at FVPL of nil, RMB38.4 million, RMB37.1 million as of December 31, 2018, 2019 and 2020. The investment in Rapid Medical was reclassified to interest in an associate upon the closing of additional investments made in April 2021.

Inventories

Our inventories consist of (i) raw materials used in certain research and development activities and manufacturing for our commercialized products; (ii) work in progress; and (iii) finished goods. Under our inventory control policy, we regularly monitor and analyze our historical procurement, production and sales statistics and adjust our inventory level to meet market demand in a timely manner without causing inventory accumulation. The following table sets forth the components of our inventories as of the dates indicated and inventory turnover days for the periods indicated.

	As of/for the year ended December 31,			As of/for the eight months ended August 31,
	2018	2019	2020	2021
			RMB'000	
Raw materials	6,145	11,690	19,245	28,846
Work in progress	3,245	7,338	8,943	14,250
Finished goods	4,814	18,964	26,818	35,111
Total	**14,204**	**37,992**	**55,006**	**78,207**
Inventory turnover days(1)	224	256	297	307
Finished goods turnover days(2)	76	116	146	143

Notes:

(1) The inventories turnover days are calculated by dividing the arithmetic mean of the opening and ending balance of inventories in that year/period by cost of sales for the corresponding year/period and then multiplying by 365 days for a full year period or 243 days for an eight-month period.

(2) The finished goods turnover days are calculated by dividing the arithmetic mean of the opening and ending balance of finished goods in that year/period by cost of sales for the corresponding year/period and then multiplying by 365 days for a full year period or 243 days for an eight-month period.

Our inventory increased from RMB14.2 million as of December 31, 2018 to RMB38.0 million as of December 31, 2019 primarily due to RMB14.2 million increase in finished goods as we increased production activities due to an increase in our sales volume, RMB5.5 million increase in raw materials and RMB4.1 million increase in work in progress due to an increase in our production activities to meet the market demand for our products. Our inventory further increased to RMB55.0 million as of December 31, 2020 primarily attributable to RMB7.6 million increase in raw material primarily due to (i) an increase in our sales volume and (ii) strategic procurement of raw materials to manage the potential shortage of raw materials in anticipation of the impact of the COVID-19 pandemic and RMB7.9 million increase in finished goods as our sales volume continued to increase. Our inventories increased to RMB78.2 million as of August 31, 2021 primarily due to an increase of RMB9.6 million in raw material and RMB8.3 million increase in finished goods because of the introduction of new products as well as an increase in sales volume of existing products.

Our inventory turnover days were 224, 256, 297 and 307 for the year ended December 31, 2018, 2019 and 2020 and the eight months ended August 31, 2021, respectively. The turnover days for our finished goods were 76, 116, 146 and 143 for the year ended December 31, 2018, 2019 and 2020 and the eight months ended August 31, 2021. The increase of our inventory turnover days during the Track Record Period was primarily due to (i) an increase in procurement of raw material, which was in line with an increase in sales volume and business expansion and (ii) increased production activities to meet the market demand for our products.

As of October 31, 2021, RMB13.0 million, or 16.7% of our total inventories as of August 31, 2021, which consisted of raw materials, work-in-progress and finished goods, had been subsequently consumed or sold.

Trade and Other Receivables

Our trade and other receivables primarily represent (i) amounts due from related parties in connection with the Restructuring; (ii) deposits and prepayment to suppliers and service providers; (iii) trade receivables, (iv) other debtors and (v) income tax recoverables. During the Track Record Period, we typically granted a credit term of 60 days for distributors. We seek to maintain strict control over the outstanding receivables to minimize credit risk. The following table sets forth the details of our trade receivables as of the dates indicated

	As of/for the year ended December 31,			As of/for the eight months ended August 31,
	2018	**2019**	**2020**	**2021**
			RMB'000	
Trade receivables	32,460	46,339	42,170	9,709
Amounts due from related parties in connection with the Restructuring	–	–	–	66,998
Deposit and prepayment	9,131	12,077	14,905	18,555
Other debtors	530	2,946	2,331	2,628
Income tax recoverable	255	163	–	–
Total	**42,376**	**61,525**	**59,406**	**97,890**
Trade receivable turnover days(1)	72	78	73	27

Note:

(1) The trade receivable turnover days are calculated by dividing the arithmetic mean of the opening and ending balance of trade receivable in that year/period by revenue for the corresponding year/period and then multiplying by 365 days for a full year period or 243 days for an eight-month period.

The increase of trade and other receivables from RMB42.4 million in 2018 to RMB61.5 million in 2019 was primarily attributable to RMB13.9 million increase in trade receivables due from distributors.

Trade and other receivables decreased to RMB59.4 million in 2020 primarily because our trade receivables decreased by RMB4.2 million due to our enhanced collection efforts.

The increase of trade and other receivables from RMB59.4 million in the year ended December 31, 2020 to RMB97.9 million for the eight months ended August 31, 2021 was primarily attributable to an increase of RMB67.0 million in amounts due from related parties in connection with the restructuring, partially offset by a decrease of RMB32.5 million of trade receivables because we offered a shorter credit terms to certain distributors since 2021.

Our trade receivables turnover days remained relatively stable at 72, 78 and 73 in 2018, 2019 and 2020, respectively. The trade receivables turnover days decreased significantly to 27 days for the eight months ended August 31, 2021, because we offered a shorter credit terms to certain distributors since 2021.

The following table sets forth an aging analysis of trade receivables based on the invoice dates and net of loss allowance as of the dates indicated.

	As of December 31,			As of August 31,
	2018	2019	2020	2021
		RMB'000		
Within one month	13,368	16,834	15,723	8,463
1 to 3 months	13,757	28,198	26,447	597
3 to 12 months	5,335	1,110	–	649
Over 12 months	–	197	–	–
Total	32,460	46,339	42,170	9,709

Our management regularly review our trade receivables balance and overdue balance, and we follow up with distributors with past due trade receivables.

As of October 31, 2021, RMB8.8 million, or 91.0% of our trade receivables as of August 31, 2021, had been settled.

Cash and Cash Equivalents

Our cash and cash equivalents increased from RMB5.7 million as of December 31, 2018 to RMB22.2 million as of December 31, 2019 primarily due to an increase in operating cash flow as a result of our business growth.

Our cash and cash equivalents increased from RMB22.2 million as of December 31, 2019 to RMB425.5 million as of December 31, 2020 primarily attributable to the issuance of convertible bond with a principal amount of US$50 million and an interest rate of 4.0% in November 2020.

Our cash and cash equivalent decreased from RMB425.5 million as of December 31, 2020 to RMB369.7 million as of August 31, 2021 primarily due to spending for investing activities, primarily including acquisition of property, plant and equipment, payment for capitalized development costs and equity investments, partially offset by additional proceeds from the issuance of convertible bonds with a principal amount of US$20 million and an interest rate of 4% in January 2021.

Trade and Other Payables

Our trade and other payables primarily consist of (i) trade payables; (ii) other payables and accrued charges; (iii) sales rebates; (iv) accrued payroll; (v) amounts due to a related party in connection with an investment; and (vi) loans and interest due to related parties. The following table sets forth the details of our trade and other payables as of the dates indicated.

	As of December 31,			As of August 31,
	2018	2019	2020	2021
		RMB'000		
Trade payables	8,718	17,867	10,807	37,337
Other payables and accrued charges	12,642	21,260	17,882	22,368
Sales rebates	1,015	9,729	11,052	19,368
Accrued payroll	10,452	19,249	19,736	19,058
Amounts due to a related party in connection with an investment	–	38,369	–	–
Loans and interests due to related parties	5,011	–	–	–
Other amounts due to a related party in connection with a recharge arrangement	–	–	3,326	–
Total	**37,838**	**106,474**	**62,803**	**98,131**
Trade payable turnover days	142	130	92	111

Note:

(1) The trade payable turnover days are calculated by dividing the arithmetic mean of the opening and ending balance of trade payable in that year/period by cost of sales for the corresponding year/period and then multiplying by 365 days for a full year period or 243 days for an eight-month period.

Our trade and other payables increased significantly from RMB37.9 million as of December 31, 2018 to RMB106.5 million as of December 31, 2019, primarily due to (i) an increase of RMB38.4 million in amounts due to a related party in connection with the investment relating to our purchase of the series C preferred share of Rapid Medical from MicroPort at a consideration of US$5,500,000, which was fully settled in April 2020; (ii) an increase of RMB9.1 million in trade payables mainly in line with our business expansion; (iii) an increase of RMB8.8 million in accrued payroll as we hired more staff; (iv) an increase of RMB8.6 million in other payables and accrued charges; and (v) an increase of RMB8.7 million in sales rebates.

Our trade and other payables decreased from RMB106.5 million as of December 31, 2019 to RMB62.8 million as of December 31, 2020, primarily due to (i) a decrease of RMB38.4 million in amounts due to a related party in connection with our investment in Rapid Medical as we fully settled the purchase consideration of the series C preferred share of Rapid Medical with MicroPort in April 2020; and (ii) a decrease of RMB7.1 million in trade payables primarily representing a decrease of RMB6.7 million in trade payables because our related parties enhanced collection efforts and demanded more frequent settlement of trade payables.

Our trade and other payables increased to RMB98.1 million as of August 31, 2021, primarily due to (i) an increase of RMB26.5 million in trade payables, and (ii) an increase of RMB8.3 million in sales rebates mainly due to the growth of our business.

Our trade payables turnover days decreased from 142 days for the year ended December 31, 2018 to 92 days for the year ended December 31, 2020 primarily due to more frequent settlement with our related parties. The trade payables turnover days increased to 111 days for the eight months ended August 31, 2021 primarily because of an increase of RMB26.5 million in trade payables during the same period due to growth of our business.

The following table sets forth an aging analysis of trade payables based on the invoice dates as of the dates indicated.

	As of December 31,			As of August 31,
	2018	2019	2020	2021
		RMB'000		
Within one month	6,354	12,403	8,844	28,639
1 to 3 months	1,641	3,687	862	6,529
3 to 6 months	648	1,639	1,038	1,238
Over 6 months but within 1 year	–	51	–	867
Over 1 year	75	87	63	64
Total	8,718	17,867	10,807	37,337

As of October 31, 2021, RMB13.5 million, or 36.2% of our trade payables as of August 31, 2021, had been subsequently settled.

Income Tax Payable

Our income tax payable increased from nil as of December 31, 2018 and 2019 to RMB4.3 million as of December 31, 2020 and slightly decreased to RMB3.1 million as of August 31, 2021 primarily reflecting an increase in our profit before tax.

LIQUIDITY AND CAPITAL RESOURCES

Net Current Assets/(Liabilities)

The following table sets forth a summary of our current assets and liabilities as of the dates indicated.

	As of December 31,			As of August 31, 2021	As of October 31, 2021
	2018	2019	2020		
			RMB'000		*(unaudited)*
Current assets					
Inventories	14,204	37,992	55,006	78,207	85,895
Trade and other receivables	42,376	61,525	59,406	97,890	109,224
Time deposits	–	–	–	40,422	40,690
Cash and cash equivalents	5,695	22,211	425,493	369,730	371,550
Total current assets	**62,275**	**121,728**	**539,905**	**586,249**	**607,359**
Current liabilities					
Interest-bearing borrowings	(10,033)	(40,548)	–	–	–
Convertible bonds	–	–	(19,202)	(17,112)	(16,658)
Trade and other payables	(37,838)	(106,474)	(62,803)	(98,131)	(131,748)
Contract liabilities	(84)	(622)	(2,541)	(14,219)	(5,746)
Lease liabilities	(2,636)	(3,982)	(5,952)	(29,366)	(28,841)
Income tax payable	–	–	(4,256)	(3,088)	–
Total current liabilities	**(50,591)**	**(151,626)**	**(94,754)**	**(161,916)**	**(182,993)**
Net current assets/ (liabilities)	**11,684**	**(29,898)**	**445,151**	**424,333**	**424,366**

Our net current assets decreased from RMB11.7 million as of December 31, 2018 to net current liabilities of RMB29.9 million as of December 31, 2019, primarily due to (i) an increase of RMB68.6 million in trade and other payables, including RMB38.4 million of amounts due to a related party in connection with the investment in Rapid Medical and subsequently settled in 2020; and (ii) an increase of RMB30.5 million in interest-bearing borrowings. The increase in current liabilities was partially offset by an increase of RMB23.8 million in inventories, an increase of RMB19.1 million in trade and other receivables and an increase of RMB16.5 million in cash and cash equivalents.

We recorded net current assets of RMB445.2 million as of December 31, 2020, primarily due to (i) an increase of RMB403.3 million in cash and cash equivalents resulting from the issuance of convertible bonds; (ii) an increase of RMB17.0 million in inventories; (iii) a decrease in trade and other payables of RMB43.7 million and (iv) a decrease in interest-bearing borrowings of RMB40.5 million.

Our net current assets decreased to RMB424.3 million as of August 31, 2021, primarily due to (i) a decrease of RMB55.8 million in cash and cash equivalent; (ii) an increase of RMB35.3 million in trade and other payables; and (iii) an increase of RMB23.4 million in lease liabilities, partially offset by an increase of RMB38.5 million of trade and other receivables and RMB40.4 million in time deposits.

Working Capital

Our primary uses of cash during the Track Record Period were to fund our research and development, clinical trials and manufacturing of our products, as well as other working capital needs. Historically, we have financed our operations and other capital requirements primarily through cash generated from our operations.

Going forward, we expect to fund our future working capital and other cash requirements with cash generated from our operations, the net **[REDACTED]** from **[REDACTED]** and, when necessary, bank and other borrowings. As of October 31, 2021, the latest practicable date for determining our indebtedness, we had capital resources of RMB412.2 million, consisting of cash and cash equivalents of RMB371.6 million and time deposits of RMB40.7 million. Taking into account our internal resources, our cash flow from operations and the estimated net **[REDACTED]** from the **[REDACTED]**, our Directors confirm that the working capital available to us is sufficient at present and for at least the next 12 months from the date of this document.

Cash Flows

The following table sets forth a summary of our consolidated cash flow statements for the periods indicated.

	For the year ended December 31,			For the eight months ended August 31,	
	2018	2019	2020	2020	2021
			RMB'000	*Unaudited*	
Operating cash flows before movements in working capital	41,730	64,160	68,185	37,916	90,783
Changes in working capital	(17,855)	(190)	(18,697)	(23,876)	40,785
Income tax refund	1,396	1,222	2,881	2,881	562
Income tax paid	(4,197)	(8,542)	(5,135)	(2,971)	(11,012)
Net cash flows generated from operating activities	21,074	56,650	47,234	13,950	121,118
Net cash flows used in investing activities	(29,123)	(49,799)	(73,037)	(60,560)	(191,201)
Net cash flows from financing activities	3,313	9,665	431,884	104,257	16,390
Net (decrease)/increase cash and cash equivalents	(4,736)	16,516	406,081	57,647	(53,693)
Cash and cash equivalents at the beginning of year/period	10,431	5,695	22,211	22,211	425,493
Effect of foreign exchange rate changes	–	–	(2,799)	–	(2,070)
Cash and cash equivalents at the end of year/ period	5,695	22,211	425,493	79,858	369,730

Operating Activities

For the eight months ended August 31, 2021, we had net cash flows generated from operating activities of RMB121.1 million, primarily attributable to our profit before tax of RMB63.1 million, as adjusted for non-cash and non-operating items, which primarily include (i) amortization and depreciation of RMB17.6 million; (ii) interest expenses of RMB18.3 million; and (iii) share of losses of an associate of RMB4.2 million. The amount was further adjusted by positive changes in working capital of RMB40.8 million and income tax paid. The positive changes in working capital primarily included a decrease in trade and other receivables of RMB30.4 million, an increase in trade and other payables of RMB20.3 million and increase in contract liabilities of RMB11.7 million, partially offset by an increase of RMB23.2 million in inventories.

For the year ended December 31, 2020, we had net cash flows generated from operating activities of RMB47.2 million, primarily attributable to our profit before tax of RMB51.4 million, as adjusted for non-cash and non-operating items, which primarily include (i) amortization and depreciation of RMB12.5 million; (ii) interest expenses of RMB4.4 million; and (iii) equity-settled share-based payments of RMB1.1 million. The amount was further adjusted by negative changes in working capital of RMB18.7 million. The negative changes in working capital primarily included an increase in inventories of RMB17.0 million and a decrease in trade and other payables of RMB6.7 million.

For the year ended December 31, 2019, we had net cash flows generated from operating activities of RMB56.6 million, primarily attributable to our profit before tax of RMB52.4 million, as adjusted for non-cash and non-operating items, which primarily include (i) amortization and depreciation of RMB9.3 million and (ii) interest expenses of RMB1.6 million. The amount was further adjusted by negative changes in working capital of RMB0.2 million. The negative changes in working capital primarily included an increase in inventories of RMB23.8 million and an increase in trade and other receivables of RMB16.5 million, partially offset by an increase in trade and other payables of RMB35.6 million, and an increase in deferred income of RMB4.8 million.

For the year ended December 31, 2018, we had net cash flows generated from operating activities of RMB21.1 million, primarily attributable to our profit before tax of RMB32.8 million, as adjusted for non-cash and non-operating items, which primarily include amortization and depreciation of RMB8.1 million. The amount was further adjusted by negative changes in working capital of RMB17.9 million. The negative changes in working capital primarily included an increase in trade and other receivables of RMB23.4 million and an increase in inventories of RMB5.8 million, partially offset by an increase in trade and other payables of RMB10.7 million.

Investing Activities

For the eight months ended August 31, 2021, our net cash used in investing activities was RMB191.2 million, primarily attributable to (i) payments for the investments in Rapid Medical of RMB129.7 million; (ii) placement of time deposits of RMB40.0 million and (iii) payment for the purchase of property, plant and equipment of RMB14.2 million.

For the year ended December 31, 2020, our net cash used in investing activities was RMB73.0 million, primarily attributable to (i) payments for the investments in Rapid Medical of RMB38.9

million; (ii) payment for intangible assets, including expenditures on capitalized development costs of RMB22.7 million; and (iii) payments for the purchase of property, plant and equipment of RMB11.5 million.

For the year ended December 31, 2019, our net cash used in investing activities was RMB49.8 million, primarily attributable to (i) payments for intangible assets, including expenditures on capitalized development costs of RMB37.2 million; and (ii) payments for the purchase of property, plant and equipment of RMB12.9 million.

For the year ended December 31, 2018, our net cash used in investing activities was RMB29.1 million, primarily attributable to (i) payments for intangible assets, including expenditures on capitalized development costs of RMB28.3 million; (ii) payments for the purchase of property, plant and equipment of RMB3.8 million, partially offset by proceeds from disposal of Shanghai Shenyi of RMB2.6 million.

Financing Activities

For the eight months ended August 31, 2021, our net cash generated from financing activities was RMB16.4 million, primarily attributable to RMB277.0 million of capital contribution from the shareholders of the Company and RMB129.2 million of proceeds from issuance of convertible bonds, partially offset by RMB344.0 million in net payments in connection with the Restructuring.

For the year ended December 31, 2020, our net cash generated from financing activities was RMB431.9 million, primarily attributable to RMB329.0 million of proceeds from issuance of convertible bonds and RMB150.0 million of capital contribution from shareholders, partially offset by RMB80.5 million of repayments of interest-bearing borrowings.

For the year ended December 31, 2019, our net cash generated from financing activities was RMB9.7 million, primarily attributable to RMB42.5 million of other interest-bearing borrowings and RMB30.0 million of loans from related parties, partially offset by RMB35.0 million of repayments of loans from related parties and RMB22.0 million of repayments of interest-bearing borrowings.

For the year ended December 31, 2018, our net cash generated from financing activities was RMB3.3 million, primarily attributable to RMB20.0 million of other interest-bearing borrowings and RMB10.0 million of loans from related parties, partially offset by RMB21.0 million of dividends paid to then existing equity shareholders of MP NeuroTech Shanghai and RMB5.0 million of repayments of loans from related parties.

INDEBTEDNESS

As of December 31, 2018, 2019 and 2020, August 31, 2021 and October 31, 2021, 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 or other material contingent liabilities. Since October 31, 2021 and up to the Latest Practicable Date, there had been no adverse change to our indebtedness. The following table sets forth the components of our indebtedness as of the dates indicated.

	As of December 31,			As of August 31,	As of October 31,
	2018	2019	2020	2021	
			(RMB'000)		
					(unaudited)
Current					
Interest-bearing borrowings	10,033	40,548	–	–	–
Convertible bonds	–	–	19,202	17,112	16,658
Lease liabilities	2,636	3,982	5,952	29,366	28,841
	12,669	**44,530**	**25,154**	**46,478**	**45,499**
Non-current					
Interest-bearing borrowings	10,000	–	–	–	–
Convertible bonds	–	–	297,794	428,551	423,454
Lease liabilities	2,196	5,105	8,200	84,876	81,372
	12,196	**5,105**	**305,994**	**513,427**	**504,826**
Total	**24,865**	**49,635**	**331,148**	**559,905**	**550,325**

Interest-bearing Borrowings

Our interest-bearing borrowing was RMB20.0 million as of December 31, 2018 representing bank loans secured by investment property and buildings held for own use. Interest-bearing borrowing was RMB40.5 million as of December 31, 2019 representing bank loans secured by investment property and buildings held for own use. We repaid all bank loans by December 31, 2020.

Lease Liabilities

As of December 31, 2018, 2019 and 2020 and August 31, 2021, we recorded lease liabilities of RMB4.8 million, RMB9.1 million, RMB14.2 million, and RMB114.2 million, respectively, which was primarily in relation to the properties we leased for our office premises, manufacturing, research and development facilities. We recognize a lease liability with respect to all leases, except for short-term leases and leases of low value assets.

Convertible Bonds

As of December 31, 2020 and August 31, 2021, we recorded convertible bonds of RMB317.0 million and RMB445.7 million. We issued convertible bonds in principal amount of US$50.0 million and US$20.0 million to BioLink Limited and BioLink NT in November 2020 and January 2021, respectively (together, the "Convertible Bonds"). The Convertible Bonds bear interest at 4% per annum with a maturity of two years. See "History, reorganization and corporate structure—

Reorganization—2021 Conversion of Convertible Bonds" and Notes 25 and 34 to the Accountants' Report set out in Appendix I in this document. As of the Latest Practicable Date, the Convertible Bonds had been fully converted into 11,759,125 Series A-1 Preferred Shares, which were recognized as financial liabilities of the Group.

CAPITAL EXPENDITURE

Our capital expenditure during the Track Record Period primarily represented payments for the purchase of property, plant and equipment and intangible assets. For the years ended December 31, 2018, 2019 and 2020, and the eight months ended August 31, 2021, our capital expenditure totaled RMB32.1 million, RMB50.1 million, RMB34.1 million and RMB21.6 million, respectively. We expect our capital expenditures to increase in 2021 and 2022, which will primarily consist of construction of new facilities, purchase of equipment and continued expansion of our manufacturing facilities. We plan to fund our planned capital expenditures using our cash at bank and the net **[REDACTED]** received from the **[REDACTED]**. For more details, see "Future Plans and **[REDACTED]**" in this document. We may reallocate the funds to be utilized on capital expenditures based on our ongoing business needs.

CONTINGENT LIABILITIES

As of the Latest Practicable Date, we did not have any outstanding loan issued or agreed to be issued, debt securities, debentures, bank overdrafts, liabilities under acceptances or acceptance credits or hire purchase commitments. As of the same date, we had not guaranteed the indebtedness of any Independent Third Parties. Our Directors confirm that there has been no material change in our contingent liabilities since August 31, 2021 to the date of this document.

CAPITAL COMMITMENTS

Our capital commitments at the end of each year during the Track Record Period primarily related to contracts we entered into for the construction of our manufacturing facilities and purchase of equipment and machinery. As of December 31, 2018, 2019 and 2020 and August 31, 2021, our capital commitments totaled RMB8.0 million, RMB1.2 million, RMB14.3 million and RMB68.0 million, respectively.

KEY FINANCIAL RATIOS

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

	As of/for the year ended December 31,			As of/for the eight months ended August 31,
	2018	2019	2020	2021
Gross profit margin(1)	85.2%	79.7%	74.3%	77.8%
Net profit margin(2)	23.6%	25.6%	20.4%	23.2%
Return on average equity(3)	25.6%	32.6%	16.7%	13.7%
Current ratio(4)	1.2x	0.8x	5.7x	3.6x
Quick ratio(5)	1.0x	0.6x	5.1x	3.1x

Notes:

(1) Representing gross profit for the year/period divided by revenue for the year/period and multiplied by 100%.

(2) Representing net profit for the year/period divided by revenue for the year/period and multiplied by 100%.

(3) Representing profit for the year/period divided by average balance of total equity at the beginning and the end of that year/period and multiplied by 100%.

(4) Representing current assets divided by current liabilities as of the same date.

(5) Representing current assets less inventories and divided by current liabilities as of the same date.

Gross Profit Margin and Net Profit Margin

In 2018, 2019, 2020 and the eight months ended August 31, 2021, our gross profit margin was 85.2%, 79.7%, 74.3% and 77.8%, respectively and our net profit margin was 23.6%, 25.6%, 20.4% and 23.2%, respectively. For details, see "—Results of Operations."

Return on Average Equity

Our return on average equity increased from 25.6% in 2018 to 32.6% in 2019, primarily due to an increase in our profit for the year.

Our return on average equity decreased from 32.6% in 2019 to 16.7% in 2020, primarily due to an increase in equity after multiple rounds of equity financing. See "History, Reorganization And Corporate Structure."

Current Ratio and Quick Ratio

Our current ratio decreased from 1.2 as of December 31, 2018 to 0.8 as of December 31, 2019, and our quick ratio decreased from 1.0 as of December 31, 2018 to 0.6 as of December 31, 2019 because our current liabilities increased, primarily due to an increase of RMB68.6 million in trade and other payables, including RMB38.4 million of amount due to a related party in connection with the investment in connection with our investment in Rapid Medical and an increase of RMB30.5 million in interest-bearing borrowings.

Our current ratio increased from 0.8 as of December 31, 2019 to 5.7 as of December 31, 2020 and our quick ratio increased from 0.6 as of December 31, 2019 to 5.1 as of December 31, 2020 because our current assets increased significantly, primarily due to an increase of RMB403.3 million in cash and cash equivalents resulting from the issuance of convertible bonds.

Our current ratio decreased from 5.7 as of December 31, 2020 to 3.6 as of August 31, 2021 and our quick ratio decreased from 5.1 as of December 31, 2020 to 3.1 as of August 31, 2021 because our current liabilities increased at a greater rate than our current assets, which primarily represented an increase of RMB35.3 million of trade and other payables because of growth of our business and production scale and an increase of RMB23.4 million of lease liabilities as we entered into lease contracts in respect of certain leasehold properties during this period.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT FINANCIAL RISK

We are exposed to a variety of market risks, including credit risk, liquidity risk, interest rate risk and currency risk, as set out below. We manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner. For further details, including relevant sensitivity analysis, see Note 29 in the Accountants' Report set out in Appendix I of this document.

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to our Group. Our credit risk is primarily attributable to trade and other receivables. Our exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are state-owned banks or reputable commercial banks for which we consider to have low credit risk. Our management also have a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

For details and the analysis of credit quality and the maximum exposure to credit risk based on our credit policy at the end of each year during the Track Record Period, see Note 29(a) in the Accountants' Report set out in Appendix I of this document.

Liquidity Risk

It is our policy to regularly monitor our liquidity requirements and our compliance with lending covenants, to ensure that we maintain sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet our liquidity requirements in the short and longer term. For details and the maturity profile of our financial liabilities as of the end of each year during the Track Record Period, see Note 29(b) in the Accountants' Report set out in Appendix I of this document.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Our interest rate risk arises primarily from cash at banks, deposits with banks, interest-bearing borrowings, loans from/to related parties and convertible bonds. For details and the interest rate profile of our interest-bearing financial instruments as of the end of each year during the Track Record Period, see Note 29(c) in the Accountants' Report set out in Appendix I of this document.

Foreign Currency Risk

We are exposed to currency risk primarily from purchases which give rise to payables that are denominated in a foreign currency, *i.e.*, a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily U.S. dollars and loans that are denominated in U.S. dollars between our PRC subsidiaries, whose functional currency is RMB, and a related party.

For details and the sensitivity analysis of our profit after tax (and retained profits) to a reasonably possible change in the US$ exchange rate for each year during the Track Record Period, with all other variables held constant, see Note 29(d) in the Accountants' Report set out in Appendix I of this document.

DIVIDENDS

We declared and paid a dividend of RMB21.0 million in 2018.

We do not have a specific dividend policy or a predetermined dividend payout ratio. The decision to pay dividends in the future will be made at the direction of our Board and will be based on our profits, cash flows, financial condition, capital requirements and other conditions that our Board deems relevant. The payment of dividends may be limited by other legal restrictions and agreements that we may enter into in the future.

TRANSACTIONS WITH RELATED PARTIES

During the Track Record Period, we had financing arrangements and other transactions with related parties.

Financing and Leasing Arrangements

We borrowed an interest-free short-term loan of RMB5.0 million from Shanghai MicroPort Medical in March 2018. Such loan was repaid in August 2018.

We borrowed a short-term loan of RMB5.0 million from Shanghai Shenyi with an interest rate at 4.35% per annum in December 2018. Such loan was repaid in May 2019.

In April 2019 and May 2019, we borrowed interest-free short-term loans of RMB20.0 million and RMB10.0 million from Shanghai MicroPort Medical and Shanghai Shenyi, respectively, both of which were repaid in May 2019.

In April 2020, we borrowed a short-term loan of RMB38.0 million from Shanghai MicroPort Medical at an interest rate of 3.6% per annum. We repaid the loan in July 2020 to Shanghai MicroPort Medical.

During the Track Record Period, we entered lease contracts in respect of certain leasehold properties with our related parties for our operation. As at August 31, 2021, we recorded corresponding lease liabilities due to related parties in amount of RMB0.4 million and lease receivables due from a related party of RMB0.9 million.

Cash Deposits Placed in a Related Party

As of August 31, 2021, we had placed cash deposits in a total amount of RMB131.0 million in Shanghai HuaRui Bank Co., Ltd. (上海華瑞銀行股份有限公司), a related party, with interest rate ranged from 0.35% to 4% per annum during the eight months ended August 31, 2021.

Other Transactions

During the Track Record Period, we had other transactions with related parties, including the following:

	Year ended December 31,			Eight months ended August 31,	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Service fee charged by subsidiaries of MPSC	3,294	4,678	4,133	3,395	4,257
Service fee charged by an equity-accounted investee of MPSC	–	27	–	–	–
Purchase of goods from subsidiaries of MPSC	5,253	11,271	7,184	5,203	5,846
Purchase of goods from an equity-accounted investee of MPSC	225	289	1,428	236	1,028
Purchase of equipment from subsidiaries of MPSC	13	631	907	–	798
Short-term lease contracts entered into subsidiaries of MPSC	14	–	–	–	–
Transfer of an intangible asset and equipment to subsidiaries of MPSC	282	501	–	–	–
Payment on behalf of the Group by MPSC	–	–	6	–	–
Payments on behalf of related parties by the Group	45	2,392	763	566	318

Our Directors are of the view that each of the related party transactions set out in Note 31 to the Accountants' Report in Appendix I to this document was conducted in the ordinary course of business on an arm's-length basis and with normal commercial terms between the relevant parties. Our Directors are also of the view that our related party transactions during the Track Record Period would not distort our historical results or make our historical results not reflective of our future performance.

RESERVES

As of August 31, 2021, our Company had distributable reserves, representing the balance of share premium of the Company of RMB277.0 million, which is available for distribution to our Shareholders subject to the provisions of the Cayman Islands Companies Act and the Memorandum and Articles.

[REDACTED] EXPENSES

[REDACTED] expenses to be borne by us are estimated to be approximately HK$**[REDACTED]** (including **[REDACTED]** commission and other expenses), assuming an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]**, which is the mid-point of the indicative **[REDACTED]** range stated in this document. Approximately HK$**[REDACTED]** is expected to be charged to our consolidated statements of profit or loss, and approximately HK$**[REDACTED]** is expected to be accounted for as a deduction from equity upon the **[REDACTED]**. As of August 31, 2021, none of **[REDACTED]** expenses were incurred by the Group. The **[REDACTED]** expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate. Our Directors do not expect such **[REDACTED]** expenses to have a material adverse impact on our results of operations for the eight months ended August 31, 2021.

UNAUDITED *PRO FORMA* ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited *pro forma* statement of adjusted consolidated net tangible assets of Group prepared in accordance with Rule 4.29 of the Listing Rules and with reference to Accounting Guideline 7 "Preparation of *Pro Forma* Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants and is set out below to illustrate the effect of the **[REDACTED]** on the consolidated net tangible assets of the Group attributable to the equity shareholders of the Company as of August 31, 2021 as if the **[REDACTED]** had taken place on August 31, 2021.

The unaudited *pro forma* statement of adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to equity shareholders of the Company had the **[REDACTED]** been completed as of August 31, 2021 or any future date.

	Consolidated net tangible assets attributable to equity shareholders of the Company as at August 31, 2021(1)	Estimated net [REDACTED] from the [REDACTED](2)(4)	Unaudited *pro forma* adjusted consolidated net tangible assets attributable to equity shareholders of the Company	Unaudited *pro forma* adjusted consolidated net tangible assets attributable to equity shareholders of the Company per Share(3)	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$(4)*
Based on an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]**	305,115	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Based on an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]**	305,115	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**

Notes:

(1) The consolidated net tangible assets attributable to equity shareholders of the Company as of August 31, 2021 is based on the consolidated net assets attributable to equity shareholders of the Company of RMB434,145,000 as of August 31, 2021, less the intangible assets of RMB129,030,000, as extracted from the Accountants' Report set out in Appendix I to this Document.

(2) The estimated net **[REDACTED]** from the **[REDACTED]** are based on the **[REDACTED]** of HK$**[REDACTED]** and HK$**[REDACTED]** per Share, respectively, being the low end price and high end price of the stated **[REDACTED]** range, after deduction of estimated **[REDACTED]** fees and other related expenses payable by the Company (nil **[REDACTED]** expenses have been accounted for prior to August 31, 2021) and does not take account of any Shares which may be issued upon the exercise of the **[REDACTED]**.

(3) The unaudited *pro forma* adjusted net tangible assets attributable to equity shareholders of the Company per Share is arrived at after adjustments on the basis that a total of **[REDACTED]** Shares were in issue assuming that the **[REDACTED]** and the Share Subdivision had been completed on August 31, 2021, without taking into account of (i) [10,162,475] Series A-2 Preferred Shares issued and [38,602,160] Series A-2 Preferred Shares reclassified and redesignated from Shares upon the completion of the 2021 Pre-**[REDACTED]** Investment in November 2021 (taking into account of the effect of the Share Subdivision); (ii) [58,795,625] Series A-1 Preferred Shares issued upon the completion of the 2021 Conversion of Convertible Bonds in November 2021 (taking into account of the effect of the Share Subdivision); and (iii) any Shares which may be issued upon exercise of the **[REDACTED]**.

(4) The estimated net **[REDACTED]** from the **[REDACTED]** are converted into Renminbi at a rate of HK$1.0 = RMB0.81568. No representation is made that the Hong Kong Dollars amounts have been, could have been or may be converted into Renminbi, or vice versa at that rate.

(5) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to August 31, 2021, including but not limited to (i) [10,162,475] Series A-2 Preferred Shares issued and [38,602,160] Series A-2 Preferred Shares reclassified and redesignated from Shares upon the completion of the 2021 Pre-**[REDACTED]** Investment in November 2021 (taking into account of the effect of the Share Subdivision); and (ii) [58,795,625] Series A-1 Preferred Shares issued upon the completion of the 2021 Conversion of Convertible Bonds in November 2021 (taking into account of the effect of the Share Subdivision).

NO MATERIAL ADVERSE CHANGE

Save for the subsequent events as described in Note 34 to the Accountants' Report in Appendix I to this document, our Directors confirm that, up to the date of this document, there has been no material adverse change in our financial or trading position since August 31, 2021 (being the date on which the latest audited consolidated financial information of our Group was prepared) and there is no event since August 31, 2021 which would materially affect the information shown in our consolidated financial statements included in the Accountants' Report in Appendix I to this document.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.