Post Hearing Information Pack of

MicroPort NeuroTech Limited
微創腦科學有限公司

(the "**Company**")

(Incorporated in the Cayman Islands with limited liability)

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MicroPort NeuroTech Limited
微創腦科學有限公司

(Incorporated in the Cayman Islands with limited liability)

[REDACTED]

Number of [REDACTED] under the [REDACTED]	**:**	**[REDACTED] (subject to the [REDACTED])**
Number of [REDACTED]	**:**	**[REDACTED] (subject to adjustment)**
Number of [REDACTED]	**:**	**[REDACTED] (including [REDACTED] under the [REDACTED]) (subject to adjustment and the [REDACTED])**
[REDACTED]	**:**	**HK$[REDACTED] per [REDACTED], plus brokerage of 1.0%, SFC transaction levy of 0.0027%, FRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.005% (payable in full on [REDACTED] in Hong Kong dollars and subject to refund)**
Nominal Value	**:**	**US$[0.00002] per Share**
[REDACTED]	**:**	**[REDACTED]**

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The **[REDACTED]** (on behalf of the **[REDACTED]**) may, with the consent of our Company, reduce the **[REDACTED]** stated in this document and/or reduce the number of **[REDACTED]** being **[REDACTED]** pursuant to the **[REDACTED]** at any time on or prior to the morning of the last day for lodging **[REDACTED]** under the **[REDACTED]**. In such a case, an announcement will be published on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.medneurotech.com no later than the morning of the day which is the last day for lodging **[REDACTED]** under the **[REDACTED]**. Further details are set out in the sections headed "Structure of the **[REDACTED]**" and "How to Apply for **[REDACTED]** and **[REDACTED]**" in this document.

The obligations of the [REDACTED] under the [REDACTED] to [REDACTED], and to [REDACTED] for the [REDACTED] for, the [REDACTED] are subject to termination by the [REDACTED] (on behalf of the [REDACTED]) if certain grounds arise prior to 8:00 a.m. on the day that [REDACTED] in the [REDACTED] commences on the Hong Kong Stock Exchange. Such grounds are set out in the section headed "[REDACTED]" in this document.

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EXPECTED TIMETABLE[(1)]

[REDACTED]

EXPECTED TIMETABLE[1]

[REDACTED]

EXPECTED TIMETABLE[1]

[REDACTED]

EXPECTED TIMETABLE[1]

[REDACTED]

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SUMMARY

***This summary aims to give you an overview of the information contained in this document and is qualified in its entirety by, and should be read in conjunction with, the more detailed information and financial information appearing elsewhere in this document. As this is a summary, it does not contain all the information that may be important to you, and we urge you to read this document in its entirety before making your investment decision. There are risks associated with any investment. Some of the particular risks in investing in the* [REDACTED] *are set out in the section headed "Risk Factors" in this document. You should read that section carefully before you decide to* [REDACTED] *in the* [REDACTED].**

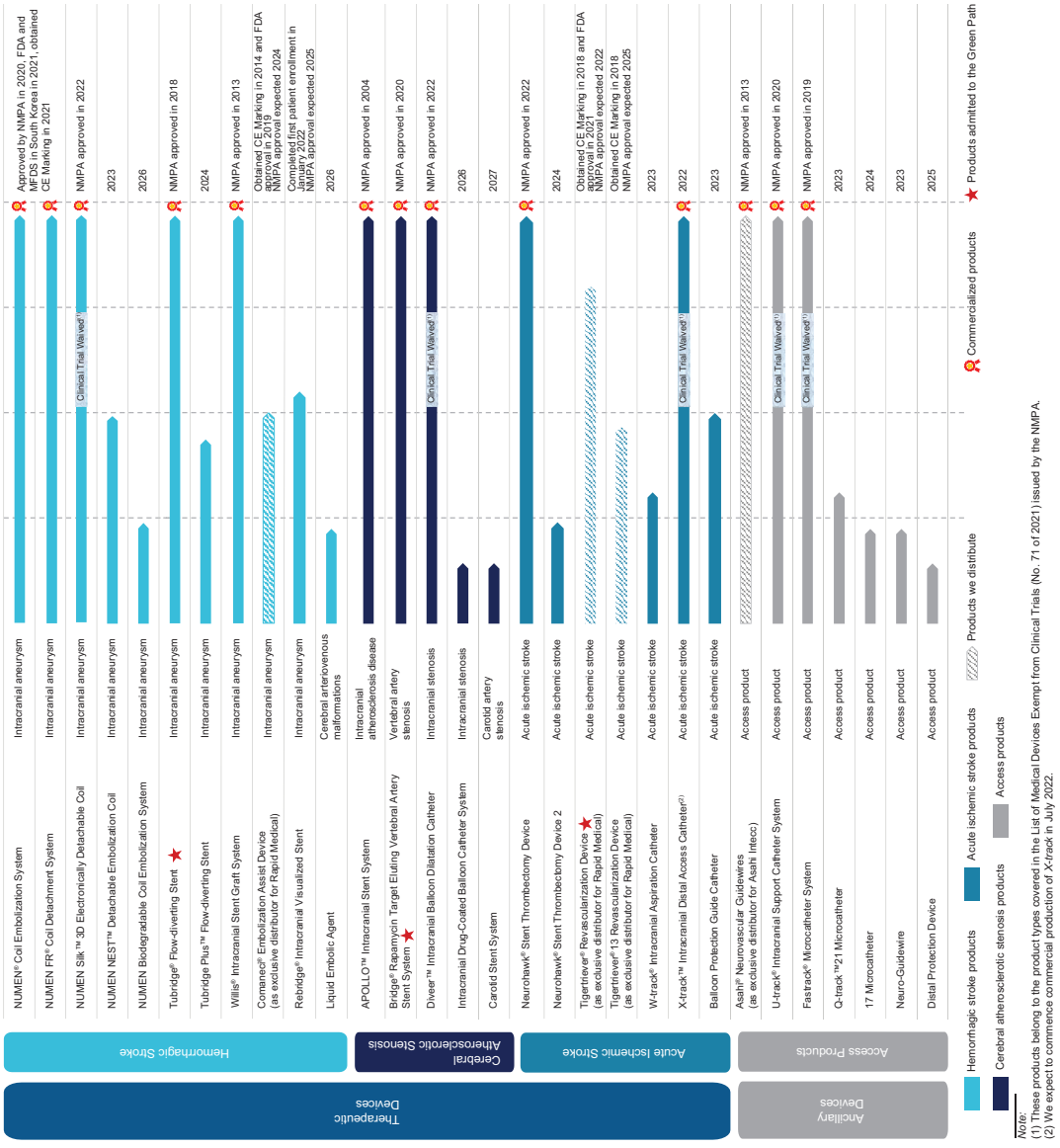
OVERVIEW

We are a China-based 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 had, as of the Latest Practicable Date, amassed a total of 30 assets in our portfolio, including ten therapeutic products and three access products approved and commercialized in China and 17 product candidates under development. We boast a comprehensive portfolio of approved therapeutic products 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 have commercialized products covering 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 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. China's neuro-interventional medical device market has been dominated by internationally renowned companies. According to CIC, we are the only Chinese company among the top five players in this market in terms of revenue in 2020, with a market share of approximately 4%.

Stroke is the leading cause of death in China, accounting for over 20% of total mortalities in 2020, with high incidence rates. According to CIC, China had an incidence of 0.8 million hemorrhagic stroke patients, 0.5 million transient ischemic attack (a condition commonly associated with cerebral atherosclerotic stenosis) patients and 1.7 million AIS patients in 2020. The penetration rate of neuro-interventional procedures in the fields of hemorrhagic stroke, cerebral atherosclerotic stenosis and AIS in China remained relatively low at 9.1%, 1.0% and 2.7%, respectively, in 2020, suggesting significant potential for development. 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%.

SUMMARY

Through 18 years of development, we have gained technological expertise and R&D achievements that stand out in China. As of the Latest Practicable Date, we had five approved hemorrhagic stroke products, three approved cerebral atherosclerotic stenosis products and two approved AIS products. As of the same date, we had three products that had been admitted to the NMPA's innovative medical device special review and approval procedure (known as the "Green Path"), which is a selective program under which the NMPA provides support throughout the registration process and grants priority review to qualified medical device candidates. In addition, four self-developed products had obtained 16 national or regional awards as of the Latest Practicable Date. The following chart summarizes our product portfolio as of the Latest Practicable Date:



OUR PRODUCT PORTFOLIO

Commercialized Therapeutic Products

Hemorrhagic Stroke Products

*NUMEN® Coil Embolization System ("*NUMEN*"), NUMEN FR® Coil Detachment System ("*NUMEN FR*") and NUMEN Silk™ 3D Electronically Detachable Coil ("*NUMEN Silk*")*

NUMEN and *NUMEN FR* (a detachment system) are used together to treat intracranial aneurysm by closing off blood inflow, preventing it from further expanding and bursting, through dense placement of several embolic coils within the target aneurysm. *NUMEN* has 177 specifications with different diameters, lengths and softness levels, providing a full range of embolization options in the coiling procedure. *NUMEN Silk*, an upgrade version of *NUMEN*, was approved by the NMPA in February 2022.

*Tubridge® Flow-diverting Stent ("*Tubridge*")*

Tubridge is a flow-diverting stent that alters the flow between the parent artery and the aneurysm and is specifically indicated for large aneurysms or giant aneurysms. According to CIC, *Tubridge* was the first neuro-interventional medical device that entered the Green Path, and was also the first and remains the only Chinese-developed flow-diverting stent approved by the NMPA.

*Willis® Intracranial Stent Graft System ("*Willis*")*

Willis is a stent graft indicated for treating intracranial aneurysm. According to CIC, *Willis* was the first and remains the only intracranial stent graft for treating cerebral vessel diseases in the world.

Cerebral Atherosclerotic Stenosis Products

*APOLLO™ Intracranial Stent System ("*APOLLO*")*

APOLLO is designed to treat patients suffering from intracranial atherosclerotic disease (ICAD). According to CIC, *APOLLO* was the world's first approved stent system to treat ICAD.

*Bridge® Rapamycin Target Eluting Vertebral Artery Stent System ("*Bridge*")*

Bridge is designed to treat patients suffering from symptomatic vertebral artery stenosis. According to CIC, *Bridge* was the first vertebral artery drug-eluting stent (DES) admitted to the Green Path.

*Diveer™ Intracranial Balloon Dilatation Catheter ("*Diveer*")*

Diveer is used in interventional procedures for intracranial stenosis, which, when placed in the lesion, compresses the plaque through balloon dilatation and at the same time widens the lumen of the artery and keeps it open.

Acute Ischemic Stroke Product

*Neurohawk® Stent Thrombectomy Device ("*Neurohawk*")*

Neurohawk is a stent retriever used to remove clots in blood vessels. *Neurohawk* is our self-developed stent retriever system with full visualization. We commenced commercial production of *Neurohawk* in March 2022 and sales in June 2022.

*X-track™ intracranial distal access catheter ("*X-track*")*

X-track is designed for the introduction of a wide range of neuro-interventional therapeutic devices and is used in neuro-interventional procedures to facilitate the delivery of stent to reach the distal point in target blood vessels. We obtained NMPA approval in April 2022 and expect to commence commercial production of *X-track* in July 2022.

For details of our commercialized products and product candidates under development, see "Business—Our Product Portfolio."

We may be unable to successfully develop and commercialize our product candidates. For risks relating to the process of obtaining regulatory approvals and compliance with appropriate laws and regulations, see "Risk Factors—Risks Relating to Government Regulation."

SUMMARY OF MARKET OPPORTUNITIES AND COMPETITIVE LANDSCAPE

The neuro-interventional medical device industry in China is fast growing and highly competitive. We face competition with both internationally renowned companies, which currently dominate this market, and emerging domestic neuro-interventional medical device companies that have entered the market with affordable alternatives. Changes in market competition may cause downward pricing pressure and prevent us from effectively penetrating into hospitals, which may have a material adverse effect on our business and results of operations. See "Risk Factors—Risks Relating to Commercialization and Distribution of Our Products" for details. We believe we are well positioned to compete in this market with our strengths in product performance, R&D capabilities, distribution and marketing networks, proprietary manufacturing processes and brand recognition. For information about competition in the relevant markets, please refer to "Industry Overview" in this document.

COMPETITIVE STRENGTHS

We believe the following strengths contribute to our success:

- Largest Chinese neuro-interventional medical device company with comprehensive product portfolio;
- Strong R&D capability and effective R&D model creating multiple technological breakthroughs in China and worldwide;
- Proven commercialization capabilities with the highest revenue among Chinese neuro-interventional medical device companies;
- Increasing global visibility with strategic partnerships for further expansion;
- Efficient management of supply chain to ensure top quality and large-scale production; and
- Visionary and experienced management team and strong synergy with controlling shareholder MicroPort.

OUR STRATEGIES

Our mission is to provide accessible, top-quality and comprehensive solutions for stroke patients. We plan to implement the following strategies to achieve this mission:

- Promote universal and affordable neuro-interventional solutions to patients;
- Continue to enhance our innovation capability, expand product portfolio and achieve full solution for neurovascular disease;
- Comprehensive global strategy to expand our international layout;
- Continue to improve our operating efficiency, enlarge production scale and enhance economies of scale; and
- Continue to cooperate with enterprises in the neuro-intervention industry worldwide.

RESEARCH AND DEVELOPMENT

We are engaged in ongoing R&D activities to expand the application of our products and to deliver clinically advanced new products with enhanced features, such as improved efficacy, safety, reliability and ease of use. For the years ended December 31, 2019, 2020 and 2021, our total research and development costs amounted to RMB38.2 million, RMB53.0 million and RMB94.1 million, accounting for 38.6%, 44.1% and 39.4% of our total operating expenses, respectively.

As of the Latest Practicable Date, our in-house R&D team consisted of 137 members. Over 50% of our team members have a master's degree or a doctoral degree and approximately 40% had previously worked at multinational pharmaceutical and medical device companies. Our R&D team is primarily responsible for the initiation and proposal of new R&D projects, specifically including design planning, prototyping and verification. Our R&D team also provides technical support for all subsequent steps in product development and commercialization, including clinical trials, product registration and quality management. In addition, we have designed and built various technology platforms to meet our R&D, manufacturing and quality control needs. For details, see "Business—Research and Development—Our Technology Platforms."

MANUFACTURING

During the Track Record Period, we conducted manufacturing activities primarily at our manufacturing facility located in our leased properties in Zhoupu, Shanghai, with an aggregate GFA of approximately 2,300 sq.m. To expand our manufacturing capability as the market demand continues to grow, we constructed another manufacturing facility in our leased properties in Zhangjiang, Shanghai, with an aggregate GFA of approximately 7,000 sq.m. We obtained the production permit for this facility in May 2022. As of the Latest Practicable Date, we manufactured our commercialized stent, coil and catheter products at these facilities with an annual production capacity of approximately 110,000 units.

SALES, DISTRIBUTION AND MARKETING

In line with the medical device industry norm in China, we adopt a distributorship model, which we believe allows us to leverage the distributors' customer bases and expertise in local markets.

During the Track Record Period, all of our products were sold through distributors. We primarily operate a multi-layer distribution system, where a majority of our products are sold from distributors to sub-distributors, and such sub-distributors on-sell our products to hospitals through their own sales and distribution networks; and a relatively small proportion of our products are sold from our distributors directly to hospitals. We believe that the multi-layer distribution system allows us to reach a broader group of end-customers leveraging the sub-distributors' local networks and expertise. We had penetrated into approximately 2,400 hospitals as of the Latest Practicable Date, among which over 1,400 are Class III hospitals.

Pricing

We take into account a number of factors in determining the prices of our products sold to distributors, such as prices of competing products, our manufacturing costs, patient affordability and the differences in features between our products and competing products. We from time to time consider adjusting the prices sold to distributors according to the market conditions and competition.

As of the Latest Practicable Date, there was no price guidance set by the PRC government on neuro-interventional medical devices. If the PRC government sets such a price guidance, the prices of our products may be negatively affected. See "Risk Factors—Downward change in pricing of our products caused by changes in market competition may have a material adverse effect on our business and results of operations."

OUR CUSTOMERS

Our direct customers include distributors in China and overseas. In the years ended December 31, 2019, 2020 and 2021, the aggregate sales to our five largest customers were RMB155.2 million, RMB218.5 million and RMB357.7 million, representing 84.5%, 98.4% and 93.5% of our revenue, respectively. Sales to our largest customer for the same periods were RMB122.4 million, RMB129.9 million and RMB110.5 million, representing 66.6%, 58.5% and 28.9% of our revenue, respectively. Our largest customer in 2019 and 2020 is an Independent Third Party and a distributor of our various products, such as *APOLLO*, *Tubridge*, *NUMEN*, *NUMEN FR*, *Bridge* and *Fastrack*. Our largest customer in 2021 is an Independent Third Party and is another distributor of our various products. The decrease in sales to our largest customer during the Track Record Period was primarily a result of our efforts in diversifying our distribution channels. None of our Directors or their associates, and none of our existing Shareholders who (to the knowledge of our Directors) own more than five percent of our issued share capital, have any interest in any of our five largest customers.

OUR SUPPLIERS

To ensure the quality of our raw materials, we only procure them from selected suppliers that can satisfy our stringent raw material requirements and quality standards. In the years ended December 31, 2019, 2020 and 2021, purchases from our five largest suppliers amounted to RMB45.8 million, RMB57.0 million and RMB88.7 million, respectively, accounting for 61.0%, 54.7% and 48.4%, respectively, of our total purchases for the same periods. Purchases from our largest supplier for the same periods totaled RMB24.1 million, RMB38.2 million and RMB43.0 million, representing 32.1%, 36.7% and 23.5% of our total purchases, respectively. Our largest supplier during the Track Record Period was Asahi Intecc, which has engaged us as its exclusive

distributor for its neurovascular guidewires in mainland China since November 2016. Except for MicroPort Group, all of our five largest suppliers during the Track Record Period were Independent Third Parties. Save as disclosed above, none of our Directors or their associates, and none of our existing Shareholders who (to the knowledge of our Directors) own more than five percent of our issued share capital, have any interest in any of our five largest suppliers.

INTELLECTUAL PROPERTY RIGHTS

As of the Latest Practicable Date, we had 102 patents and 113 trademarks in China. As of the same date, we had also obtained 30 patents and 47 trademarks overseas. In addition, we had 200 patent and 23 trademark applications pending in and outside China as of the Latest Practicable Date. All of the patents that we owned or applied for are related to self-developed technologies by our R&D teams.

SUMMARY OF KEY FINANCIAL INFORMATION

The summary of historical financial information set forth below has been derived from, and should be read in conjunction with, our consolidated audited financial statements, including the accompanying notes, set forth in the Accountants' Report set out in Appendix I to this document, as well as the information set forth in "Financial Information" of this document. Our financial information was prepared in accordance with HKFRSs.

Summary of Consolidated Statements of Profit or Loss

	For the year ended December 31,		
	2019	**2020**	**2021**
		RMB'000	
Revenue	183,720	221,923	382,799
Cost of sales	(37,266)	(57,140)	(84,445)
Gross profit	146,454	164,783	298,354
Other net income	6,452	11,463	25,299
Research and development costs	(38,166)	(53,037)	(94,133)
Selling and marketing expenses	(45,150)	(48,215)	(69,228)
Administrative expenses	(15,286)	(18,130)	(47,243)
Other operating costs	(200)	(1,000)	(28,320)
Profit from operations	**54,104**	**55,864**	**84,729**
Finance costs	(1,693)	(4,467)	(45,309)
Share of losses of an associate	–	–	(7,517)
Profit before tax	**52,411**	**51,397**	**31,903**
Income tax expense	(5,436)	(6,110)	(7,733)
Profit for the year and attributable to equity shareholders of the Company	**46,975**	**45,287**	**24,170**

NON-HKFRS MEASURES

To supplement our consolidated statements of profit or loss which are presented in accordance with HKFRSs, we also use adjusted net profit and adjusted net profit margin, which are not required by, or presented in accordance with, HKFRSs. The presentation of such non-HKFRS measures when shown in conjunction with the corresponding HKFRS measures facilitates a comparison of our operating performance by eliminating the impact of interest on other financial liabilities, interest on convertible bonds and **[REDACTED]** expenses and the related income tax impact. Such non-HKFRS measures

allow investors to consider metrics used by our management in evaluating our performance. The use of the non-HKFRS measures has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for or superior to, an analysis of our results of operations or financial condition as reported under HKFRSs. In addition, the non-HKFRS financial measures may be defined differently from similar terms used by other companies and therefore may not be comparable to similar measures presented by other companies.

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

	For the year ended December 31,		
	2019	2020	2021
		RMB'000	
Profit for the year	**46,975**	**45,287**	**24,170**
Excluding the impacts of:			
Interest on other financial liabilities[(1)]	–	–	(19,660)
Interest on convertible bonds[(2)]	–	(2,262)	(22,875)
[REDACTED] expenses	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Income tax impact	–	–	1,131
Adjusted net profit for the year (unaudited)[(3)]	**46,975**	**47,549**	**91,912**
Net profit margin (%)	**25.6**	**20.4**	**6.3**
Adjusted net profit margin (%)[(4)]	**25.6**	**21.4**	**24.0**

Notes:

(1) Interest on other financial liabilities represents interest expense in relation to the financial liabilities of the Series A-1 Preferred Shares and the Series A-2 Preferred Shares. In November 2021, the Convertible Bonds (see note 2 below) were converted to an aggregate of 11,759,125 Series A-1 Preferred Shares. In the same month, we completed the 2021 Pre-**[REDACTED]** Investments, pursuant to which (i) we allotted 2,032,495 Series A-2 Preferred Shares to the 2021 Pre-**[REDACTED]** Investors; and (ii) MP Scientific agreed to transfer 7,720,432 ordinary shares of the Company to the 2021 Pre-**[REDACTED]** Investors, which were then reclassified and redesignated as the Series A-2 Preferred Shares. The Series A-1 Preferred Shares and the Series A-2 Preferred Shares will automatically convert into Shares upon **[REDACTED]**, at which time the other financial liabilities will be re-designated from liability to equity.

(2) Interest on convertible bonds primarily represents interest expenses arising from the Convertible Bonds. In October and December 2020, we entered into a subscription agreement and an amendment agreement, pursuant to which we issued certain convertible bonds to BioLink Limited and BioLink NT. The Convertible Bonds bore an interest rate at 4% per annum with a maturity of two years. In November 2021, the Convertible Bonds were converted to the Series A-1 Preferred Shares (see note 1 above).

(3) **[REDACTED]** expenses, interest on other financial liabilities and interest on convertible bonds are in relation to our financing activities, rather than operating activities.

(4) Representing adjusted net profit divided by revenue for the year and multiplied by 100%.

Our revenue increased rapidly during the Track Record Period, which amounted to RMB183.7 million, RMB221.9 million and RMB382.8 million in the years ended December 31, 2019, 2020 and 2021, respectively, primarily reflecting an increase in revenue from sales of medical devices. We generated substantially all of our revenue from sales of medical devices during the Track Record Period, which amounted to RMB182.7 million, RMB220.5 million and RMB381.4 million in the years ended December 31, 2019, 2020 and 2021, respectively, mainly driven by an increase in the sales volume of existing products and the commercialization of additional products. During the Track

Record Period, five products were approved and commercialized, including *NUMEN*, *NUMEN FR*, *Bridge*, *U-track* and *Fastrack*.

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

	For the year ended December 31,								
	2019			2020			2021		
	Revenue		Gross profit margin	Revenue		Gross profit margin	Revenue		Gross profit margin
	RMB'000	*%*	*%*	*RMB'000*	*%*	*%*	*RMB'000*	*%*	*%*
Hemorrhagic stroke products	80,190	43.9%	85.2%	100,440	45.6%	77.2%	213,937	56.1%	82.6%
Cerebral atherosclerotic stenosis products	76,397	41.8%	87.7%	78,730	35.7%	88.9%	113,018	29.6%	88.0%
Access products	26,155	14.3%	40.0%	41,298	18.7%	38.9%	54,470	14.3%	39.8%
Total	**182,742**	**100.0%**	**79.8%**	**220,468**	**100.0%**	**74.2%**	**381,425**	**100.0%**	**78.1%**

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 RMB80.2 million in 2019 to RMB100.4 million in 2020 and further increased to RMB213.9 million in 2021. 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, 2019, 2020 and 2021, we recorded revenue from the sales of cerebral atherosclerotic stenosis products of RMB76.4 million, RMB78.7 million and RMB113.0 million, respectively. For the years ended December 31, 2019, 2020 and 2021, we also recorded revenue from the sales of access products RMB26.2 million, RMB41.3 million and RMB54.5 million, respectively.

Our gross profit margin for hemorrhagic stroke products decreased from 85.2% in 2019 to 77.2% in 2020. The decrease was primarily because we provided favorable price of hemorrhagic stroke products to our certain distributors in 2020 in view of the increased sales volume from these distributors. In addition, in 2020, we commenced sale of coil embolization systems which have a lower gross profit margin. The gross profit margin for hemorrhagic stroke products increased from 77.2% in 2020 to 82.6% in 2021. The increase was primarily due to the increase in gross profit margin of flow-diverting stents and intracranial stent graft as a result of the economies of scale. Our gross profit margin for cerebral atherosclerotic stenosis products remained stable in 2019, 2020 and 2021. Our gross profit margin for access products decreased slightly from 40.0% in 2019 to 38.9% in 2020. The decrease was primarily because we offered favorable price of Asahi guidewires to our distributors in view of the increased sales volume. Our gross profit margin for access products increased slightly from 38.9% in 2020 to 39.8% in 2021, primarily due to the increase in sale of our self-developed products, mainly microcatheter system and intracranial support catheter system, which in general have higher gross profit margins than Asahi guidewires that we distribute.

Our research and development costs increased from RMB38.2 million in 2019 to RMB53.0 million in 2020 and further to RMB94.1 million in 2021. The increase in our research and development costs during the Track Record Period was generally in line with our business expansion as we continue to enhance our R&D efforts. Our results of operations and financial position may continue to be affected by our research and development costs after the Track Record Period. For

details, see "Financial Information—Description of Certain Items in the Consolidated Statements of Profit or Loss."

Our profit for the year remained stable in 2019 and 2020, which amounted to RMB47.0 million and RMB45.3 million, respectively. Our profit for the year decreased to RMB24.2 million in 2021, primarily because of an increase of RMB40.8 million in our finance costs, partially offset by an increase of RMB28.9 million in our profit from operations. For details, see "Financial Information—Results of Operations."

Summary of Consolidated Statements of Financial Position

The following table sets forth a summary of our consolidated statement of financial position as of the date indicated:

	As of December 31,		
	2019	2020	2021
		RMB'000	
Non-current assets			
Property, plant and equipment	47,348	59,485	212,238
Investment Property	14,297	13,954	13,611
Intangible assets	106,756	129,406	127,385
Interest in an associate	–	–	168,211
Financial assets measured at fair value through profit or loss	38,369	37,051	–
Deferred tax assets	3,783	4,346	7,398
Other non-current assets	2,447	1,463	27,345
Total non-current assets	**213,000**	**245,705**	**556,188**
Current assets			
Inventories	37,992	55,006	87,959
Trade and other receivables	61,525	59,406	102,908
Cash and cash equivalents	22,211	425,493	593,287
Total current assets	**121,728**	**539,905**	**784,154**
Current liabilities			
Interest-bearing borrowings	(40,548)	–	–
Convertible bonds	–	(19,202)	–
Trade and other payables	(106,474)	(62,803)	(129,666)
Contract liabilities	(622)	(2,541)	(12,403)
Lease liabilities	(3,982)	(5,952)	(27,993)
Income tax payables	–	(4,256)	(4,148)
Total current liabilities	**(151,626)**	**(94,754)**	**(174,210)**
Net current (liabilities)/assets	**(29,898)**	**445,151**	**609,944**
Total assets less current liabilities	**183,102**	**690,856**	**1,166,132**
Non-current liabilities			
Convertible bonds	–	(297,794)	–
Lease liabilities	(5,105)	(8,200)	(81,705)
Deferred income	(8,592)	(9,554)	(18,124)

	As of December 31,		
	2019	2020	2021
		RMB'000	
Other financial liabilities	–	–	(1,237,990)
Other non-current liabilities	(1,247)	(2,426)	(3,253)
Total non-current liabilities	**(14,944)**	**(317,974)**	**(1,341,072)**
Net assets/(liabilities)	**168,158**	**372,882**	**(174,940)**

We recorded net current liabilities of RMB29.9 million as of December 31, 2019, which primarily represented our trade and other payables of RMB106.5 million and interest-bearing borrowings of RMB40.5 million, as offset by our trade and other receivables of RMB61.5 million, our inventories of RMB38.0 million and our cash and cash equivalents of RMB22.2 million. Our net current assets increased to RMB445.2 million as of December 31, 2020, which was primarily due to an increase of RMB403.3 million in cash and cash equivalents resulting from the issuance of certain convertible bonds in November 2020. Our net current assets increased to RMB609.9 million as of December 31, 2021, primarily due to an increase of RMB167.8 million of cash and cash equivalents resulting from the issuance of the Series A-2 Preferred Shares.

We recorded net assets of RMB168.2 million and RMB372.9 million as of December 31, 2019 and 2020, respectively. The increase of net assets from 2019 to 2020 was primarily due to an increase in (i) contribution from shareholders of RMB150.0 million, and (ii) total comprehensive income of RMB42.0 million. We recorded net liabilities of RMB174.9 million as of December 31, 2021. In November 2021, we completed the 2021 Share Allotment and Issuance, the 2021 Share Transfer and the 2021 Conversion of Convertible Bonds. See "History, Reorganization and Corporate Structure—The Pre-**[REDACTED]** Investments". The Series A-1 Preferred Shares and the Series A-2 Preferred Shares were classified as our other financial liabilities in the consolidated statement of financial position in accordance with HKFRSs. As such, we recorded RMB1,238.0 million of other financial liabilities as of December 31, 2021, resulting in our net liability position as of the same date. The Series A-1 Preferred Shares and Series A-2 Preferred Shares will automatically convert into Shares upon **[REDACTED]**, at which time we expect to record them as equity and, accordingly, turn the Group into a net asset position.

Our intangible assets primarily represent capitalized development costs. As of December 31, 2019, 2020 and 2021, we had intangible assets of RMB106.8 million, RMB129.4 million and RMB127.4 million, respectively. The increase in our intangible assets from 2019 to 2021 was generally in line with our business expansion as we continue to enhance our R&D efforts. Our results of operations and financial position may continue to be affected by our acquisition and/or disposal of intangible assets after the Track Record Period. See "Financial Information—Description of Certain Key Consolidated Statements of Financial Position Items."

Our financial assets measured at fair value through profit or loss ("FVPL") mainly represent our investment in Rapid Medical. We recorded financial assets at FVPL of RMB38.4 million and RMB37.1 million as of December 31, 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. As a result, we recorded RMB168.2 million interest in an associate as of December 31, 2021. Our interest in Rapid Medical as of December 31, 2021 was measured under equity method based on our series D preferred share investment in Rapid Medical. We did not make any provision for impairment

on our interest in Rapid Medical, because (i) we believe there was no major change in the fair value of our investments in Rapid Medical due to the proximity in time between the closing of series D preferred share investment and the measurement of our investment in Rapid Medical; and (ii) there was no material adverse change in the operation and financial performance of Rapid Medical that could lead to provision for impairment.

Summary Consolidated Statements of Cash Flows

	For the year ended December 31,		
	2019	2020	2021
		RMB'000	
Operating cash flows before movements in working capital	64,399	68,090	103,622
Changes in working capital	(429)	(18,602)	64,677
Income tax refund	1,222	2,881	562
Income tax paid	(8,542)	(5,135)	(11,455)
Net cash flows from operating activities	56,650	47,234	157,406
Net cash flows used in investing activities	(49,799)	(73,037)	(186,790)
Net cash flows from financing activities	9,665	431,884	200,746
Net increase in cash and cash equivalents	16,516	406,081	171,362
Cash and cash equivalents at the beginning of year	5,695	22,211	425,493
Effect of foreign exchange rate changes, net	–	(2,799)	(3,568)
Cash and cash equivalents at the end of year	22,211	425,493	593,287

During the Track Record Period, we had a net cash inflow from operating activities in an amount of RMB56.6 million, RMB47.2 million and RMB157.4 million in 2019, 2020 and 2021, respectively. The increase in our net cash inflow from operating activities from 2020 to 2021 was primarily attributable to an increase in our trade and other payables from 2020 to 2021, reflecting (i) an increase of RMB24.1 million in trade payables, and (ii) an increase of RMB24.3 million in other payables and accrued charges. The decrease in our net cash inflow from operating activities from 2019 to 2020 was primarily attributable to a decrease in our trade and other payables from 2019 to 2020, reflecting (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 due to related parties because our related parties enhanced collection efforts and demanded more frequent settlement of trade payables. For details, see "Financial Information—Liquidity and Capital Resources—Cash Flows—Operating Activities."

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. 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.

KEY FINANCIAL RATIOS

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

	As of/for the year ended December 31,		
	2019	2020	2021
Gross profit margin[(1)]	79.7%	74.3%	77.9%
Net profit margin[(2)]	25.6%	20.4%	6.3%
Return on average equity[(3)]	32.6%	16.7%	24.4%
Current ratio[(4)]	0.8x	5.7x	4.5x
Quick ratio[(5)]	0.6x	5.1x	4.0x

Notes:

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

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

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

(4) 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.

Non-HKFRS Measure

	As of/for the year ended December 31,		
	2019	2020	2021
Adjusted net profit margin[(1)]	25.6%	21.4%	24.0%

Note:

(1) Representing adjusted net profit for the year divided by revenue for the year and multiplied by 100%. Adjusted net profit margin is a non-HKFRS measure. The HKFRS measure closest to adjusted net profit margin is net profit margin. Please refer to "—Non-HKFRS Measures" for the reconciliation of net profit to adjusted net profit and limitations of non-HKFRS measures.

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

MATERIAL RISK FACTORS

We believe there are certain risks and uncertainties involved in investing in our Shares, some of which are beyond our control. See the section headed "Risk Factors" for details of our risk factors. Some of the major risks we face include:

- we are largely dependent on the sales of our commercialized products. Our business, financial condition and results of operation would be materially and adversely affected if sales of these products were to decline;
- we face substantial competition. Our competitors may have substantially greater resources than we do and may be able to develop more effective products or offer their products at lower prices than we can, which could materially and adversely impact our business, financial condition and results of operation;

- recently enacted and future legislation, such as the two-invoice system and centralized procurement, may increase the difficulty and cost for us to obtain regulatory approval of and commercialize our product candidates and affect their prices;
- failure to achieve broad market acceptance could have a material adverse impact on our business and results of operations;
- if we fail to maintain an effective distribution channel for our products, our business and sales of the relevant products could be adversely affected;
- the manufacture of our products is highly complex and subject to strict quality controls. If we or any of our suppliers or logistics partners encounters manufacturing, logistics, or quality problems, including as a result of natural disasters, our business could suffer;
- if we determine our intangible assets to be impaired, our results of operations and financial condition may be adversely affected;
- our historical operating results may not be representative of future performance. We may need to obtain additional financing to fund our operations. If we are unable to obtain that financing, we may be unable to complete the development and commercialization of our pipeline products; and
- we could be unsuccessful in obtaining or maintaining adequate patent protection for our products and pipeline products through intellectual property rights, or if the scope of such intellectual property rights obtained is not sufficiently broad, third parties may compete directly against us.

RECENT DEVELOPMENTS

Approval of *X-track*

We submitted a registration application to the NMPA for *X-track* in July 2021 and obtained approval in April 2022. We expect to commence commercial production of *X-track* in July 2022.

Approval of *Neurohawk*

We submitted a registration application to the NMPA for *Neurohawk* in March 2021 and obtained approval in the February 2022. We commenced commercial production of *Neurohawk* in March 2022 and sales in June 2022.

Approval of *NUMEN Silk*

We submitted a registration application to the NMPA for *NUMEN Silk* in June 2021 and obtained approval in February 2022. We commenced commercial production of *NUMEN Silk* in March 2022.

FDA Breakthrough Device Designation of *Comaneci*

Comaneci was approved by the FDA in 2019 and received FDA Breakthrough Device designation, a program designed to facilitate the development and registration of medical devices

offering more effective treatment or diagnosis of life-threatening or irreversibly debilitating diseases or conditions, in February 2022, to treat cerebral vasospasm (a condition where the blood vessels in the brain become narrow, thus reducing blood flow to the brain and causing subsequent death of brain tissue) after hemorrhagic stroke.

Approval of *Diveer*

We submitted a registration application to the NMPA for *Diveer* in June 2021 and obtained approval in January 2022. We commenced commercial production of *Diveer* in March 2022.

First Patient Enrollment of *Rebridge*

We completed the first patient enrollment for the clinical trial of *Rebridge* in January 2022, making *Rebridge* the first Chinese-developed full-visualization coil embolization assisting stent that has entered the registrational clinical trial, according to CIC.

Certain Management Estimates

We estimate that our overall gross profit margin will decrease in 2022 primarily attributable to a change in our product mix. We expect to commercialize our AIS products, which are estimated to have a lower gross profit margin than those of hemorrhagic stroke products and cerebral atherosclerotic stenosis products. We also estimate that the gross profit margin of hemorrhagic stroke products will decrease due to an increase in sale of coil embolization systems.

We also estimate that our share of losses of an associate will increase in 2022. The increase will be primarily attributable to an estimated increase in net losses of Rapid Medical in 2022 as a result of its continuous research and development and commercialization activities. See "Financial Information—Description of Certain Key Consolidated Statements of Financial Position Items—Financial Assets Measured at Fair Value through Profit or Loss ("FVPL") and Interest in an Associate" for a detailed discussion of the measurement of our investments in Rapid Medical and assessment on impairment.

We also estimate that our net profit will decrease in 2022. The decrease will be primarily attributable to an estimated increase in our finance costs, mainly due to an expected increase in our interest expenses on preferred shares, and the aforementioned estimated increase in our share of losses of an associate.

Impact of the COVID-19 Outbreak

We have not experienced any material disruption since the outbreak of the COVID-19 pandemic for our clinical activities, such as patient recruitment and clinical trials, and other research and development activities. As of the Latest Practicable Date, the outbreak of COVID-19 had not caused any early termination of our clinical trials or removal of any enrolled patients from our clinical trials. Due to travel restrictions, physicians were not able to conduct in-person follow-up visits for certain patients of our registrational clinical trials and may result in a lower follow-up visit rate. Alternatively, physicians arranged such patients to visit local qualified hospitals for follow-up visits and to deliver relevant documentation by mail or email, and physicians also conducted follow-up phone calls as needed. There have been multiple waves of the COVID-19 outbreak in several provinces in China

since the second half of 2021, including the emergence of various novel variants such as Delta and Omicron, which had led to travel restrictions and quarantine measures, including the recent lockdown in Shanghai. We had experienced delay in logistics as a result of the lockdown. However, we had not experienced any material disruptions to manufacturing activities and supply chain because we had procured sufficient raw materials for production and finished goods for sale. We also had not experienced material disruptions to our marketing, distribution and sales activities. In particular, we are of the view that the recurrence will not have a material adverse effect on our business operations and financial performance because (i) the PRC government has taken swift and effective counter measures to successfully control the COVID-19 recurrence and mitigate its impact, (ii) the recurrence affected a limited number of regions in China and (iii) we have implemented preventive measures in our daily operations such as making remote work arrangement, regularly sterilizing and ventilating our offices and manufacturing facility, checking the body temperature of our employees daily, keeping track of the travel history and health conditions of employees and providing face masks and disinfectant to employees attending our offices and facilities. As of the Latest Practicable Date, we had received RMB6.4 million of COVID-19 related social insurance exemption from the PRC government.

During the Track Record Period and up to the Latest Practicable Date, the COVID-19 pandemic did not have any material adverse effect on our results of operations and financial position. However, we cannot assure you that the COVID-19 pandemic will not further escalate or have material adverse effect on our performance in the future. Please see "Risk Factors—Risks Relating to Our Operations—Our operations and business plans may be adversely affected by the COVID-19 pandemic" for details.

No Material Adverse Change

Save as otherwise disclosed above, our Directors confirm that, as of the date of this document, there has been no material adverse change in our financial or trading position or prospects since December 31, 2021, being the end of the period reported on in the Accountants' Report set out in Appendix I to this document, and there has been no event since December 31, 2021 that would materially affect the information as set out in the Accountants' Report in Appendix I of this document.

RECENT EVOLVEMENT IN OUR REGULATORY ENVIRONMENT

As a medical device developer and manufacturer based in the PRC, we operate in a heavily regulated environment that keeps evolving. We summarize below recent developments and potential changes in certain regulatory movements that are material to our business and prospects. See "Business—Recent Evolvement in Our Regulatory Environment" for details.

Two-invoice system. The "two-invoice system" is a pilot regulatory mechanism initially proposed by the PRC government in 2016 to restrain high pricing of medicine and high-value medical devices due to multiple layers of distribution. As designed, a maximum of two invoices (one invoice from the manufacturer to the distributor and another invoice from the distributor to the hospital) would be allowed to be issued in the chain of distribution. As of the Latest Practicable Date, the two-invoice system for medical devices was not mandatorily implemented nationwide; it was only mandatorily implemented in three provinces, namely, Anhui, Shaanxi and Fujian. Whether and when the two-invoice system will be mandatorily implemented in other provinces for medical devices remains uncertain, as advised by our PRC Legal Advisers. As advised by our PRC Legal Advisers, we had

complied with the two-invoice system in all material aspects for all of our commercialized products (including our self-developed products and products developed by Rapid Medical and Asahi for which we served as their exclusive distributor in China) during the Track Record Period and up to the Latest Practicable Date.

Centralized Procurement. In 2019, China initiated pilot programs to regulate prices of medical devices through government-mandated centralized procurement at the provincial level. As of the Latest Practicable Date, the only category of neuro-interventional medical devices that had become subject to centralized procurement and had an impact on us was coil embolization products, and in Hebei, Jiangsu and Fujian provinces only, pursuant to regulations recently promulgated there. Our *NUMEN* successfully won the bid to be enrolled in Hebei's centralized procurement program in December 2021 for a period of one year. In March and May 2022, Jiangsu and Fujian announced their centralized procurement programs for coil embolization products, respectively. Because of the limited scope and inchoate nature of these programs as relevant to our products, they had had limited impact on our selling prices or profitability as of the Latest Practicable Date, and we will closely monitor the implementation of centralized procurement programs in other provinces or for other products going forward.

CONTROLLING SHAREHOLDERS

Immediately upon the completion of the **[REDACTED]** (without taking into account any Shares which may be issued pursuant to the exercise of the **[REDACTED]**), MicroPort will, through its wholly owned subsidiary, MP Scientific, be indirectly interested in approximately **[REDACTED]**% of the total share capital of our Company. MicroPort is a company listed on the Stock Exchange (stock code: 853). Accordingly, MicroPort and MP Scientific will be our Controlling Shareholders under the Listing Rules.

There is clear delineation between the businesses of the MicroPort Group and our business. The MicroPort Group focuses on different types of medical devices that are of different nature and have different applications from those of our principal business. Our Group provides neuro-interventional medical devices for neurovascular diseases including hemorrhagic stroke, cerebral atherosclerotic stenosis and acute ischemic stroke. The business of our Group is not related to the businesses of the MicroPort Group. The products of our Group and the MicroPort Group are not interchangeable, nor are they complementary. For details, see "Relationship with Our Controlling Shareholders."

CONTINUING CONNECTED TRANSACTIONS

We [have entered into] a number of agreements with our connected persons which will constitute continuing connected transactions under Chapter 14A of the Listing Rules upon the **[REDACTED]**. For details, see "Connected Transactions."

[REDACTED]

Our **[REDACTED]** will constitute a **[REDACTED]** from MicroPort, our Controlling Shareholder. The proposal in relation to the **[REDACTED]** was submitted by MicroPort to the Stock Exchange for approval pursuant to Practice Note 15 of the Listing Rules, and the Stock Exchange has confirmed that MicroPort may proceed with the **[REDACTED]**. Our Directors believe that the **[REDACTED]** and separate **[REDACTED]** of our Group will be commercially beneficial to MicroPort, our Company and our Shareholders as a whole. For

details, see "History, Reorganization and Corporate Structure—**[REDACTED]** of Our Group from MicroPort."

PRE-[REDACTED] INVESTMENTS

Since our inception, we have had several rounds of Pre-**[REDACTED]** Investments. Our broad and diverse base of Pre-**[REDACTED]** Investors includes CICC Healthcare, Nectar Neuro, BVF III, Biolink Healthcare, Always Enterprises, Biolink Limited and Biolink NT, investment funds that are focused on the biotech and/or healthcare industry. For further details of the identity and background of the Pre-**[REDACTED]** Investors, see "History, Reorganization and Corporate Structure—Pre-**[REDACTED]** Investments—Background Information of the Pre-**[REDACTED]** Investors."

DIVIDENDS

Our Company did not declare any dividend during the Track Record Period. In view of our net liability position as of December 31, 2021, our Company cannot declare a dividend under the Cayman Islands law, which provides that a dividend may not be paid if it would result in a company being unable to pay its debts as they fall due in the ordinary course of business.

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. See "Financial Information—Dividends."

[REDACTED] STATISTICS

The statistics in the following table are based on the assumptions that: (i) the **[REDACTED]** is completed and **[REDACTED]** are issued in the **[REDACTED]**; (ii) **[REDACTED]** Shares are in issue upon completion of the Share Subdivision and the **[REDACTED]**; and (iii) the **[REDACTED]** is not exercised:

	Based on an [REDACTED] of HK$[REDACTED] per [REDACTED]
Market capitalization of our Shares[(1)]	HK$**[REDACTED]** million
Unaudited *pro forma* adjusted net tangible assets per Share[(2)]	HK$**[REDACTED]**

Notes:

(1) The calculation of the market capitalization of our Shares is based on the assumption that **[REDACTED]** Shares will be in issue and outstanding immediately following the completion of the Share Subdivision and the **[REDACTED]**, assuming the **[REDACTED]** is not exercised.

(2) The unaudited *pro forma* adjusted net tangible assets per Share is calculated on the basis that **[REDACTED]** Shares were in issue assuming that the **[REDACTED]** and the Share Subdivision had been completed on December 31, 2021, (including the completion of the conversion of the Series A-1 Preferred Shares and the Series A-2 Preferred Shares into ordinary shares of the Company) without taking into account of any Shares which may be issued upon exercise of the **[REDACTED]**.

FUTURE PLANS AND [REDACTED]

We estimate that we will receive net **[REDACTED]** of approximately HK$**[REDACTED]** after deducting the **[REDACTED]** fees and expenses payable by us in the **[REDACTED]**, assuming no

exercise of the **[REDACTED]** and assuming an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]**. We intend to use the net **[REDACTED]** from the **[REDACTED]** for the following purposes:

- Approximately HK$**[REDACTED]** (representing **[REDACTED]**% of the estimated net **[REDACTED]**) will be used for the research and development of therapeutic and access products for hemorrhagic stroke, cerebral atherosclerotic stenosis and AIS;
- Approximately HK$**[REDACTED]** (representing **[REDACTED]**% of the estimated net **[REDACTED]**) will be used for the commercialization of our products for hemorrhagic stroke, cerebral atherosclerotic stenosis and AIS;
- Approximately HK$**[REDACTED]** (representing **[REDACTED]**% of the estimated net **[REDACTED]**) will be used for the expansion of our manufacturing facility to increase the scale of our production;
- Approximately HK$**[REDACTED]** (representing **[REDACTED]**% of the estimated net **[REDACTED]**) will be used for expanding our global presence;
- Approximately HK$**[REDACTED]** (representing **[REDACTED]**% of the estimated net **[REDACTED]**) will be used for advancing our product portfolio through strategic acquisitions, investment, cooperation or a combination of these tactics; and
- Approximately HK$**[REDACTED]** (representing **[REDACTED]**% of the estimated net **[REDACTED]**) will be used for working capital and general corporate purposes.

For details, see "Future Plans and **[REDACTED]**."

[REDACTED] EXPENSES

[REDACTED] expenses to be borne by us are estimated to be approximately HK$**[REDACTED]** (including **[REDACTED]**-related expenses of approximately HK$**[REDACTED]**, and non-**[REDACTED]** related expenses of approximately HK$**[REDACTED]**, which consist of fees and expenses of legal advisers and accountants of approximately HK$**[REDACTED]** and other fees and expenses of approximately HK$**[REDACTED]**), assuming an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]** and that the **[REDACTED]** is not exercised. **[REDACTED]** expenses accounted for approximately **[REDACTED]**% of our gross **[REDACTED]**. Approximately HK$**[REDACTED]** is expected to be charged to our consolidated statements of profit or loss and other comprehensive income, and approximately HK$**[REDACTED]**, including **[REDACTED]** expenses directly attributable to the issue of the Shares, is expected to be accounted for as a deduction from equity upon the **[REDACTED]**. As of December 31, 2021, **[REDACTED]** expenses of RMB**[REDACTED]** 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.

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

DEFINITIONS

"2021 Pre-**[REDACTED]** Investment"	the investment in our Company by the 2021 Pre-**[REDACTED]** Investors, the details of which are set out in the section headed "History, Reorganization and Corporate Structure—2021 Pre-**[REDACTED]** Investment" in this document
"2021 Pre-**[REDACTED]** Investor(s)"	the investor(s) of the 2021 Pre-**[REDACTED]** Investment, namely CICC Healthcare, Nectar Neuro, BVF III, Biolink Healthcare, Star Wave and Always Enterprises
"Accountants' Report"	the accountants' report for the Track Record Period prepared by KPMG, the text of which is set out in Appendix I to this document
"affiliate"	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"Always Enterprises"	Always Enterprises Limited, an investment holding company with limited liability incorporated in the BVI. For its background information, please refer to "History, Reorganization and Corporate Structure" in this document
	[REDACTED]
"Articles of Association" or "Articles" or "Memorandum of Association" or "Memorandum"	articles of association of our Company adopted on [●] which shall become effective on the **[REDACTED]**, as amended from time to time, a summary of which is set out in "Appendix III—Summary of the Constitution of our Company and Cayman Islands Company Law" to this document
"Asahi Intecc"	Asahi Intecc Co., Ltd., a medical devices company incorporated under the laws of Japan with limited liability on July 8, 1976, and all of its subsidiaries
"associate(s)"	has the meaning ascribed to it under the Listing Rules
	[REDACTED]

	[REDACTED]
"Beijing Shenrui"	Beijing Shenrui Enterprise Management Consulting Co., Ltd. (北京神睿企業管理諮詢有限公司), a company established in the PRC with limited liability on December 21, 2020 and an indirect wholly owned subsidiary of our Company
	[REDACTED]
"Biolink Healthcare"	Biolink Healthcare Investment Limited, an investment holding company with limited liability incorporated in the BVI on January 28, 2021. For its background information, please refer to "History, Reorganization and Corporate Structure" in this document
"Biolink Limited"	Biolink Limited, an investment holding company with limited liability incorporated in the BVI on June 12, 2019. For its background information, please refer to "History, Reorganization and Corporate Structure" in this document
"Biolink NT"	Biolink NT Investment Limited, an exempted company with limited liability incorporated in the Cayman Islands on October 28, 2020. For its background information, please refer to "History, Reorganization and Corporate Structure" in this document
	[REDACTED]
"Board"	the board of directors of our Company
"Business Day"	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"BVF III"	BVF III (BVI) Holding L.P., a partnership established in the BVI. For its background information, please refer to "History, Reorganization and Corporate Structure" in this document

"Cayman Companies Act" or "Companies Act"	the Companies Act, Cap. 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended or supplemented or otherwise modified from time to time
	[REDACTED]
"China" or "PRC"	People's Republic of China, but for the purpose of this document and for geographical reference only and except where the context requires otherwise, references in this document to "China" and the "PRC" do not apply to Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan
"CIC"	China Insights Industry Consultancy Limited, our industry consultant
"CIC Report"	an independent market research report commissioned by us and prepared by CIC for the purpose of this document
"CICC Healthcare"	CICC Healthcare Investment Opportunities V Limited, an exempted company with limited liability incorporated in the Cayman Islands. For its background information, please refer to "History, Reorganization and Corporate Structure" in this document
"close associate(s)"	has the meaning ascribed to it under the Listing Rules
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

"Company"	MicroPort NeuroTech Limited (微創腦科學有限公司), an exempted company incorporated in the Cayman Islands with limited liability on September 30, 2020
"Company Law" or "PRC Company Law"	the Company Law of the People's Republic of China (中華人民共和國公司法), as amended, supplemented or otherwise modified from time to time
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"connected transaction(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules, and unless the context otherwise requires, refers to MicroPort and MicroPort Scientific
"COVID-19"	an infectious disease caused by the severe acute respiratory syndrome coronavirus 2, first reported in December 2019
"Director(s)"	the directors of our Company, including all executive, non-executive and independent non-executive directors
"Extreme Conditions"	any extreme conditions or events, the occurrence of which will cause interruption to the ordinary course of business operations in Hong Kong and/or that may affect the **[REDACTED]**
"FRC"	Financial Reporting Council of Hong Kong
	[REDACTED]
"Greater China"	the geographical area that encompasses mainland China, Hong Kong, Macau and Taiwan
	[REDACTED]
"Group"	our Company and all of our subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, the businesses operated by such subsidiaries or their predecessors (as the case may be)
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
	[REDACTED]

	[REDACTED]
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
	[REDACTED]
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchange and Clearing Limited
"Hong Kong Takeovers Code" or "Takeovers Code"	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
	[REDACTED]
"Independent Third Party(ies)"	an individual or a company which, to the best of our Directors' knowledge, information, and belief, having made all reasonable enquiries, is not a connected person of our Company within the meaning of the Listing Rules
	[REDACTED]

	[REDACTED]
"Jiangxi MP NeuroTech"	Jiangxi MicroPort NeuroTech Equipment Sales Co., Ltd. (江西微創神通醫療器械銷售有限公司), a company established in the PRC with limited liability on May 15, 2017 and deregistered on March 18, 2020
	[REDACTED]
"Joint Sponsors"	J.P. Morgan Securities (Far East) Limited and China International Capital Corporation Hong Kong Securities Limited

"Latest Practicable Date"	June 12, 2022, being the latest practicable date for the purpose of ascertaining certain information contained in this document prior to its publication
	[REDACTED]
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
"M&A Rules"	Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors (《關於外國投資者併購境內企業的規定》), which were jointly promulgated by MOFCOM, the State Assets Supervision and Administration Commission, the STA, the State Administration of Industry and Commerce (中華人民共和國國家工商行政管理總局), the China Securities Regulatory Commission (中國證券監督管理委員會) and the SAFE on August 8, 2006 and came into effect on September 8, 2006 and subsequently amended on June 22, 2009, as amended, supplemented or otherwise modified from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
"MicroPort"	MicroPort Scientific Corporation, an exempted company incorporated in the Cayman Islands with limited liability whose shares are listed on the Main Board of the Stock Exchange (stock code: 00853), and one of our Controlling Shareholders
"MicroPort Group"	MicroPort and its subsidiaries which, for the purpose of this document and unless the context otherwise requires, excludes our Group
"MicroPort Sinica"	MicroPort Sinica Co., Ltd. (微創投資控股有限公司) (formerly known as MicroPort Group Co., Ltd. (上海微創投資控股有限公司) and MicroPort (Shanghai) Scientific Investment Co., Ltd. (微創(上海)醫療科學投資有限公司)), a company established in the PRC with limited liability on April 9, 2013 and a direct wholly owned subsidiary of MicroPort

"MP NeuroTech BVI"	MicroPort NeuroTech Medical LTD, a company incorporated in the BVI with limited liability on October 5, 2020 and a direct wholly owned subsidiary of our Company
"MP NeuroTech America"	MicroPort NeuroTech America INC, a company incorporated in the United States on June 8, 2022 and an indirectly wholly owned subsidiary of our Company
"MP NeuroTech Global"	MicroPort NeuroTech Global B.V. , a company incorporated in the Netherlands with limited liability on April 8, 2022 and an indirectly wholly owned subsidiary of our Company
"MP NeuroTech HK"	MicroPort NeuroTech International Limited, a company incorporated in Hong Kong with limited liability on October 7, 2020 and an indirect wholly owned subsidiary of our Company
"MP NeuroTech Shanghai"	MicroPort NeuroTech Medical Technology (Shanghai) Co., Ltd. (微創神通醫療科技（上海）有限公司), a company established in the PRC with limited liability on May 16, 2012 and an indirect wholly owned subsidiary of our Company
"MP Scientific"	MicroPort Scientific Investment LTD, a company incorporated in the BVI with limited liability on September 30, 2020 and is a direct wholly owned subsidiary of MicroPort, and one of our Controlling Shareholders
"Nectar Neuro"	Nectar Neuro Limited, an investment holding company with limited liability incorporated in the BVI. For its background information, please refer to "History, Reorganization and Corporate Structure" in this document
	[REDACTED]

	[REDACTED]
"PRC Legal Advisers"	Jia Yuan Law Offices, our legal advisers as to PRC laws
	[REDACTED]
"Pre-**[REDACTED]** Investment(s)"	the pre-**[REDACTED]** investment(s) in our Company, the details of which are set out in the section headed "History, Reorganization and Corporate Structure—The Pre-**[REDACTED]** Investments" in this document
"Pre-**[REDACTED]** Investor(s)"	the investor(s) of the Pre-**[REDACTED]** Investments
	[REDACTED]
"Rapid Medical"	Rapid Medical Ltd., a company incorporated in the State of Israel with limited liability on August 12, 2008, which is primarily engaged in the development, manufacturing and sales of innovative devices for neuro-interventional procedures and is indirectly owned as to 22.28% by our Company
	[REDACTED]
"Regulation S"	Regulation S under the U.S. Securities Act

"Renminbi" or "RMB"	the lawful currency of the PRC
	[REDACTED]
"Rule 144A"	Rule 144A under the U.S. Securities Act
"SAFE Circular 37"	State Administration of Foreign Exchange Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》)
"Series A Preferred Shares"	the Series A-1 Preferred Shares and the Series A-2 Preferred Shares
"Series A-1 Preferred Shares"	the series A-1 preferred shares with a par value of US$0.0001 per share in the authorized share capital of our Company, or the series A-1 preferred shares with a par value of US$[0.00002] per share in the authorized share capital of our Company following the Share Subdivision
"Series A-2 Preferred Shares"	the series A-2 preferred shares with a par value of US$0.0001 per share in the authorized share capital of our Company, or the series A-2 preferred shares with a par value of US$[0.00002] per share in the authorized share capital of our Company following the Share Subdivision
"Sevenoaks"	Sevenoaks Global Limited, a company incorporated in the BVI on September 18, 2019 and an indirect wholly owned subsidiary of our Company
"Shanghai Changlong"	Shanghai Changlong Lifescience Technology Co., Ltd. (上海常隆生命醫學科技有限公司), a company established in the PRC with limited liability on September 7, 2006. For its background information, please refer to "History, Reorganization and Corporate Structure" in this document
"Shanghai Henian"	Shanghai Henian Investment Management Center (Limited Partnership) (上海鶴年投資管理中心（有限合夥）), a limited partnership established in the PRC on October 27, 2015. For its background information, please refer to "History, Reorganization and Corporate Structure" in this document

"Shanghai Lianghong"	Shanghai Lianghong Enterprise Management Consulting Center (Limited Partnership) (上海良弘企業管理諮詢中心（有限合夥）), a limited partnership established in the PRC on June 17, 2019. For its background information, please refer to "History, Reorganization and Corporate Structure" in this document
"Shanghai Meijing"	Shanghai Meijing Enterprise Management Consulting Center (Limited Partnership) (上海魅璟企業管理諮詢中心（有限合夥）, a limited partnership established in the PRC on August 14, 2019 and our employee stock ownership platform. For its background information, please refer to "History, Reorganization and Corporate Structure" in this document
"Shanghai MicroPort Medical"	Shanghai MicroPort Medical (Group) Co., Ltd. (上海微創醫療器械（集團）有限公司), a company established in the PRC with limited liability on May 15, 1998 and an indirect wholly owned subsidiary of MicroPort
"Shanghai Shenjing"	Shanghai Shenjing Vortex Medical Technology Co., Ltd. (上海神晶漩渦醫療科技有限公司), a company established in the PRC with limited liability on March 19, 2021 and an indirect wholly owned subsidiary of our Company
"Shanghai Shenyi"	Shanghai Shenyi Medical Technology Co., Ltd. (上海神奕醫療科技有限公司), a company established in the PRC with limited liability on June 22, 2017 and an indirect non-wholly owned subsidiary of MicroPort
"Shanghai Wangdaotong"	Shanghai Wangdaotong Biotechnology Co., Ltd. (上海望道通生物技術有限公司), a company established in the PRC with limited liability on April 22, 2020 and a direct wholly-owned subsidiary of Hopeway Corp. Limited
"Share(s)"	ordinary share(s) in the share capital of our Company of US$[0.00002] each (as adjusted after the Share Subdivision)
"Shareholder(s)"	holder(s) of our Share(s)
"Share Subdivision"	the subdivision of each share in the Company's issued and unissued share capital with par value of US$0.0001 each into [five] shares of the corresponding class with par value of US$[0.00002] each. For its background information, please refer to "History, Reorganization and Corporate Structure" in this document

"Shendun Medical"	Shendun Medical Technology (Shanghai) Co., Ltd. (神遁醫療科技（上海）有限公司), a company established in the PRC with limited liability on January 10, 2019 and an indirect wholly owned subsidiary of our Company
"Shenhong Medical"	Shenhong Medical Technology (Shanghai) Co., Ltd. (神泓醫療科技（上海）有限公司), a company established in the PRC with limited liability on August 5, 2021 and an indirect wholly owned subsidiary of our Company
"Shentu Medical"	Shentu Medical Technology (Shanghai) Co., Ltd. (神途醫療科技（上海）有限公司), a company established in the PRC with limited liability on June 12, 2020 and an indirect non-wholly owned subsidiary of our Company, which is owned as to 60% by MP NeuroTech Shanghai and 40% by Shanghai Meijing
"Specified Territory"	jurisdiction outside Hong Kong where, taking into account the legal restrictions under the applicable laws or requirements of the relevant regulatory body or stock exchange of such jurisdiction, MicroPort and our Company consider the exclusion of the MicroPort Shareholders with registered addresses in or who are otherwise known by MicroPort to be residents of such jurisdiction from the **[REDACTED]** to be necessary or expedient
	[REDACTED]
"Star Wave"	Star Wave Ventures Limited, an investment holding company with limited liability incorporated in the BVI. For its background information, please refer to "History, Reorganization and Corporate Structure" in this document
"State Council"	the State Council of the PRC (中華人民共和國國務院)
	[REDACTED]
"subsidiary(ies)"	has the meaning ascribed to it in section 15 of the Companies Ordinance
"Substantial Shareholder(s)"	has the meaning ascribed to it under the Listing Rules

"Track Record Period"	the three years ended December 31, 2021
	[REDACTED]
"U.S. persons"	U.S. persons as defined in Regulation S
"U.S. Securities Act"	United States Securities Act of 1933, as amended, supplemented or otherwise modified from time to time
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"WE'TRON Capital"	WE'TRON CAPITAL LIMITED (中國微創投資管理有限公司), a company incorporated in Hong Kong with limited liability on October 26, 2005. For its background information, please refer to "History, Reorganization and Corporate Structure" in this document
	[REDACTED]

ACRONYMS

"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate
"CEO"	chief executive officer
"EIT"	enterprise income tax
"EIT Law"	the PRC Enterprise Income Tax Law (《中華人民共和國企業所得税法》), as enacted by the NPC on March 16, 2007 and effective on January 1, 2008, as amended, supplemented or otherwise modified from time to time
"FCPA"	The Foreign Corrupt Practices Act of 1977
"FDA"	the United States Food and Drug Administration
"HKFRS"	Hong Kong Financial Reporting Standards
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)

"MFDS"	the Ministry of Food and Drug Safety in South Korea
"NDRC"	the National Development and Reform Commission (中華人民共和國國家發展和改革委員會)
"NMPA"	National Medical Products Administration (國家藥品監督管理局) and its predecessor, the China Food and Drug Administration (國家食品藥品監督管理總局)
"NPC"	the National People's Congress of the PRC (中華人民共和國全國人民代表大會)
"PCT"	the Patent Cooperation Treaty
"Qualified Institutional Buyer(s)" or "QIB(s)"	qualified institutional buyer(s) within the meaning of Rule 144A
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAMR"	the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局), the successor of the State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571) of Hong Kong, as amended, supplemented or otherwise modified from time to time
"STA"	the State Taxation Administration of the PRC (中華人民共和國國家税務總局)

For the purpose of this document, references to "provinces" of China include provinces, municipalities under direct administration of the central government and provincial-level autonomous regions. References to "we" are to our Company or our Group, as the context may require. "%" refers to per cent.

For ease of reference, the names of the PRC laws and regulations, governmental authorities, institutions, natural persons or other entities (including certain of our subsidiaries) have been included in the document in both the Chinese and English languages. In the event of any inconsistency, the Chinese versions shall prevail.

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain technical terms used in this document in connection with our Company and our business. Such terminology and meanings may not correspond to standard industry meanings or usages of those terms.

"acute ischemic stroke" or "AIS"	stroke caused by a blockage of a blood vessel caused by thrombotic or embolic occlusion of an intracranial artery
"aneurysm complete occlusion rate"	the rate for which blood inflow to an intracranial aneurysm is completely stopped after a treatment procedure
"anti-proliferative drug"	a drug which suppresses cell growth
"artery stenosis"	a narrowing of the blood vessels that deliver oxygen-rich blood from the heart to the tissues of the body
"aspiration thrombectomy"	a type of clot retrieval procedure that removes thrombus via a large soft aspiration catheter which is tracked to a target blockage or lesion
"balloon guiding catheter" or "BGC"	a large lumen catheter with a compliant balloon at the distal tip of the catheter facilitating the insertion and guidance of an intravascular catheter while causing temporary distal flow arrest in the artery
"carotid artery"	the major blood vessels in the neck that supply blood to the brain, neck and face
"catheter"	a tube made of medical-grade materials that can be inserted in the body to treat diseases or perform a surgical procedure
"CE Marking"	a certification mark that indicates conformity with health, safety and environmental protection standards for products sold within the European Economic Area
"cerebral arteriovenous malformations" or "cerebral AVM"	an abnormal connection between the arteries and veins in the brain that usually forms before birth
"cerebral atherosclerotic stenosis"	a narrowing of a blood vessel due to buildup of fatty deposits (also known as plaque) within the skull or at the base of the skull, leading to restricted blood flow
"cerebral vasospasm"	a condition where the blood vessels in the brain become narrow, thus reducing blood flow to the brain and causing subsequent death of brain tissue
"Class III Hospitals"	top-tier hospitals in China. Hospitals in China are divided into three grades by the National Health Commission of the PRC (中華人民共和國國家衛生健康委員會). Class III hospitals are at the highest level, typically having more than

	500 beds, providing high-level specialist medical and healthcare services to several regions and performing advanced teaching and research tasks. Class III hospitals are subdivided into A, B and C grades, among which grade A is the highest in terms of size, technology, medical equipment and technique, management and service quality
"coil embolization"	a procedure that places metal coils inside an aneurysm to block blood flow and prevent rupture of the aneurysm
"CROs"	contract research organizations
"digital subtraction angiography" or "DSA"	a fluoroscopy technique used in interventional radiology to clearly visualize blood vessels in a bony or dense soft tissue environment
"drug-coated balloon" or "DCB"	conventional semi-compliant angioplasty balloons coated with a specific drug that is released into the vessel wall during inflation of the balloon, usually at nominal pressures with a specific minimal inflation time
"drug-eluting stent" or "DES"	drug-eluting stent which is designed to carry an anti-proliferation drug to a target vessel. The drug is delivered via a polymer which is mounted on the stent
"EMA"	European Medicines Agency
"FAS"	full analysis set
"femoral artery"	a large blood vessel located in the thigh and the main arterial supply from the leg to the heart
"flow-diverting stent"	a stent that decreases blood flow within an aneurysm and redirects the blood to the aneurysm-carrying parent artery
"GMP"	good manufacturing practices, the aspect of quality assurance that ensures that medical products are consistently produced and controlled to the quality standards appropriate to their intended use and as required by the product specification
"Green Path"	the Innovative Medical Device Special Review and Approval Procedure (創新醫療器械特別審查程序), a selective program under which the NMPA grants priority review and accelerated approval to medical device candidates which meet stringent innovation criteria
"hemorrhagic stroke"	a condition where a blood vessel ruptures within the brain (intracerebral hemorrhage) or into the space surrounding the brain (subarachnoid hemorrhage)

"intracranial aneurysm"	an intracranial vascular disorder in which weakness in the wall of an intracranial artery or vein causes a localized dilation or ballooning of the blood vessel
"intracranial atherosclerotic disease" or "ICAD"	the accumulation of plaque in the arteries that supply the brain with blood, causing a narrowing and blockage of these vessels
"intracranial distal access catheter"	a catheter designed to facilitate the insertion and guidance of appropriate interventional devices into the target blood vessels, often used together with a conventional guide catheter
"intracranial stenosis"	a narrowing of an artery inside the brain
"intracranial thrombus aspiration catheter"	a catheter for endovascular thrombus aspiration for acute ischemic stroke
"intravenous thrombolysis" or "IVT"	a treatment of thrombus through the injection of clot-dissolving drugs to the venous system
"ischemic stroke"	a condition where blood flow through the artery that supplies oxygen-rich blood to the brain becomes blocked
"key opinion leaders" or "KOLs"	renowned physicians that influence their peers' medical practice
"mechanical thrombectomy"	an advanced minimally invasive treatment of ischemic stroke, often performed with a stent
"middle cerebral artery"	one of the three major paired arteries that supply blood to the brain, including the sphenoidal or horizontal segment (M1), insular segment (M2), opercular segment (M3) and cortical segment (M4)
"mm"	millimeter, a unit of measure for length
"MNC"	multinational corporation
"neointimal hyperplasia"	the thickening of a vascular wall that can cause the blood vessel to become blocked or obstructed again after stent placement
"neuro-interventional medical devices"	medical devices for treatment of intracranial vascular diseases using interventional endovascular techniques
"neuro-interventional procedure"	an interventional procedure using endovascular surgery technology to diagnose and treat intracranial vascular diseases

"neurovascular disease"	a disease including any abnormality of the blood vessels within the skull or at the base of the skull, also including abnormalities of blood supply to such areas
"non-inferiority clinical trial"	a clinical trial aims to demonstrate that the test product is not worse than the comparator by more than a small pre-specified amount
"parent artery"	the artery from which an aneurysm has developed
"peripheral arteries"	arteries outside the heart or brain
"PPS"	per protocol set
"radial artery"	a large blood vessel that provides oxygenated blood to the lateral aspect of the forearm, wrist and hand
"radiopaque"	being opaque to radiation and especially X-rays
"randomized controlled trial" or "RCT"	a study design that randomly assigns participants into a treatment group or a control group
"rapamycin" or "sirolimus"	a macrolide compound that is used to coat balloons or stents to treat stenosis and restenosis
"recanalization"	the process of restoring blood flow to a cerebral artery
"reendothelialization"	the process of new vessel cells growing on the stent
"restenosis"	recurrence of stenosis
"revascularization"	the restoration of blood flow or circulation to a target organ or area
"single-arm clinical trial"	a clinical trial where a sample population of human patients with the targeted medical condition are given the experimental therapy and then followed over time to observe their response
"SMOs"	site management organizations
"stent graft"	an expandable stent covered by a membrane, which fits within the artery wall tightly and thereby prevents blood flow from entering the aneurysm
"stent retrieving thrombectomy"	a mechanical thrombectomy which employs a stent device to retrieve the thrombus
"thrombectomy"	a type of minimally invasive therapy in which a blood clot is removed from arteries under fluoroscopy

"thrombus"	a blood clot which can lodge in a cerebral or neck vessel and block the flow of blood to that location, therefore depriving tissues of oxygen
"vertebral artery"	the major blood vessels in the back of the neck near the spine

FORWARD-LOOKING STATEMENTS

This document contains certain forward-looking statements and information relating to our Company and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this document, the words "aim," "anticipate," "believe," "could," "expect," "going forward," "intend," "may," "ought to," "plan," "project," "seek," "should," "will," "would" and the negative of these words and other similar expressions, as they relate to our Group or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this document. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our operations and business prospects;
- our financial condition and operating results and performance;
- industry trends and competition;
- our products and product candidates under development or planning;
- our strategies, plans, objectives and goals and our ability to successfully implement these strategies, plans, objectives and goals;
- our ability to attract customers and build our brand image;
- the amount and nature of, and potential for, future development of our business;
- our dividend policy;
- general political and economic conditions; and
- changes to regulatory and operating conditions in the industry and markets in which we operate.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this document might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this document are qualified by reference to the cautionary statements in this section.

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

You should carefully consider all of the information in this document, including risks and uncertainties described below, before making an investment in our Shares. The following is a description of what we consider to be our material risks. Our business, financial condition and results of operations could be materially and adversely affected by any of these risks and uncertainties. The* [REDACTED] *of our Shares could decline due to any of these risks, and you may lose all or part of your investment. Additional risks and uncertainties not presently known to us, or not expressed or implied below, or that we deem immaterial, could also harm our business, financial condition and results of operations.

These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, which will not be updated after the date hereof, and is subject to the cautionary statements in the section headed "Forward-looking Statements" in this document.

RISKS RELATING TO THE DEVELOPMENT OF OUR PRODUCTS AND PRODUCT CANDIDATES

The research and development of our products and product candidates involves a lengthy and expensive process with an uncertain outcome, and unsuccessful clinical trials or procedures relating to products under development could have a material adverse effect on our prospects.

Our business substantially depends on the successful development, regulatory approval and commercialization of our products and product candidates for the treatment of neurovascular diseases, including product candidates that are or will be in the clinical trial stage. Clinical trials are expensive and can take many years to complete, and outcomes are inherently uncertain. Failure of clinical trials may occur at any time during the research and development process. The results of preclinical research and early clinical trials of our products candidates may not be predictive of the results of later-stage clinical trials, and initial or interim results of a trial may not be predictive of the final results. Product candidates in later stages of clinical trials may fail to show the desired safety and efficacy traits despite having progressed through preclinical studies and initial clinical trials.

In addition, there can be significant variance in safety and/or efficacy results between different trials of the same product candidate due to numerous factors, including changes in trial procedures set forth in protocols, differences in the size and type of the patient populations, including differences in physical conditions, and dropout rates among clinical trial participants. In the case of any trials we conduct, results may differ from earlier trials due to the larger number of clinical trial sites. There can be no assurance that these trials or procedures will be completed in a timely or cost-effective manner or result in a commercially viable product or expanded indication. Failure to successfully complete these trials or procedures in a timely and cost-effective manner could have a material adverse effect on our prospects. Clinical trials or procedures may experience significant setbacks even after earlier trials have shown promising results.

We rely on sales of our commercialized products for revenue. Our business, financial condition and results of operations will be materially and adversely affected if sales of these products decline.

During the Track Record Period, we derived nearly all of our revenue from our hemorrhagic stroke products, cerebral atherosclerotic stenosis products and access products. We expect to continue

to derive a substantial majority of our revenue from these products in the near future. Due to such concentration, an investment in our Company may entail more risk than investments in companies that offer a wider variety of commercialized products. We cannot assure you that demands for our commercialized products will continue to grow as anticipated. Our continuous upgrades of existing products and potential commercialization of new generations of products may cause our commercialized products to become less popular, which could have a material and adverse impact on our business, financial condition and results of operation. There is also no assurance that we will be able to maintain our sales and profit margins for these products, which may be adversely affected by factors out of our control, including downward pricing pressure caused by changes in market competition, expiration of patent protection, introduction of substitute products marketed by our competitors, disruptions in manufacturing or sales, issues with respect to product quality or severe adverse events incurred after medical procedures, coverage of medical insurance and disputes over intellectual property or other matters with third parties. If we are unable to maintain the sales volume, pricing level or profit margin of our commercialized products, our business, financial condition and results of operations may be materially and adversely affected.

We face substantial competition. Our competitors may have substantially greater resources than we do and may be able to develop more effective products or offer their products at lower prices than we can, which could materially and adversely impact our business, financial condition and results of operations.

The market for neuro-interventional medical devices is intensely competitive and rapidly changing. We face competition from major neuro-interventional medical device producers worldwide. According to CIC, international neuro-interventional medical device companies have a dominant share in the neuro-interventional medical device market in China. A number of companies in the global market are currently selling neuro-interventional medical devices and competing for limited resources on the market. We compete with international neuro-interventional medical device companies in obtaining limited raw materials, recruiting and retaining qualified personnel, establishing clinical trial sites and patient registration for clinical trials, as well as in acquiring technologies necessary for, our programs. Many of our competitors have significantly greater financial resources and expertise in R&D, manufacturing, preclinical testing, conducting clinical trials, obtaining regulatory approvals and marketing approved products than we do. Mergers and acquisitions in the medical device industries may result in even more resources being concentrated among a small number of our competitors. Smaller and other early-stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies. Our business and results of operations will suffer if we fail to compete effectively.

Our competitors may also be applying for marketing approvals in China or other countries for medical device products with the same intended uses as our products and product candidates. The ability of the relevant authorities, such as the NMPA, to concurrently review multiple marketing applications for the same type of innovative medical devices may be limited. When our product and its competing products are subject to the NMPA's concurrent review, the NMPA's schedule may be affected, and the registration process of our product may be prolonged. Moreover, our competitors may obtain approval from the NMPA, FDA or other comparable regulatory authorities for their products more rapidly than we obtain approval for ours, which could result in our competitors

establishing a strong market position before we are able to enter the market and/or slow our regulatory approval.

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

The neuro-interventional medical device industry is characterized by technological changes, frequent new product introductions, and evolving industry standards. Our ability to generate revenue depends on the successful introduction of new products and new generations of products that already exist. Without the timely introduction of new and improved products, our products could become technologically obsolete or more susceptible to competition and our revenue and operating results would suffer. Even if we develop new or improved products, our ability to market them could be limited by the need for regulatory clearance, restrictions imposed on approved indications, entrenched patterns of clinical practice, uncertainty over third-party reimbursement, or other factors.

In addition, our ability to generate revenue also depends on the successful development of, the ability to obtain the necessary regulatory approvals for, and the successful commercialization of our pipeline products which are still under design and development and other pipeline products we may develop in the future. Clinical development involves lengthy and expensive processes with uncertain outcomes. A failure of one or more of our clinical trials can occur at any stage of testing and clinical trials may experience significant setbacks even after earlier trials have shown promising results. The R&D process is lengthy and entails considerable uncertainty. Products that we are currently developing may not complete the development process or obtain the regulatory or other approvals required to market such products in a timely manner, or at all.

We have invested a significant portion of our efforts and financial resources in the R&D of our pipeline products. For the years ended December 31, 2019, 2020 and 2021, we incurred R&D expenditure (including the capitalized R&D expenses) of RMB76.0 million, RMB80.5 million and RMB102.9 million, respectively. The success of our new products and product candidates will depend on several factors, including but not limited to:

- successful enrollment in, and completion of, clinical trials, as well as completion of preclinical studies;
- favorable safety and efficacy data from our clinical trials and other studies;
- receipt of regulatory approvals;
- establishing commercial manufacturing capabilities, either by building facilities ourselves or making arrangements with third-party manufacturers;
- the performance by any third parties we may retain in a manner that complies with our protocols and applicable laws and that protects the integrity of the resulting data;
- obtaining and maintaining patent, trade secret and other intellectual property protection and regulatory exclusivity;
- ensuring we do not infringe, misappropriate or otherwise violate the patent, trade secret or other intellectual property rights of third parties;

- successfully launching our product candidates, if and when approved;
- obtaining favorable governmental and private medical reimbursement for our products, if and when approved;
- competition with other interventional procedural products; and
- continued acceptable safety profile following regulatory approval.

If we do not achieve one or more of these factors in a timely manner, or at all, we could experience significant delays or be unable to obtain approval for and/or to successfully commercialize our product candidates, which would materially harm our business and we may not be able to generate sufficient revenues and cash flows to continue our operations.

Recently enacted and future legislation, such as the two-invoice system and centralized procurement, may increase the difficulty and cost for us to obtain regulatory approval of and commercialize our product candidates and affect their prices.

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

Legislative and regulatory proposals have been made to expand post-approval requirements and restrict sales and promotional activities for medical devices. We cannot be sure whether additional legislative changes will be enacted, or whether NMPA regulations, guidance or interpretations will be changed, or what the impact of such changes on the regulatory approvals of our product candidates, if any, may be. For example, the revised Regulations on the Supervision and Administration of Medical Devices (修訂後的《醫療器械監督管理條例》) came into effect on June 1, 2021 and the revised Administrative Measures for the Registration and Recordation of Medical Devices (修訂後的《醫療器械註冊與備案管理辦法》) came into effect on October 1, 2021, the requirements of clinical trials, sales and regulation of medical devices have be changed in some aspects. For details, see "Regulatory Overview—Laws and Regulations on Medical Devices—Supervision over Medical Devices and their Classification." The impact of these more specific requirements and whether it will adversely affect the registration of our products with the NMPA are yet to be observed.

The State Administration for Market Regulation promulgated the Interim Measures for the Administration of the Examination and Administration of Drugs, Medical Devices, Health Foods, and Formula Foods for Special Medical Purposes (《藥品、醫療器械、保健食品、特殊醫學用途配方食品廣告審查管理暫行辦法》), which came into effect on March 1, 2020. For details, see "Regulatory Overview—Laws and Regulations on Medical Devices—Advertisements of Medical Devices." If we fail to limit the contents of advertisements on the contents of the registration certificate or filing certificate approved by the drug administrations, or the registered or filed product instructions, we may be subject to an administrative penalty.

The Notice on Printing and Distributing the Reform Plan for the Management of High-value Medical Consumables (《關於印發治理高值醫用耗材改革方案的通知》), issued and came into effect on July 19, 2019 by General Office of the PRC State Council, encourages local governments to adopt the two-invoice system on a case-by-case basis to encourage reducing resales of high-value medical consumables and promote the transparency of purchase and sale. As of the Latest Practicable Date, a few provinces had implemented the two-invoice system in the field of medical consumables. As the implementation of the two-invoice system is still at an early stage, and the interpretation and enforcement of such system in the medical device industry are evolving and subject to uncertainty, we cannot predict how the implementation and enforcement will evolve in different provinces in China, or whether and how that will affect our business and results of operations in the future. See "Business—Recent Evolvements in Our Regulatory Environment—Two-Invoice System."

In addition, in 2019, China started to initiate centralized procurement pilot programs in an effort to regulate prices of medical devices through group procurement at the provincial level. Pursuant to a series of official documents and communications (such as the National Medical Insurance Plan under the 14th Five-Year Plan promulgated in September 2021), the implementation of centralized procurement may be expected to be further expanded. In particular, the National Medical Insurance Plan under the 14th Five-Year Plan provides a non-binding guidance suggesting that provinces shall target to enroll at least five types of high-value medical consumables (not limited to any particular therapeutic area) to centralized procurement programs by 2025, but there had not been any specific binding requirement or non-binding guidance with regard to any particular product category, including neuro-interventional medical devices, as of the Latest Practicable Date. As of the Latest Practicable Date, the only category of neuro-interventional medical devices that had become subject to centralized procurement and had an impact on us was coil embolization products, and in Hebei, Jiangsu and Fujian provinces only, pursuant to regulations recently promulgated there. Our *NUMEN* successfully won the bid to be enrolled in Hebei's centralized procurement program in December 2021 for a period of one year. According to CIC, there was on average an over 40% price decline in Hebei for coil embolization products generally before and after the program took effect. In March and May 2022, Jiangsu and Fujian announced their centralized procurement programs for coil embolization products, respectively. See "Business—Recent Evolvements in Our Regulatory Environment—Centralized Procurement." We cannot be sure whether our other products will also be covered in the future. If our products were covered by the centralized procurement in the future, the price of our products may decrease, which could harm our profitability if any increase in sales volume fails to fully compensate for such decrease in price.

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

The timely completion of clinical trials in accordance with their protocols depends, among other things, on our ability to enroll a sufficient number of patients who remain in the trials until their conclusion. We may experience difficulties in relation to patient enrollment in our clinical trials for a variety of reasons, including:

- the size and nature of the patient population;
- the patient eligibility criteria defined in the protocol;

- the size of the study population required for analysis of the trial's primary endpoints;
- the proximity of patients to trial sites;
- the design of the trial;
- our ability to engage CROs/SMOs with the appropriate competence and experience;
- the patients' perceptions as to the potential advantages and risks of the pipeline products being studied in relation to other available products, pipeline products or non-surgical therapies;
- our ability to obtain and maintain patient consents; and
- the risk that patients enrolled in clinical trials may drop out or fail to return for post treatment follow-up at a higher rate than anticipated.

Our clinical trials will likely compete with other clinical trials for product candidates that are in the same therapeutic areas as our product candidates. This competition will reduce the number and types of patients available to us, because some patients who might have opted to enroll in our trials may instead opt to enroll in a trial being conducted by one of our competitors. Because the number of qualified clinical investigators and clinical trial sites is limited, we expect to conduct some of our clinical trials at the same clinical trial sites that some of our competitors use, which will reduce the number of patients who are available for our clinical trials at such clinical trial sites. Even if we are able to enroll a sufficient number of patients in our clinical trials, delays in patient enrollment may result in increased costs or may affect the timing or outcome of the planned clinical trials, which could prevent completion of these trials and adversely affect our ability to advance the development of our product candidates.

If clinical trials of our product candidates fail to demonstrate safety and efficacy to the satisfaction of regulatory authorities or do not otherwise produce positive results, we may incur additional costs or experience delays in completing, or ultimately be unable to complete, the development and commercialization of our product candidates.

To obtain regulatory approval for the sale of our product candidates, we must conduct extensive clinical trials to demonstrate the safety and efficacy of our product candidates in humans. We may experience numerous unexpected events during, or as a result of, clinical trials that could delay or prevent our ability to receive regulatory approval or commercialize our product candidates, including but not limited to:

- regulators, institutional review boards or ethics committees may not authorize us or our investigators to commence a clinical trial or conduct a clinical trial at a prospective trial site;
- our inability to reach agreements on acceptable terms with prospective CROs and hospitals as trial centers, the terms of which can be subject to extensive negotiation and may vary significantly among different CROs and hospitals as trial centers;

- clinical trials of our product candidates may produce negative or inconclusive results, and we may decide, or regulators may require us, to conduct additional clinical trials or abandon product development programs;
- our third-party contractors may fail to comply with regulatory requirements or meet their contractual obligations to us in a timely manner, or at all; and
- we might have to suspend or terminate clinical trials of our product candidates for various reasons, including a finding of a lack of clinical response or other unexpected characteristics or a finding that participants are being exposed to unacceptable health risks.

If we are required to conduct additional clinical trials or other testing of our product candidates beyond those that we currently contemplate, if we are unable to successfully complete clinical trials of our product candidates or other testing, if the results of these trials or tests are not positive or are only modestly positive or if they raise safety concerns, we may (i) be delayed in obtaining regulatory approval for our product candidates; (ii) not obtain regulatory approval at all; (iii) obtain approval for indications that are not as broad as intended; (iv) have the product removed from the market after obtaining regulatory approval; (v) be subject to additional post-marketing testing requirements; (vi) be subject to restrictions on how the product is distributed or used; or (vii) be unable to obtain reimbursement for use of the product.

If we experience delays in the completion of, or have to terminate, a clinical trial of any of our product candidates, the commercial prospects of that product candidate will be harmed. In addition, any delays in completing our clinical trials will increase our costs, slow down our product candidate development and approval process, and impact our ability to commence product sales and generate related revenues for that candidate. Any of these occurrences may harm our business, financial condition and prospects significantly.

We allocate our limited resources to pursue particular pipeline products and may fail to capitalize on products or identify opportunities that may later prove to be more profitable or for which there is a greater likelihood of success.

We have limited financial and managerial resources and we currently only focus on certain key products in selective indicated applications. However, our selection of focus on neuro-interventional medical devices may cause us to miss other opportunities in the market. If we are unable to accurately evaluate the commercial potential or target market for our commercialized products, or fail to focus on products candidates or identify appropriate opportunities that may later prove to be more profitable or for which there is a greater likelihood of success, our business operations may suffer, which may have a material adverse effect on our financial conditions.

RISKS RELATING TO COMMERCIALIZATION AND DISTRIBUTION OF OUR PRODUCTS

If we lose our existing distributors and fail to secure new distributors, our business and sales of the relevant products could be adversely affected.

We rely on third-party distributors to distribute our commercialized products, and certain of our distributors engage sub-distributors to on-sell such products. See "Business—Sales, Distribution and

Marketing—Our Sales and Distribution Model" for details. Our ability to maintain and grow our business will depend on our ability to maintain effective distribution channels that ensure timely distribution of our products to the relevant markets where we generate market demand through our sales and marketing activities. However, we do not have complete control over our distributors, who may fail to distribute our products in the manner we contemplate. If PRC price controls or other factors substantially reduce the margins our distributors can obtain through the resale of our products to hospitals and medical institutions, our distributors may terminate their relationships with us. In line with industry practice, we typically enter into agreements with our distributors for a term of one year, which requires us to continually renew distribution agreements with our distributors. There is no assurance that our existing distributors will continue to place orders with us at historical levels, or that we will be able to secure comparable levels of business from other distributors to offset any loss of revenue from losing one or more of these major distributors. Further, there is no assurance that we will be able to successfully secure new distributors to capture the potential industry growth and broaden our distribution channel. While we believe alternative distributors are readily available in China, if we lose any of our distributors, in particular any major distributors, the distribution of our products may be interrupted, as a result of which, our sales volumes and business prospects could be adversely affected.

The number of our distributors decreased during the Track Record Period and our distribution network is centered on a small number of major distributors.

During the Track Record Period, the number of our distributors decreased and our distribution network is centered on a small number of major distributors. As of December 31, 2019, 2020 and 2021, we had a total of 79, 60 and 20 distributors, respectively. The number of our distributors decreased during the Track Record Period primarily because (i) certain regional distributors chose to become sub-distributors of other larger, national distributors to leverage such national distributors' capital resource, storage capacity and logistic capacity; and (ii) our distribution agreements with certain distributors expired and we decided not to renew such distribution agreements due to commercial reasons. For the years ended December 31, 2019, 2020 and 2021, the aggregate sales to our five largest distributors were RMB155.2 million, RMB218.5 million and RMB357.7 million, respectively, representing 84.5%, 98.4% and 93.5% of our revenue, respectively. Sales to our largest distributor for the same periods was RMB122.4 million, RMB129.9 million and RMB110.5 million, respectively, representing 66.6%, 58.5% and 28.9% of our revenue, respectively. If any of our major distributors experiences business interruption or terminates their business relationship with us, we may not be able to distribute our products in a timely and efficient manner, and our sales volumes and business prospects could be adversely affected.

There is no guarantee that we will effectively manage and succeed in expanding and deepening hospital penetration.

Our business operation significantly depends on our ability to successfully expand and deepen hospital penetration of our products. Hospitals usually organize public tenders for procurement of medical devices. The procedures of such public tenders may vary in different regions and among different hospitals, and there could be uncertainties with respect to the timing of such procedures. As of the Latest Practicable Date, we had penetrated approximately 2,400 hospitals, among which over 1,400 are Class III hospitals. We expect to expand into other hospitals that either have existing neuro-

interventional procedures capabilities or the potential to perform neuro-interventional procedures. However, we may not be able to do so if we cannot penetrate into hospitals effectively, and our sales volume and business prospects could be materially and adversely affected.

The success of our hospital penetration strategy also depends on our ability to attract, motivate and retain our sales and marketing team who have expertise and capability to communicate effectively with medical professionals. If we are unable to attract, motivate and retain a sufficient number of qualified sales personnel to support our hospital penetration strategy, we may not be able to extend our hospital coverage and deepen our market penetration as contemplated, and our business operations and results of operation could be materially and adversely affected.

Failure to achieve broad market acceptance could have a material adverse impact on our business and results of operations.

The commercial success of our current and future products depends upon the degree of market acceptance they achieve, particularly among physicians, patients and hospitals. Neuro-interventional procedures are recently developed and introduced to the market. We believe that physicians may not widely adopt our products unless they determine, based on experience, long-term clinical data and published peer-reviewed journal articles, that the use of our products provide a safe and effective alternative to existing non-interventional treatments for the conditions we are seeking to address. Meanwhile, physicians and patients may prefer traditional open neurosurgery intravenous thrombolysis over the use of neuro-interventional medical devices, given its established market acceptance, comparatively lower cost and available coverage by governmental and private medical insurance. Consequently, if we fail to demonstrate safety and efficacy that is comparable to non-interventional treatments available on the market, or if published peer-reviewed journal articles, recommendations or studies reflect negatively on neuro-interventional procedures, market demand of neuro-interventional procedures might shift away and adoption rates of our products may decline significantly.

In addition, physicians face a learning process to become proficient in the use of our products, which may take longer than expected and therefore affect our ability to market our products. If our products or product candidates, upon commercialization, fail to gain sufficient market acceptance by physicians, patients, third-party payors and others in the industry, the sales of our products will be adversely affected. If our products and product candidates, upon commercialization, do not achieve an adequate level of acceptance, we may not generate significant product sales revenues.

Even if our products achieve market acceptance, we may not be able to maintain that market acceptance over time if new products or technologies are introduced that are more favorably received than our products, are more cost-effective or render our products obsolete.

Guidelines, recommendations and clinical studies published by various organizations could negatively affect our products.

Government agencies, academic institutions, professional societies, practice management groups, private health and science foundations and organizations focused on various diseases may publish guidelines, recommendations or clinical studies that may affect our commercialized products or product candidates. Any such guidelines, recommendations or clinical studies that reflect negatively

on our commercialized products or product candidates, either directly or relative to our competitive product candidates or alternative treatments, could result in immediate or potential decreased use, sales of, and revenues from one or more of our products and product candidates. Furthermore, our success depends in part on our and our business partners' ability to educate healthcare providers and patients about our commercialized products and product candidates, and these education efforts could be rendered ineffective by, among other things, third parties' guidelines, recommendations or studies.

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

The neuro-interventional medical device industry in China is rapidly evolving due to economic growth in China, changes in government policies and funding levels, increasing competition and other factors discussed in this document. To maintain and enhance our market share in this highly competitive and changing environment, we need to adopt advanced solutions from time to time depending on market conditions. In addition, neuro-interventional medical device companies had developed various types of products for neurovascular diseases. We cannot assure you that we will continuously maintain and enhance our market share.

Our inability to adequately respond to changes in market conditions in a timely manner could have a material adverse effect on our business, financial condition and results of operations, which could impede our growth, reduce our revenue and undermine our ability to maintain our current market share or achieve targeted market share in future periods. In addition, if we cannot maintain our market position, our reputation and brand name may be materially and adversely affected which could adversely affect our relationships with physicians and hospital administrators and our long-term ability to effectively market and sell our products or conduct clinical trials for our new products.

There are limited number of hospitals and physicians performing neuro-interventional procedures in China, which may restrict our ability to commercialize our products and expand our market presence.

Given their high complexity, neuro-interventional procedures are currently performed in a limited number of hospitals, in particular in lower-tier cities where the medical service network for neurovascular diseases is less developed. In addition, physicians are required to obtain sufficient training and education in this medical specialty to duly perform neuro-interventional procedures. The success of our product commercialization and market expansion depends on the hospitals' capability to host and physicians' ability to perform neuro-interventional procedures. Physicians need to undergo a learning process to become proficient in neuro-interventional procedures, which may take longer than expected. In addition, access to these training and education may be limited, in particular in lower-tier cities. If medical service network in lower-tier cities remains under-developed, our penetration into these regions may be delayed. As a result, our ability to successfully commercialize our product candidates and expand our market presence may involve inherent industry risks. We may be required to devote a substantial amount of time and resources to achieve our goal; and if so, our business and results of operations may be negatively affected.

We may fail to effectively manage our network of distributors and sub-distributors. Actions taken by our distributors and sub-distributors could materially and adversely affect our business, prospects and reputation.

We rely on the distribution agreements and the policies and measures we have in place to manage our distributors, including their compliance with laws, rules, regulations and our policies. See "Business—Sales, Distribution and Marketing—Sales to Distributors—Selection and Management of Distributors." We also adopt robust measures and selection criteria to manage the anti-bribery and anti-corruption risks involved with our distributors. For details, see "Business—Sales, Distribution and Marketing—Sales to Distributors—Selection and Management of Distributors" and "Business—Risk Management and Internal Control." Regarding the management of our sub-distributors, we require our distributors to regularly monitor and report to us the sub-distributor's compliance status, sales performance, inventory level and any breach of the sub-distributorship agreement. See "Business—Sales, Distribution and Marketing—Sales to Distributors—Management of Sub-distributors." We cannot guarantee that we will be able to effectively manage our distributors and sub-distributors, or that our distributors and sub-distributors would not breach our agreements and policies. If they take one or more of the following actions, our business, results of operations, prospects and reputation may be adversely affected:

- breaching the distribution agreements or our policies and measures, including by selling products outside their designated territories;
- failing to adequately promote our products;
- failing to provide proper training and after-sales services to our end-users;
- failing to maintain the requisite licenses, permits or approvals, or failure to comply with applicable regulatory requirements when selling our products; or
- violating anti-corruption, anti-bribery, competition or other laws and regulations of China or other jurisdictions.

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

Downward change in pricing of our products caused by changes in market competition may have a material adverse effect on our business and results of operations.

During the Track Record Period, all of our products were sold through distributors. We primarily operate a multi-layer distribution system, where a majority of our products are sold from distributors to sub-distributors, and such sub-distributors on-sell our products to hospitals through their own sales and distribution networks; and a relatively smaller proportion of our products are sold from our distributors directly to hospitals. We take into account a number of factors in determining our prices, such as prices of competing products and the manufacturing costs and differences in features between our products and competing products in determining the price of our products sold to

distributors. For details, see "Business—Sales, Distribution and Marketing—Sales to Distributors—Pricing." Hospitals may gain more bargaining power depending on the availability of alternative products, demands of patients and the preference of physicians. If hospitals lower retail prices of our products and therefore reduce the profitability of our distributors, our distributors may have less incentive to purchase and promote our products, and we may need to lower the order price we set for our distributors.

As of the Latest Practicable Date, there was no price guidance set on neuro-interventional medical devices by the PRC government. If the PRC government issues price guidance for neuro-interventional medical devices, the price of our products and therefore our business and results of operations may be negatively affected.

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

Our ability to sell our products will depend in part on the possibility and the extent to which medical insurance reimbursement for neuro-interventional medical devices will be available to patients, which is out of our control. In the absence of medical insurance coverage for the use of our products, patients may choose alternative treatment methods, and hospitals may recommend alternative treatments, which would reduce demand for our products and our sales which could in turn materially and adversely affect our business, financial condition and results of operations. As of the Latest Practicable Date, neuro-interventional medical devices had not been covered by the PRC national reimbursement drug list (NRDL). As of the same date, our commercialized products, including *APOLLO*, *Willis*, *Tubridge*, *NUMEN*, *Bridge*, *U-track* and Asahi guidewires, had obtained the medical insurance registration code, a prerequisite for these products to be eligible for being covered by the NRDL and the provincial reimbursement drug lists. As of the same date, these products had been covered by multiple provincial medical insurance reimbursement lists, *i.e.,* eligible for partial reimbursement in such provinces. Whether a neuro-interventional medical device is covered by the PRC NRDL may affect the patients' willingness to use such device in surgery given its high price caused by its consumable parts and components.

China has a complex medical insurance system that is undergoing reform. According to CIC, the Consultation Draft on Interim Measures for Management of Medical Consumables Under Basic Medical Insurance Scheme (《基本醫療保險醫用耗材管理暫行辦法（徵求意見稿）》) issued by the NHSA in June 2020 and the Consultation Draft on Interim Measures for Management of payments of Medical Consumables Under Basic Medical Insurance Scheme 《基本醫療保險醫用耗材支付管理暫行辦法(徵求意見稿)》 issued by the NHSA in November 2021 proposes to formulate a Catalog of Medical Consumables Under Basic Medical Insurance Scheme (《基本醫療保險醫用耗材目錄》) and include medical devices under such catalog into the coverage of medical reimbursement, and there was no national medical reimbursement list of medical devices released by authorities in China as of the Latest Practicable Date. For details, see "Regulatory Overview." As the competent authorities have not formulated any rules on the determination method of reimbursement coverage for medical devices under such catalog, there is no assurance that we will not be adversely impacted. For example, we may need to lower the prices of our products in order to have them included in such catalog, and such price cut and reimbursement may not necessarily lead to increase in our sales and our results of operations may be adversely affected.

RISKS RELATING TO MANUFACTURE AND SUPPLY OF OUR PRODUCTS

The manufacture of our products is highly complex and subject to strict quality controls. If we or any of our suppliers or logistics partners encounters manufacturing, logistics or quality problems, including as a result of natural disasters, our business could suffer.

We have a comprehensive product portfolio with a total of 30 commercialized products and product candidates. The manufacture of our products is highly complex. Our key manufacturing equipment is specially designed for each type of product. As we continue to expand our footprint into new markets, we may face unanticipated surges in demand for our existed products, or new demand for new products or new generations of existing products, which could strain our production capacity.

In addition, the manufacture of our products is subject to strict quality controls. Quality is extremely important due to the serious and costly consequences of a product failure. We have established a comprehensive set of quality control and assurance procedures to monitor our operations to ensure compliance with relevant regulatory requirements and our internal quality requirements. Despite our quality control and assurance system and procedures, we cannot eliminate the risk of product defects or failure. Problems can arise during the manufacturing process for a number of reasons, including equipment malfunction, failure to follow protocols and procedures, defects or other issues in raw materials, or human error. If problems are not discovered before the product is released to the market, recall and product liability costs may also be incurred.

Furthermore, if contaminants are discovered in our products or pipeline products or in the manufacturing facilities, such manufacturing facilities may need to be closed for an extended period of time to investigate and remedy the contamination. In addition, failure to maintain production stability may affect the manufacture and delivery schedule of our commercialized products and product candidates. Disruptions may occur when we install new equipment, replace old equipment or relocate product lines.

If these problems arise or if we otherwise fail to meet our internal quality standards or those of the NMPA or other applicable regulatory body, which include detailed record-keeping requirements, our reputation could be damaged, we could become subject to a safety alert or a recall, we could incur product liability and other costs, product approvals could be delayed, and our business could otherwise be adversely affected.

We may face damage to, destruction of or interruption of production at our facilities, which could interrupt our development plans or commercialization efforts and if we fail to raise our production capacity and construct the new manufacturing facility as planned, our business prospects could be materially and adversely affected.

As of the Latest Practicable Date, we conducted manufacturing activities primarily at our manufacturing facilities located in our leased properties in Zhangjiang and Zhoupu, Shanghai. Our facilities may be harmed or rendered inoperable by physical damage from fire, floods, earthquakes, typhoons, tornadoes, power loss, telecommunications failures, break-ins and similar events. Any interruption in manufacturing operations at our manufacturing facilities could result in our inability to satisfy the demands of our clinical trials or commercialization. There can be no assurance that our existing manufacturing facilities will produce products in sufficient volumes in the event of any

significant change in market demand. In such event, we may have to engage third parties to produce a portion of such products. Consequently, we are exposed to the risks of increased pricing for our sub-contracted production and that the third parties may not manufacture products meeting our specifications or in sufficient volumes to meet market demand. As a result, our sales volumes and margins for the relevant products could be materially and adversely affected.

Advances in manufacturing techniques may render our facilities and equipment inadequate or obsolete, and therefore we may also need to develop advanced manufacturing techniques and process controls in order to fully utilize our facilities. If we are unable to do so, or if the process to do so is delayed, or if the cost of this scale up is not economically feasible for us or we cannot find a third-party supplier, we may not be able to supply our products in a sufficient quantity to meet future demand, which would limit our development and commercialization activities and our opportunities for growth.

Manufacturing of our products depends on the continued service of qualified manufacturing personnel. Competition for qualified manufacturing in the medical devices industry is intense and the pool of qualified candidates is limited. Although we have not historically experienced unique difficulties attracting and retaining qualified manufacturing personnel, we could experience such problems in the future. If we are unable to maintain a sufficient number of qualified manufacturing personnel to support our products manufacture, production capacity may be adversely affected.

In addition, to scale up our production capacity, we may plan to establish new production facilities in China and the United States. New production facility may require prior review by regulatory authorities and/or approval of the manufacturing process and procedures in accordance with applicable requirements. This review may be costly and time-consuming and could delay or halt the launch of our products. The new facility will also be subject to pre-approval inspection. In addition, we have to demonstrate that the products made at the new facility are equivalent to the products made at the former facility by physical and chemical methods, which are costly and time consuming. Regulatory authorities may also require clinical testing as a way to prove equivalency, which would result in additional costs and delay. In the event we fail to increase our production capacity or develop the new manufacturing facility, we may not capture the expected growth in demand for our products, or to successfully commercialize new products, each of which could materially and adversely affect our business prospects.

We may not be able to secure a stable supply of qualified raw materials at all times or at all.

Our key raw materials include alloy metal wires, metal tubes and polymer plastic tubings, which we use to make our stent, coil and catheter products. To ensure the quality of our principal raw materials, we only procure them from selected suppliers that can satisfy our stringent requirements. Although we believe that we have stable and long-term relationships with our existing suppliers and we are also exploring other qualified suppliers, we cannot assure you that we will be able to secure a stable supply of qualified raw materials at all times. If any of these suppliers loses its qualification or eligibility for a variety of reasons including its failure to comply with regulatory requirements, or if we encounter lengthy custom clearance procedures to import certain of our raw materials, we may experience delays in the supply of our raw materials and, if our inventory of the relevant raw material does not sufficiently cover the deficiency over the relevant time period, interruption in our manufacturing process. In addition, we are also exposed to risks associated with fluctuations in prices

of raw materials. A significant increase in the costs of raw materials may disrupt our operations and have a negative impact on our gross margin directly.

In addition, we import materials from foreign suppliers. General economic conditions could adversely affect the financial viability of our oversea suppliers, resulting in their inability to provide materials and components to us. While we work closely with suppliers to monitor their financial viability, assure continuity of supply, and maintain high quality and reliability, these efforts may not be successful. As the production volume of our products ramps up, we have developed strategies to obtain alternative suppliers. However, the loss of any existing supply contract could have a material adverse effect on us. Moreover, we plan to develop our own production capacity of certain key raw materials to further enhance the stability of supply. However, we cannot assure you that we will be able to manufacture raw materials on our own in a cost-effective manner, or at all.

If our current and new products are not manufactured in compliance with the quality standards required under applicable laws, our business and reputation could be harmed, and our revenue and profitability could be materially and adversely affected.

Our production and manufacturing processes are required to meet certain quality standards. We have established a quality control and assurance system and adopted standardized operating procedures in order to prevent quality issues with respect to our products and operation processes. For further details of our quality control and assurance system, see "Business—Quality Control." Despite our quality control and assurance system and procedures, we cannot eliminate the risk of product defects or failure. Quality defects may fail to be detected or remediated as a result of a number of factors, many of which are outside of our control, including:

- manufacturing errors;
- technical or mechanical malfunctions in the manufacture process;
- human error or malfeasance by our quality control personnel;
- tampering by third parties; and/or
- quality issues with the raw materials we produce or purchase.

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

Any product recall would damage our brand name and could have a material adverse effect on our reputation, business, financial condition and results of operation.

Complex medical devices may receive claims arising from the improper performance of the products or the way physicians use such products, which in both cases require review and possible corrective action by the manufacturer. In addition, from time to time, we receive feedback from physicians relating to issues they have encountered while using our products, including technical difficulties in the delivery or placement of some of our products. We expect that we will continue to

receive such feedback from time to time. Furthermore, component failures, manufacturing errors or design defects could result in danger or injuries to patients. Any serious failures or defects could cause us to withdraw or recall products, which could result in significant costs such as repair and product replacement costs. The occurrence of any market withdrawals or product recalls of our products would damage our brand name and would have a material adverse effect on our business, financial condition and results of operation.

We may be subject to product liability lawsuits that could cause us to incur substantial liabilities.

We face an inherent risk of product liability as a result of the commercialization of our products in China and the clinical testing and any future commercialization of our pipeline products globally. For example, we may be sued if our products or pipeline products cause or are perceived to cause injury or are found to be otherwise unsuitable during clinical testing, manufacturing, marketing or sale. During the Track Record Period, we had not experienced any product liability lawsuits that had a material adverse impact on our business operations. However, such product liability claims, if any, may include allegations of defects in manufacturing, defects in design, a failure to warn of dangers inherent in the medical device product, negligence, strict liability or a breach of warranties. Claims could also be asserted under applicable consumer protection acts. If we cannot successfully defend ourselves against or obtain indemnification from our collaborators for product liability claims, we may incur substantial liabilities or be required to limit commercialization of our products and pipeline products. Even successful defense would require significant financial and management resources. Regardless of the merits or eventual outcome, liability claims may result in:

- decreased demand for our products and loss of revenue;
- injury to our reputation;
- withdrawal of clinical trial participants and inability to continue clinical trials;
- initiation of investigations by regulators;
- costs to defend the related litigation;
- a diversion of management's time and our resources;
- substantial monetary awards to trial participants or patients, product recalls, withdrawals or labeling, marketing or promotional restrictions;
- exhaustion of any available insurance and our capital resources;
- the inability to commercialize any pipeline product; and/or
- a decline in our share price.

If we are unable to defend ourselves against such claims in the PRC, among other things, we may be subject to civil liability for physical injury, death or other losses caused by our products and to criminal liability and the revocation of our business licenses if our products are found to be defective. In addition, we may be required to recall the relevant products, suspend sales or cease sales. Even if we are able to successfully defend ourselves against any such product liability claims, doing so may require significant financial resources and the time and attention of our management.

Failure to maintain and predict inventory levels in line with the level of demand for our products could cause us to lose sales or face excess inventory risks and holding costs, either of which could have a material adverse effect on our business, financial condition and results of operations.

To operate our business successfully and meet our customers' demands and expectations, we must maintain a certain level of inventory for our products to ensure immediate delivery when required. Furthermore, we are required to maintain an appropriate level of inventory of our raw materials to support our R&D and manufacturing activities. We maintain our inventory levels based on our internal forecasts which are inherently uncertain and we generally keep higher inventory level if we anticipate there will be any interruption to our supply chain. If our forecasted demand is lower than actual demand, we may not be able to maintain an adequate inventory level of our products or manufacture our products in a timely manner, and may lose sales and market share to our competitors. On the other hand, we may be exposed to increased inventory risks due to accumulated excess inventory of our products or raw materials. Excess inventory levels may increase our inventory holding costs, risk of inventory obsolescence or write-offs.

Although we monitor the inventory level of our distributors, there is no assurance that such information would be reported to us accurately and/or in a timely manner. As our ability to directly track the inventory levels of distributors is limited and may not be on a real-time basis, it is difficult for us to gather sufficient information and data regarding the market acceptance of our products. As the tracking of inventory levels would provide us with useful information on the market acceptance of our products in a particular region, limitation in accurately tracking the sales and inventory levels of distributors may make it difficult for us to predict sales trends, and we may not be able to implement effective marketing or product strategies. As a result, our business, financial condition and results of operations will be materially and adversely affected.

RISKS RELATING TO OUR FINANCIAL POSITION

Our historical operating results may not be representative of future performance. We may need to obtain additional financing to fund our operations. If we are unable to obtain that financing, we may be unable to complete the development and commercialization of our pipeline products.

We cannot assure you that our historical operating results, such as our revenue, gross profit, net profit, gross profit margin and net profit margin, will be indicative of future performance for various reasons, including uncertainties of the success of our existing and new products, and in the market and the regulatory environment, as well as our ability to expand production capacity and improve manufacturing capabilities as planned, and manage our sales network and intense competition.

In addition, we expect to continue to spend substantial amounts on R&D, advancing the clinical development of our product candidates, commercializing our products and launching and commercializing any product candidates for which we receive regulatory approval, including building our own R&D, production and commercialization teams in China and overseas. Our existing cash and cash equivalents may not be sufficient to enable us to complete all development or commercially launch all of our current product candidates for the anticipated indications and to invest in additional programs. Accordingly, we will require further funding through public or private offerings, debt financing, collaboration and licensing arrangements or other sources. We cannot assure you that our

financial resources will be adequate to support our operations. Our future funding requirements will depend on many factors, including:

- the expenses associated with expanding our sales and distribution network;
- the progress, timing, scope and costs of our clinical trials, including the ability to timely enroll patients in our planned and potential future clinical trials;
- the cost of filing, prosecuting, defending and enforcing any patent claims and other intellectual property rights;
- selling and marketing costs associated with our products and any existing or future product candidates that may be approved, including the cost and timing of expanding our marketing and sales capabilities;
- the terms and timing of any potential future collaborations, licensing or other arrangements that we may establish;
- cash requirements of any future acquisitions and/or the development of other product candidates;
- the cost and timing of development and completion of commercial-scale internal or outsourced, if any, manufacturing activities; and/or
- our headcount growth and associated costs.

In addition, many aspects of our general business operations have on-going funding requirement that may increase over time.

We expect that the implementation of our strategies and business plans will require us to rely in part on external financing sources. However, our ability to obtain external financing on commercially reasonable terms will depend on a number of factors, many of which are outside of our control, including our financial condition, results of operations and cash flows, the economic conditions in the PRC, industry and competitive conditions, interest rates, prevailing conditions in the credit markets and government policies on lending. If we cannot obtain sufficient external financing on commercially acceptable terms to implement our strategies and business plans as currently contemplated, we could be required to revise our strategies and business plans, which could adversely affect our business prospects.

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

We have historically received government grants in the form of subsidies received from local government for encouragement of research and development activities. For the years ended December 31, 2019, 2020 and 2021, we recognized government grants under other net income of RMB6.6 million, RMB9.6 million and RMB6.1 million, respectively. Our eligibility for government grants is dependent on a variety of factors, including relevant government policies, the assessment of our improvement on existing technologies, the availability of funding at different granting authorities and the R&D progress made by other peer companies. In addition, the policies according to which we

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

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

We are subject to foreign exchange fluctuations. Certain of our cash and cash equivalents are denominated in foreign currencies, and thus we are exposed to foreign currency risk. In addition, as we purchase certain raw materials from overseas suppliers, market and sell our products to oversea customers, the costs for procurement and the revenue from overseas sales are also subject to foreign exchange fluctuations. The exchange rate of the Renminbi against foreign currencies fluctuates and is affected by, among other things, the policies of the PRC government and changes in China's and international political and economic conditions, as well as supply and demand in the local market. From 1994 to July 2005, the conversion of the Renminbi into foreign currencies in the PRC, including the Hong Kong dollar and U.S. dollar, had been based on fixed rates set by the PBOC. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the Renminbi to the U.S. dollar where the Renminbi is permitted to fluctuate in a regulated band that is based on reference to a basket of currencies determined by the PBOC. On June 19, 2010, the PBOC announced that it intends to further reform the Renminbi exchange rate regime by enhancing the flexibility of the Renminbi exchange rate. Following this announcement, the Renminbi had appreciated from approximately RMB6.83 per U.S. dollar to RMB6.12 per U.S. dollar as of June 15, 2015. On August 11, 2015, PBOC further enlarged the floating band for trading prices in the interbank spot exchange market of Renminbi against the U.S. dollar to 2.0% around the closing price in the previous trading session, and the Renminbi depreciated against the U.S. dollar by approximately 1.9% as compared to August 10, 2015, and further depreciated by nearly 1.6% on the next day. On November 30, 2015, the Executive Board of the International Monetary Fund completed the regular five-year review of the basket of currencies that make up the special drawing rights and decided that with effect on October 1, 2016, the Renminbi is determined to be a freely usable currency and will be included in the special drawing rights basket as a fifth currency. With the development of foreign exchange market and progress towards interest rate liberalization and Renminbi internationalization, the PRC government may in the future announce further reforms to the exchange rate system, and the Renminbi could appreciate or depreciate significantly in value against the Hong Kong dollar or the U.S. dollar in the future.

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

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

As of December 31, 2021, we had intangible assets of RMB127.4 million. Our determination on whether intangible assets are impaired requires an estimate of the recoverable amount of the intangible

assets, which is based on certain assumptions made by our management. If any of these assumptions does not materialize, or if the performance of our business is not consistent with such assumptions, the carrying amount of the intangible assets may exceed its recoverable amount, and our intangible assets may accordingly be impaired. As a result, we may be required to have a significant write-off of our intangible assets and record a significant impairment loss. The impairment of intangible assets could have a material adverse effect on our business, financial condition and results of operations.

Failure to manage our inventories effectively would materially and adversely affect our financial condition and results of operations.

We recorded inventories of RMB38.0 million, RMB55.0 million and RMB88.0 million as of December 31, 2019, 2020 and 2021, respectively. Our inventories mainly consist of raw materials, work in progress and finished goods. We cannot assure you that our inventories will not be damaged or impaired, as our storage may encounter unforeseeable events, such as fire, floods, earthquakes, power outage, mechanical breakdowns or other calamities. From time to time, we may also have delicate materials and consumables, which are exposed to risks associated with damages from outside environment including temperature fluctuation, wear and tear, and accidental drop or squeeze.

For the years ended December 31, 2019, 2020 and 2021, our overall inventory turnover days were 256 days, 297 days and 309 days, respectively. While we regularly monitor our inventories to reduce the risk of expiration and overstocking, we may nonetheless face difficulty in accurately projecting optimal inventory levels. Some of our inventories have a shelf life. Inventory level in excess of the demands from distributors may result in inventory obsolescence or product expiration, which may negatively affect our financial positions. If we underestimate the demands from our distributors, we may experience inventory shortages, which may result in unfilled orders. We cannot assure you that we will be able to maintain optimal inventory level during our business operation. Such failure may have an adverse impact on our financial condition and results of operation.

If we experience delays in collecting payments from distributors, our cash flows and financial positions could be adversely affected.

We generally grant credit terms of 60 days to our distributors. As of December 31, 2019, 2020 and 2021, we had trade receivables of RMB46.3 million, RMB42.2 million and RMB1.1 million, respectively. The average turnover days of our trade receivables for the same periods were 78 days, 73 days and 21 days, respectively. See "Financial Information—Description of Certain Key Consolidated Statements of Financial Position Items—Trade and Other Receivables" for details. If our distributors' cash flows, working capital, financial condition or results of operations deteriorate, they may be unable, or they may otherwise be unwilling, to pay trade receivables owed to us promptly or at all. Any substantial defaults or delays could materially and adversely affect our cash flows, and we could be required to terminate our relationships with distributors in a manner that will impair the effective distribution of our products.

Our business benefits from certain preferential tax and financial incentives, the expiration of or changes to which could adversely affect our profitability.

We currently benefit from certain preferential tax treatments. During the Track Record Period, we benefited from a preferential PRC income tax rate of 15%, compared with the 25% income tax rate

generally applicable to PRC tax resident enterprises under the EIT Law. The qualification as a High and New Technology Enterprise will expire in 2023. We plan to renew this qualification in due course. However, if we fail to renew its qualification, its applicable enterprise income tax rate would revert to 25%, which may have a material adverse effect on our financial condition and results of operations.

In addition, according to a tax incentive policy promulgated by the SAT of the PRC 2018, we started to enjoy an additional 75% of qualified research and development costs incurred to be deducted from our taxable income in January 2018 and, since January 2021, 100% of such qualified expenses incurred has been allowed to be deducted from taxable income. We cannot assure you that we will continue to received such preferential tax treatment at historical levels, or at all. In the event that any of the preferential tax treatment currently enjoyed by us is reduced, discontinued or withdrawn by the government authorities, our results of operations and growth prospects may be materially and adversely affected.

We recorded net current liabilities as of December 31, 2019 and net liabilities as of December 31, 2021. There can be no assurance that we will record net current assets and net assets in the future.

We recorded net current liabilities of RMB29.9 million as of December 31, 2019, and net current assets of RMB445.2 million and RMB609.9 million as of December 31, 2020 and 2021, respectively. Our net current liability position as of December 31, 2019 was primarily due to the relatively lower level of inventories and cash and cash equivalent as of the same date. See "Financial Information--Liquidity and Capital Resources." In addition, while we recorded net assets of RMB168.2 million and RMB372.9 million as of December 31, 2019 and 2020, respectively, we recorded net liabilities of RMB174.9 million as of December 31, 2021. Our net liability position as of December 31, 2021 was primarily because we recorded RMB1,238.0 million of other financial liabilities as of December 31, 2021. See "Financial Information—Indebtedness—Other Financial Liabilities." There can be no assurance that we will be able to record net assets and net current assets in the future. If we continue to record net liabilities or net current liabilities, we may face a deficiency of working capital and may not be able to service short term debts. Any of these events could have a material adverse impact on our business and results of operations.

Our financial condition and results of operation may be adversely affected by our investments in an associates.

In 2021, we recorded share of losses of an associate of RMB7.5 million arising from our investments in Rapid Medical. Upon completion of our Series D preferred share investment in Rapid Medical in April 2021, we obtained significant influence over Rapid Medical and recognized our investment in Rapid Medical as interests in an associate under equity method. The financial performance of our associate depends on a number of factors, including its financial resources, its level of corporate governance, and the market condition of a particular industry. If the associate continues to be loss-making, we may continue to incur share of losses from the associate. If there is no share of profit or dividend from our associates, we will also be subjected to liquidity risk and our financial condition or result of operations could be materially affected.

In addition, our investments in an associates are subject to liquidity risks. Our investments in an associate are not as liquid as other investment products, as there is no cash inflow until dividends are

received even if our associate reported profits under the equity accounting. Furthermore, our associate is an unlisted corporate entity, whose equity interest does not have a public market. Our ability to sell or transfer our investments in an associate in response to changing economic, financial and investment conditions may be limited. The illiquidity nature of our investments in an associate may significantly limit our ability to respond to adverse changes in the performance of our associate.

RISKS RELATING TO GOVERNMENT REGULATION

The research, development and commercialization of our products are heavily regulated.

All jurisdictions in which we conduct our research, development and commercialization activities regulate these activities in great depth and detail. We intend to focus our activities in the major markets of China and gradually expand our market overseas. These geopolitical areas all have comprehensive regulation on medical devices, and in doing so they employ broadly similar regulatory strategies, including regulation of product development, approval, manufacturing, sales and marketing and distribution of medical devices. However, there are differences in the regulatory regimes in different regions, which make regulatory compliance more complex and costly for companies like us that plan to operate in each of these regions.

The process of obtaining regulatory approvals and compliance with appropriate laws and regulations require substantial time and financial resources. Failure to comply with the applicable requirements at any time during the product development process, approval process, or after approval, may subject an applicant to administrative or judicial sanctions. These sanctions could include a regulator's refusal to approve pending applications, withdrawal of an approval, license revocation, a clinical hold, voluntary or mandatory product recalls, product seizures, total or partial suspension of production or distribution, injunctions, fines, refusals of government contracts, restitution, disgorgement or civil or criminal penalties. The failure to comply with these regulations could have a material adverse effect on our business, financial condition and prospects.

Undesirable adverse events caused by our products and product candidates could interrupt, delay or halt clinical trials, delay or prevent regulatory approval, limit the commercial profile of an approved label, or result in significant negative consequences following any regulatory approval.

Undesirable adverse events caused by our products or pipeline products, including but not limited to safety issues and other serious adverse events, could cause us or regulatory authorities to interrupt, delay or halt clinical trials and could result in a more restrictive label or the delay or denial of regulatory approval by the NMPA or other comparable regulatory authority, or could result in limitations or withdrawal following approvals. For example, in the event that results of our trials reveal a high and unacceptable severity or prevalence of adverse events, our trials may be suspended or terminated by the NMPA or the other comparable regulatory authorities could order us to cease further development of, or deny approval of, our pipeline products.

Any adverse events reported in our clinical trials will affect patient recruitment or the ability of enrolled subjects to complete the trial, and any result in potential product liability claims. Any of these occurrences may harm our reputation, business, financial condition and prospects significantly. In this document and from time to time, we disclose clinical results for our products and products candidates, including the occurrence of adverse events and serious adverse events. Each such

document speaks only as of the date of the data cutoff used in such document, and we undertake no duty to update such information unless required by applicable law. For details of the adverse events of our products as observed during clinical trials as of the date of this document, see "Business—Our Product Portfolio."

Additionally, if our pipeline products receive regulatory approval, and undesirable safety issues caused by such pipeline products are identified after such approval, a number of potentially significant negative consequences could follow, including, among others:

- we may be required to suspend marketing or remove relevant products from the marketplace;
- regulatory authorities may withdraw approvals of the product;
- we may be required to change the way our products are distributed or administered, conduct additional clinical trials;
- we may be required to develop risk evaluation and mitigation measures for the product or, if risk evaluation and mitigation measures are already in place, to incorporate additional requirements under the risk evaluation and mitigation measures;
- we may be subject to regulatory investigations and government enforcement action;
- a severe decrease in the demand for, and sales of, the relevant products;
- we could be sued and held liable for harm caused to subjects or patients; and
- our reputation may be damaged.

Any of these events could prevent us from achieving or maintaining market acceptance of the particular pipeline product, and could significantly harm our business, results of operations and prospects.

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

Our products and any product candidates that will be approved by the regulators are and will be subject to ongoing regulatory requirements with respect to manufacturing, labeling, packaging, storage, advertising, promotion, sampling, record-keeping, conducting post-market studies, submission of safety, efficacy, and other post-market information, and other requirements of regulatory authorities in China and other applicable jurisdictions where the products are approved. For example, manufacturers and manufacturers' facilities are required to comply with extensive regulatory requirements from the NMPA or other comparable authorities. As such, we are and will be subject to continual review and inspections by the regulators in order to assess our compliance with applicable laws and requirements.

The NMPA and other regulatory authorities strictly regulate the marketing, labeling, advertising and promotion of products placed on the market. The regulatory approvals for our products and any

approvals that we receive for our pipeline products are and may be subject to limitations on the indicated uses for which our product may be marketed. Products may be promoted only for their approved indications and for use in accordance with the provisions of the approved label. The approvals we obtain may also be subject to other conditions which may require potentially costly post-marketing activities to monitor the safety and efficacy of our products or pipeline products. Such limitations and conditions could adversely affect the commercial potential of our products.

The NMPA or comparable regulatory authorities may withdraw marketing approval if we fail to maintain compliance with these ongoing regulatory requirements and standards or if problems occur after the product reaches the market. Later discovery of previously unknown problems with our products or pipeline products including adverse events of unanticipated severity or frequency, or with our manufacturing processes, or failure to comply with regulatory requirements, may result in revisions to the approved labeling or requirements to add new safety information, imposition of post-market studies or clinical studies to assess new safety risks, or imposition of distribution restrictions or other restrictions under a risk evaluation and mitigation program. Other potential consequences include, among other things:

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

We cannot predict the likelihood, nature or extent of governmental policies or regulations that may arise from future legislation or administrative actions in China or overseas, where the regulatory environment is constantly evolving. If we are slow or unable to adapt to changes in existing requirements or the adoption of new requirements or policies, or if we are unable to maintain regulatory compliance, we may lose any regulatory approval that we have obtained and we may not sustain profitability. In addition, if we were able to obtain conditional approval of any of our pipeline products, the NMPA and other regulatory authorities may require us to conduct a confirmatory study to verify the predicted clinical benefit and additional safety studies. The results from the confirmatory study may not support the clinical benefit, which would result in the approval being withdrawn. While operating under conditional approval, we will be subject to certain restrictions that we would not be subject to upon receiving regular approval.

If we or parties on whom we rely fail to maintain the necessary licenses for the development, production, sales and distribution of our products, our ability to conduct our business could be materially impaired.

We are required to obtain, maintain and renew various permits, licenses and certificates to develop, produce, promote and sell our products, including but not limited to, the Registration

Certificate for Medical Device (醫療器械註冊證) and the Medical Device Production License (醫療器械生產許可證) and the Certificate for Exportation of Medical Products (醫療器械產品出口銷售證明). Furthermore, third parties, such as research institutions, distributors and suppliers on whom we may rely to develop, produce, promote, sell and distribute our products, may be subject to similar requirements. We and third parties on whom we rely may be also subject to regular inspections, examinations, inquiries or audits by regulatory authorities, and an adverse outcome of such inspections, examinations, inquiries or audits may result in the loss or non-renewal of the relevant permits, licenses and certificates. Moreover, the criteria used in reviewing applications for, or renewals of permits, licenses and certificates may change from time to time, and there can be no assurance that we or the third parties on whom we rely will be able to meet new criteria that may be imposed to obtain or renew the necessary permits, licenses and certificates. Many of such permits, licenses and certificates are material to the operation of our business, and if we or parties on whom we rely fail to maintain or renew material permits, licenses and certificates, our ability to conduct our business could be materially impaired. Furthermore, if the interpretation or implementation of existing laws and regulations change, or new regulations come into effect, requiring us or parties on whom we rely to obtain any additional permits, licenses or certificates that were previously not required to operate our business, there can be no assurance that we or parties on whom we rely will successfully obtain such permits, licenses or certificates in a timely manner or at all.

We are subject to stringent privacy laws, information security policies and contractual obligations related to data privacy and security, and we may be exposed to risks related to our management of certain personal or sensitive information collected in our operations.

We collect patients' personal data (including name, phone number and surgery-specific information such as the type of the surgery and the hospital where the surgery took place) to provide optional post-treatment rehabilitative support to patients. As such, we are subject to the relevant local, national and international data protection and privacy laws, directives regulations and standards that apply to the collection, use, retention, protection, disclosure, transfer and other processing of data in the various jurisdictions in which we operate and conduct our clinical trials, as well as contractual obligations. These data protection and privacy law regimes continue to evolve and may result in ever-increasing public scrutiny and escalating levels of enforcement and sanctions and increased costs of compliance. Failure to comply with any of these laws could result in enforcement action against us, including fines, imprisonment of company officers and public censure, claims for damages by customers and other affected individuals, damage to our reputation and loss of goodwill, any of which could have a material adverse effect on our business, financial condition, results of operations or prospects.

We have established strict data protection policies to ensure that the collection, use, storage, transmission and dissemination of data are in compliance with applicable laws and prevalent industry practice. All data used and kept during our business operation are divided into different levels of confidentiality. We adopt comprehensive management measures for labeling, storing, printing, transferring and approving procedures for our data according to the level of its confidentiality. While we have adopted security policies and measures to protect our proprietary data and patients' privacy, privacy leakage incidents might not be avoided due to hacking activities, human error, employee misconduct or negligence or system breakdown. We also cooperate with third parties including hospitals, CROs and other third-party contractor and consultants for our clinical trials and operations.

Any leakage or abuse of patient data by our third-party partners may be perceived by the patients as a result of our failure. In particular, certain industry-specific laws and regulations may affect the collection and transfer of personal data in China, including the Biosecurity Law of the People's Republic of China (《中華人民共和國生物安全法》) and the Regulation of the People's Republic of China on the Administration of Human Genetic Resources (《中華人民共和國人類遺傳資源管理條例》). For details, see "Regulatory Overview—Laws and Regulations on Medical Devices—Sampling and Collecting Human Genetic Resources Filing." It is possible that these laws and regulations may be interpreted and applied in a manner that is inconsistent with our clinical trial practices, potentially resulting in confiscation of human genetic resources samples and associated data and administrative fines. Furthermore, we cannot be sure whether additional legislative changes on data security and privacy will be enacted or whether relevant guidance or interpretations will be changed. Any change in such laws and regulations could affect our ability to use medical data and subject us to liability for the use of such data for previously permitted purposes. Any failure or perceived failure by us to prevent information security breaches or to comply with privacy policies or privacy-related legal obligations, or any compromise of information security that results in the unauthorized release or transfer of personally identifiable information or other patient data, could cause our customers to lose trust in us and could expose us to legal claims.

Complying with all applicable laws, regulations, standards and obligations relating to data privacy, security, and transfers may cause us to incur substantial operational costs or require us to modify our data processing practices and processes. Non-compliance could result in proceedings against us by data protection authorities, governmental entities or others, including class action privacy litigation in certain jurisdictions, which would subject us to significant fines, penalties, judgments and negative publicity. In addition, if our practices are not consistent or viewed as not consistent with legal and regulatory requirements, including changes in laws, regulations and standards or new interpretations or applications of existing laws, regulations and standards, we may become subject to audits, inquiries, whistleblower complaints, adverse media coverage, investigations, loss of export privileges, severe criminal or civil sanctions and reputational damage. Any of the foregoing could have a material adverse effect on our competitive position, business, financial conditions, results of operations and prospects.

RISKS RELATING TO OUR INTELLECTUAL PROPERTY RIGHTS

We could be unsuccessful in obtaining or maintaining adequate patent protection for our products and pipeline products through intellectual property rights, or if the scope of such intellectual property rights obtained is not sufficiently broad, third parties may compete directly against us.

Our commercial success will depend, in large part, on our ability to obtain, maintain and enforce our intellectual property rights, including patent rights to protect our proprietary technology, products and pipeline products. We seek to protect the technology, products and pipeline products that we consider commercially important by filing patent applications in the PRC and other countries, relying on trade secrets or medical regulatory protection or employing a combination of these methods. This process is expensive and time-consuming, and we may not be able to file and prosecute all necessary or desirable patent applications at a reasonable cost or in a timely manner. We cannot be certain that patents will be issued or granted with respect to our patent applications that are currently pending, or that issued or granted patents will not later be found to be invalid and/or unenforceable, be interpreted

in a manner that does not adequately protect our pipeline products, or otherwise provide us with any competitive advantage. As a result, we may not be able to prevent competitors from developing and commercializing competitive products in all such fields and territories.

Patents may be invalidated and patent applications may not be granted for a number of reasons, including known or unknown prior deficiencies in the patent application or the lack of novelty of the underlying invention or technology. We may also fail to identify patentable aspects of our R&D output in time to obtain patent protection. Moreover, the patent position of medical devices companies is generally uncertain because it involves complex legal and factual considerations. Patent applications we had applied may not be granted in the end. As such, we do not know the degree of future protection that we will have on our products and technology, if any, and a failure to obtain adequate intellectual property protection with respect to our pipeline products could have a material adverse impact on our business.

Although we enter into non-disclosure and confidentiality agreements or include such provisions in our relevant agreements with parties who have access to confidential or patentable aspects of our R&D output, such as our employees, consultants, advisors and other third parties, any of these parties may breach such agreements and disclose such output before a patent application is filed, jeopardizing our ability to seek patent protection. In addition, publications of discoveries in the scientific literature often lag behind the actual discoveries. Patent applications in China and other jurisdictions are typically not published until 18 months after filing, or in some cases, not at all.

The issuance of a patent is not conclusive as to its inventor, scope, validity or enforceability, and our patents may be challenged in the courts or patent offices in the PRC, the United States and other countries. Moreover, we may have to participate in interference proceedings declared by the United States or other related intellectual property offices to determine priority of invention or in post-grant challenge proceedings, such as oppositions in a foreign patent office, that challenge the priority of our invention or other features of patentability of our patents and patent applications. Such challenges may result in loss of patent rights, loss of exclusivity, or in patent claims being narrowed, invalidated, or held unenforceable, which could limit our ability to stop others from using or commercializing similar or identical technology and products, or limit the duration of the patent protection of our technology, products and pipeline products. Such proceedings also may result in substantial costs and require significant time from our scientists, experts and management, even if the eventual outcome is favorable to us. Consequently, we do not know whether any of our technologies, products or pipeline products will be protectable or remain protected by valid and enforceable patents. Our competitors or other third parties may be able to circumvent our patents by developing similar or alternative technologies or products in a non-infringing manner.

Furthermore, although various extensions may be available, the life of a patent and the protection it affords is limited. We may face competition for any approved pipeline products even if we successfully obtain patent protection once the patent life has expired for the product. The issued patents, for our products and pipeline products are expected to expire on various dates as described in "Business—Intellectual Property Rights" of this document. Upon the expiration of our issued patents or patents that may issue from our pending patent applications, we will not be able to assert such patent rights against potential competitors and our business and results of operations may be adversely affected.

Given the amount of time required for the development, testing and regulatory review of new pipeline products, patents protecting such pipeline products might expire before or shortly after such pipeline products are commercialized. As a result, our patents and patent applications may not provide us with sufficient rights to exclude others from commercializing products similar or identical to ours. Moreover, some of our patents and patent applications are, and may in the future be, co-owned with third parties. If we are unable to obtain an exclusive license to any such third-party co-owners' interest in such patents or patent applications, such co-owners may be able to license their rights to other third parties, including our competitors, and our competitors could market competing products and technology. In addition, we may need the cooperation of any such co-owners of our patents in order to enforce such patents against third parties, and such cooperation may not be provided to us. Any of the foregoing could have a material adverse effect on our competitive position, business, financial conditions, results of operations and prospects.

Our patent applications may not be ultimately granted.

Patent applications may not be granted for a number of reasons, including known or unknown prior deficiencies in the patent application or the lack of novelty of the underlying invention or technology. As of the Latest Practicable Date, we had 200 patents under application in and outside China. For details, see "Business—Intellectual Property Rights." There is no assurance that the patent applications will be granted in a timely manner, or at all. Certain of our patent applications remained with an "applied" status. Such patent applications were under substantial review by the CNIPA as of the Latest Practicable Date. As the time required for the substantial review is at the discretion of the CNIPA, we are unable to predict the expected time frame of receiving material updates in relation to the pending patent applications. If any of the patent applications was rejected, we may lack patent protection covering certain key characteristics of our key products.

We may not be able to enforce, defend or otherwise protect our intellectual property rights.

Filing, prosecuting, maintaining and defending patents on products in multiple jurisdictions could be prohibitively expensive for us, and our intellectual property rights in some countries can have a different scope and strength from those in some other countries. In addition, the laws of certain countries do not protect intellectual property rights to the same extent as the laws of certain other countries do. Consequently, we may not be able to prevent third parties from practicing our inventions in all countries, or from selling or importing medical products made using our inventions in and into certain jurisdictions. Competitors may use our technologies in jurisdictions where we have not obtained patent protection to develop their own products and further, may export otherwise infringing products to certain jurisdictions where we have patent protection but where enforcement rights are not as strong as those in certain other countries. These products may compete with our products and pipeline products and our patent rights or other intellectual property rights may not be effective or adequate to prevent them from competing.

As of the Latest Practicable Date, we had 102 patents in China. To facilitate our strategy to enter overseas market, we also had 30 patents registered overseas. Most of the patents that we owned or applied for are related to self-developed technologies by our in-house R&D team. In addition, as of the Latest Practicable Date, we also owned 113 trademarks in China and 47 trademarks overseas. If we are unsuccessful in obtaining trademark protection for our primary brands, we may be required to change our brand names, which could materially adversely affect our business. Moreover, as our

products mature, our reliance on our trademarks to differentiate us from our competitors will increase, and as a result, if we are unable to prevent third parties from adopting, registering or using trademarks and trade dress that infringe, dilute or otherwise violate our trademark rights, our business could be materially adversely affected.

Many companies have encountered significant problems in protecting and defending intellectual property rights in countries such as China. The legal system in these countries could make it difficult for us to stop the infringement, misappropriation or other violation of our patents or other intellectual property rights, or the marketing of competing products in violation of our proprietary rights in these countries. Proceedings to enforce our intellectual property and proprietary rights could result in substantial costs and divert our efforts and attention from other aspects of our business, could put our patents at risk of being invalidated or interpreted narrowly, could put our patent applications at risk of not issuing, and could provoke third parties to assert claims against us. We may not prevail in any lawsuits that we initiate and the damages or other remedies awarded, if any, may not be commercially meaningful. Accordingly, our efforts to enforce our intellectual property rights may be inadequate to obtain a significant commercial advantage from the intellectual property that we develop or license.

We may become involved in lawsuits to protect or enforce our intellectual property, which could be expensive, time consuming and unsuccessful. Our patent rights relating to our products and product candidates could be found invalid or unenforceable if being challenged.

Competitors may infringe on our patent rights or misappropriate or otherwise violate our intellectual property rights. To counter infringement or unauthorized use, litigation may be necessary in the future to enforce or defend our intellectual property rights, to protect our trade secrets or to determine the validity and scope of our own intellectual property rights or the proprietary rights of others. This can be expensive and time consuming. Any claims that we assert against perceived infringers could also provoke these parties to assert counterclaims against us alleging that we infringe their intellectual property rights. Third parties may also raise similar claims before administrative bodies in China or abroad, even outside the context of litigation. Such proceedings could result in revocation or amendment to our patents in such a way that they no longer cover and protect our products or pipeline products. Accordingly, despite our efforts, we may not be able to prevent third parties from infringing upon or misappropriating our intellectual property. An adverse result in any litigation proceeding could put our patents, as well as any patents that may issue in the future from our pending patent applications, at risk of being invalidated, held unenforceable or interpreted narrowly. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, some of our confidential information could be compromised by disclosure during this type of litigation.

If third parties bring successful claims against us for infringement of their intellectual property rights, we may be subject to injunctive or other equitable relief, which could prevent us from developing and commercializing one or more of our pipeline products. Defense of these claims, regardless of their merit, would involve substantial litigation expense and would substantially divert resources from our business. In the event of a successful claim against us of infringement or misappropriation, or a settlement by us of any such claims, we may have to pay substantial damages, in the case of willful infringement, pay royalties or redesign our infringing pipeline products, which may be impossible or require substantial time and cost. In the event of an adverse result in any such

litigation, or even in the absence of litigation, we may need to obtain licenses from third parties to advance our research or allow commercialization of our pipeline products. Any such license might not be available on reasonable terms or at all. In the event that we are unable to obtain such a license, we would be unable to further develop and commercialize one or more of our pipeline products, which could harm our business significantly. We may also elect to enter into license agreements in order to settle patent infringement claims or to resolve disputes prior to litigation, and any such license agreements may require us to pay royalties and other fees that could significantly harm our business.

Even if litigation or other proceedings are resolved in our favor, there could be public announcements of the results of hearings, motions or other interim proceedings or developments, and if securities analysts or investors perceive these results to be negative, this could have a substantial adverse effect on the market price of our Shares. Such litigation or proceedings could substantially increase our operating losses and reduce the resources available for development activities or any future sales, marketing or distribution activities. We may not have sufficient financial or other resources to adequately conduct such litigation or proceedings. Some of our competitors may be able to sustain the costs of such litigation or proceedings more effectively than we can because of their greater financial resources. Uncertainties resulting from the initiation and continuation of patent litigation or other proceedings could have a material adverse effect on our ability to compete in the marketplace.

If third parties claim that we infringe upon their intellectual property rights, we may incur liabilities and financial penalties and may have to redesign or discontinue selling the affected product.

Companies operating in our industry routinely seek patent protection for their products, and many of our principal competitors have large patent portfolios. Companies in the medical device industry have used intellectual property litigation to gain a competitive advantage. Whether a product infringes a patent involves an analysis of complex legal and factual issues, the determination of which is often uncertain. We face the risk of claims that we have infringed on third parties' intellectual property rights in the countries where we operate, principally China. In addition, a number of our employees have previously worked for one or more of our competitors. There can be no assurance that such employees have not used, or will not use in the future, their previous employers' proprietary know-how or trade secrets in their work for us, which could result in litigation against us. Prior to developing major new products, we evaluate existing intellectual property rights. However, our competitors may also have filed for patent protection which is not as yet a matter of public knowledge or claim trademark rights that have not been revealed through our searches of relevant public records. Our efforts to identify and avoid infringing on third parties' intellectual property rights may not always be successful. Moreover, in the event that our competitors initiate malicious lawsuits or wrongful legal procedures, defending these claims, regardless of their merit, would involve substantial litigation expense and may be a substantial diversion of resources from our business.

Any claims of patent or other intellectual property infringement, even those without merit, could:

- be expensive and time consuming to defend;
- result in us being required to pay significant damages to third parties;

- cause us to cease making or selling products that incorporate the challenged intellectual property;
- require us to redesign, reengineer or rebrand our products, if feasible;
- require us to enter into royalty or licensing agreements in order to obtain the right to use a third party's intellectual property, which agreements may not be available on terms acceptable to us or at all;
- divert the attention of our management; or
- result in hospitals and physicians terminating, deferring or limiting their purchase of the affected products until resolution of the litigation.

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

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

Changes in patent law could diminish the value of patents in general, thereby impairing our ability to protect our product candidates.

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

Even if patent applications we own currently or in the future issue as patents, they may not issue in a form that will provide us with any meaningful protection, prevent competitors or other third parties from competing with us, or otherwise provide us with any competitive advantage. In addition, the patent position of medical device companies generally is highly uncertain, involves complex legal and factual questions, and has been the subject of much litigation in recent years. As a result, the

issuance, scope, validity, enforceability and commercial value of our patent rights are highly uncertain.

If we are unable to protect the confidentiality of our trade secrets, our business and industry position would be harmed. We may be subject to claims that our employees have wrongfully used or disclosed alleged trade secrets of their former employers.

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

Although we try to ensure that our employees do not use the proprietary information or know-how of others in their work for us, we may be subject to claims that we or our employees have used or disclosed intellectual property, including trade secrets or other proprietary information, of any such employee's former employer. We are not aware of any material threatened or pending claims related to these matters or concerning the agreements with our senior management, but in the future litigation may be necessary to defend against such claims. If we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel. Even if we are successful in defending against such claims, litigation could result in substantial costs and be a distraction to management.

In addition, while we typically require our employees and consultants involved in the development of intellectual property to execute agreements assigning such intellectual property to us, we may be unsuccessful in executing such an agreement with each party who in fact develops intellectual property that we regard as our own, which may result in claims by or against us related to the ownership of such intellectual property. If we fail in prosecuting or defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights. Even if we are successful in prosecuting or defending against such claims, litigation could result in substantial costs and be a distraction to our management and scientific personnel.

RISKS RELATING TO OUR OPERATIONS

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

We have a limited operating history compared to some of our competitors. Our limited operating history, particularly in light of the rapidly evolving nature of our industry, may make it difficult to

evaluate our current business and reliably predict our future performance. Any predictions you make about our future success or viability may be subject to uncertainty and may not be as accurate as they could be if we had a longer operating history. In addition, we may encounter unforeseen expenses, difficulties, complications, delays and other known and unknown factors. If we do not address these risks and difficulties successfully, our business will suffer.

Our operations and business plans may be adversely affected by the COVID-19 pandemic.

Since early 2020, a growing number of countries and regions around the world have encountered an outbreak of COVID-19, a highly contagious disease known to cause respiratory illness. On March 11, 2020, the World Health Organization announced the COVID-19 outbreak a pandemic. The spread of COVID-19 continues to affect Mainland China, where we conduct our business and engage in substantial pre-clinical studies and clinical trials. It is difficult to predict the impact that COVID-19 will have on our business or our industry. Our business, including our existing and future clinical and pre-clinical trials, as well as our ability to continue to manage it effectively, could be impacted by the current pandemic or future continuance or reoccurrence of COVID-19 in numerous ways, including but not limited to delay or interruption of the supply of the resources as well as temporary closure or flexible working hours of competent regulatory authorities.

The full effects of the current COVID-19 pandemic or future outbreaks on our business or our industry will depend on a number of factors outside our control, including the extent to which the current pandemic continues to spread, particularly in China, and the level of the medical resources needed to treat COVID-19 patients in China and other countries, as well as the impact of COVID-19 on our employees, subject participating in our clinical trials, the personnel necessary to continue our clinical trials and our CROs, and such effects could be material.

We are subject to the risks of doing business globally.

We expect to continue to build and expand our global visibility. We are also planning and building localized R&D, sales and marketing teams and production capacity in our overseas markets. Accordingly, our business and financial results in the future could be adversely affected due to a variety of factors, including but not limited to:

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

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

We may encounter various difficulties as we plan to expand our business operations in the United States.

We seek to expand our business operations in the United States. Particularly, we plan to establish a R&D and production center in the United States. Production and commercialization of products will be subject to approvals and ongoing regulatory requirements in various aspects in the United States. Production and production facilities are required to comply with extensive regulatory requirements from the FDA and other competent authorities. As such, we will continue to devote time, resources and efforts for regulatory compliance in the United States. As our operations expand, we expect that we will need to manage additional relationships with various strategic partners, suppliers and other third parties in the United States. For example, we plan to leverage the distribution network of Rapid Medical in the United States to help us penetrate the local market. We may not be able to accomplish these tasks, and our failure to accomplish any of them could prevent us from successfully expanding our business operations in the United States.

We may not timely realize the benefits of collaborations.

We may from time to time establish collaborations with third parties that we believe will complement or augment our development and commercialization efforts. However, we face significant competition in seeking appropriate strategic partners and the negotiation process for the collaboration, alliances or licensing arrangements can be time-consuming and complex. Moreover, we may not be successful in our efforts to establish a strategic partnership or other alternative arrangements for our pipeline products because they may be deemed to be at too early of a development stage for collaborative effort and third parties may not view our pipeline products as having the requisite potential to demonstrate safety and efficacy or commercial viability. If and when we collaborate with a third party for development and commercialization of a product, we can expect to relinquish some or all of the control over the future success of that product to the third party. Any of these relationships may require us to incur non-recurring and other charges, increase our near and long-term expenditures, issue securities that dilute our existing Shareholders, or disrupt our management and business. For any products or pipeline products that we may seek to in-license from third parties, we may face significant competition from other medical device companies with greater resources or capabilities than us, and any agreement that we do enter may not result in the anticipated benefits. We had entered into distribution agreements with Asahi Intecc since November 2016 to distribute their neurovascular guidewires in mainland China. We have also entered into a distribution agreement with Rapid Medical since October 2019 to distribute their products in Greater China, which collaboration is further strengthened through our strategic investment in Rapid Medical as we prepare for further global expansion of our products. For details, see "Business—Collaborations."

Further, collaborations are subject to numerous risks, which may include the following:

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

As a result, if we enter into collaboration agreements and strategic partnerships or license our products, we may not be able to timely realize the benefit of such transaction if we are unable to successfully integrate such products with our existing operations and company culture, which could delay our timelines or otherwise adversely affect our business. We also cannot be certain that, following a strategic transaction or license, we will achieve the revenue or specific net income that justifies such transaction. If we are unable to reach agreements with suitable collaborators on a timely basis, on acceptable terms, or at all, we may have to curtail the development of a pipeline product, reduce or delay its development program or one or more of our other development programs, delay its potential commercialization or reduce the scope of any sales or marketing activities, or increase our expenditures and undertake development or commercialization activities at our own expense. If we elect to fund and undertake development or commercialization activities on our own, we may need to obtain additional expertise and additional capital, which may not be available to us on acceptable terms or at all. If we fail to enter into collaborations and do not have sufficient funds or expertise to undertake the necessary development and commercialization activities, we may not be able to further develop our products or bring them to market and generate product sales revenue, which would harm our business prospects, financial condition and results of operations.

We engage third parties to conduct certain aspects of our clinical trials. If we lose our relationship with these third parties, or if these third parties do not successfully carry out their contractual duties or meet expected deadlines, we may not be able to obtain regulatory approval for or successfully commercialize our products and our business could be substantially harmed.

As is common practice in our industry, we have engaged and plan to continue to engage third parties, including leading academic institutions, hospitals, clinics, experienced physicians and CROs, to assist us in implementing and monitoring our preclinical research and conducting clinical trials. If such third parties with which we contract for preclinical research and clinical trials do not perform in an acceptable manner, or if we suffer setbacks in these preclinical studies or clinical trials, we may be unable to develop and successfully commercialize our pipeline products as anticipated. Therefore, we have less control over the quality, timing and cost of these studies and the ability to recruit trial subjects than if we conducted these trials wholly by ourselves. If we are unable to maintain or enter into agreements with these third parties on favorable terms to us, or if any such engagement with us is terminated, we may be unable to enroll patients on a timely basis or otherwise conduct our trials in the manner we anticipate, and the development of the pipeline products covered by those agreements could be substantially delayed.

In addition, there is no guarantee that these third parties may devote adequate time and resources to our studies or perform as required under their contractual obligations, meet the expected deadlines, maintain of clinical trial information regarding our future pipeline products or in accordance with regulatory requirements, including clinical, laboratory and manufacturing guidelines. Our reliance on these third parties may result in delays in completing, or in failing to complete, these studies if they fail to perform in accordance with the contractual arrangements. If these third parties fail to meet expected deadlines, fail to timely transfer to us any regulatory information, fail to adhere to protocols or fail to act in accordance with regulatory requirements or our agreements with them, or if they otherwise perform in a substandard manner or in a way that compromises the quality and/or accuracy of their activities and/or the data they obtain, then clinical trials of our future pipeline products may be extended, delayed or terminated, or our data generated by those studies may be rejected or not accepted by the applicable regulatory authorities, such as the NMPA, which would increase the cost of and the development time for the relevant pipeline product. If any of the preclinical studies or clinical trials of our pipeline products is affected by any of the above-mentioned reasons, we will be unable to meet our anticipated development or commercialization timelines, which would have a material adverse effect on our business and prospects.

Our future success depends on our ability to retain key personnel senior management or key clinical and scientific personnel. If we are unable to recruit, hire and retain qualified personnel, our ability to effectively manage our operations and meet our strategic objectives may be harmed.

Although we have not historically experienced unique difficulties attracting and retaining qualified employees, we could experience such problems in the future. Competition for qualified employees in the medical industry is intense and the pool of qualified candidates is limited. We may not be able to retain the services of our senior management or key clinical and scientific personnel, or attract and retain experienced senior management or key clinical and scientific personnel in the future. If one or more of our senior management or key clinical and scientific personnel are unable or unwilling to continue in their present positions or joins a competitor or forms a competing company,

we may not be able to replace them in a timely manner or at all, and our product development progress may be disrupted as a result, which will have a material and adverse effect on our business and results of operations. In addition, we will need to hire additional employees as we expand our commercialization and manufacturing teams. We may not be able to attract and retain qualified employees on acceptable terms. Our business and growth depend on the continued service of our senior management and personnel in our R&D team to develop pipeline products and our sales and marketing team to promote our products. Although we have formal employment agreements with each of our employees, these agreements do not prevent them from terminating their employment with us at any time. We do not maintain key person insurance for any of our executives or other employees. The loss of the services of any of these persons could impede the achievement of our research, development and commercialization objectives.

Furthermore, replacing executive officers, key employees or consultants may be difficult and may take an extended period of time because of the limited number of individuals in our industry with the breadth of skills and experience required to successfully develop, gain regulatory approval of and commercialize products. Competition to hire from this limited pool is intense, and we may be unable to hire, train, retain or motivate these key personnel or consultants on acceptable terms given the competition among numerous medical device companies for similar personnel. We also experience competition for the hiring of R&D and clinical personnel from universities and research institutions. Our consultants and advisors may be engaged by our competitors and may have commitments under consulting or advisory contracts with other entities that may limit their availability to us. If we are unable to continue to attract and retain high quality personnel, our ability to pursue our growth strategy will be limited.

If we engage in acquisitions or strategic partnerships, this may increase our capital requirements, dilute our Shares, cause us to incur debt or assume contingent liabilities, and subject us to other risks.

From time to time, we may evaluate various acquisitions and strategic partnerships, including licensing or acquiring complementary products, intellectual property rights, technologies or businesses. Any completed, in-process or potential acquisition or strategic partnership may entail numerous risks, including:

- increased operating expenses and cash requirements;
- the assumption of additional indebtedness or contingent or unforeseen liabilities;
- assimilation of operations, intellectual property and products of an acquired company, including difficulties associated with integrating new personnel;
- the diversion of our management's attention from our existing product programs and initiatives in pursuing such a strategic merger or acquisition;
- retention of key employees, the loss of key personnel, and uncertainties in our ability to maintain key business relationships;
- risks and uncertainties associated with the other party to such a transaction, including the prospects of that party and their existing products and pipeline products and regulatory approvals; and/or

- our inability to generate revenue from acquired technology and/or products sufficient to meet our objectives in undertaking the acquisition or even to offset the associated acquisition and maintenance costs.

In addition, if we undertake acquisitions, we may assume or incur debt obligations, incur large one-time expenses and acquire intangible assets that could result in significant future amortization expense.

We may be subject to penalties for the non-registration of lease agreements in the PRC.

We are subject to a number of laws, regulations and local rules. If we fail to comply with applicable local regulations, we may be subject to penalties by the competent authorities. For example, during the Track Record Period and up to the Latest Practicable Date, six lease agreements relating to our leased properties had not been filed with the relevant PRC housing administration authorities. For each lease agreement that is not filed with the relevant PRC housing administration authority, we may be subject to an administrative fine. See "Business—Properties" for details. The laws and regulations applicable to our business, whether national, provincial or local, may also change in ways that materially increase the costs of compliance, and any failure to comply could result in significant financial penalties which could have a material adverse effect on our business, financial position and results of operations.

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

From time to time, we may be involved in claims, disputes and legal proceedings in our ordinary course of business. These may concern issues relating to, among others, product liability, environmental matters, breach of contract, employment or labor disputes and infringement of intellectual property rights. As of the Latest Practicable Date, we were not aware of any pending or threatened litigations and legal proceedings that may materially affect our research and development of our pipeline products, business and results of operations. On-going or threatened litigation, legal or contractual disputes, investigations or administrative proceedings may divert our management's attention and consume their time and our other resources. In addition, any similar claims, disputes or legal proceedings involving us or our employees may result in damages or liabilities, as well as legal and other costs and may cause a distraction to our management. Furthermore, any litigation, legal or contractual disputes, investigations or administrative proceedings, which are initially not of material importance may escalate and become important to us, due to a variety of factors, such as the facts and circumstances of the cases, the likelihood of loss, the monetary amount at stake and the parties involved. If any verdict or award is rendered against us or if we settle with any third parties, we could be required to pay significant monetary damages, assume other liabilities and even to suspend or terminate the related business projects. In addition, negative publicity arising from litigation, legal or contractual disputes, investigations or administrative proceedings may damage our reputation and adversely affect the image of our brands and products. Consequently, our business, financial condition and results of operations may be materially and adversely affected.

Our internal IT systems may fail or suffer security breaches.

Our internal IT systems are vulnerable to damage from computer viruses and unauthorized access. Although to our knowledge we had not experienced any material system failure or security breach up to the Latest Practicable Date, if such an event were to occur and cause interruptions in our operations, it could result in a material disruption of our development programs and our business operations.

In the ordinary course of our business, we collect and store sensitive data, including, among other things, legally protected patient health information, personally identifiable information about our employees, intellectual property, and proprietary business information. We manage and maintain our applications and data utilizing on-site systems and outsourced vendors. These applications and data encompass a wide variety of business critical information including R&D information, commercial information and business and financial information. Because information systems, networks and other technologies are critical to many of our operating activities, shutdowns or service disruptions at our Company or vendors that provide information systems, networks, or other services to us pose increasing risks. Such disruptions may be caused by events such as computer hacking, phishing attacks, ransomware, dissemination of computer viruses, worms and other destructive or disruptive software, denial of service attacks and other malicious activity, as well as power outages, natural disasters (including extreme weather), terrorist attacks or other similar events. Such events could have an adverse impact on us and our business, including loss of data and damage to equipment and data. In addition, system redundancy may be ineffective or inadequate, and our disaster recovery planning may not be sufficient to cover all eventualities. Significant events could result in a disruption of our operations, damage to our reputation or a loss of revenues. In addition, we may not have adequate insurance coverage to compensate for any losses associated with such events.

We could be subject to risks caused by misappropriation, misuse, leakage, falsification or intentional or accidental release or loss of information maintained in the information systems and networks of our Company and our vendors, including personal information of our employees and patients, and company and vendor confidential data. In addition, outside parties may attempt to penetrate our systems or those of our vendors or fraudulently induce our personnel or the personnel of our vendors to disclose sensitive information in order to gain access to our data and/or systems. Like other companies, we have on occasion experienced, and will continue to experience, threats to our data and systems, including malicious codes and viruses, phishing, and other cyber-attacks. The number and complexity of these threats continue to increase over time. If a material breach of our information technology systems or those of our vendors occurs, the market perception of the effectiveness of our security measures could be harmed and our reputation and credibility could be damaged. We could be required to expend significant amounts of money and other resources to repair or replace information systems or networks. In addition, we could be subject to regulatory actions and/or claims made by individuals and groups in private litigation involving privacy issues related to data collection and use practices and other data privacy laws and regulations, including claims for misuse or inappropriate disclosure of data, as well as unfair or deceptive practices. Although we develop and maintain systems and controls designed to prevent these events from occurring, and we have a process to identify and mitigate threats, the development and maintenance of these systems, controls and processes is costly and requires ongoing monitoring and updating as technologies change and efforts to overcome security measures become increasingly sophisticated. Moreover, despite our efforts, the

possibility of these events occurring cannot be eliminated entirely. As we outsource more of our information systems to vendors, engage in more electronic transactions with payors, and rely more on cloud-based information systems, the related security risks will increase and we will need to expend additional resources to protect our technology and information systems.

We may be subject, directly or indirectly, to applicable anti-kickback statutes, false claims laws, physician payment transparency laws, fraud and abuse laws or similar healthcare and security laws and regulations in China and other jurisdictions, which could expose us to criminal sanctions, administration penalties, civil penalties, contractual damages, reputational harm and diminished profits and future earnings.

Healthcare providers, physicians and others play a primary role in the recommendation and application of any products for which we obtain regulatory approval. As we have obtained and will continue to seek regulatory approval for our products and product candidates from the NMPA and other competitive regulatory authorities, which products are then marketed in the PRC or such other jurisdiction, our operations are subject to various applicable anti-kickback statutes, false claims laws, physician payment transparency laws, fraud and abuse laws or similar healthcare and security laws and regulations in China as well as in other jurisdictions, including, without limitation, the Criminal Law of the PRC （《中華人民共和國刑法》）, Regulations on the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》) and the Administrative Measures for the Registration and Recordation of Medical Devices (《醫療器械註冊與備案管理辦法》). These laws may impact, among other things, our research and development activities, applications and proposed sales, marketing and education programs. Violations of fraud and abuse laws may be punishable by criminal and/or administration penalties and/or civil sanctions, including penalties, fines and/or exclusion or suspension from governmental healthcare programs and debarment from contracting with the PRC government.

Neither the PRC government nor the PRC courts have provided definitive guidance on the applicability of fraud and abuse laws to our business. Law enforcement authorities are increasingly focused on enforcing these laws, and some of our practices (including the sales and marketing of medical devices to third parties such as distributors, hospitals and doctors) may be challenged under these laws. Efforts to ensure that our business arrangements with third parties comply with applicable healthcare laws and regulations will involve substantial costs. Governmental authorities could conclude that our business practices may not comply with current or future statutes, regulations or case law involving applicable fraud and abuse or other healthcare laws and regulations. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could have a significant impact on our business, including the imposition of civil, criminal and administrative penalties, damages, disgorgement, monetary fines, possible exclusion from participation in governmental healthcare programs, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of our operations, any of which could adversely affect our ability to operate our business and our results of operations. In addition, we are subject to equivalents of each of the healthcare laws described above in other jurisdictions, among others, some of which may be broader in scope and may apply to healthcare services reimbursed by any source, not just governmental payors, including private insurers. There are ambiguities as to what is required to comply with these requirements, and if we fail to comply with an applicable law requirement, we could be subject to penalties.

If any of the physicians or other providers or entities with whom we do business are found to be not in compliance with applicable laws, they may be subject to criminal, civil or administrative sanctions, including exclusions from government funded healthcare programs, which may also adversely affect our business.

If we fail to comply with applicable anti-bribery laws, our reputation may be harmed and we could be subject to penalties and significant expenses that have a material adverse effect on our business, financial condition and results of operations.

If we fail to comply with applicable anti-bribery laws, our reputation may be harmed and we could be subject to penalties and significant expenses that have a material adverse effect on our business, financial condition and results of operations. We are subject to the anti-bribery laws of various jurisdictions, particularly in China, that generally prohibits companies and their intermediaries from making payments to government officials for the purpose of obtaining or retaining business or securing any other improper advantage. Although we have policies and procedures designed to ensure that we, our employees and our agents comply with anti-bribery laws, there is no assurance that such policies or procedures will prevent our agents, employees and intermediaries from engaging in bribery activities we acquire. Failure to comply with anti-bribery laws could disrupt our business and lead to severe criminal and civil penalties, including imprisonment, criminal and civil fines, loss of our export licenses, suspension of our ability to do business with the government, denial of government reimbursement for our products and/or exclusion from participation in government healthcare programs. Other remedial measures could include further changes or enhancements to our procedures, policies, and controls and potential personnel changes and/or disciplinary actions, any of which could have a material adverse effect on our business, financial condition, results of operations and liquidity. We could also be adversely affected by any allegation that we violate such laws.

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

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

We are subject to numerous environmental, health and safety laws and regulations, including those governing laboratory procedures and the handling, use, storage, treatment and disposal of hazardous materials and wastes. Our operations may involve the use of hazardous and flammable materials. Our operations also produce hazardous waste. We generally contract with third parties for the disposal of these materials and wastes. We cannot eliminate the risk of contamination or injury from these materials. In the event of contamination or injury resulting from our use of hazardous

materials, we could be held liable for any resulting damages, and any liability could exceed our resources. We could also incur significant costs associated with civil or criminal fines and penalties.

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

In addition, we may be required to incur substantial costs to comply with current or future environmental, health and safety laws and regulations. These current or future laws and regulations may impair our research, development or production efforts. Failure to comply with these laws and regulations also may result in substantial fines, penalties or other sanctions.

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

Our operations are subject to hazards and risks associated with our research and manufacturing operations, which may cause significant harm to persons or damage to properties. As of the Latest Practicable Date, we had maintained certain insurance policies for our properties, manufacturing facilities, plant and machinery, equipment and inventories against damage caused by accidents. We also maintain clinical trial liability insurance policies against losses arising from severe adverse events that may occur during clinical trials. For details, see "Business—Insurance." We maintain insurance policies that are required under PRC laws and regulations as well as based on our assessment of our operational needs and industry practice. In line with industry practice in the PRC, we have elected not to maintain certain types of insurances, such as product liability insurance (except for product candidates in clinical trial). Our insurance coverage may be insufficient to cover any claim for product liability, damage to our fixed assets or employee injuries. There is no assurance that our insurance policies will be adequate to cover all losses incurred. Losses incurred and associated liabilities may have a material adverse effect on our results of operation if such losses or liabilities are not covered by our insurance policies.

Specifically, we currently carry product liability insurance covering our clinical trials. Although we maintain such insurance, any claim that may be brought against us could result in a court judgment or settlement in an amount that is not covered, in whole or in part, by our insurance or that is in excess of the limits of our insurance coverage. Our insurance policies also have various exclusions, and we may be subject to a product liability claim for which we have no coverage. We will have to pay any amounts awarded by a court or negotiated in a settlement that exceed our coverage limitations or that are not covered by our insurance, and we may not have, or be able to obtain, sufficient capital to pay such amounts.

Negative publicity and allegations involving us, our Shareholders, Directors, officers, employees and business partners may affect our reputation and, as a result, harm our business, financial condition and operations.

Any negative publicity concerning us, our affiliates or any entity that shares the name of the Company, even if untrue, could adversely affect our reputation and business prospects. We cannot assure you that negative publicities about us or any of our Controlling Shareholder, our affiliates or

any entity that shares the "MicroPort" name of the Company would not damage our brand image and such unauthorized use of our brand name by any third parties may adversely affect the value of our brand name, reputation and business. In addition, any legal actions including litigation to enforce our rights to our brand name may involve significant costs and divert of our limited resources. This may result in a material adverse effect on our business, operation results and financial condition.

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

RISKS RELATED TO DOING BUSINESS IN CHINA

Changes in the political and economic policies of the PRC government may materially and adversely affect our business, financial condition and results of operations and may result in our inability to sustain our growth and expansion strategies.

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

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

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

The majority of our operations are conducted in China, and are governed by PRC laws, rules and regulations. The PRC legal system is a civil law system based on written statutes. Unlike the common law system, prior court decisions may be cited for reference but have limited precedential value. Since

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

In addition, any administrative and court proceedings in China may be protracted, resulting in substantial costs and diversion of resources and management attention. Since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy than in more developed legal systems. These uncertainties may impede our ability to enforce the contracts we have entered into and could materially and adversely affect our business, financial condition and results of operations.

You may experience difficulties in effecting service of legal process and enforcing judgments against us and our management.

Most of our assets, and a significant portion of the assets of our Directors and senior management are located in China. Therefore, it may not be possible for investors to effect service of process upon us or those persons inside China. China has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by courts of most other jurisdictions. On July 14, 2006, Hong Kong and China entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the "2006 Arrangement"), pursuant to which a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in China. Similarly, a party with a final judgment rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it may not be possible to enforce a judgment rendered by a Hong Kong court in China if the parties in the dispute do not agree to enter into a choice of court agreement in writing. As a result, it may be difficult or impossible for investors to effect service of process against our assets or Directors in China in order to seek recognition and enforcement of foreign judgments in China. Although the 2006 Arrangement became effective on

August 1, 2008, the outcome and effectiveness of any action brought under the 2006 Arrangement may still be uncertain.

On January 18, 2019, the Supreme People's Court of the PRC and the government of the Hong Kong Special Administrative Region entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the "2019 Arrangement"), which seeks to establish a bilateral legal mechanism with further clarity and certainty for recognition and enforcement of judgments in a wider range of civil and commercial matters between Hong Kong and mainland China, based on criteria other than a written choice of court agreement. The 2006 Arrangement will be superseded upon the effectiveness of the 2019 Arrangement. Although the 2019 Arrangement has been signed, it remains unclear as to its effective date and uncertain as to the outcome and effectiveness of any action brought under the 2019 Arrangement.

Our dividend income from our PRC subsidiaries may be subject to a higher rate of withholding tax than that which we currently anticipate

Under the EIT law and relevant PRC tax laws and regulations, PRC withholding tax at a rate of 10% is normally applicable to dividends from a PRC source paid to investors that are "non-resident enterprises," which do not have an establishment or place of business in China, or which have such establishment or place of business but whose relevant income is not effectively connected with the establishment or place of business, unless any such foreign investor's jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement. Any gain realized on the transfer of shares by such is generally subject to a 10% PRC enterprise income tax if such gain is regarded as income derived from sources within China.

If we are treated as a PRC resident enterprise, dividends we pay with respect to our Shares, or the gain realized from the transfer of our Shares, may be treated as income derived from sources within China and as a result be subject to the PRC income taxes described above. However, shareholders who are not PRC tax residents and seek to enjoy preferential tax rates under relevant tax treaties may apply to the PRC tax authorities to be recognized as eligible for such benefits in accordance with the Announcement of the SAT on Promulgating the Administrative Measures for Tax Convention Treatment for Non-resident Taxpayors (國家税務總局關於發佈《非居民納税人享受税收協定待遇管理辦法》的公告) (the "Circular 35"), which was issued on October 14, 2019 and became effective on January 1, 2020. According to the Circular 35, the preferential tax rate does not automatically apply. With respect to dividends, the "beneficial owner" tests under the Circular on Relevant Issues relating to Beneficial Owner under Tax Treaties (國家税務總局關於税收協定中"受益所有人"有關問題的公告) (the "Circular 9") will also apply. If determined to be ineligible for the foregoing tax treaty benefits, gains obtained from sales of our Shares and dividends on our Shares paid to such Shareholders would subject to higher PRC tax rates. In such cases, the value of your investment in our Shares may be materially and adversely affected.

PRC regulations relating to the establishment of offshore special purpose vehicles by PRC residents may subject our PRC resident Shareholders to personal liability, limit our PRC subsidiaries' ability to distribute profits to us, or otherwise adversely affect our financial position.

The SAFE promulgated Circular 37 on July 4, 2014 to replace the Circular of the SAFE on Relevant Issues Concerning Foreign Exchange Administration for Financing and Return Investments by Domestic Residents through Special-Purpose Overseas Companies 《國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》（匯發[2005]75號）. According to Circular 37, PRC residents (including PRC citizens and PRC enterprises) shall apply to the SAFE or its local branch to register foreign exchange for overseas investments before contributing to special purpose vehicles (the "SPVs") with legitimate domestic and overseas assets or rights and interests. In the event of any alteration in the basic information of the registered SPVs, such as the change of a PRC citizen shareholder, name and operating duration; or in the event of any alternation in key information, such as increases or decreases in the share capital held by PRC citizens, or equity transfers, swaps, consolidations, or splits, the registered PRC residents shall timely submit a change in the registration of the foreign exchange for overseas investments with the foreign exchange bureaus. If the shareholders of the offshore holding company who are PRC residents do not complete their registration with the local SAFE branches, the PRC subsidiaries may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to the offshore company, and the offshore company may be restricted in its ability to contribute additional capital to its PRC subsidiaries. SAFE promulgated the Notice on Further Simplifying and Improving the Administration of the Foreign Exchange Concerning Direct Investment （《關於進一步簡化和改進直接投資外匯管理政策的通知》） in February 2015, which took effect on June 1, 2015. Such Notice amended Circular 37 requiring PRC residents or entities to register with qualified banks rather than SAFE or its local branch in connection with the establishment or control of an offshore entity established for the purpose of overseas investment.

We may not at all times be fully aware or informed of the identities of all our beneficiaries who are PRC nationals, and may not always be able to compel our beneficiaries to comply with the requirements of the Circular 37. As a result, we cannot assure you that all of our Shareholders or beneficiaries who are PRC nationals will at all times comply with, or in the future make or obtain any applicable registrations or approvals required by the Circular 37 or other related regulations. Under the relevant rules, failure to comply with the registration procedures set forth in the Circular 37 may result in restrictions on the foreign exchange activities of the relevant PRC enterprise and may also subject the relevant PRC resident to penalties under the PRC foreign exchange administration regulations.

The heightened scrutiny over acquisitions from the PRC tax authorities may has an adverse impact on our business, acquisitions or restructuring strategies.

On February 3, 2015, the SAT promulgated the Announcement on Several Issues concerning the Enterprise Income Tax on Income from the Indirect Transfer of Assets by Non-Resident Enterprises (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) ("the Circular 7"), which provides comprehensive guidelines relating to, and heightened the PRC tax authorities' scrutiny on indirect transfers, by a non-resident enterprise, of assets (including equity interests) of a PRC resident enterprise.

There is uncertainty as to the application of the Circular 7. The Circular 7 may be determined by the tax authorities to be applicable to our offshore restructuring transactions or sale of the shares of our offshore subsidiaries, where non-resident enterprises being transferors were involved. Furthermore, we, our non-resident enterprises and PRC subsidiaries may be required to spend valuable resources to comply with the Circular 7 or to establish that we and our non-resident enterprises should not be taxed under the Circular 7 for our previous and future restructuring or disposal of shares of our offshore subsidiaries, which may have a material adverse effect on our financial conditions and results of operations.

PRC regulations of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the* [REDACTED] *of the* [REDACTED] *to make loans or additional capital contributions to our PRC subsidiaries.

Any loans provided by our offshore holding companies to our PRC subsidiaries are subject to PRC regulations and such loans must be registered with the local branch of SAFE. Additionally, our capital contributions to the foreign-invested enterprise must be filed or reported with the MOFCOM or its local counterpart and registered with the SAMR or its local branch. We cannot assure you that we will be able to obtain these government registrations or approvals or to complete filing and registration procedures on a timely basis, if at all, with respect to future loans or capital contributions by us to our subsidiaries or any of their respective subsidiaries. If we fail to obtain such approvals or registrations, our ability to make equity contributions or provide loans to our PRC subsidiaries or to fund their operations may be materially and adversely affected. This may materially and adversely affect our PRC subsidiaries' liquidity, their ability to fund their working capital and expansion projects, and their ability to meet their obligations and commitments. As a result, this may have a material adverse effect on our business, financial conditions and results of operations.

Governmental control of currency conversion, and restrictions on the remittance of Renminbi into and out of China, may adversely affect the value of your investment.

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

Under China's current foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from SAFE, but our PRC subsidiaries are required to present relevant documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within China that have the licenses to carry out foreign exchange business. Approval from appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC Government may also at its discretion restrict access in the future to foreign currencies for current account transactions. Since 2015, in response to China's declining foreign currency reserves, the PRC Government has placed increasingly stringent restrictions on the convertibility of the

Renminbi into foreign currencies. Further, there is no assurance that new regulations will not be promulgated in the future that would have the effect of further restricting the remittance of Renminbi into or out of China.

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

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

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

Furthermore, we rely on certain overseas suppliers to obtain raw materials for our products. In the event that China and/or the United States impose import tariffs, trade restrictions or other trade barriers affecting the importation of such components or raw materials, we may not be able to obtain a steady supply of necessary components or raw materials at competitive prices, and our business and operations may be materially and adversely affected. Since July 2018, there has been a trade dispute between the United States and China, where the United States successively imposed tariffs on Chinese imports and China responded by imposing tariffs on U.S. imports. Although such trade dispute did not have any material negative impact on the cost and supply of raw materials the Company sourced from suppliers located in the United States, there remains much uncertainty as to whether the trade negotiations between the United States and China will be successful and how the trade disputes between the United States and China will progress. If the trade disputes between the United States and China continues or escalates, the businesses, results of operations, financial condition and prospects of our Group may be materially and adversely affected.

Our products may be subject to punitive tariffs or other trade barriers for cross-border sales between the United States and China. Although as of the Latest Practicable Date, none of our products or product candidates was subject to any punitive tariff due to the trade tension between the United States and China, the governments may impose such tariff or even restrict the sales of our products in the future. Any increase in the tariff or trade restrictions will increase our costs and may adversely affect our sales of products in the global market.

RISKS RELATED TO THE [REDACTED]

There has been no prior public market for our Shares and there can be no assurance that an active market would develop, and the* [REDACTED] *and* [REDACTED] *volume of our Shares may be volatile.

No public market currently exists for our Shares. The **[REDACTED]** for our Shares to the public will be the result of negotiations between our Company and the **[REDACTED]**, and the

[REDACTED] may differ significantly from the market price of the Shares following the **[REDACTED]**. We have applied to the Hong Kong Stock Exchange for the **[REDACTED]** of, and permission to **[REDACTED]**, the Shares. However, for instance, all our Pre-**[REDACTED]** Investors are subject to a six-month lock-up period commencing from the **[REDACTED]**, during which they will not, inter alia, directly or indirectly dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any Shares of our Company. As a result, a **[REDACTED]** on the Hong Kong Stock Exchange does not guarantee that an active and liquid **[REDACTED]** market for our Shares will develop, especially during the period when a significant portion of our Shares are subject to lock-up undertakings, or if it does develop, that it will be sustained following the **[REDACTED]**, or that the market price of the Shares will rise following the **[REDACTED]**.

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

The **[REDACTED]** and **[REDACTED]** volume of our Shares may be subject to significant volatility in response to various factors beyond our control, including the general market conditions of the securities in Hong Kong and elsewhere in the world. In particular, the business and performance and the market price of the shares of other companies engaging in similar business may affect the **[REDACTED]** and **[REDACTED]** volume of our Shares. In addition to market and industry factors, the **[REDACTED]** and **[REDACTED]** volume of our Shares may be highly volatile for specific business reasons, including,

- sales of our commercialized products;
- the results of clinical trials of our pipeline products;
- the results of our applications for approval of our pipeline products;
- regulatory developments affecting our industry, healthcare, health insurance and other related matters;
- relationships with our suppliers, movements or activities of key personnel, or actions taken by competitors;
- our financial results;
- unexpected business interruptions resulting from natural disasters or power shortages;
- major changes in our key personnel or senior management;
- changes in laws and regulations in China;
- our inability to compete effectively in the market;
- our inability to obtain or maintain regulatory approval for our operations;

- changes in analysts' estimates of our financial performance;
- political, economic, financial and social developments in China and Hong Kong and in the global economy; and
- involvement in material litigation.

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

***There will be a gap of several days between* [REDACTED] *and* [REDACTED] *of our Shares, and the* [REDACTED] *of our Shares when* [REDACTED] *begins could be lower than the* [REDACTED].**

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

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

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

In addition, our Shareholders would experience dilution in their shareholdings upon **[REDACTED]** or sale of additional share capital or share capital-linked securities by our Company in future **[REDACTED]**. If additional funds are raised through our issuance of new share capital or share capital-linked securities other than on a pro rata basis to existing Shareholders, the shareholdings of such Shareholders may be reduced and such new securities may confer rights and privileges that take priority over those conferred by the **[REDACTED]**.

Sales of substantial amounts of Shares in the public market after the completion of the **[REDACTED]**, or the perception that these sales could occur, could adversely affect the market price of our Shares. Although our Controlling Shareholder is subject to restrictions on its sales of Shares within 12 months from the **[REDACTED]** as described in "**[REDACTED]**" in this document, future sales of a

significant number of our Shares by our Controlling Shareholder in the public market after the **[REDACTED]**, or the perception that these sales could occur, could cause the market price of our Shares to decline and could materially impair our future ability to raise capital through **[REDACTED]** of our Shares. We cannot assure you that our Controlling Shareholder will not dispose of Shares held by it or that we will not issue Shares pursuant to the general mandate to issue shares granted to our Directors as described in "Appendix IV—Statutory and General Information" or otherwise, upon the expiration of restrictions set out above. We cannot predict the effect, if any, that any future sales of Shares by our Controlling Shareholder, or the availability of Shares for sale by our Controlling Shareholder, or the issuance of Shares by the Company may have on the market price of the Shares. Sale or issuance of a substantial amount of Shares by our Controlling Shareholder or us, or the market perception that such sale or issuance may occur, could materially and adversely affect the prevailing market price of the Shares.

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

Our ability to declare future dividends will depend on the availability of dividends, if any, received from our operating subsidiaries. Under applicable laws and the constitutional documents of our operating subsidiaries, the payment of dividends may be subject to certain limitations. The calculation of certain of our operating subsidiaries' profit under applicable accounting standards differs in certain respects from the calculation under HKFRSs. As a result, our operating subsidiaries may not be able to pay a dividend in a given year even if they have profit as determined under HKFRSs. Accordingly, since we derive all of our earnings and cash flows from dividends paid by our operating subsidiaries, we may not have sufficient distributable profit to pay dividends to our Shareholders.

In addition, any future dividend declaration and distribution will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our Directors deem relevant. Any declaration and payment as well as the amount of dividends will also be subject to our Articles of Association, including (where required) the approvals from our Shareholders and our Directors. Our Shareholders at a general meeting must approve any declaration of dividends, which must not exceed the amount recommended by our Board. Moreover, our Directors may from time to time pay such interim dividends as our Board considers to be justified by our profits and overall financial requirements, or special dividends of such amounts and on such dates as they think appropriate. As a result, we cannot assure you that we will make any dividend payments on our Shares in the future.

There may be difficulties in protecting your interests under the laws of the Cayman Islands.

Our corporate affairs are governed by, among other things, our Memorandum of Association and Articles of Association, the Companies Act and common law of the Cayman Islands. The rights of Shareholders to take action against our Directors, actions by minority shareholders and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those in other jurisdictions. Such differences may mean that the remedies available to

the minority shareholders may be different from those they would have under the laws of other jurisdictions.

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

In spite of our current cash and cash equivalents and the net **[REDACTED]** from the **[REDACTED]**, we may require additional funds due to changes in business conditions or other future developments relating to, inter alia, our existing operations or any future expansions. The amount and timing of such additional financing needs will vary depending on the timing investments in and/or acquisitions of new businesses from third-parties, and the amount of cash flow from our operations. If our resources are insufficient to satisfy our cash requirements, we may seek additional financing through selling additional equity or debt securities or obtaining a credit facility.

The sale of additional equity securities could result in additional dilution to our Shareholders. If additional funds are raised by way of issuance of new Shares or equity linked securities other than on a pro rata basis to existing Shareholders, the percentage of ownership of our existing Shareholders in our Company, the earnings per Share and the net asset value per Share may be reduced.

Facts, forecasts and statistics in this document relating to the neurovascular device industry may not be fully reliable.

Facts, forecasts and statistics in this document relating to the neuro-interventional medical device industry in and outside China are obtained from various sources that we believe are reliable, including official government publications as well as a report prepared by CIC that we commissioned. Due to possibly flawed or ineffective collection methods or discrepancies between published information and factual information and other problems, the industry statistics in this document may be inaccurate and you should not place undue reliance on it. Moreover, these facts, forecasts and statistics involve risk and uncertainties and are subject to change based on various factors and should not be unduly relied upon.

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

Subsequent to the date of this document but prior to the completion of the **[REDACTED]**, there may be press and media coverage regarding us and the **[REDACTED]**, which may contain, among other things, certain financial information, projections, valuations and other forward- looking information about us and the **[REDACTED]**. We have not authorized the disclosure of any such information in the press or media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us. To the extent such statements are inconsistent with, or conflict with, the information contained in this document, we disclaim responsibility for them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this document only and should not rely on any other information.

You should rely solely upon the information contained in this document, the **[REDACTED]** and any formal announcements made by us in Hong Kong in making your investment decision

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

In preparation for the **[REDACTED]**, our Group has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules.

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have a sufficient management presence in Hong Kong and, in normal circumstances, at least two of the issuer's executive directors must be ordinarily resident in Hong Kong.

Our Company has two executive Directors who are not, and for the foreseeable future will not be, ordinarily resident in Hong Kong for the purpose of satisfying the requirements under Rule 8.12 of the Listing Rules. Our Group's business operations and assets are primarily based outside Hong Kong, and it would be practically difficult and not commercially necessary for us to relocate our executive Directors to Hong Kong for the purpose of satisfying the requirements under Rule 8.12 of the Listing Rules, or to appoint additional executive Directors solely for the purpose of satisfying Rule 8.12 of the Listing Rules. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted] us, a waiver from compliance with Rule 8.12 of the Listing Rules on the basis that the following measures have been adopted by us:

(a) pursuant to Rule 3.05 of the Listing Rules, we have appointed two authorized representatives, Mr. Peng Bo (彭博), the chairman of our Board and our non-executive Director, and Ms. Hui Yin Shan (許燕珊) ("**Ms. Hui**"), our company secretary, who will act as our Company's principal channel of communication with the Stock Exchange. Ms. Hui is ordinarily resident in Hong Kong. Each of our authorized representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and/or email. Each of the two authorized representatives is authorized to communicate on our behalf with the Stock Exchange;

(b) both our authorized representatives have means to contact all members of our Board (including our independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact the members of our Board for any matters. Our Directors who are not ordinarily resident in Hong Kong possess or can apply for valid travel documents to visit Hong Kong and will be able to meet with the Stock Exchange within a reasonable period of time, when required. All Directors have provided his/her mobile phone numbers, fax numbers and e-mail addresses (where available) to our authorized representatives, in the event that a Director expects to travel, he/she will endeavor to provide the phone number of the place of his/her accommodation to our authorized representatives or maintain an open line of communication via his/her mobile phone and all Directors and authorized representatives have provided his/her mobile numbers, office phone numbers, fax numbers and email addresses (where available) to the Stock Exchange;

(c) pursuant to Rule 3A.19 of the Listing Rules, we have appointed Somerley Capital Limited as our compliance adviser (the "**Compliance Adviser**") , which has access at all times to our authorized representatives, Directors, senior management and other officers of our Company, and will act as an additional channel of communication with the Stock Exchange in addition to the authorized representatives of our Company; and

(d) meetings between the Stock Exchange and our Directors could be arranged through our authorized representatives or the Compliance Adviser, or directly with our Directors within a reasonable time frame. We will promptly inform the Stock Exchange of any changes of our authorized representatives and/or the Compliance Adviser.

CONTINUING CONNECTED TRANSACTIONS

We have entered into certain transactions which will constitute continuing connected transactions for our Company under the Listing Rules after the **[REDACTED]**. We have applied for, and the Stock Exchange [has granted] us, waivers from strict compliance with the announcement requirement under Chapter 14A of the Listing Rules in respect of the continuing connected transactions as disclosed in "Connected Transactions—(B) Continuing Connected Transactions subject to the Reporting, Annual Review and Announcement Requirements but exempt from Circular and Independent Shareholders' Approval Requirement." See "Connected Transactions" for further information.

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

DIRECTORS

Name	Residential Address	Nationality
Executive Director		
Mr. Xie Zhiyong (謝志永)	No. 58, Lane 1558 Kangqiao Road, Kangqiao Town Pudong New Area Shanghai PRC	Chinese
Mr. Wang Yiqun Bruce (王亦群)	No. 22, Lane 408 Xiangnan Road Zhangjiang Town Pudong New Area Shanghai PRC	United States
Non-executive Directors		
Mr. Peng Bo (彭博)	No. 24, Lane 8 Linyi Road Pudong New Area Shanghai PRC	Chinese
Mr. Wang Lin (王琳)	Building 8 129 Jiaotongxi Road Putuo District Shanghai PRC	Chinese
Ms. Wu Xia (吳夏)	Building 2 19 Minyuan South Road Haidian District Beijing PRC	Chinese
Independent non-executive Directors		
Dr. Xu Yi (胥義)	No. 10 Yudaocaifu Mansion Lane 455, Fengrong Road Changxing Island Chongming District Shanghai PRC	Chinese
Dr. Zhang Haixiao (張海曉)	No. 4, Lane 28, Binyang Road Xuhui District Shanghai PRC	Chinese
Mr. Siu Chi Hung (蕭志雄)	28/F, Timber House 74 Waterloo Road Ho Man Tin Hong Kong	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

For further information regarding our Directors, please see "Directors and Senior Management" of this document.

OTHER PARTIES INVOLVED IN THE [REDACTED]

Joint Sponsors

J.P. Morgan Securities (Far East) Limited
28/F, Chater House
8 Connaught Road Central
Hong Kong

China International Capital Corporation Hong Kong Securities Limited
29/F, One International Finance Centre
1 Harbor View Street
Central
Hong Kong

[REDACTED]

[REDACTED]

Legal advisers to our Company

As to Hong Kong and United States laws:
Sidley Austin
39/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong

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

	As to Cayman Islands law: **Maples and Calder (Hong Kong) LLP** 26th Floor, Central Plaza 18 Habour Road Wanchai Hong Kong
Legal advisers to the Joint Sponsors and the [REDACTED]	*As to Hong Kong and United States laws:* **Simpson Thacher & Bartlett** 35/F, ICBC Tower 3 Garden Road Central Hong Kong *As to PRC law:* **JunHe LLP** 26/F HKRI Centre One HKRI Taikoo Hui 288 Shimen Road (No. 1) Shanghai PRC
Auditors and reporting accountant	**KPMG** *Certified Public Accountants* 8th Floor, Prince's Building 10 Chater Road Central Hong Kong
Compliance adviser	**Somerley Capital Limited** 20/F, China Building 29 Queen's Road Central Hong Kong
Industry consultant	**China Insights Industry Consultancy Limited** 10F, Block B, Jing'an International Center 88 Puji Road, Jing'an District Shanghai PRC

[REDACTED]

CORPORATE INFORMATION

Registered Office	Tricor Services (Cayman Islands) Limited Second Floor, Century Yard, Cricket Square P.O. Box 902 Grand Cayman, KY1-1103 Cayman Islands
Head Office and Principal Place of Business in the PRC	Building 19, No. 500 Furonghua Road Pudong New Area Shanghai PRC
Principal place of business in Hong Kong	5/F, Manulife Place, 348 Kwun Tong Road Kowloon Hong Kong
Company's website address	www.medneurotech.com *(information on this website does not form part of this document)*
Company Secretary	Ms. Hui Yin Shan (許燕珊) *(Associate member of HKCGI and CGI UK)* 5/F, Manulife Place, 348 Kwun Tong Road Kowloon Hong Kong
Authorized representatives	Mr. Peng Bo (彭博) No. 24, Lane 8 Linyi Road Pudong New Area Shanghai PRC Ms. Hui Yin Shan (許燕珊) 5/F, Manulife Place, 348 Kwun Tong Road Kowloon Hong Kong
Audit committee	Mr. Siu Chi Hung (蕭志雄) *(Chairperson)* Dr. Xu Yi (胥義) Dr. Zhang Haixiao (張海曉)
Remuneration committee	Dr. Xu Yi (胥義) *(Chairperson)* Mr. Peng Bo (彭博) Mr. Siu Chi Hung (蕭志雄)

Nomination committee

Dr. Zhang Haixiao (張海曉) *(Chairperson)*
Mr. Xie Zhiyong (謝志永)
Dr. Xu Yi (胥義)

[REDACTED]

Principal Banks

China Construction Bank Shanghai Zhangjiang Branch
220 Keyuan Road
Pudong New Area
Shanghai
PRC

Bank of China Shanghai Zhoupu Branch
1st Floor, Wanda Plaza
No. 3435 Hunan Road
Pudong New Area
Shanghai
PRC

Shanghai Pudong Development Bank Co., Ltd.
Zhangjiang Keji Branch
No. 56 Boyun Road
Pudong New Area
Shanghai
PRC

This section contains information relating to our markets. Certain facts, statistics and data presented in this section and elsewhere in this document have been derived, in part, from various publicly available government and official sources, industry statistics and publications. We also commissioned an independent industry consultant, China Insights Consultancy, to prepare an industry research report ("CIC Report") upon which this Industry Overview section is based. Unless otherwise indicated, all historical and forecast statistical information, including trends, sales, market share and growth, is from the CIC Report.

OVERVIEW OF NEUROVASCULAR DISEASES

Overview of Neurovascular Diseases

Neurovascular diseases refer to disorders where an area of the brain is temporarily or permanently affected by bleeding or restricted blood flow. Restrictions in blood flow may occur from vessel narrowing, clot formation, blockage or artery rupture.

There are three major categories of neurovascular diseases: hemorrhagic stroke, cerebral atherosclerotic stenosis and acute ischemic stroke (AIS). Hemorrhagic stroke happens when an artery in the brain leaks or ruptures. Cerebral atherosclerotic stenosis occurs when blood flow to the brain is restricted by the narrowing of an artery due to buildup of fatty deposits inside the vessel. AIS occurs when a vessel supplying blood to the brain is obstructed.

Neurovascular diseases have a high incidence rate, prevalence rate and are the leading cause of death in China. Stroke incidence and mortality rate are high in China. According to CIC, China had the largest number of stroke patients in the world, including an incidence of 0.8 million hemorrhagic stroke patients, 0.5 million transient ischemic attack (a condition commonly associated with cerebral atherosclerotic stenosis) patients and 1.7 million AIS patients in 2020.

Hemorrhagic Stroke

A hemorrhagic stroke is bleeding due to rupture or leakage of brain arteries. Bleeding can occur either within the brain or between the brain and the skull. Hemorrhagic strokes are divided into two categories depending on the site and cause of the bleeding. Intracerebral hemorrhage (ICH) occurs when the bleeding occurs inside of the brain. In subarachnoid hemorrhage (SAH), the bleeding occurs between the brain and the membranes that cover it.

Cerebral Atherosclerotic Stenosis

Cerebral atherosclerotic stenosis occurs when blood flow to the brain is restricted by a narrowing of an artery due to buildup of fatty deposits (also known as plaque) inside the vessel. Cerebral atherosclerotic stenosis can be further divided into intracranial stenosis, vertebral artery stenosis and carotid artery stenosis. More than 20% of ischemic stroke cases are related to cerebral atherosclerotic stenosis. Cerebral atherosclerotic stenosis is also a major etiologic cause of transient ischemic attack.

Acute ischemic stroke (AIS)

Acute ischemic stroke is characterized by a sudden loss of blood circulation to an area in the brain, resulting in corresponding loss of neurological function. AIS occurs when blood flow through a

brain artery is blocked by a clot, a mass of thickened blood. Typical cause of AIS is intracranial atherosclerosis.

Treatments for Neurovascular Disease

Intravenous thrombolysis (IVT), open neurosurgery and neuro-interventional procedures are the main treatments for neurovascular diseases. IVT is a method using thrombolytic drugs to treat thrombosis and is typically given up to six hours after the onset of symptoms. Open neurosurgery is the traditional type of surgery in which an incision is made to the skull, often referred to as a craniotomy. Through this incision, physicians use conventional surgical techniques to repair lesions and subarachnoid disorders. Open neurosurgeries are usually used for hemorrhagic stroke caused by vascular malformations or acute bleeding.

Neuro-interventional procedures are minimally invasive in nature and are used to treat neurovascular diseases based on radiology and advanced image-guidance technology. Neuro-interventional procedures have a number of advantages as compared with IVT treatment and open neurosurgery. First, neuro-interventional procedures allow for a relatively long treatment time window. Also, drugs can be directly delivered to the lesions in proper dosage through balloons or stents, reducing side effects for patients as compared with oral administration. The minimally invasive nature of neuro-intervention reduces the risk of postoperative infections and enables patients to recover quicker after the procedure. Lastly, for patients that are not eligible for IVT due to conditions such as large aneurysms, history of intracranial hemorrhage or recent incidence of stroke, neuro-interventional procedures provide a crucial alternative.

The following table sets forth the major types of neuro-interventional procedures for hemorrhagic stroke, cerebral atherosclerotic stenosis and AIS. See respective sections below for details.

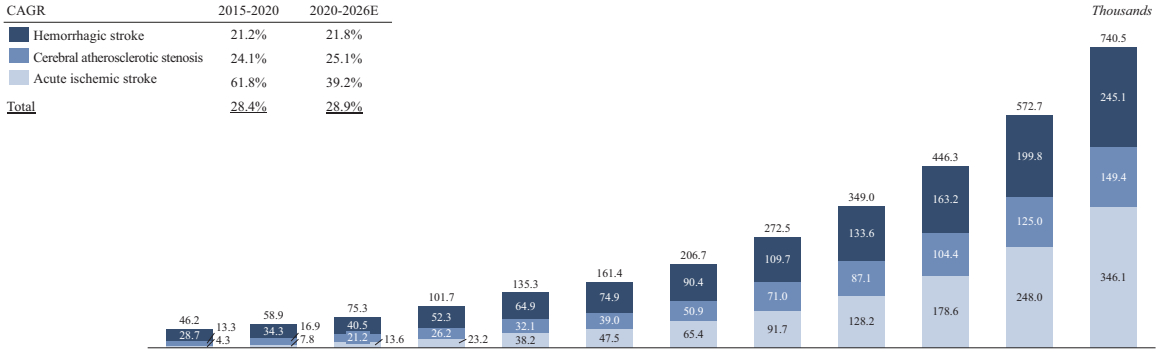
for hemorrhagic stroke			*for cerebral atherosclerotic stenosis*		*for AIS*	
1 **Aneurysm coiling**	2 **Flow diversion**	3 **Stent graft**	4 **Stent angioplasty**	5 **Balloon angioplasty**	6 **Stent retrieving thrombectomy**	7 **Aspiration thrombectomy**
• Coil embolization for aneurysm in hemorrhagic stroke treats an aneurysm by filling it with materials that close off the sac to reduces the risk of bleeding.	• Flow diverting stents aim to decrease blood flow within the aneurysm and redirect the blood to the parent artery. It also promotes endothelial tissue formation along the surface of the stents. Flow diversion reduces the recurrence rate effectively and is especially ideal for large or irregular aneurysm.	• The stent graft is a tube made of a thin metal mesh covered with a thin polyester fabric used to prevent blood flows from entering the aneurysm, thus reducing the risk of subsequent stroke.	• Stent angioplasty is a procedure that uses a stent to compress the plaque and widens the lumen of the artery. Drug-eluting stent has a polymer coating over mesh that emits an anti-proliferative drug over time to reduce the likelihood of restenosis.	• Drug-coated balloon (DCB) uses a catheter with a balloon covered with anti-proliferative drug which is released to the vessel wall after inflation of the balloon.	• During stent retrieving thrombectomy, the stent retriever deploys within the clot to immediately restore blood flow, after which the mesh of stent retriever embedded within the clot catches and retrieves the clot.	• Aspiration thrombectomy is a kind of vessel interventional therapy adopting the principle of negative pressure to suck out the thrombus through an aspiration catheter.

Source: China Insights Consultancy

CHINA NEURO-INTERVENTIONAL MEDICAL DEVICE MARKET

The number of neuro-interventional procedures in China increased from approximately 46,200 in 2015 to 161,400 in 2020 at a CAGR of 28.4% and is estimated to further increase to approximately 740,500 in 2026, at a CAGR of 28.9% from 2020 to 2026. Among the three types of neuro-interventional procedures, namely, procedures for hemorrhagic stroke, cerebral atherosclerosis and AIS, procedures for hemorrhagic stroke are the most prevalent in China at present and represented approximately 46.4% of all neuro-interventional procedures in terms of number of procedures in 2020. The chart below sets forth the number of neuro-interventional procedures in China:

Number of neuro-interventional procedures and penetration rate in China, by type of diseases, 2015-2026E



*Penetration rate**	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E	2026E
Hemorrhagic stroke	2.9%	3.7%	4.7%	6.2%	7.8%	9.1%	11.1%	13.6%	16.8%	20.7%	25.6%	31.7%
Cerebral atherosclerotic stenosis	0.4%	0.5%	0.6%	0.7%	0.8%	1.0%	1.2%	1.7%	2.1%	2.5%	3.0%	3.5%
AIS	0.3%	0.5%	0.8%	1.4%	2.2%	2.7%	3.7%	5.2%	7.2%	10.1%	14.0%	19.5%

*Note: *The penetration rate is measured by the number of procedures as a percentage of the number of patients eligible for such procedures.*

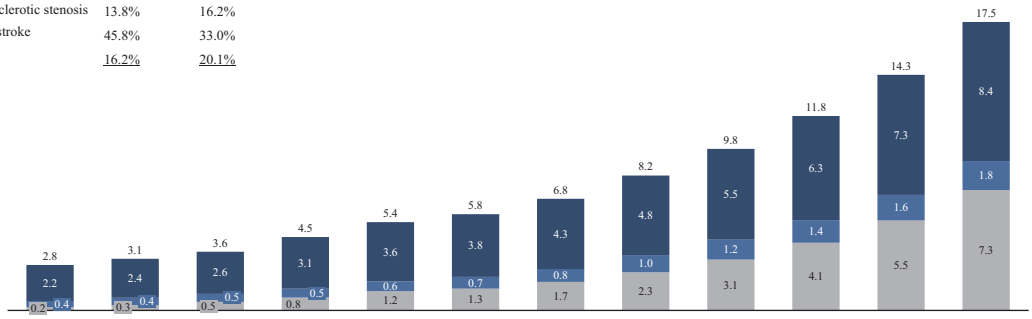
Source: China Insights Consultancy

The market size of China's neuro-interventional medical device market increased from RMB2.8 billion in 2015 to RMB5.8 billion in 2020 at a CAGR of 16.2% and is expected to further increase to RMB17.5 billion in 2026 at a CAGR of 20.1% from 2020 to 2026. Medical devices for hemorrhagic stroke is the sub-market with the largest market size in China, representing 65.5% of the China market size for neuro-interventional medical devices in 2020. 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. Medical devices for AIS represent the sub-market with the highest growth rate in China, with a CAGR of 45.8% between 2015 and 2020 and an estimated CAGR of 33.0% between 2020 and 2026. The chart below sets forth the market size for neuro-interventional medical devices in China:

Market size of China neuro-interventional medical device market, by type of disease, 2015-2026E

CAGR	2015-2020	2020-2026E
Hemorrhagic stroke	11.8%	14.2%
Cerebral atherosclerotic stenosis	13.8%	16.2%
Acute ischemic stroke	45.8%	33.0%
Total	16.2%	20.1%

RMB billions



Market share	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E	2026E
Hemorrhagic stroke	*79.2%*	*75.5%*	*71.8%*	*70.4%*	*67.2%*	*65.5%*	*62.9%*	*59.0%*	*56.2%*	*53.6%*	*51.0%*	*48.2%*
Cerebral atherosclerotic stenosis	*13.6%*	*14.1%*	*13.7%*	*12.0%*	*11.0%*	*12.1%*	*11.6%*	*12.8%*	*12.3%*	*11.6%*	*10.9%*	*10.1%*
AIS	*7.3%*	*10.4%*	*14.5%*	*17.6%*	*21.8%*	*22.4%*	*25.6%*	*28.3%*	*31.5%*	*34.8%*	*38.2%*	*41.7%*

Source: China Insights Consultancy

Currently, the penetration rate for neuro-interventional procedures is relatively low. The penetration rates for hemorrhagic stroke, cerebral atherosclerosis and AIS procedures in China were 9.1%, 1.0% and 2.7% in 2020, respectively. Such low penetration rates were primarily due to the time-sensitivity, high costs and lack of acceptance of neuro-interventional procedures in China. Driven by the large patient population, the greater availability of Chinese-developed neuro-interventional medical devices, the increasing acceptance of such procedures, the penetration rates for hemorrhagic stroke, cerebral atherosclerotic stenosis and AIS procedures in China are expected to increase to 31.7%, 3.5% and 19.5% in 2026, respectively, according to CIC.

The development of the China neuro-interventional medical device market may face the following challenges. First, given the complexity of neuro-interventional procedures, physicians capable of performing such procedures are limited. According to CIC, about 5,000 doctors performed neuro-interventional procedures in China in 2020. Second, the geographic coverage of stroke treatment centers, especially those in lower-tier cities, needs to be further expanded given the time-sensitivity of treating neurovascular diseases. Third, the R&D of neuro-interventional medical devices, as well as their registration and commercialization, require heavy capital investment. Performing clinical trials, upgrading and finetuning the devices, establishing manufacturing facilities for mass production and carrying out marketing initiatives all demand substantial investments, and it takes time

for neuro-interventional medical devices companies to achieve profitability for a new product. Fourth, regulations on neuro-interventional medical devices in China are strict. Product candidates must demonstrate satisfactory safety and efficacy clinical trial results in order to be approved by the NMPA unless the clinical trial is specifically waived. As a result, the development and registration of neuro-interventional medical devices may take a number of years. After obtaining registration approvals, medical device companies also need to obtain manufacturing licenses and maintain strict compliance with GMP requirements and various other regulations in China. Lastly, patient affordability and acceptance for neuro-interventional procedures need to be further enhanced, which require more in-depth patient education and stronger regulatory support.

Growth Drivers and Future Trends

We believe the rapid growth of China's neuro-interventional medical device market has been and will continue to be driven by the following factors:

Increasing prevalence of neurovascular diseases and proven efficacy of neuro-interventional procedures. Neurovascular diseases are age-related with a higher prevalence for the elderly. Considering the aging population in China, it is expected that the number of patients eligible for neurovascular diseases will continue increasing in the future. Meanwhile, the efficacy of neuro-interventional procedures has been proved by various empirical studies, and an increasing number of neuro-interventional procedures have been established as standard treatments. These academic advances further facilitate the adoption and acceptance of neuro-interventional procedures in clinical practice.

Increasing number of hospitals and physicians capable of neuro-interventional procedures. Given their high complexity, neuro-interventional procedures are currently performed in a limited number of hospitals. According to CIC, in 2020, there were about 2,200 hospitals in China that had performed neuro-interventional procedures, among which over 1,200 hospitals had performed neuro-interventional procedures with our products. The total number of hospitals that have performed neuro-interventional procedures in China is expected to reach 3,000 hospitals in 2026, according to CIC. The treatment for many neurovascular diseases is highly time-sensitive, and in particular, the best treatment time for AIS is four to six hours since symptom onset. Therefore, the increase in the number of hospitals capable of performing neuro-interventional procedures, especially hospitals in lower-tier cities where the medical service network for neurovascular diseases is less developed, is critical for meeting the medical demands in China. Along with the increase in hospitals, aspiring physicians will have greater access to training and education in this medical specialty, which in turn, further develops the treatment of neurovascular diseases in these regions.

Development of Chinese-developed neuro-interventional medical devices. An increasing number of Chinese-developed neuro-interventional medical devices have been developed and commercialized. Currently, domestic developers only gained a market share (in terms of sales volume) of approximately 11% of China's neuro-interventional medical device market in 2020. Domestic products usually have more diversified models, and therefore are better able to accommodate demands for products in different sizes or specifications. Domestic neuro-interventional medical devices are generally more affordable than imported neuro-interventional medical devices. Domestic neuro-interventional medical devices also enjoy greater medical insurance coverage than imported neuro-interventional medical devices in areas such as Shanghai and certain cities in Jiangsu, Anhui and

Yunnan provinces. For example, according to CIC, in Shanghai, the medical insurance coverage for domestic neuro-interventional medical devices is 80%, whereas the coverage for imported neuro-interventional medical devices is 70%, pursuant to Shanghai medical insurance regulations promulgated in 2019. Domestic developers are expected to obtain a significantly higher market share (in terms of sales volume) in the future, reaching approximately 32% in 2026, according to CIC. Currently, many Chinese-developed neuro-interventional medical devices are in the clinical trial stage or registration stage. Once they are approved, the availability of Chinese-developed neuro-interventional medical devices will increase significantly, providing physicians with more comprehensive tools for a total solution for neurovascular diseases. Further, Chinese-developed neuro-interventional medical devices will gain greater growth opportunities as they are generally more cost efficient, enjoy greater medical insurance coverage and have more diversified models than those developed by international medical device companies.

Favorable policies promoting treatments for stroke. The PRC government implemented a series of favorable policies in relation to the treatment of neurovascular diseases. The PRC government started an initiative in 2017 which aimed to establish a 24/7 fully comprehensive stroke treatment system. The stroke treatment centers, based in hospitals of different levels, aim to allow stroke patients to receive treatment within one hour after the stroke onset, which is considered the gold standard. Currently, over 1,000 stroke centers have been established in China. These stroke treatment centers aim to provide timely treatment for patients with stroke attacks as well as to enhance the prevention of neurovascular diseases. These stroke treatment centers, particularly the local-level ones, also help educate and train local physicians and increase the acceptance of neuro-interventional procedures in lower-tier cities.

Competitive Landscape

In terms of sales of neuro-interventional medical devices in 2020, the top five players in the neurovascular medical device market in China are Medtronic, Stryker, MicroVention, Johnson & Johnson and our Company, representing a total market share of approximately 91% in China in 2020, and among which our Company had a market share of approximately 4%, according to CIC. We are the only domestic developer among the top five players. Details of the other four players are set forth in the table below:

Name	Background	Network coverage	Listing status
Medtronic	Medtronic is a medical device company that generates revenues from four business segments, cardiac and vascular, minimally invasive therapies, restorative therapies and diabetes.	Global	NYSE
Stryker	Stryker is a medical device company that offers innovative products and services in medical and surgical, neurotechnology, orthopedics and spine that help improve patient and hospital outcomes.	Global	NYSE
MicroVention	MicroVention is a medical device company focusing on the creation and commercialization of innovative neuroendovascular technologies.	Global	TYO
Johnson & Johnson	Johnson & Johnson operates through three segments, consumer, pharmaceutical and medical devices. The medical devices segment offers a range of interventional products used in orthopedic, surgery, and vision fields.	Global	NYSE

Source: China Insights Consultancy

Thanks to their continuous R&D efforts in developing and manufacturing neuro-interventional medical devices, Chinese developers have gained a rapidly growing market share in China. In 2020, there were approximately 15 Chinese developers for neuro-interventional medical devices, which represented approximately 7% of the total sales revenue by ex-factory price in China's neuro-interventional medical device market in 2020. In 2020, our sales revenue (by ex-factory price) accounted for approximately 57% of the total sales revenue (by ex-factory price) of all Chinese developers for neuro-interventional medical devices in China, ranking the first among all Chinese developers, according to CIC. As of the Latest Practicable Date, there were 69 Chinese-developed neuro-interventional medical devices that had been commercialized, according to CIC.

THE CHINA HEMORRHAGIC STROKE NEURO-INTERVENTIONAL MEDICAL DEVICE MARKET

A hemorrhagic stroke happens when an artery in the brain leaks or ruptures. Hemorrhagic stroke is most commonly caused by high blood pressure or intracranial aneurysms, which are balloon-like bulges in an artery that can stretch and burst. If an intracranial aneurysm ruptures, the blood floods around the brain tissue and it quickly becomes life-threatening. Therefore, intracranial aneurysms are known as "ticking time bombs in the head." Even if an intracranial aneurysm remains unruptured, it still presses on brain tissues nearby and potentially can cause pain around the eye, change in vision or numbness of one side of the face. The incidence of hemorrhagic stroke in China was 0.8 million in 2020 and is estimated to remain at the same level in 2026.

Treatment of Hemorrhagic Stroke

Traditionally, the only available treatment for intracranial aneurysm was surgical clipping, which is an open neurosurgery that places a clip through an incision in the skull to seal off the aneurysm neck. In the last three decades, minimally invasive treatments for intracranial aneurysm have evolved tremendously, and various treatment options have been developed.

The first minimally invasive treatment was coil embolization which can be used in conjunction with stents as a way to keep coils in the aneurysm. Coil embolization prevents the aneurysm from further expanding and rupturing. Coil embolization assisting stents are especially helpful for aneurysms with wide necks or unusual shapes. The stent supports the coils and prevents them from migrating into the parent artery, the artery from which the aneurysm has developed, whilst at the same time encouraging packing density and suspension of blood flow or stasis in the aneurysm. Coil embolization can treat most types of aneurysms and there is a direct relationship between packing density and the success of occlusion.

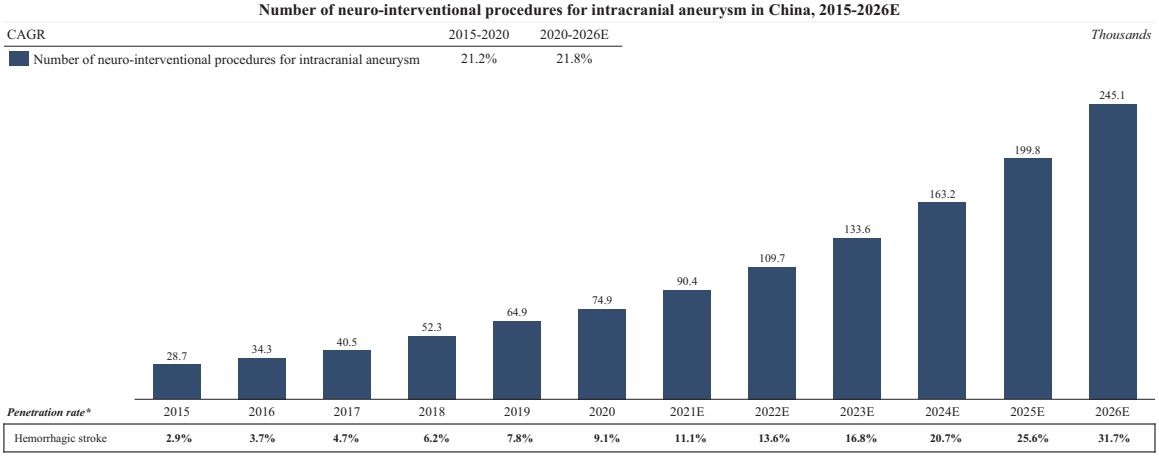
A relatively new treatment is flow diversion. Flow diverting stent aims to decrease blood flow within the aneurysm and redirect the blood to the parent artery. It also promotes endothelial tissue formation along the surface of the stent, which subsequently closes off the aneurysm neck and permanently closes the aneurysm from the systemic blood circulation. Unlike coil embolization, flow diversion eliminates the need for entering the aneurysm sac. Therefore, it reduces the risk of intraoperative rupture. Flow-diverting stent is specifically indicated for large aneurysms (between 10 and 25 mm in diameter) or giant aneurysms (greater than 25 mm in diameter), which account for around 5% of all aneurysms. For large or giant aneurysms, flow diversion has a higher rate of success and lower recurrence rate compared to traditional treatments.

Stent grafts are expandable stents covered by a membrane, which fit within the artery wall tightly and thereby prevent blood flow from entering the aneurysm. Stent grafts also provide viable solutions for complex neurovascular diseases, including dissecting aneurysms, blood blister-like aneurysms and pseudo-aneurysms, being rare types of aneurysms in intracranial arteries, as well as carotid-cavernous fistulae, an abnormal connection between the carotid artery and a large vein called the cavernous sinus. Stent grafts are able to limit the risk of procedure-related rupture of aneurysms and the related risk of substantial blood loss due to the lack of a vessel wall.

Hemorrhagic Stroke Neuro-interventional Medical Device Market

The number of neuro-interventional procedures for intracranial aneurysm in China increased from approximately 28,700 in 2015 to 74,900 in 2020 and is estimated to further increase to approximately 245,100 in 2026, at a CAGR of 21.8% from 2020 to 2026. The penetration rate of hemorrhagic stroke neuro-interventional procedures in China, measured by the number of procedures as a percentage of the number of patients eligible for such procedures, is expected to increase from 9.1% in 2020 to 31.7% in 2026. The chart below sets forth the number of neuro-interventional procedures for intracranial aneurysm in China:

Number of neuro-interventional procedures for intracranial aneurysm in China, 2015-2026E

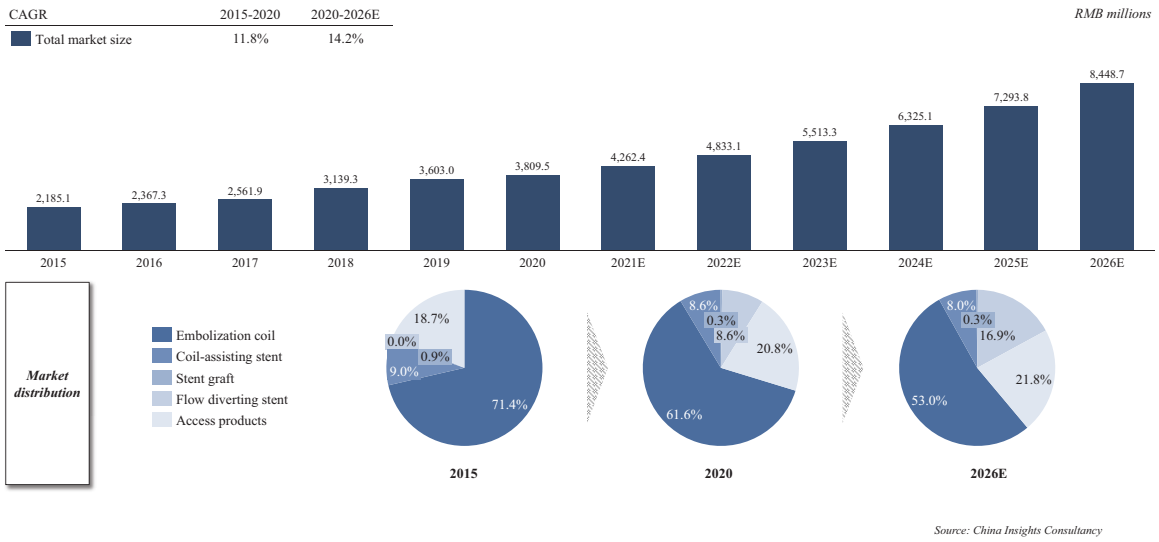


*The penetration rate is measured by the number of procedures as a percentage of the number of patients eligible for such procedures.

Source: China Insights Consultancy

The market size for China's hemorrhagic stroke neuro-interventional medical devices in terms of sales revenue by ex-factory price increased from RMB2.2 billion in 2015 to RMB3.8 billion in 2020 at a CAGR of 11.8% and is expected to further increase to RMB8.4 billion in 2030 at a CAGR of 14.2% from 2020 to 2026. The chart below sets forth the market size for hemorrhagic stroke neuro-interventional devices in China:

Market size of neuro-interventional medical devices for intracranial aneurysm in China, 2015-2026E



Source: China Insights Consultancy

Competitive Landscape

Embolization Coils

As of the Latest Practicable Date, there were 38 intracranial coil embolization devices developed by a number of companies approved by the NMPA, as shown in the following table. *NUMEN* had a market share of approximately 0.7% in 2020 in China in terms of sales volume.

Company	Number of approved embolization coils
Medtronic	8
MicroVention	8
Johnson & Johnson	5
Stryker Neurovascular	5
Achieva Medical	3
Our Company	2
TJWY Medical	2
Wallaby Medical	2
SealMed	1
Zylox-Tonbridge Medical	1
Visee Medical	1
Total	**38**

Coil Embolization Assisting Stent

According to CIC, as of the Latest Practicable Date, there were seven coil embolization assisting stents approved by the NMPA. Details of such approved coil embolization assisting stents are set forth below. *Rebridge* is the first Chinese-developed full-visualization coil embolization assisting stent that entered the registrational clinical trial, according to CIC. The first patient enrollment for *Rebridge*'s registrational clinical trial was completed in January 2022.

Product	Company	NMPA First Approval Time	Full Visualization
ENTERPRISE Vascular Reconstruction Device and Delivery System	Johnson & Johnson	February 2017	No
Self-expanding Intracranial Stent	BALT EXTRUSION	February 2017	Yes
Neuroform EZ Stent System	Stryker Neurovascular	February 2017	No
LVIS Intraluminal Support Device	MicroVention	December 2017	Yes
ENTERPRISE 2 Vascular Reconstruction Device and Delivery System	Johnson & Johnson	September 2018	No
LVIS Jr. Intracranial Support Device	MicroVention	March 2019	Yes
Neuroform Atlas Stent System	Stryker Neurovascular	May 2020	No

Flow-diverting Stent

As of the Latest Practicable Date, there were three flow-diverting stents approved by the NMPA. *Tubridge* obtained a market share of approximately 44% in 2020 in China in terms of sales volume. The following table sets forth the flow-diverting stents approved in China as of the Latest Practicable Date, according to CIC:

Product	Company	NMPA First Approval Time
Pipeline Flex Embolization Device	Medtronic	December 2017
Tubridge	Our Company	March 2018
Surpass Streamline Flow Diverter	Stryker Neurovascular	June 2020

Stent Graft

As of the Latest Practicable Date, our *Willis*, approved in February 2013, was the only intracranial stent graft approved by the NMPA in China. *Willis* had a market share of 100% in 2020 in China in terms of sales volume.

Product	Company	NMPA First Approve Time
Willis	Our Company	February 2013

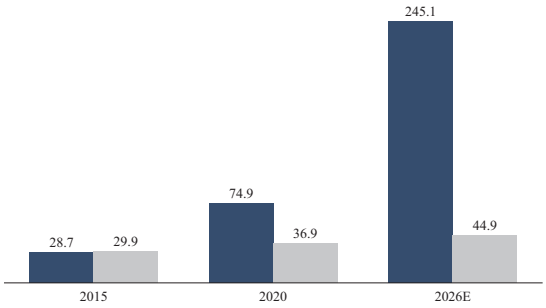
THE UNITED STATES HEMORRHAGIC STROKE NEURO-INTERVENTIONAL MEDICAL DEVICE MARKET

Global leading countries in neuro-interventional procedures mainly include the United States, Japan, Germany, Brazil, France, Spain and South Korea, among which the United States represents the largest national market globally. The market for hemorrhagic stroke neuro-interventional devices represents the largest sub-market for the global neuro-interventional devices market, according to CIC. The charts below set forth the number of procedures, market size and penetration rate of the United States as compared with China. Although the number of neuro-interventional procedures and market size of China have been growing rapidly at a rate significantly higher than that of the United States, the penetration rate of neuro-interventional procedures remained low in China due to its large patient population. Such discrepancy implies significant growth potential of the China market:

Number of neuro-interventional procedures for hemorrhagic stroke, China vs. the U.S.

CAGR	2015-2020	2020-2026E
China	21.2%	21.8%
The U.S.	4.3%	3.3%

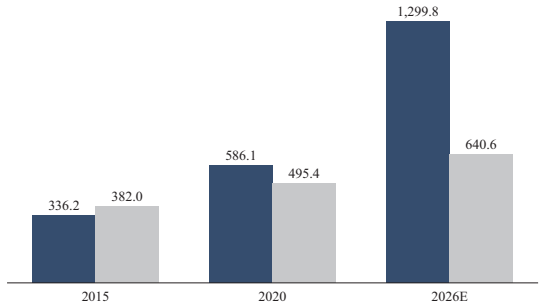
Thousands



Market size of neuro-interventional medical devices for hemorrhagic stroke, China vs. the U.S.

CAGR	2015-2020	2020-2026E
China	11.8%	14.2%
The U.S.	5.3%	4.4%

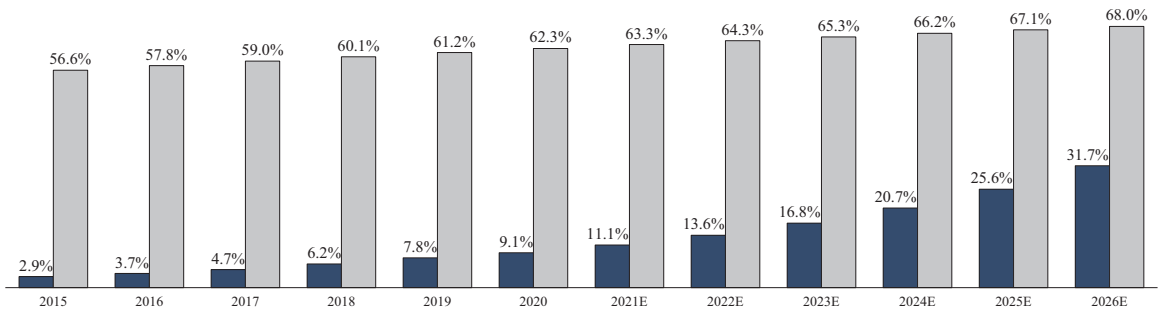
USD millions



Source: China Insights Consultancy

Penetration of neuro-interventional procedures for hemorrhagic stroke, China vs. the U.S.

CAGR	2015-2020	2020-2026E
China	25.7%	23.2%
The U.S.	1.9%	1.5%



Source: China Insights Consultancy

THE CHINA CEREBRAL ATHEROSCLEROTIC STENOSIS NEURO-INTERVENTIONAL MEDICAL DEVICE MARKET

Cerebral atherosclerotic stenosis occurs when blood flow to the brain is restricted by a narrowing of an artery due to plaque buildup inside the vessel. Cerebral atherosclerotic stenosis can be further divided into intracranial stenosis, vertebral artery stenosis and carotid artery stenosis. There are three ways in which cerebral atherosclerotic stenosis can develop into a stroke: (i) the plaque can grow larger, severely narrowing the artery and reducing blood flow to the brain and it can eventually completely block the artery; (ii) the plaque can roughen and deform the artery wall, causing blood clots to form and block blood flow to the brain; and (iii) the plaque can rupture and break away, traveling downstream to lodge in a smaller artery and block blood flow to the brain.

More than 20% of ischemic stroke cases are related to cerebral atherosclerotic stenosis. The prevalence of cerebral atherosclerotic stenosis in Chinese population increased from 15.6 million patients in 2015 to 17.1 million patients in 2020, and is estimated to further increase to 18.8 million patients in 2026.

Treatment of Cerebral Atherosclerotic Stenosis

Treatment options for cerebral atherosclerotic stenosis vary according to the severity of the stenosis and whether the patient is experiencing stroke-like symptoms. Patients are first treated with medication and are encouraged to make lifestyle changes to reduce their risk of stroke. Surgical treatment for cerebral atherosclerotic stenosis is usually recommended when stenosis of an artery is greater than 50% and is performed to prevent stroke by removing or reducing the plaque buildup and enlarging the artery lumen to allow more blood flow to the brain. According to CIC, approximately 15% of patients suffering from cerebral atherosclerotic stenosis are eligible for surgical treatment.

Balloon/stent angioplasty is an important procedure treatment for cerebral atherosclerotic stenosis, and it is a minimally invasive endovascular procedure that compresses the plaque and widens the lumen of the artery, using a balloon dilation catheter and/or a stent. A set of access devices including microcatheter, distal access catheter and micro guidewire, are also used in balloon/stent angioplasty procedures for cerebral atherosclerotic stenosis.

Drug-eluting/coated device is a stent or a balloon catheter carrying an anti-proliferative drug, which is placed in the narrowed or diseased artery to release the drug to the artery wall. The purpose is to prevent fibrosis and thrombus formation, especially in the case of restenosis where a stent has been deployed. They are expected to be the mainstream devices used in future cerebral atherosclerotic stenosis treatment due to proven efficacy and safety.

DES includes a stent and a polymer coating that binds the drug to the stent. The drug is an anti-proliferative drug which is released from the stent to the vessel wall. The DES is mounted on a balloon which enables the stent to expand, therefore reducing elastic retraction of the artery, and enabling the vessel to remain unblocked and open. In addition, the release of the anti-proliferative drug is relatively more controllable on a stent, which remains situated at the target vessel lesion.

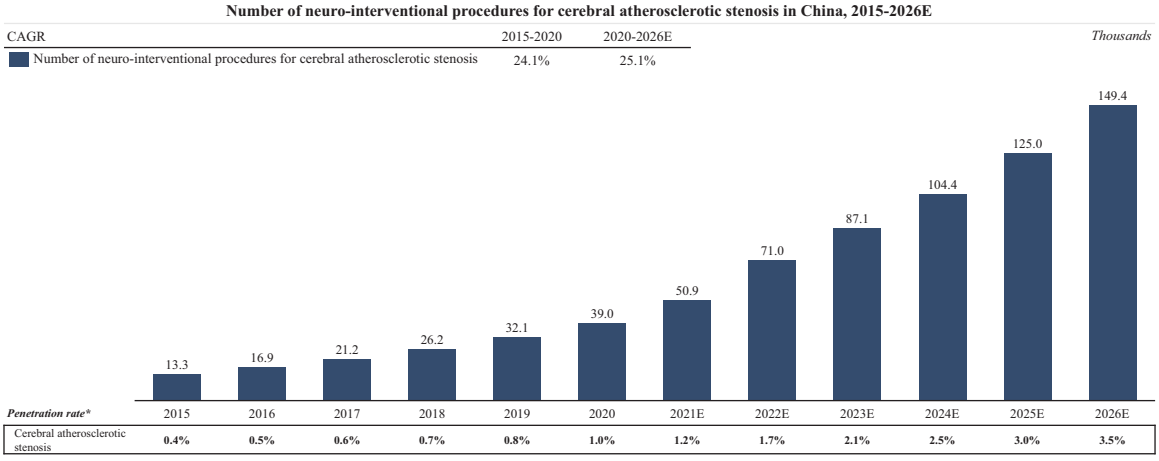
DCB uses a balloon catheter covered with an anti-proliferative drug which is released to the vessel after inflation of the balloon. The balloon must extend beyond the lesion at both proximal and distal ends to fully cover the lesion. It takes approximately 60 seconds for the drug to diffuse through

the vessel wall and take effect on the cells. DCB allows homogeneous anti-proliferative drug coverage of the whole lesion surface without causing much damage to the vessel wall as no metal structure is used in the procedure. No residual foreign body is left in the vessel, thus it is less likely to result in adverse material-tissue reaction.

Cerebral Atherosclerotic Stenosis Neuro-Interventional Medical Device Market

The number of cerebral atherosclerotic stenosis neuro-interventional procedures in China increased from approximately 13,300 in 2015 to approximately 39,000 in 2020 and is estimated to further increase to approximately 149,400 in 2026, at a CAGR of 25.1% from 2020 to 2026. The penetration rate of cerebral atherosclerotic stenosis neuro-interventional procedures in China, measured by the number of procedures as a percentage of the number of patients eligible for such procedures, is expected to increase from 1.0% in 2020 to 3.5% in 2026. The chart below sets forth the historical and forecasted number of cerebral atherosclerotic stenosis neuro-interventional procedures in China for the periods indicated:

Number of neuro-interventional procedures for cerebral atherosclerotic stenosis in China, 2015-2026E

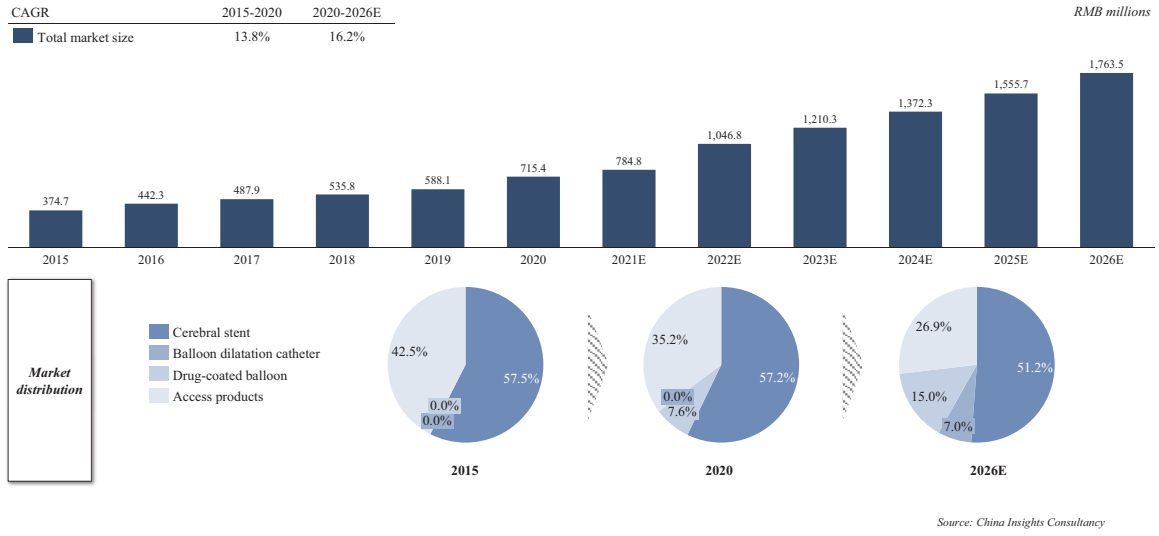


*The penetration rate is measured by the number of procedures as a percentage of the number of patients eligible for such procedures.

Source: China Insights Consultancy

The market size of the China cerebral atherosclerotic stenosis neuro-interventional medical device market in terms of sales revenue by ex-factory price increased from RMB374.7 million in 2015 to RMB715.4 million in 2020 at a CAGR of 13.8% and is expected to further increase to RMB1.8 billion in 2026 at a CAGR of 16.2% from 2020 to 2026. The chart below sets forth the market size for cerebral atherosclerotic stenosis neuro-interventional devices in China:

Market size of neuro-interventional devices for cerebral atherosclerotic stenosis in China, 2015-2026E



Source: China Insights Consultancy

Competitive Landscape

Stents

As of the Latest Practicable Date, there were five NMPA-approved cerebral and vertebral stents (including DES) for treating cerebral atherosclerotic stenosis manufactured by one international company and three domestic companies in China. According to CIC, our *APOLLO* has a market share of approximately 47.0% in the intracranial stent market, in terms of 2020 sales volume. The details of which are set forth below:

Competitive Landscape of Cerebral Stents, as of the Latest Practicable Date

Product	Company	NMPA First Approval Time
APOLLO	Our Company	November 2004
Wingspan Stent System	Stryker Neurovascular	November 2006
Intracranial DES (顱內藥物洗脫支架系統)	Sino Medical Sciences Technology Inc. (賽諾醫療)	July 2021

Competitive Landscape of Vertebral Stents, as of the Latest Practicable Date

Product	Company	NMPA First Approval Time
Rapamycin Vertebral Artery DES (雷帕霉素藥物洗脫椎動脈支架系統)	Alain Biotechnology Co. Ltd. (Beijing) (雅倫生物科技)	July 2020
Bridge	Our Company	December 2020

THE CHINA ACUTE ISCHEMIC STROKE NEURO-INTERVENTIONAL MEDICAL DEVICE MARKET

Acute ischemic stroke is characterized by a sudden loss of blood circulation to an area in the brain, resulting in a corresponding loss of neurologic function. AIS occurs when blood flow through a brain artery is blocked by a clot, a mass of thickened blood. Typical cause of AIS is intracranial atherosclerosis.

With an ageing population, the incidence of AIS in China is expected to increase from 1.7 million in 2020 to 1.8 million in 2026. The incidence rate of AIS in China also increased from 120 per 100,000 people in 2015 to 124 per 100,000 people in 2020, and it is expected to remain stable from 2020 to 2026.

Treatment of Acute Ischemic Stroke

Treatment of AIS is time-sensitive. It is crucial to provide proper treatment to AIS patients within 24 hours from symptom onset to avoid brain damage. The best treatment time for AIS is four to six hours since symptom onset. Before 2004, intravenous thrombolysis was the only approved treatment for AIS. The application of intravenous thrombolysis is recommended to be used within three hours from symptom onset.

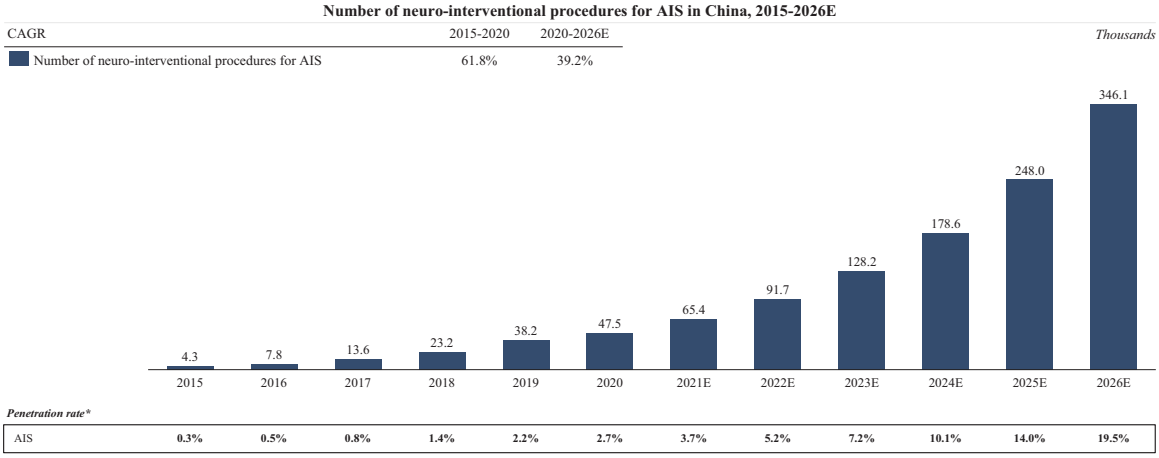
Due to the low recanalization rate of intravenous thrombolysis, stent-retrieving thrombectomy has become the first-line treatment for AIS. Stent-retrieving thrombectomy is a minimally invasive procedure to remove a clot from a target vessel. Using fluoroscopy or continuous X-ray, the physician guides the device through patients' vessel to locate and extract the clot. Stent-retrieving thrombectomy is used within 24 hours from symptom onset.

Aspiration thrombectomy is a relatively new approach to treat AIS. Aspiration thrombectomy is a neuro-interventional procedure using negative pressure to pull out the clot through an aspiration catheter. Aspiration thrombectomy is proven to have similar effects as stent-retrieving thrombectomy. It can be conducted independently or in conjunction with stent-retrieving thrombectomy.

Acute Ischemic Stroke Neuro-Interventional Medical Device Market

The number of AIS neuro-interventional procedures in China increased from approximately 4,300 in 2015 to 47,500 in 2020, at a CAGR of 61.8%, and is estimated to further increase to approximately 346,100 in 2026, at a CAGR of 39.2% from 2020 to 2026. The chart below sets forth the number of neuro-interventional procedures for AIS in China:

Number of neuro-interventional procedures for AIS in China, 2015-2026E

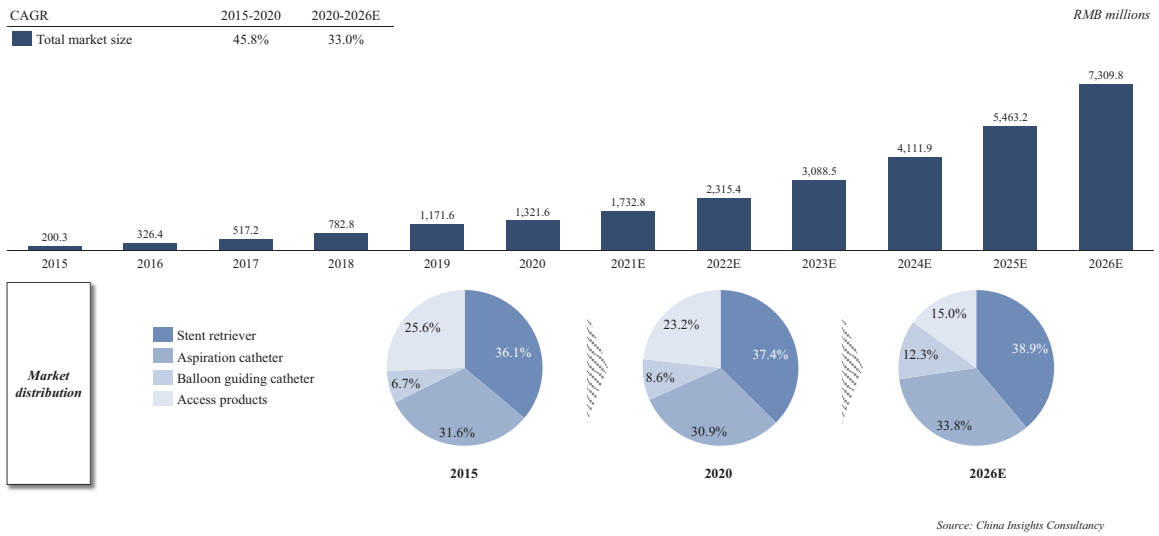


*The penetration rate is measured by the number of procedures as a percentage of the number of patients eligible for such procedures.

Source: China Insights Consultancy

The market size for China's AIS neuro-interventional medical devices in terms of sales revenue by ex-factory price increased from RMB0.2 billion in 2015 to RMB1.3 billion in 2020 at a CAGR of 45.8% and is expected to further increase to RMB7.3 billion in 2026 at a CAGR of 33.0% from 2020 to 2026. The chart below sets forth the market size for AIS neuro-interventional medical devices in China:

Market size of neuro-interventional medical devices for AIS in China, by device type, 2015-2026E



Source: China Insights Consultancy

Competitive Landscape

Stent Retriever

As of the Latest Practicable Date, there were 16 stent retrievers approved by the NMPA, including stent retrievers developed by both Chinese companies and international companies. We submitted an NMPA registration application of *Neurohawk* in March 2021 and received approval in the first quarter of 2022. In addition, *Tigertriever* was admitted to the Green Path in May 2020. We submitted *Tigertriever*'s NMPA application in December 2021 and expect to receive approval in the fourth quarter of 2022. We are the exclusive distributor for *Tigertriever*, *Tigertriever 13* and all follow-up products of *Tigertriever* in Greater China. The following table sets forth these approved stent retrievers:

Company	Number of approved stent retriever	First approved time by NMPA
Medtronic	3	April 2015
Stryker Neurovascular	2	December 2015
Johnson & Johnson	2	November 2018
Acandis GmbH	1	January 2016
Jiangsu Ni Ke	1	May 2018
Shanghai Heartcare	1	August 2020
Zylox-Tonbridge Medical	1	September 2020
Skynor Medical	1	May 2021
Ruikangtong Scientific	1	July 2021
Our Company	1	February 2022
Achieva Medical	1	February 2022
NeuroCare Medical	1	February 2022
Total	**16**	

Aspiration Catheter

As of the Latest Practicable Date, there were eight aspiration catheters approved by the NMPA. We commenced R&D for *W-track* in May 2021. We expect to submit an NMPA registration application in third quarter of 2022 and receive approval in 2023. The following table sets forth these approved aspiration catheters:

Company	Number of approved aspiration catheter	First approved time by NMPA
Penumbra	3	May 2018
Hemo Bioengineering	1	May 2021
MicroVention	1	July 2021
Weiming Medical	1	April 2022
Yijie Medical	1	April 2022
Achieva Medical	1	May 2022
Total	**8**	

SOURCE OF INFORMATION

We commissioned CIC, a market research and consulting company and an Independent Third Party, to conduct research and analysis of, and to produce a report on, the neuro-interventional

medical device market in China for the period from 2015 to 2026. The CIC Report has been prepared by CIC independent of the influence of our Group and other interested parties. We have agreed to pay CIC a total fee of RMB0.8 million for the preparation and use of the CIC Report, and we believe that such fees are consistent with the market rate. CIC is a consulting firm founded in Hong Kong and provides professional industry consulting services across multiple industries. CIC's services include industry consultancy services, commercial due diligence and strategic consulting.

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

OVERVIEW

This section summarizes the major laws, regulations and rules in China relevant to our business. Such laws and regulations relate to the registration, production, sales, intellectual property rights, foreign exchange, labor, environmental protection, taxation and other fields of medical devices.

Main Regulatory Authorities

The main regulatory authorities of China's medical device industry include the State Administration for Market Regulation (hereinafter "SAMR"), the National Medical Products Administration ("NMPA"), the National Development and Reform Commission ("NDRC"), the National Health Commission ("NHC") and the National Healthcare Security Administration ("NHSA").

SAMR

SAMR is responsible for the comprehensive market regulation, as well as for organizing and guiding the comprehensive law enforcement of market regulation, and promoting the implementation of unified market regulation. SAMR is responsible for regulating the administrative enforcement of market supervision and taking charge of NMPA.

NMPA

NMPA is mainly responsible for the management, safety supervision, standards, registration, quality, post-marketing risks and supervision and inspection of drugs, cosmetics and medical devices. Supervising foreign exchanges and cooperation and guiding the work of local drug administration departments are also within the scope of its official duties. In March 2018, the Institutional Reform Plan of the State Council adopted at the First Session of the 13th National People's Congress decided not to retain the State Food and Drug Administration, and established NMPA to assume the official duties of former State Food and Drug Administration ("former SFDA").

NDRC

NDRC is mainly responsible for the formulation of health development policies, the establishment of technological transformation investment projects, the macro guidance and management of the economic operation of pharmaceutical enterprises and the supervision over the implementation of relevant policies and regulations.

NHC

NHC is the main medical regulatory authority in China. It is responsible for supervising the operations of medical institutions (some of which also act as clinical trial sites).

NHSA

NHSA is mainly responsible for formulating the policies, plans and standards of medical insurance systems in respect of medical insurance, maternity insurance and medical assistance and other things, organizing the formulation and adjustment of prices of drugs and medical services and charging standards, formulating bidding policies for the procurement of drugs and medical consumables, and supervising the implementation of the aforesaid actions.

LAWS AND REGULATIONS ON MEDICAL DEVICES

Supervision over Medical Devices and their Classification

On December 21, 2020, the State Council revised the Regulation on the Supervision and Administration of Medical Devices, which became effective on June 1, 2021. According to the Regulation on the Supervision and Administration of Medical Devices, National Regulatory Authority shall be responsible for the supervision over medical devices in China. All relevant departments of the State Council shall be responsible for the supervision over medical devices within their respective scopes of duties. The drug administration departments of the local People's Governments at the county level and above are responsible for the supervision over the medical devices within their own administrative jurisdictions.

According to the Regulation on the Supervision and Administration of Medical Devices, medical devices are classified into three categories based on their degrees of risks in China, and classified management is implemented. Class I medical devices shall refer to those devices with low risks, and the safety and effectiveness of which can be ensured through routine administration. Class II medical devices shall refer to those devices with medium risks, which are strictly controlled and administered to ensure their safety and effectiveness. Class III medical devices shall refer to those devices with high risks, which are strictly controlled and administered through special measures to ensure their safety and effectiveness.

Registration and Filing of Medical Device Products

On July 30, 2014, former SFDA issued the Administrative Measures for Registration of Medical Devices, which became effective on October 1, 2014 and was repealed on October 1, 2021. According to the Administrative Measures for Registration of Medical Devices, Class I medical devices are subject to filing management, and Class II and Class III medical devices are subject to registration management. For Class I medical devices filing, no clinical trial is required. For the registration application for Class II and Class III medical devices, clinical trials shall be conducted. Under any of the following circumstances, clinical trials can be exempted from: (i) medical devices of the same type with clear mechanism, finalized design, and mature production process on the market that have been applied clinically for years without bad accidents and changes in usage; (ii) the medical devices can be proved to be safe and effective through non-clinical evaluation; (iii) the medical devices can be proved to be safe and effective by analyzing and evaluating the data obtained from clinical trials or clinical applications of medical devices of the same type. The Catalog of Medical Devices Exempted from Clinical Trials was formulated, adjusted and published by former SFDA. For products that are not listed in the Catalog of Medical Devices Exempted from Clinical Trials, the medical devices can be proved to be safe and effective by analyzing and evaluating the data obtained from clinical trials or clinical applications of medical devices of the same type. Applicants may provide explanations and submit relevant supporting materials when applying for registration.

According to the Notice of the National Medical Products Administration on Matters Concerning Implementing the Measures for the Administration of Registration and Recordation of Medical Devices and the Measures for the Administration of Registration and Recordation of In-Vitro Diagnostic Reagents issued on September 28, 2021, the Medical Products Administration shall continue to examine and approve registration applications that have been accepted but not yet

approved before the implementation of the Administrative Measures for the Registration and Recordation of Medical Devices in accordance with the original requirements. If the conditions for appearing on the market are met, a medical device registration certificate shall be issued.

On August 26, 2021, the State Administration for Market Regulation issued the Administrative Measures for the Registration and Recordation of Medical Devices, which became effective on October 1, 2021. According to the Administrative Measures for the Registration and Recordation of Medical Devices, Class I medical devices shall be subject to product filing management. Class II and Class III medical devices shall be subject to product registration management. For the filing of domestic Class I medical devices, relevant materials shall be submitted to the drug supervision and administration department at municipal level. Domestic Class II medical devices shall be reviewed by the drug supervision and administration department of provinces, autonomous regions and municipalities, and a medical device registration certificate shall be issued after approval. Domestic Class III medical devices shall be examined by NMPA, and a medical device registration certificate shall be issued after approval. For the import of Class I medical devices, relevant materials shall be submitted to NMPA. The import of Class II and Class III medical devices shall be examined by NMPA, and a medical device registration certificate shall be issued after approval.

The registrant shall take the initiative to carry out post-marketing research on medical devices, further confirm the safety, effectiveness and quality controllability of medical devices, and strengthen the continuous management of medical devices on the market. If there are substantial changes in designs, raw materials, production processes, scopes of application and methods of application of Class II and Class III registered medical devices, which may affect the safety and effectiveness of the medical devices, the registrant shall apply for the changes in the registration at the relevant registration department. If there are other changes, they shall be filed at the relevant registration department within 30 days from the date of change.

According to the Regulation on the Supervision and Administration of Medical Devices and the Administrative Measures for the Registration and Recordation of Medical Devices , the validity period of the medical device registration certificate is 5 years. If it is necessary to renew the registration at the expiration of the validity period, an application for renewal of registration shall be submitted to the relevant registration department within 6 months before the expiration of the validity period. Except for the cases where renewals of registration are not approved, the drug supervision and administration department receiving the application for renewal of registration shall decide to approve the renewal before the expiration of the validity period of the medical device registration certificate. If no decision is made after expiration, it shall be deemed that the renewal is approved. Under any of the following circumstances, the renewal registration shall not be approved: (i) the application for renewal registration is not submitted within the specified period; (ii) the mandatory standards for medical devices have been revised, and the medical devices applying for renewal registration cannot meet the new requirements; and (iii) the medical devices approved with conditions fail to complete the matters specified in the medical device registration certificate within the specified period.

Except for the exemption from clinical evaluation, the registration and filing of medical devices shall be subject to clinical evaluations. Under any of the following circumstances, clinical trials can be exempted from: (i) medical devices of the same type with clear mechanism, finalized design, and mature production process on the market that have been applied clinically for years without bad

accidents and changes in usage; or (ii) the medical devices can be proved to be safe and effective through non-clinical evaluation. The Catalog of Medical Devices Exempted from Clinical Evaluation is formulated, revised and published by NMPA. NMPA issued the Catalog of Medical Devices Exempted from Clinical Evaluation on September 16, 2021, which became effective on October 1, 2021.

To carry out clinical evaluation of medical devices, the safety and effectiveness of medical devices can be proved by carrying out clinical trials according to conditions including product characteristics, clinical risks and existing clinical data, or by analyzing and evaluating the clinical literature and clinical data of medical devices of the same type. According to NMPA, clinical trials of medical devices shall be carried out if the existing clinical literature and clinical data are insufficient to confirm the safety and effectiveness of the medical devices when conducting clinical evaluations on the medical devices. Clinical trials of medical devices shall be carried out in medical device clinical trial institutions with corresponding conditions and filed in accordance with the requirements of Norms on the Quality Management for the Clinical Trials of Medical Devices. Before clinical trials start, sponsors of the clinical trials shall file the clinical trials with the drug supervision and administration department of provinces, autonomous regions or municipalities. If the clinical trials of Class III medical devices have a high risk to human body, approvals shall be obtained from NMPA. The Catalog of Medical Devices of Class III Subject to Approval for Clinical Trials (Revised in 2020) was issued by NMPA and became effective on September 14, 2020.

In addition, the Administrative Measures for the Registration and Recordation of Medical Devices stipulates the details of product development, clinical evaluation, registration system verification, product registration, change of registration, continuation of registration, product filing and other aspects. It also stipulates special registration procedures, e.g. innovative product registration procedures, priority registration procedures and emergency registration procedures.

Special Examination and Approval Procedures for Innovative Medical Devices

On August 9, 2015, the State Council issued the Opinions of the State Council on the Reform of the System of Evaluation, Review and Approval of Drugs and Medical Devices to encourage the R&D and innovation of medical devices. The registration application of innovative medical devices with patented technologies and great clinical value is included in the scope of special examination and approval. Priority shall be given to such application.

On October 8, 2017, the General Office of the CPC Central Committee and the General Office of the State Council issued and implemented the Opinions on Deepening the Reform of the Evaluation and Approval Systems and Encouraging Innovation on Drugs and Medical Devices (hereinafter referred to as "the Opinions"), which aims to encourage the innovation of medical devices. According to the Opinions, priority in examining and approving shall be given to certain innovative medical devices. Not only are these devices supported by the National Science and Technology Major Project and the National Key R&D Program of China, but they also have undergone clinical trials conducted by the National Clinical Research Center and been approved by the Center.

On November 2, 2018, NMPA issued the Special Examination and Approval Procedures for Innovative Medical Devices which became effective on December 1, 2018. According to the Special Examination and Approval Procedures for Innovative Medical Devices, special review procedures are

applicable to the examination of medical devices under any of the following circumstances: (i) through the technological innovation activities led by the applicant, he/she owns the patented technologies in accordance with the laws in China, or obtains the invention patent rights or the right-of-use in China through assignment according to law; the application time of special review for innovative medical devices shall not exceed 5 years from the date of patent authorization announcement; or applications for core technology invention patents have been published by the patent administration department under the State Council, and a search report will be issued by the Patent Search and Consultation Center of State Intellectual Property Office, which states that the core technologies of a product is novel and creative; (ii) the applicant has completed the preliminary research of the products and has a basic model product. The research process is true and controlled, and the research data are complete and traceable; (iii) the main working principle or action mechanism of the product is unprecedented in China; the product has fundamentally improved its performance or safety as compared with those of similar products. The technologies of the product are taking the lead in the world, and the value of their clinical application is significant. The Center for Medical Device Evaluation of NMPA shall give priority to the technical examination of innovative medical devices with accepted registration applications; NMPA gives priority to the administrative examination and approval upon the completion of the technical review.

According to the Administrative Measures for the Registration and Recording of Medical Devices, if the application is applicable to the registration procedures of innovative products, the applicant shall submit an application for the examination of innovative medical devices at NMPA after the product is substantially finalized. NMPA shall assign experts to the examination of the product. If the product is up to the standard of innovation, it can be brought into the registration formalities of innovative products. For the registration applications of medical devices that are applicable to the registration formalities of innovative products, NMPA and the institutions responsible for relevant technical work shall designate special personnel to be responsible for timely communication and provision of guidance in accordance with their respective responsibilities. For medical devices that are included in the registration procedures of innovative products, the Center for Medical Device Evaluation of NMPA can communicate with the applicant on major technical issues, major safety issues, clinical trial schemes, summary and evaluation of phased clinical trial results and other issues before the approval of registration application and during the technical review.

MEDICAL DEVICE PRODUCTION LICENSE

According to the Regulation on the Supervision and Administration of Medical Devices, in addition to the medical device registration certificate, the medical device manufacturer shall also be filed with the drug regulatory department of the people's government at the corresponding level or apply for a production license before engaging in the production of medical devices. The validity period of the medical device production license is 5 years. If the medical device production license needs to be renewed at the expiration of its validity period, the renewal formalities shall be handled in accordance with the relevant statutory requirements on administrative licensing.

According to the Measures for Supervision and Administration of Medical Device Production promulgated by the SAMR on March 10, 2022 that became effective on May 1, 2022, enterprises engaging in the production of medical devices shall possess production sites, environmental conditions, production equipment and professional technicians commensurate with the

medical devices produced; they shall possess institutions or full-time inspectors and inspection equipment for the quality inspection of the medical devices produced; they shall possess a management system to ensure the quality of medical devices; they shall possess after-sales service capabilities commensurate with the medical devices produced; and they shall meet the requirements as prescribed in the product research and development and production process documents.

According to the Measures for Supervision and Administration of Medical Device Production, enterprises engaging in the production of Class II or Class III medical devices shall be subject to the approval of the medical products administration of the province, autonomous region, or municipality directly under the Central Government at the place where it is located and obtain the medical device production permit in accordance with the law. Enterprises engaging the production of Class I medical devices shall undergo recordation for the production of medical devices with the medical products administration at the level of a districted city where it is located.

Medical Devices Production and Quality Management

On December 29, 2014, former SFDA promulgated the Good Manufacturing Practice for Medical Devices, which became effective on March 1, 2015. According to the Good Manufacturing Practice for Medical Devices, an enterprise engaging in the production of medical devices shall establish and effectively maintain a sound quality control system that are suitable for such medical devices produced, in accordance with the requirements of the Good Manufacturing Practice for Medical Devices with consistent product characteristics. The enterprise shall establish its procurement control procedure to ensure the purchased products are in compliance with the relevant requirements, which shall not be lower than the relevant requirements of laws, regulations and national mandatory standards. The enterprise shall establish an examination system and conduct review and evaluation on the suppliers. The enterprise shall record the procurement, production and inspection of raw materials. Such records shall be true, accurate, complete and traceable. The enterprise shall apply risk management to the whole process of design and development, production, sales and after-sale services. The measures being adopted shall be applicable to risks associated with the related products.

Former SFDA promulgated the Notice of Four Guidelines including the On-site Inspection Guidelines for the Standards on Production and Quality Management of Medical Devices, which became effective on September 25, 2015. According to the On-site Inspection Guidelines for the Standards on Production and Quality Management of Medical Devices, during the course of on-site verification of the registration of medical devices and on-site inspection of production permit (including changing production permit), the inspection team shall, in accordance with the guidelines, issue recommended conclusions for on-site inspections, which shall be divided into "Passed," "Failed" and "Reassessment after rectification." If it is found that the requirements of the key items or ordinary items that may have direct impact on product quality are not satisfied during the supervision and inspection, the enterprise shall suspend production and go through rectification. If it is found that the requirements of the ordinary items are not satisfied, and it does not directly affect product quality, the enterprise shall rectify in a prescribed time. The regulatory authorities will examine and verify the recommended conclusions and on-site inspection materials submitted by the inspection group, and issue the final inspection results.

Norms on the Quality Management for the Clinical Trials of Medical Devices

NMPA and NHC revised the Regulations on the Quality Management for the Clinical Trials of Medical Devices, which was promulgated on March 24, 2022 and became effective on May 1, 2022. The regulation covers the entire process of medical device clinical trials, including medical device clinical trial program design, implementation, supervision, audit, inspection, and data collection, recording, preservation, analysis, summary and reporting. Applicants conducting clinical trials of medical devices shall take consideration of the risk of the test medical device, technical characteristics, scope of application and intended use, etc. and shall organize and formulate scientific and reasonable clinical trial protocols based on the trial purposes. The applicant shall be responsible for the authenticity and compliance of medical device clinical trials. The applicant's quality management system shall cover the entire process of medical device clinical trials, including the selection of medical device clinical trial institutions and principal investigators, the design of the clinical trial plan, the implementation of medical device clinical trials, records, results reporting and archiving of documents. The applicant's quality management measures should be commensurate with the risk of clinical trials.

Medical Devices Operation Permit

According to the Measures for Supervision and Administration of Medical Devices Operation promulgated by the SAMR on March 10, 2022 that became effective on May 1, 2022, an enterprise engaging in the operation of medical devices shall have business premises and storage conditions suitable for the operation scale and scope, and shall have a quality control system and a quality control department or personnel suitable for the medical devices it operates. An enterprise engaged in the operation of Class II medical devices shall file with the municipal regulatory authority of pharmaceuticals and provide proofing materials for satisfying the relevant conditions of engaging in the operation of medical devices, while an enterprise engaged in the operation of Class III medical devices shall apply for a business operation license to the municipal regulatory authority of pharmaceuticals and provide proofing materials for satisfying the relevant conditions of engaging in the operation of such medical devices.

The regulatory authority of pharmaceuticals which approves operation permit application shall grant the business operation license of medical devices if the enterprise meets the prescribed requirements. A business operation license of medical devices is valid for 5 years. Where a Business Permit for Medical Devices needs to be renewed upon its expiration, the medical device business enterprise shall file an application for renewal within 30 working days to 90 working days before the expiration of the validity period. An application for renewal shall no longer be accepted, where it is not filed within the prescribed time limit. An enterprise engaging in medical devices operation shall not operate or use any medical device that has not been legally registered, without qualification certificate, outdated, invalid or disqualified.

Two-Invoice System for Medical Devices

According to the Notice on Issuing the Implementation Opinions of the Two-Invoice System in Drug Procurement by Public Healthcare Institutions (Trial) (hereinafter referred to as the "Notice") issued by the former Office of the Leading Group for Deepening the Reform of the Medical and Health Care System of the State Council, former National Health and Family Planning Commission, former SFDA and other authorities on December 26, 2016, the "two-invoice system" refers to the system that requires one invoice to be issued from pharmaceutical manufacturers to pharmaceutical distributors and the other invoice to be issued from pharmaceutical distributors to medical institutions. The Notice requires public medical institutions to gradually implement the two-invoice system for drug procurements and encourages other medical institutions to promote the two-invoice system, thus the two-invoice system will strive to be promoted nationwide by 2018. Pursuant to the Notice, for imported medical devices, the invoice for any initial sale from the overseas manufacturer to its general distributor in China will not count as one invoice under the two-invoice system, because the general distributor in China is considered equivalent to the manufacturer for this purpose.

According to the Notice on Consolidating the Achievements of Canceling Price Markups on Drugs and Deepening the Comprehensive Reform of Public Hospitals issued by the former National Health and Family Planning Commission, Ministry of Finance, NDRC and other authorities on March 5, 2018, a classified and centralized mechanism shall be implemented for the procurement of high-value medical consumables and the two-invoice system shall be gradually implemented for the procurement and sales of high-value medical consumables.

On July 19, 2019, the General Office of the State Council issued the Notice of Issuing the Reform Plan for the Control of High-value Medical Supplies, which encourages the local authorities to reduce the circulation steps of high-value medical consumables through the two-invoice system and other ways in light of the actual situation, so as to promote the openness and transparency of purchases and sales. As of now, certain provinces in the PRC (such as Fujian, Shaanxi, Anhui) have issued the relevant regulations on the two-invoice system for the medical consumables.

Pursuant to the Reply of the National Healthcare Security Administration to Recommendation No. 1209 of the Second Session of the Thirteenth National People's Congress issued by NHSA on July 23, 2019, two-invoice system for high-value consumables needs to be further discussed given the huge differences between high-value consumables and pharmaceuticals and the complexity of clinical use and after-sales service.

The Reform Plan of High-Value Medical Consumables

According to the Notice of the Ministry of Health on Further Strengthening the Administration of Centralized Procurement of Medical Appliances issued on June 21, 2007, all non-profit medical institutions under all levels of government, industries and state-owned enterprises from different industries shall participate in the centralized procurement of medical devices.

Pursuant to the Opinions on Reform of the Pricing Mechanism of Drugs and Medical Services issued and implemented on November 9, 2009, the management on the pricing of medical devices will be strengthened. For high-value medical devices, especially for implantable and interventional medical devices, reasonable price formation can be guided by measures such as limiting the price difference rate in circulation links and publishing market price information.

According to the Trial Regulations on Centralized Procurement of High-Value Consumable Medical Supplies, which was issued and became effective on December 17, 2012, high-value medical consumables are defined as medical consumables directly used on human, with strict requirement on safety, in great demand clinically, relatively highly-priced, and that can pose heavy burdens on society. The online centralized procurement (the "Centralized Procurement") works of high-value medical consumables will be led by government and conducted by each province (region and municipality). Medical institutions and medical consumables production and operation enterprises shall make procurement through the Centralized Procurement platform established by each province (region and municipality). The administrative authorities in charge of the Centralized Procurement in each province (region and municipality) shall be responsible for formulating and preparing a Centralized Procurement list of high-value medical devices within its administrative region. High-value medical consumables listed on the Centralized Procurement list may be procured by way of public tenders and invitational tenders or by other means stipulated by laws and regulations of the State. After the procurement prices are determined, public medical institutions within relevant regions shall make procurement strictly at bidding prices.

On July 19, 2019, the General Office of the State Council issued the Notice on Promulgation of the Reform Plan for the Control of High-value Medical Consumables, which became effective on July 19, 2019. According to the Reform Plan, high-value medical consumables are defined as medical consumables directly used on human, with strict requirement on safety, in great demand clinically, relatively highly-priced, and that can pose heavy burdens on patients. The Reform Plan releases related reform initiatives aiming at managing high-value medical consumables, including: (i) the classification and codes of high-value medical consumables in the national medical insurance system will be unified gradually, and rules on unique device identification in full life cycle of the high-value medical consumables, including registration, procurement and usage, will be implemented by NHSA, NMPA and NHC by the end of 2020; (ii) the mechanism for including high-value medical consumables in basic medical insurance shall be built, and a list of high-value medical consumables shall be compiled, to strengthen the dynamic adjustment mechanism. The access regulations shall be promulgated by NHC and the Ministry of Finance by the end of June 2020; (iii) the price markups placed on medical consumables at public medical institutions will be abolished, and all medical consumables, including high-value medical consumables will be sold at the procurement price at all public medical institutions by the end of 2019; and (iv) the medical insurance payment policy shall be formulated and implemented by NHSA, Ministry of Finance and NHC. Meanwhile, the medical

insurance payment standards on high-value medical consumables will be formulated and the dynamic adjustment mechanism will be established. The medical insurance funds and patients will share the cost of high-value medical consumables according to the medical insurance payment standards, and medical institutions shall further reduce procurement prices under the guidance of the Reform Plan.

According to the Guiding Opinions on Establishing Centralized Procurement and Use of High-Value Medical Supplies Organized by the State jointly issued by NHC, NMPA and other relevant government authorities on April 30, 2021, it focuses on the high-value medical consumables with larger clinical consumption, higher procurement amount, more mature clinical use, more keen market competition and higher similarity level counting into the procurement scope, and determine the shortlist criteria according to market sales, clinical use demand, medical technology progress and other factors. All public medical institutions (including military medical institutions) shall participate in the Centralized Procurement of high-value medical consumables in accordance with the regulations. The designated social medical institutions of medical insurance may voluntarily participate in the Centralized Procurement in accordance with the relevant regulations of its provinces (autonomous regions and municipalities). Pursuant to a series of official documents and communications (such as the National Medical Insurance Plan under the 14th Five-Year Plan promulgated in September 2021, the State Council's press conference on medical device procurement reform in February 2022, and Report on the Work of the Government released in March 2022), the implementation of centralized procurement may be expected to be further expanded. In particular, the National Medical Insurance Plan under the 14th Five-Year Plan provides a non-binding guidance suggesting that provinces shall target to enroll at least five types of high-value medical consumables (not limited to any particular therapeutic area) to centralized procurement programs by 2025, but there had not been any specific binding requirement or non-binding guidance with regard to any particular product category, including neuro-interventional medical devices, as of the Latest Practicable Date.

Medical Devices Recalls

On January 25, 2017, former SFDA promulgated the Measures for the Administration of Medical Device Recalls, which became effective on May 1, 2017. Pursuant to the Measures for the Administration of Medical Device Recalls, which, medical devices manufacturers are the responsible party for controlling and eliminating product defects and shall take the initiative to recall the defective products. In light of the severity of the harm of the medical devices, medical device recalls are divided into three classes, including (i) Class I recall: where the circumstances leading to the recall may cause or have caused serious health hazards; (ii) Class II recall: where the circumstances leading to the recall may cause or have caused temporary or reversible health hazards; or (iii) Class III recall: where the circumstances leading to the recall are not likely to cause harm but still have to be recalled.

Medical device manufacturers shall determine the recall class based on the specific situation and properly design and implement the recall plan based on the recall class and the sales and use of the medical devices.

Sampling and Collecting Human Genetic Resources Filing

On May 28, 2019, the State Council promulgated the Regulation of the People's Republic of China on the Administration of Human Genetic Resources, which became effective on July 1, 2019. According to the provisions therein, the State shall support the rational utilization of human genetic resources to carry out scientific research, develop the biomedical industry, improve diagnosis and treatment technologies,

improve the biosafety guarantee capabilities of the PRC, and improve people's health protection level. Foreign organizations, individuals and the institutions established or actually controlled thereby shall not collect or preserve human genetic resources of the PRC within the PRC, nor shall they provide human genetic resources of the PRC outside the PRC. Furthermore, the collection, preservation, utilization, and external provision of human genetic resources of the PRC shall comply with the ethical principles and be subject to ethical review in accordance with relevant regulations of the State.

The National People's Congress Standing Committee issued the Biosecurity Law of the People's Republic of China on October 17, 2020, which became effective on April 15, 2021. Biosecurity Law of the People's Republic of China reaffirms that the State enjoys sovereignty over China's human genetic and biological resources and make regulations in accordance with the regulatory requirements set out in the Regulation of the People's Republic of China on the Administration of Human Genetic Resources.

Medical Devices Export Registration

According to Measures for Supervision and Administration of Medical Device Production, a manufacturer of medical devices for exportation purpose shall ensure that the medical devices produced meet the requirements of the importing country (region), and the relevant information of the products shall be submitted to the food and drug supervision and administrative department of the local people's governments at the districted city level for record.

Pursuant to the Regulations on the Administration of Export Sales Certificates of Medical Devices, which was promulgated by Former SFDA on June 1, 2015 and became effective on September 1, 2015, if the registration certificate for medical device products and production permit for medical device products have been obtained in China, or the medical device registration and production filing have been completed, the food and drug supervision and administration department may issue Medical Device Product Export Sales Certificate to the relevant manufacturing enterprises. The validity term of the Medical Device Product Export Sales Certificate shall not exceed the earliest deadline for the various documents submitted by the enterprises in the application materials, and the maximum validity term shall not exceed two years either.

Advertisements of Medical Devices

According to the Interim Measures for the Administration of Censorship of Advertisements on Drugs, Medical Devices, Dietary Supplements and Formula Foods for Special Medical Purposes promulgated by the State Administration for Market Regulation on December 24, 2019, which became effective on March 1, 2020, an enterprise qualified for engaging in the production or operation of medical devices shall apply for the publication of any medical device advertisement with the market regulation, drug supervision and administration departments of the local people's governments of the provinces, autonomous regions or municipalities, and obtain an approval of such advertisement of medical devices. The validity term of such advertisement approval shall be consistent with that of the registration certificate or record-filing certificate or the production license of the product, whichever is the shortest. Where no validity term is set forth in the registration certificate, record-filing certificate or the production license of the product, the advertisement approval shall be valid for two years.

The advertisement of a medical device shall be true and lawful, and its content shall not be false, exaggerated or misleading. A publisher of a medical device advertisement shall verify approval

documents and their authenticity prior to the publication. If no approval document was obtained or the authenticity of any approval document has not been verified or the content of the advertisement is inconsistent with the approval documents, such medical device advertisement shall not be published.

National Medical Insurance System

The national medical insurance system is established according to the Decision of the State Council on Establishing the Urban Employees' Basic Medical Insurance System promulgated by the State Council on December 14, 1998. Accordingly, all employers are required to enroll their employees for the Urban Employees' Basic Medical Insurance, and the basic insurance premiums shall be contributed jointly by employers and employees. According to the Notice on Opinions on Establishment of the New Rural Cooperative Medical System forwarded by the General Office of the State Council on January 16, 2003, the New Rural Cooperative Medical System was launched in specific regions in China to provide medical insurance for rural residents and has been promoted nationwide since then. On July 10, 2007, the State Council issued the Guiding Opinions of the State Council about the Pilot Urban Resident Basic Medical Insurance, under which urban residents in pilot regions may voluntarily participate in the Urban Resident Basic Medical Insurance . On March 6, 2015, the General Office of the State Council issued the Outline for the Planning of the National Medical and Health Service System (2015-2020), aiming to establish a basic medical and health system covering urban and rural residents by 2020.

On January 3, 2016, the State Council issued the Opinions of the State Council on Integrating the Basic Medical Insurance Systems for Urban and Rural Residents, which aims to integrate the Urban Resident Basic Medical Insurance and the New Rural Cooperative Medical System, and to establish a unified system of basic medical insurance for urban and rural residents, which covers all non-working urban and rural residents, rural migrant workers and flexible employees for participation in the basic medical insurance for urban employees.

According to the Social Insurance Law of the People's Republic of China, which was amended by the NPC Standing Committee and became effective on December 29, 2018, the medical expenses of insured personnel that should be paid by the basic medical insurance fund shall be settled directly by the social insurance agencies, medical institutions and drug trading units.

The State Medical Security Administration issued the Interim Measures for the Management of Medical Consumables for Basic Medical Insurance (Draft for Comments) in June 2020. The draft suggests that the State Council medical security administrative departments, taking into account the functional role of medical consumables, clinical value, cost level, the ability of the medical insurance fund, etc., use the access method to develop the "basic medical insurance medical consumables catalog", which shall be updated regularly and dynamically adjusted. The medical consumables in the "Basic Medical Insurance Medical Consumables Catalogue" shall be included in the scope of payment of the medical insurance fund according to the regulations. However, as of the last practicable date, the Chinese authorities have not yet issued a national medical insurance reimbursement list for medical devices.

In June 2020, the Office of the National Health Security Administration issued the Medicare Diagnosis-Related Grouping of Diseases (CHS-DRG) Subgroup Program (Version 1.0) to advance the Diagnosis-Related Grouping of Diseases (DRG) payment national pilot in each pilot city. By initiating

the Diagnosis-Related Subgroups mechanism, the NHSA controls the price of medical devices and treatments by dividing patients into different diagnosis-related subgroups and paying medical claims based on payment rates set for each subgroup (rather than actual expenses incurred by the patient).

Product Liability and Protection of Consumers' Rights

On May 28, 2020, the NPC issued the Civil Code of the People's Republic of China (hereinafter referred to as the "Civil Code"), which became effective on January 1, 2021. According to the Civil Code, if a patient suffers damage due to a defect of a medical device, the patient may request compensation from the producer or the medical institution. If the patient requests compensation from the medical institution, the medical institution shall have the right to recover compensation from the responsible producer after compensation.

According to the Product Quality Law of the People's Republic of China, which was amended by the NPC Standing Committee and became effective on December 29, 2018, producers and sellers shall establish a sound internal product quality management system, and strictly implement post-oriented quality specifications, quality liabilities and corresponding assessment methods. Producers and sellers shall bear product quality responsibilities in accordance with the law. According to the Law on the Protection of Consumer Rights and Interests, Protection of Consumer Rights of the People' Republic of China. which was amended by the NPC Standing Committee On October 25, 2013 and became effective on March 15, 2014, when consumers purchase or use products or receive services, consumers' rights and interests shall be protected. Business operators shall abide by this law when providing consumers with goods and/or services they produce and sell.

The market regulatory authorities of the State Council shall be in charge of the supervision for product qualities across the nation. The relevant departments of the State Council shall be responsible for supervision for product quality within their respective scope of duties. The product quality shall pass the inspection and unqualified products shall not be passed as qualified products. Industrial products that may endanger human health, personal and property safety must meet the national and industrial standards for personal and property safety; for those which have no formulated national and industrial standards, the minimum requirements for protecting human health and personal and property safety must be met. It is prohibited to produce and sell industrial products that do not meet the standards and requirements for protecting human health and personal and property safety. Producers and sellers shall be responsible for the compensations arising from their illegal acts. For example, those who produce or sell defective, obsolete or ineffective products, forge the origin of products or misuse quality marks, or pass off imitations as genuine, substandard products as quality ones or non-conforming products as conforming, they may have their illegal proceeds confiscated, their business license revoked and fined; and for serious cases, they may be held liable for criminal responsibilities according to the law. Producers and sellers shall be held liable for compensations for any damage to any person or property of others due to the defects of the products resulting from the default of the producers or sellers.

Regulations on Information Security and Data Privacy

On June 10, 2021, the NPC Standing Committee promulgated the Data Security Law of the People's Republic of China (hereinafter referred to as the "Data Security Law"), which became effective on September 1, 2021. According to the Data Security Law, a data classification protection

system shall be established to protect data by classification. Entities engaged in data processing activities shall, in accordance with the laws and regulations, establish a sound whole-process data security management system, organize data security education and training, and take corresponding technical measures and other necessary measures to ensure data security.

According to the Civil Code, personal information of natural persons is protected by law. Any organization or individual who needs to obtain personal information of others shall obtain legally and ensure the information security, and shall not illegally collect, use, process and transmit personal information of others, and shall not illegally trade, provide or disclose personal information of others. On August 20, 2021, the NPC Standing Committee promulgated the Personal Information Protection Law of the People's Republic of China (effective from November 1, 2021), emphasizing the duties and responsibilities of processing personnel for the protection of personal information and stipulating stricter protection measures for processing sensitive personal information.

On November 7, 2016, the NPC Standing Committee promulgated the Cybersecurity Law of the People's Republic of China (hereinafter referred to as the "Cybersecurity Law"), which became effective on June 1, 2017. According to the Cybersecurity Law, network operators shall abide by "legality, legitimacy and necessity" when collecting and using personal information. When collecting and using personal information, network operators shall disclose the rules of collection and application, specify the purpose, mode and scope of the collection and use of information, and obtain the consent of the person to whom the personal information is collected. Network operators shall not collect personal information irrelevant to the services they provide, nor divulge, tamper with or damage the personal information they collect; shall not provide relevant personal information to others without the prior consent of the person whom the personal information is collected, except for the personal information that cannot be identified and restored after processing.

On July 12, 2018, NHC promulgated the Administrative Measures on National Health and Medical Care Big Data Standards, Security and Services (Trial) ("Measures on Health and Medical Care Big Data"), which became on the same day. The Measures on Health and Medical Care Big Data stipulates the guidelines and principles of health and medical big data standard management, safety management and service management. According to the Measures on Health and Medical Care Big Data, NHC is responsible for the management of national health and medical big data together with other relevant departments, and all health departments above the county level are responsible for the management of health and medical big data within their administrative regions together with other relevant departments. Medical institutions and relevant enterprises, including those engaged by medical institutions to store or operate health and medical big data, shall take measures, such as data classification, important data backup and encryption, to ensure the safety of health and medical big data, and provide safe information query and replication channels. Based on the Cybersecurity Law of the People's Republic of China, the responsible unit shall strictly control the authorization of users at different levels to access and use data to ensure the use of data within the scope of authorization. Without authorization, no unit or individual shall use or disseminate any health and medical big data or data outside the scope of authorization, nor obtain any data in illegal ways. The responsible unit shall abide by relevant national regulations when disclosing health and medical big data, shall not divulge state secrets, trade secrets or personal privacy, shall not infringe upon the interests of the state or the public, and shall not infringe upon the legitimate rights and interests of citizens, enterprise entities or other organizations.

On April 13, 2020, the Cyberspace Administration of China, the NDRC and several other administrative agencies jointly promulgated the Measures for Cybersecurity Review（2020）, which became effective on June 1, 2020. Pursuant to the Measures for Cybersecurity Review (2020), a cybersecurity review is required when an infrastructure operator handling critical information makes a purchase of internet products or services that has an impact on or may affect national security. The Measures for Cybersecurity Review (2020) establish a basic framework for national security reviews of internet products and services and provide principle provisions for conducting cybersecurity reviews. On December 28, 2021, the Measures for Cybersecurity Review (2021) was issued, which officially came into force on February 15, 2022 and provide that a network platform operator in possession of personal information of more than one million users must report to the Cybersecurity Review Office for a cybersecurity review when it intends to apply for a listing of its shares overseas.

In December 2021, the New Measures for Cybersecurity Review were issued (the "New Measures"). As advised by our PRC Legal Advisers, the New Measures are not applicable to us up to the Latest Practicable Date, given that we are not a "critical information infrastructure operator" or an "internet platform operator" subject to the New Measures. The New Measures stipulate that (i) critical information infrastructure operators that intend to purchase internet products and services that will or may affect national security shall apply for a cybersecurity review, and (ii) internet platform operators carrying out data processing activities that will affect or may affect national security shall apply for a cybersecurity review. We mainly sell medical devices through distributors (which are corporate entities), instead of selling through internet platforms directly to patients. Therefore, we do not gather and utilize personal information as an internet platform operator regulated under the New Measures. Also, as of the Latest Practicable Date, we had not been in possession of personal information of more than one million users. As such, the New Measures are not applicable to us, as advised by our PRC Legal Advisers.

LAWS AND REGULATIONS ON THE ESTABLISHMENT OF COMPANIES AND FOREIGN INVESTMENT

The establishment, operation and management of Chinese enterprise entities are governed by the Company Law of the People's Republic of China (hereinafter referred to as the "China's Company Law"). The law was promulgated by the NPC Standing Committee on December 29, 1993, and finally revised and became effective on October 26, 2018. Limited liability companies and joint stock limited companies established in China are regulated by the China's Company Law. Unless otherwise stipulated in the Foreign Investment Law, foreign-funded companies are also regulated by the China's Company Law.

NPC approved the Foreign Investment Law of the People's Republic of China (hereinafter referred to as the "Foreign Investment Law") on March 15, 2019, which became effective on January 1, 2020 and replaced the Law of the People's Republic of China on Joint Ventures Using Chinese and Foreign Investment (中華人民共和國中外合資經營企業法), the Law of the People's Republic of China on Chinese-Foreign Contractual Joint Ventures and the Law of the People's Republic of China on Wholly Foreign-Owned Enterprises. It has become the legal basis for foreign investment in China. The State Council promulgated the Regulation for Implementing the Foreign Investment Law of the People's Republic of China on December 26, 2019, which became effective on January 1, 2020 and replaced Regulations for the Implementation of the Law of the People's Republic

of China on Joint Ventures Using Chinese and Foreign Investment, Interim Provisions on the Contract Term of Chinese-foreign Equity Joint Ventures, the Rules for the Implementation of the Law of the People's Republic of China on Foreign-capital Enterprises and the Detailed Rules for the Implementation of the Law of People's Republic of China On Sino-Foreign Joint Cooperative Ventures.

Foreign Investment Law contains the basic regulatory framework for foreign investment and implements the management systems of pre-establishment national treatment of the negative list for foreign investment. According to this Law, (i) foreign natural persons, enterprises or other organizations (hereinafter referred to as the "foreign investors") shall not invest in any field forbidden by the negative list for access of foreign investment, (ii) for any field restricted by the negative list, foreign investors shall conform to the investment conditions provided in the negative list , and (iii) fields not included in the negative list shall be managed under the principle that domestic investment and foreign investment shall be treated uniformly. Foreign Investment Law also stipulates the necessary mechanisms for promoting, protecting and managing foreign investment, and stipulates the establishment of a foreign investment information reporting system. Foreign investors or foreign-funded enterprises shall submit investment information to the competent departments for commerce through the enterprise registration system and the enterprise credit information publicity system. The organizational form, organization and activity criteria of foreign-funded enterprises shall conform to various laws, including the China's Company Law and the Partnership Enterprise Law of the People's Republic of China (if applicable).

On December 30, 2019, the Ministry of Commerce and the State Administration for Market Regulation promulgated the Measures for the Reporting of Foreign Investment Information, which became effective on January 1, 2020 and replaced the Interim Measures for the Recordation Administration of the Formation and Modification of Foreign-Funded Enterprises. From January 1, 2020, for investment activities directly or indirectly carried out in China, these Measures stipulate that foreign investors or foreign-funded enterprises must submit investment information to the competent departments for commerce through the enterprise registration system and the national enterprise credit information publicity system.

According to the Special Administrative Measures for the Foreign Investment Access (Negative List) (2021 Edition), issued by the NDRC and the Ministry of Commerce on December 27, 2021 and becoming effective on January 1, 2022, and the Catalog of Industries for Encouraging Foreign Investment (2020 Edition) issued by the NDRC and the Ministry of Commerce on December 27, 2020, which became effective on January 27, 2021, foreign-funded projects can be divided into three categories: encouragement, restriction and prohibition. Foreign-funded projects not listed in the negative list are permitted foreign-funded projects. As of now, businesses of companies and their Chinese subsidiaries do not belong to the restricted or prohibited industries listed in the Special Administrative Measures for the Foreign Investment Access (Negative List) (2020 Edition).

The Provisions on M&A of a Domestic Enterprise by Foreign Investors was revised and became effective on June 22, 2009. According to the provisions, mergers and acquisitions of domestic enterprises by foreign investors shall comply with the requirements of Chinese laws, administrative regulations and rules on investor qualifications and policies in respect of industry, land, environmental protection and others. According to the Notice of the General Office of the State Council on the

Establishment of the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors promulgated by the General Office of the State Council on February 3, 2011, which became effective on March 4, 2011, the scope of mergers and acquisitions security review includes foreign investors' mergers and acquisitions of domestic military facility enterprises, surrounding enterprises of key and sensitive military facilities, and other units related to national defense security; foreign investors' mergers and acquisitions of domestic enterprises related to national security in terms of important agricultural products, important energy and resources, important infrastructure, important transportation services, key technologies, major equipment manufacturing, etc., of which their actual control rights may be acquired by foreign investors. The merger and acquisition of a domestic enterprise by a foreign investor refers to the following circumstances: (i) acquiring the equity interests of a domestic company to change the establishment of the domestic company into a foreign-funded enterprise; (ii) subscribing for the capital increase of a domestic company to change the establishment of the domestic company into a foreign-funded enterprise; (iii) establishing a foreign-funded enterprise, acquiring the assets of a domestic enterprise through the enterprise and operating the assets; and (iv) purchasing the assets of a domestic enterprise and investing with the assets in the establishment of a foreign-funded enterprise.

LAWS AND REGULATIONS ON INTELLECTUAL PROPERTY

Trademark

The NPC Standing Committee revised the Trademark Law of the People's Republic of China on April 23, 2019, which became effective on November 1, 2019, and revised the Regulation on the Implementation of the Trademark Law of the People's Republic of China on April 29, 2014, which became effective on May 1, 2014. They stipulate the requirements for trademark registrants in terms of the application, review and approval, renewal, change, transfer, use and invalidity, and protects the exclusive right of trademark registrants.

According to the above laws and regulations, the term of validity of a registered trademark is ten years, starting from the date of approval of registration. Upon the expiration of the term of validity of a registered trademark, if it is necessary to continue to use it, the renewal shall be processed as required within 12 months before the expiration. If the process cannot be completed during this period, a grace period of six months may be granted. The term of validity of each renewal registration is ten years, starting from the date after the expiration of the term of validity of the trademark. The trademark registrant may, by signing a trademark licensing contract, license others to use its registered trademark.

Patent

According to the Patent Law of the People's Republic of China, which became effective on June 1, 2021, and the Detailed Rules for Implementation of the Patent Law of the People's Republic of China revised by the State Council on January 9, 2010, which became effective on February 1, 2010, the patent administration department under the State Council shall be responsible for the administration of patent work throughout the country; accepting and reviewing patent applications on a consistent basis, and granting patent rights according to law. The patent administration departments of the people's governments of provinces, autonomous regions and municipalities shall be responsible for the administration of patents within their respective administrative regions. Inventions and utility

models granted with patent rights shall be novel, creative and practical. Patent rights shall be granted according to law if the designs do not have existing examples, and no entity or individual has filed an application with the patent administration department under the State Council for the same design before the application date and recorded it in the patent documents published after the application date. The term of the patent right for invention is 20 years, the term of the patent right for utility model is 10 years, and the term of the patent right for design is 15 years, all starting from the date of application. Any entity or individual exploiting another person's patent shall conclude an exploitation license contract with the patentee and pay the patentee a patent royalty. Exploiting the patentee's patent without its permission shall constitute an infringement of its patent right.

Copyright

According to the Copyright Law of the People's Republic of China, which became effective on June 1, 2021, works of Chinese citizens, legal persons or other unincorporated organizations, including intellectual achievements in the fields of literature, art and science that are original and can be expressed in a certain form, whether published or not, shall be entitled to copyrights. Copyright owners are entitled to a variety of rights, including the right of publication, authorship and reproduction.

According to the Measures for the Registration of Computer Software Copyright promulgated by the National Copyright Administration, which became effective on February 20, 2002 and the Regulation on the Protection of Computer Software, which became effective on March 1, 2013, the National Copyright Administration is mainly responsible for the registration and administration of software copyright in China, and recognizes the Copyright Protection Center of China as the software registration authority. For computer software copyright applicants who comply with the requirements of the Measures for the Registration of Computer Software Copyright and the Regulation on the Protection of Computer Software, they shall be granted a registration certificate by the Copyright Protection Center of China.

Domain Name

According to the Measures for the Administration of Internet Domain Names promulgated by the Ministry of Industry and Information Technology on August 24, 2017, which became effective on November 1, 2017, the establishment of domain name root servers and domain name root server operation organizations, domain name registration administration organizations and domain name registration service organizations within China is subject to the permission of the Ministry of Industry and Information Technology or the communications authorities of provinces, autonomous regions or municipalities. The domain name registration service shall follow the "first to apply, first to be registered" principle. The Notice of the Ministry of Industry and Information Technology on Regulating the Use of Domain Names in Internet Information Services, which became effective on January 1, 2018, stipulates the obligations of anti-terrorism and cybersecurity maintenance for the Internet information service providers and other main bodies.

Business Secrets

According to the Anti-Unfair Competition Law of the People's Republic of China, promulgated by The NPC Standing Committee in September 1993 and amended on April 23, 2019, "Business

Secrets" refer to the technical information and operational information that is not available to the public, practical and able to create commercial benefits or profits for its legal owner or holder, and regarded as confidential by its legal owner or holder. According to the Anti-Unfair Competition Law of the People's Republic of China, an enterprise shall not infringe upon the business secrets of others in the following ways: (1) obtain the business secrets of the right owner by theft, bribery, fraud, coercion, electronic intrusion or other means; (2) disclose, use or allow others to use the business secrets of the legal owner (hereinafter referred to as the "obligee") obtained by the means specified in item (1) above; (3) disclose, use or allow others to use the business secrets held by the obligee in violation of the obligation of confidentiality or the relevant requirements of the obligee in relation to keeping the business secrets confidential; (4) abet, induce and aid others to obtain, disclose, use or allow others to use the business secrets of the obligee in violation of the obligation of non-disclosure or the confidentiality requirements of the obligee in regards of business secrets. If a third party, who is aware of or should be aware of the above acts being illegal, but still obtains, uses or discloses the business secrets of others, shall be deemed to have infringed upon the business secrets of others. Where operators and other natural persons, legal persons and entitles without legal personality violate the Anti-Unfair Competition Law of the People's Republic of China and infringe upon business secrets, the supervision and inspection authority shall order to cease the illegal act, confiscate the illegal gains and impose a fine.

According to the provisions of the Criminal Law of the People's Republic of China, which became effective on March 1, 2021, for a person who obtains the obligee's business secrets by theft, bribery, fraud, coercion, electronic intrusion or other improper means; for a person who discloses, uses or allows others to use the business secrets of the obligee obtained by the means mentioned in the preceding item; for a person who discloses, uses or allows others to use the business secrets held by the obligee in violation of the obligation of confidentiality or the relevant requirements of the obligee in relation to keeping the business secrets confidential, if the case is serious, shall be sentenced to imprisonment for a definite period of not more than three years and shall or shall only be fined; if the case is particularly serious, shall be sentenced to imprisonment for a definite period of not less than three years but not more than ten years and shall be fined. For a person who is aware of the acts set out above, obtains, discloses, uses or allows others to use the business secrets, shall be regarded as an infringement of business secrets.

LAWS AND REGULATIONS RELATED TO FOREIGN EXCHANGE

Overall Management of Foreign Exchange

According to the Regulation of the People's Republic of China on Foreign Exchange Administration promulgated on January 29, 1996 and revised on August 5, 2008, which aims at the strengthening foreign exchange management, promotion of international fiscal balance and promotion of healthy development of national economy, and various regulations promulgated by the State Administration of Foreign Exchange and other relevant Chinese government authorities, Renminbi can be converted into other currencies for current account items, such as trade-related receipts and payments and interest and dividend payments. The conversion of Renminbi of the capital account items (such as direct equity investment, loans and capital repatriation) into other currencies and the remittance of foreign currencies outside China after conversion shall be subject to the prior approval of the State Administration of Foreign Exchange or its local office. Payments of transactions in China

shall be made in Renminbi. Unless otherwise approved, Chinese companies may remit offshore foreign currencies payments or retain them in that offshore region. Foreign-owned enterprises may, under the limit determined by the State Administration of Foreign Exchange or its local office, retain foreign exchange under the current account items in the account opened at the designated foreign exchange bank. According to relevant national rules and regulations, the foreign exchange income under the current account may be retained or sold to financial institutions engaged in foreign exchange settlement and sales. The foreign exchange income under the capital account to be retained or sold to financial institutions engaged in foreign exchange settlement or sales is subject to the approval of the State Administration of Foreign Exchange, except where approval is not required under relevant Chinese laws and regulations.

LAWS AND REGULATIONS RELATED TO FOREIGN EXCHANGE REGISTRATION OF OVERSEAS INVESTMENT BY CHINESE RESIDENTS

According to the Notice of the State Administration of Foreign Exchange on Issues concerning Foreign Exchange Administration of the Overseas Investment and Financing and the Round-tripping Investment Made by Domestic Residents through Special-Purpose Companies (hereinafter referred to as "Circular 37"), which became effective on July 4, 2014, Chinese residents or entities shall register under the State Administration of Foreign Exchange or its branches for the establishment or control of offshore entities established for overseas investment or financing purposes. In addition, in case of changes in relevant basic information of overseas special purpose companies (including changes in Chinese citizens or residents, names and operating periods), major matters such as increase or decrease of investment amount, equity interest transfer or replacement, merger or division, relevant Chinese residents or entities shall update their registration with the State Administration of Foreign Exchange in a timely manner.

Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (hereinafter referred to as "Circular 13") was issued by the State Administration of Foreign Exchange on February 13, 2015, which became effective on June 1, 2015, and amended on December 30, 2019. Circular 13 allows Chinese residents or entities to register with the bank for the establishment or control of offshore entities established for overseas investment or financing purposes. However, the remedial registration application made by Chinese residents, who have previously failed to comply with Circular 37, will continue to be under the jurisdiction of the relevant local branches of the State Administration of Foreign Exchange. If the Chinese shareholders holding interests in the SPV fail to register with State Administration of Foreign Exchange as required, the Chinese subsidiaries of the SPV may be prohibited from distributing profits to the offshore parent company and may not carry out cross-border foreign exchange activities thereafter, and ability of the SPV to inject additional capital into its PRC subsidiaries may be limited. In addition, failure to comply with various above-mentioned registration regulations of State Administration of Foreign Exchange, may result in liability under PRC law for evading foreign exchange supervision.

LAWS AND REGULATIONS RELATED TO EMPLOYMENT AND SOCIAL WELFARE

Labor Law and Labor Contract Law

According to the Labor Law of the People's Republic of China, which became effective on December 29, 2018, the Labor Contract Law of the People's Republic of China, which became

effective on July 1, 2013, and the Regulation on the Implementation of the Labor Contract Law of the People's Republic of China, which became effective on September 18, 2008, the employer shall strictly abide by the national standards, provide relevant training for workers, and ensure that workers are entitled to labor rights and perform labor obligations. The employer and workers shall sign a written labor contract, which is divided into fixed-term labor contract, unfixed-term labor contract and labor contract with the term of completing certain assignments. Wages paid to the workers by the employer shall not be lower than the local minimum wage standards.

According to the Labor Contract Law of the People's Republic of China, labor contract employment is the basic form of employment of enterprises in China. Labor dispatch employment is a supplementary form and can only be implemented in temporary, auxiliary or alternative jobs. The dispatched workers are entitled to the right to equal pay for equal work with the workers of the employer. Temporary jobs refer to jobs that last no more than six months; auxiliary jobs refer to non-major business posts that provide services to the major business posts; alternative jobs refer to posts that can be replaced by other workers within a certain period when the workers of the employer are unable to work due to off-duty study, vacation and other reasons. The employer shall strictly control the number of labor dispatch, and shall not exceed a certain proportion of its total employment. The specific proportion is determined by Labor Administration Department of the State Council. The Labor Administration Department shall order the employer to make corrections within a certain limit of time, if it violates the relevant regulations on labor dispatch; failure to make corrections within that limit of time shall result in a fine under the standard of not less than RMB5,000 but not more than RMB10,000 per person.

Social Insurance and Housing Provident Funds

According to the Regulation on Work-Related Injury Insurance, which became effective on January 1, 2011, the Trial Measures for Childbirth Insurance for Enterprise Employees promulgated on December 14, 1994 and implemented on January 1, 1995, the Decision on the Establishment of a Unified Basic Endowment Insurance System for Employees in Enterprises of the State Council, which became effective on July 16, 1997, the Decision of the State Council on Establishing the Urban Employees' Basic Medical Insurance System, which became effective on December 14, 1998, the Regulations on Unemployment Insurance, which became effective on January 22, 1999 and the Social Insurance Law of the People's Republic of China, which became effective on December 29, 2018, enterprises are obliged to provide Chinese employees with welfare plans covering pension, unemployment insurance, maternity insurance, work injury insurance and medical insurance. If an employer fails to pay social insurance premiums in full and on time, the social insurance premium collection agency shall order that employer to pay or complement within a certain limit of time, and an overdue fine of 0.05% per day from the date of arrears shall be imposed; if the payment is overdue, a fine of more than once but not more than three times the amount of arrears shall be imposed by the relevant administrative authority.

According to the Regulation on the Administration of Housing Provident Funds, which became effective on March 24, 2019, the enterprise must register with the competent provident fund management center and complete the relevant bank account opening procedures for housing provident fund deposits of employees after inspection. The enterprise shall pay the housing provident fund in full and on time. If the unit fails to handle the housing provident fund deposit registration or fails to

handle the procedures for the establishment of housing provident fund accounts for its employees, the housing provident fund management center shall order that unit to handle the procedures within a certain limit of time; for failure of handling the procedures within a limit, a fine of more than RMB10,000 but not more than RMB50,000 shall be imposed. In addition, in violation of the relevant provisions of the Regulation on the Administration of Housing Provident Funds, if the payment of the housing provident fund is overdue or underpaid by the unit, the housing provident fund management center shall order that unit to make the payment within a certain limit of time; if the payment remains overdue and unpaid, it may apply to the People's Court for enforcement.

LAWS AND REGULATIONS ON ENVIRONMENTAL PROTECTION

According to the Environmental Protection Law of the People's Republic of China, which became effective on January 1, 2015, the Law of the People's Republic of China on Environmental Impact Assessment, which became effective on December 29, 2018, the Regulations on the Administration of Construction Project Environmental Protection, which became effective on October 1, 2017, the Interim Measures for the Inspection and Acceptance of Environmental Protection upon Completion of Construction Projects, which became effective on November 20, 2017, for construction projects that are required to prepare an environmental impact report and an environmental impact statement, the construction unit shall submit the environmental impact report and the environmental impact statement to the competent administrative authority of environmental protection with the power of examination and approval for examination and approval before the commencement of construction; for construction projects that should fill in the environmental impact registration form in accordance with the law, the construction unit shall submit the environmental impact registration form to the competent administrative authority of environmental protection for the record; for construction projects that are required to prepare environmental impact report and environmental impact statement, the construction unit shall conduct acceptance inspection before operation, and only after passing the acceptance inspection, can they be put into production or use. After the environmental impact assessment documents of the construction project are approved, and in case of significant changes regarding the nature, scale, location, production technology adopted, or measures to prevent pollution and ecological damage of the construction project, the construction unit shall re-submit the environmental impact assessment documents of the construction project for approval.

LAWS AND REGULATIONS RELATED TO TAXATION

Corporate Income Tax

According to the Enterprise Income Tax Law of the People's Republic of China, which became effective on December 29, 2018 and the Regulation on the Implementation of the Enterprise Income Tax Law of the People's Republic of China, which became effective on April 23, 2019, taxpayers include resident enterprises and non-resident enterprises. Resident enterprises refer to enterprises established in China according to law, or enterprises established in accordance with foreign (regional) laws, but the actual management authority is within China. Non-resident enterprises refer to enterprises established in accordance with foreign (regional) laws in which the actual management authority is not within China, but there are institutions or sites that are established within China, or there are no institutions or sites that are established within China, but the source of income is within China. According to the Enterprise Income Tax Law and the relevant implementing regulations, the

unified enterprise income tax rate is 25%. However, if a non-resident enterprise has no institutions or sites that are established within China, or although an institution or site is established, its income has no actual connection with its established institution or site, enterprise income tax at the rate of 10% shall be paid in relation to its income from China.

Value-Added Tax and Business Tax

Notice on Implementing the Pilot Program of Replacing Business Tax with Value-Added Tax in an All-round Manner became effective on May 1, 2016. The pilot plan of replacing business tax with value-added tax has fully launched nationwide on May 1, 2016.

The Interim Regulation of the People's Republic of China on Value-Added Tax (hereinafter referred to as "Value-Added Tax Regulation") was promulgated by the State Council on December 13, 1993, and revised on November 10, 2008, February 6, 2016, and November 19, 2017. The Detailed Rules for the Implementation of the Interim Regulation of the People's Republic of China on Value-Added Taxes (hereinafter referred to as "Value-Added Tax Implementation Detailed Rules") was promulgated by the Ministry of Finance on December 25, 1993, first revised on December 15, 2008, then revised on October 28, 2011, and became effective on November 1, 2011. According to the Value-Added Tax Regulation and Value-Added Tax Implementation Detailed Rules, units and individuals selling goods or providing processing, repairing and replacement services, sales services, intangible assets, real estate and imported goods within China are taxpayers of value-added tax and must pay value-added tax. Unless otherwise specified, the tax rate for taxpayers selling or importing goods and providing processing, repairing and replacement services within China is 17% and 11% under certain specific circumstances.

According to the Notice of the Ministry of Finance and the State Administration of Taxation on Adjusting Value-Added Tax Rates, which became effective on May 1, 2018, the taxpayers with regard to the occurrence of value-added tax taxable sales or imported goods, that were originally applied to the tax rates of 17% and 11%, the tax rates were adjusted to 16% and 10% respectively. According to the Announcement on Relevant Policies for Deepening the Value-Added Tax Reform, which became effective on April 1, 2019, the ordinary value-added tax taxpayers with regard to the occurrence of value-added tax taxable sales or imported goods that were originally applied to the tax rate of 16%, the tax rate were adjusted to 13%; if they were originally applied to the tax rate of 10%, the tax rate were adjusted to 9%.

Dividend Withholding Tax

According to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income signed on August 21, 2006, the withholding tax rate on dividends paid by Chinese companies to Hong Kong residents shall not exceed 5%, provided that the recipient is a company directly holding at least 25% of the capital of Chinese companies. The withholding tax rate of 10% applies to dividends paid by Chinese companies to Hong Kong residents when the recipient is a company directly holding less than 25% of the capital of Chinese companies.

In addition, according to the Notice of the State Administration of Taxation on the Issues concerning the Application of the Dividend Clauses of Tax Agreements, which became effective on

February 20, 2009, for a tax resident of the other party to the tax agreement directly owns a certain proportion or more of the capitals (generally 25% or 10%) of a Chinese resident company which pays the dividends, the dividends obtained by the tax resident of the other party may be entitled to the tax rate prescribed in the tax agreement where all of the following requirements are satisfied simultaneously: (i) the tax resident of the other party who obtains dividends should be limited to a company according to the tax agreement; (ii) the proportion of the equity interests and the proportion of the voting shares of the Chinese resident company directly owned by the tax resident of the other party satisfy the relevant provision; and (iii) the capital ratio of the Chinese resident company directly owned by the tax resident of the other party reaches the percentage specified in the tax agreement at any time within 12 months prior to acquiring the dividends.

In addition, according to the Announcement of the State Taxation Administration on Issuing the Measures for Non-resident Taxpayers' Enjoyment of Treaty Benefits, which became effective on January 1, 2020, tax treatment of non-resident taxpayers under relevant treaties shall adopt the approach of "self-judgment, declaration for enjoyment and retention of relevant data for examination." If non-resident taxpayers consider that they are eligible for treatments under the tax treaties through self-assessment, they may, at the time of filing tax returns or making withholding tax filings through withholding agents, enjoy the treatments under the tax treaties, and shall concurrently collect and retain the relevant documents for inspection according to the regulations of "the Measures", and accept tax authorities' post-filing administration.

OVERVIEW

We are a China-based 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 had, as of the Latest Practicable Date, amassed a total of 30 assets in our portfolio, including ten therapeutic products and three access products approved and commercialized in China and 17 product candidates under development. We boast a comprehensive portfolio of approved therapeutic products 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 have commercialized products in 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 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. China's neuro-interventional medical device market has been dominated by internationally renowned companies. According to CIC, we are the only Chinese company among the top five players in this market in terms of revenue in 2020, with a market share of approximately 4%.

KEY MILESTONES

The following table sets forth the key milestones of our business development:

Year	Key milestones and achievements
2004-2015 Technology Incubation	
2004	Our first product, *APOLLO*, was approved by the NMPA and became the first approved stent system to treat ICAD in the world.
2007	*Willis* was recognized as one of the innovative medical devices for the treatment of intracranial aneurysm by the Stroke, a journal published by American Heart Association and American Stroke Association.
2009	*Willis* won the First Prize in Science and Technology Award of Shanghai (上海市科技進步一等獎) awarded by the Shanghai Municipal Government of the PRC. *APOLLO* won the Second Prize in Science and Technology Award of Shanghai (上海市科技進步二等獎) awarded by the Shanghai Municipal Government of the PRC.
2012	MP NeuroTech Shanghai, our principal operating subsidiary, was established in Shanghai. *Willis* won the First Prize in Science and Technology Progress Award of the Ministry of Education of the PRC (教育部科技進步一等獎).
2013	*Willis* was approved by the NMPA and became the first and the only stent graft for the treatment of cerebral vessel diseases in the world.
2014	*Willis* won the Second Prize in National Science and Technology Award (國家科學技術進步獎二等獎) awarded by the State Council of the PRC.
2015	We were granted ISO 13485 Certification, which demonstrates our commitment to the international standard on product design and development for our production and sales.

Year	Key milestones and achievements
	2016-2018 Pipeline Expansion
2016	*Tubridge*, the first Chinese-developed flow-diverting stent, was admitted into the NMPA's innovative medical device special review and approval procedure (known as the "Green Path"). We cooperated with Japan-based Asahi Intecc and became the exclusive distributor for Asahi's neurovascular guidewires in mainland China.
2017	We cumulatively had penetrated into approximately 1,000 hospitals in the PRC, among which over 650 hospitals were Class III hospitals.
2018	Our total revenue for the financial year exceeded RMB100 million. *Tubridge* was approved by the NMPA. *Bridge*, the first vertebral artery drug-eluting stent, was admitted to the Green Path. We were recognized as one of the Patent Model Enterprises in Shanghai (上海市專利工作試點企業) by the Shanghai Intellectual Property Administration.
	2019-2022 Operation Leapfrog and Globalization
2019	Our products were used in more than 50,000 neuro-interventional procedures. *Fastrack* was approved by the NMPA. We invested in Israel-based Rapid Medical and established a strategic relationship with it, under which we act as the exclusive distributor of Rapid Medical's flagship products, *Comaneci*, *Tigertriever*, *Tigertriever 13* and all follow-up products, in Greater China.
2020	Our total revenue for the financial year exceeded RMB200 million. *NUMEN*, *NUMEN FR*, *Bridge* and *U-track* were approved by the NMPA and *Tigertriever* was admitted to the Green Path.
2021	We cumulatively had penetrated into approximately 2,300 hospitals in the PRC, among which over 1,300 hospitals were Class III hospitals. In September, we passed the milestone of 90,000 neuro-interventional procedures using our products (over 5,000 attributable to *Tubridge*). *NUMEN* and *NUMEN FR* obtained CE Marking in the European Union in April and FDA registration in the United States and MFDS approval in South Korea in September. The first overseas coil embolization procedure with *NUMEN* and *NUMEN FR* was completed in Chile in August, marking *NUMEN* and *NUMEN FR*'s entrance to the overseas markets. We submitted the NMPA registration application of *Neurohawk*, our self-developed stent retriever system with enhanced full visualization. We further invested in Rapid Medical and became its largest shareholder. We completed the 2021 Pre-**[REDACTED]** Investment with post-money valuation reached US$1.75 billion.
2022	*Diveer*, *NUMEN Silk*, *Neurohawk* and *X-track* were approved by the NMPA. We completed the first patient enrollment for the clinical trial of *Rebridge*.

OUR CORPORATE DEVELOPMENT

Our Company

Our Company was incorporated in the Caymans Islands as an exempted company with limited liability on September 30, 2020 under the Companies Act. Upon the completion of the Reorganization, our Company became the holding company and the **[REDACTED]** vehicle of our Group. See "—Reorganization" below for details.

Our principal operating subsidiary in the PRC

As of the Latest Practicable Date, our business operations had been carried out by our operating subsidiaries established by our Group in the PRC. MP NeuroTech Shanghai is our principal operating subsidiary through which we conducted our business operations primarily and which contributed a substantial amount of revenue and profit of our Group during the Track Record Period. Set out below are the major corporate developments including major changes in the equity interests in our principal operating subsidiary.

MAJOR SHAREHOLDING CHANGES OF OUR GROUP

Establishment and initial shareholding changes of MP NeuroTech Shanghai

MP NeuroTech Shanghai was established by Shanghai MicroPort Medical, a wholly owned subsidiary of MicroPort, in the PRC as a limited liability company on May 16, 2012 with an initial registered capital of RMB0.45 million. The initial capital contribution was fully paid by Shanghai MicroPort Medical on April 26, 2012.

Subsequent to a series of changes in registered capital, on January 29, 2014, MP NeuroTech Shanghai became owned as to approximately 71.4% by MicroPort Sinica, 27.3% by MicroPort NeuroTech CHINA Corp. Limited ("**MicroPort NeuroTech China**"), a then indirect wholly owned subsidiary of MicroPort, and 1.3% by Shanghai MicroPort Medical, with a registered paid-up capital of RMB35.0 million. On August 3, 2015, MicroPort NeuroTech China and Shanghai MicroPort Medical transferred their respective equity interest of 27.3% and 1.3% in MP NeuroTech Shanghai to MicroPort Sinica at a consideration of RMB9.55 million and RMB0.45 million, respectively. The consideration was determined with reference to the registered capital of MP NeuroTech Shanghai at the time of such transfer and was fully settled in cash by MicroPort Sinica by August 7, 2015. Upon completion of such equity transfer, MP NeuroTech Shanghai became wholly owned by MicroPort Sinica.

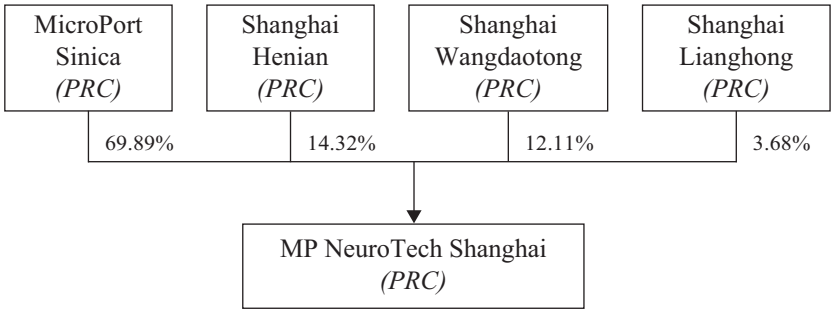
Pursuant to a capital increase agreement dated November 1, 2015 entered into between MicroPort Sinica and Shanghai Henian, MicroPort Sinica made a capital injection of RMB27.0 million to MP NeuroTech Shanghai, of which RMB9.405 million was credited to its registered capital, and Shanghai Henian made a capital injection of RMB26.54 million to MP NeuroTech Shanghai, of which RMB9.095 million was credited to its registered capital. The portion of the capital injection not credited to the registered capital of MP NeuroTech Shanghai was contributed to its capital reserve. The capital injection was fully paid by MicroPort Sinica and Shanghai Henian by December 21, 2015 and February 6, 2018, respectively. Shanghai Henian was established in the PRC as a limited partnership on October 27, 2015. As of the Latest Practicable Date, Ms. Lu Huina (盧惠娜), our senior director of quality, regulatory and clinical affairs, was a general partner of Shanghai Henian and the limited partners comprised employees, former employees and consultants of MicroPort Group and our Group and Shanghai Changlong. As of the Latest Practicable Date, Shanghai Changlong was a wholly owned subsidiary of Pepper Tree MediNet (Shanghai) Corp. (花椒樹遠程醫學網絡科技(上海)有限公司), which was in turn a subsidiary of Real & Realistic Foundation Limited ("**Real & Realistic**"), an Independent Third Party. Upon completion of such capital injection, MP NeuroTech Shanghai became owned as to 83.0% by MicroPort Sinica and 17.0% by Shanghai Henian.

Pursuant to a capital increase agreement dated July 24, 2020 entered into among MP NeuroTech Shanghai, MicroPort Sinica, Shanghai Henian, Shanghai Wangdaotong and Shanghai Lianghong, Shanghai Wangdaotong made a capital injection of RMB115.0 million to MP NeuroTech Shanghai, of which RMB7,690,625 was credited to its registered capital, and Shanghai Lianghong made a capital injection of RMB35.0 million to MP NeuroTech Shanghai, of which RMB2,340,625 was credited to its registered capital. The portion of the capital injection not credited to the registered capital of MP NeuroTech Shanghai was contributed to its capital reserve. The capital injection was fully paid by Shanghai Wangdaotong and Shanghai Lianghong by August 3, 2020. Shanghai Wangdaotong was established in the PRC on April 22, 2020 and is wholly owned by Hopeway Corp. Limited. Shanghai Lianghong was established in the PRC as a limited partnership on June 17, 2019. As of the Latest Practicable Date, Ms. Wu Zaoli (吴造力), our senior director of human resources and administration, was a general partner of Shanghai Lianghong and the limited partners comprised employees and former employees of MicroPort Group and our Group. Upon completion of such capital injection, MP NeuroTech Shanghai became owned as to approximately 69.89% by MicroPort Sinica, 14.32% by Shanghai Henian, 12.11% by Shanghai Wangdaotong and 3.68% by Shanghai Lianghong.

Upon completion of a series of equity transfers and a capital increase as part of our Reorganization, MP NeuroTech Shanghai became wholly owned by Shanghai Shenjing. See "—Reorganization—Acquisition of and Capital Contribution in MP NeuroTech Shanghai by Shanghai Shenjing" below for further details. There has been no change in the equity interest in MP NeuroTech Shanghai since then.

REORGANIZATION

In preparation for the **[REDACTED]**, the following steps were implemented to establish our Group (the "**Reorganization**"). The following chart sets forth a simplified shareholding structure of our Group immediately before the Reorganization:



Incorporation of MP Scientific

MP Scientific was incorporated in the BVI with limited liability on September 25, 2020 and is authorized to issue up to 50,000 ordinary shares of a single class with or without par value. Upon incorporation, one share of MP Scientific was allotted and issued to MicroPort as its sole shareholder at a consideration of US$1.00 on the same day.

Incorporation of Our Company and Our Offshore Subsidiaries

Our Company was incorporated in the Caymans Islands as an exempted company with limited liability on September 30, 2020 under the Companies Act to act as the holding company and **[REDACTED]**

vehicle of our Group. The initial authorized share capital of our Company was US$50,000 divided into 500,000,000 ordinary Shares with a par value of US$0.0001 each. Immediately after the incorporation of our Company, one Share was allotted and issued at par to the initial subscriber, an Independent Third Party, which was then transferred to MP Scientific at a consideration of US$0.0001 on the same date.

MP NeuroTech BVI was incorporated in the BVI with limited liability on October 5, 2020 and is authorized to issue up to 50,000 ordinary shares with or without par value. Upon its incorporation, one share of MP NeuroTech BVI was allotted and issued to our Company at a subscription price of US$1.0. Upon completion of such allotment and issue, MP NeuroTech BVI became directly wholly-owned by our Company.

MP NeuroTech HK was incorporated in Hong Kong with limited liability on October 7, 2020. On the same date, one share of MP NeuroTech HK was allotted and issued to the initial subscriber, an Independent Third Party, which was then transferred to MP NeuroTech BVI at a consideration of US$1.00 on October 20, 2020. Upon completion of such allotment and issue, MP NeuroTech HK became directly wholly-owned by MP NeuroTech BVI.

Each of our Company, MP NeuroTech BVI, and MP NeuroTech HK has been an investment holding company without substantive business operations since incorporation.

Establishment of Shanghai Shenjing

Shanghai Shenjing was established by MP NeuroTech HK in the PRC as a wholly-foreign owned enterprise with limited liability on March 19, 2021 with an initial registered capital of US$45.0 million. On August 18, 2021, the registered capital of Shanghai Shenjing was increased from US$45.0 million to US$75.0 million, with MP NeuroTech HK contributing US$30.0 million. Upon completion of such capital increase, Shanghai Shenjing remained as a direct wholly-owned subsidiary of MP NeuroTech HK. Shanghai Shenjing is expected to serve as our main control hub over our onshore operating entities.

Allotment and Issuance of Shares to Onshore Shareholders

For the purpose of reflecting and mirroring the then shareholding structure of MP NeuroTech Shanghai before the Reorganization, on May 20, 2021, at the offshore level, our Company allotted and issued certain Shares to the offshore holding vehicles designated by each of the then existing shareholders of MP NeuroTech Shanghai. Upon completion of the share allotment and issuance, the shareholding of our Company is set forth below:

Name of Shareholders	Number of Shares allotted and issued	Shareholding upon the completion of the allotment and issuance *(Approximately)*
MP Scientific[1]	69,894,700	69.89%
Hopeway Corp. Limited[2]	12,105,300	12.11%
Stride and Strive Limited[3][5]	2,235,300	2.24%
Miracle Medical Limited[3][5]	677,700	0.68%
HNMP Global Limited[3][5]	2,831,900	2.83%
HNNT Global Limited[3][6]	2,939,600	2.94%
HNA Global Limited[3][6]	5,631,300	5.63%
LHMP Global Limited[4][5]	556,800	0.56%

Name of Shareholders	Number of Shares allotted and issued	Shareholding upon the completion of the allotment and issuance *(Approximately)*
LHNT Global Limited[4][6]	1,645,900	1.65%
LHA Global Limited[4][6]	1,481,500	1.48%
Total	**100,000,000**	**100%**

Notes:

(1) Being the offshore holding vehicle designated by MicroPort Sinica, which held approximately 69.89% equity interest in MP NeuroTech Shanghai before the Reorganization.

(2) Being the offshore holding vehicle designated by Shanghai Wangdaotong, which held approximately 12.11% equity interest in MP NeuroTech Shanghai before the Reorganization.

(3) Being the offshore holding vehicles designated by Shanghai Henian, which held approximately 14.32% equity interest in MP NeuroTech Shanghai before the Reorganization.

(4) Being the offshore holding vehicles designated by Shanghai Lianghong, which held approximately 3.68% equity interest in MP NeuroTech Shanghai before the Reorganization.

(5) For details and background information of the Shareholders, please see "– Pre-**[REDACTED]** Investments-Background Information of the Pre-**[REDACTED]** Investors" below for details.

(6) For details and background information of the Shareholders, please see "– Our Employee Stock Ownership Platforms" below for details.

Acquisition of and Capital Contribution in MP NeuroTech Shanghai by Shanghai Shenjing

Transfer of 12.11 % and 3.68 % equity interest in MP NeuroTech Shanghai by Shanghai Wangdaotong and Shanghai Lianghong to Shanghai Shenjing

Pursuant to an equity interest transfer agreement dated March 30, 2021 entered into among Shanghai Wangdaotong, Shanghai Lianghong and Shanghai Shenjing, Shanghai Wangdaotong and Shanghai Lianghong agreed to transfer their respective equity interest of approximately 12.11% and 3.68% in MP NeuroTech Shanghai to Shanghai Shenjing at a consideration of RMB115.0 million and RMB35.0 million, respectively. The consideration was determined through arm's length negotiation with reference to the capital injection made by each of Shanghai Wangdaotong and Shanghai Lianghong to MP NeuroTech Shanghai and was fully settled in cash by April 22, 2021. Upon completion of such equity transfer, MP NeuroTech Shanghai became owned as to approximately 69.89% by MicroPort Sinica, 15.79% by Shanghai Shenjing and 14.32% by Shanghai Henian.

Increase of registered capital of MP NeuroTech Shanghai

Pursuant to a capital increase agreement dated May 10, 2021 entered into among MicroPort Sinica, Shanghai Shenjing and Shanghai Henian, the registered capital of MP NeuroTech Shanghai was increased from RMB63,531,250 to RMB163,531,250, with Shanghai Shenjing contributing RMB100.0 million, which was fully paid up by May 21, 2021. Upon completion of such capital increase, MP NeuroTech Shanghai became owned as to approximately 67.29% by Shanghai Shenjing, 27.15% by MicroPort Sinica and 5.56% by Shanghai Henian.

Transfer of 27.15% and 5.56% of equity interest in MP NeuroTech Shanghai by MicroPort Sinica and Shanghai Henian to Shanghai Shenjing

Pursuant to an equity interest transfer agreement dated August 6, 2021 entered into among Shanghai Shenjing, MicroPort Sinica and Shanghai Henian, MicroPort Sinica and Shanghai Henian agreed to transfer their respective equity interest of approximately 27.15% and 5.56% equity interest in MP NeuroTech Shanghai to Shanghai Shenjing at a consideration of RMB161,022,034 and RMB32,980,288, respectively. The consideration was determined through arm's length negotiation with reference to a valuation report issued by an Independent Third Party and was fully settled in cash on August 30, 2021. Upon completion of such equity transfers, MP NeuroTech Shanghai became wholly owned by Shanghai Shenjing.

ACQUISITION, DISPOSAL AND DEREGISTRATION OF SUBSIDIARIES DURING THE TRACK RECORD PERIOD

Acquisition of certain interests in Rapid Medical

Rapid Medical is a company incorporated in the State of Israel with limited liability on August 12, 2008 and is primarily engaged in the development, manufacturing and sales of innovative devices for neuro-interventional procedures.

In order to expand our product portfolio and to commercialize leading technologies and products in neuro-interventional medical services, we invested in and have established a strategic cooperative relationship with Rapid Medical, a leading international medical device company. Our investments in Rapid Medical as set out below:

- on April 15, 2019, MicroPort entered into a series C preferred share purchase agreement with Rapid Medical and other ten investors, all being Independent Third Parties, pursuant to which, among others, MicroPort agreed to subscribe 1,495,378 series C preferred shares of Rapid Medical, representing 11.85% of the then total number of issued and outstanding shares of Rapid Medical, at a consideration of US$5.5 million which was fully paid in cash by MicroPort on April 12, 2019. On April 16, 2019, MP NeuroTech Shanghai entered into a share transfer agreement with MicroPort, pursuant to which MicroPort agreed to transfer 1,495,378 series C preferred shares of Rapid Medical held by it to Sevenoaks, a wholly owned subsidiary of MP NeuroTech Shanghai, at a consideration of US$5.5 million, being previous share subscription price made by MicroPort. The consideration had been fully settled in cash by Sevenoaks by April 17, 2020; and

- on April 28, 2021, MP NeuroTech HK entered into a series D preferred share purchase agreement with Rapid Medical and other seven investors, all being Independent Third Parties, pursuant to which MP NeuroTech HK agreed to subscribe for 2,987,349 series D preferred shares of Rapid Medical, representing approximately 14.85% of the then total number of issued and outstanding shares of Rapid Medical, at a consideration of US$20.0 million which was determined after arm's length negotiations between the parties with reference to potential profitability, business growth, prospects as well as the net asset value of Rapid Medical at the time of such subscription. The consideration had been fully settled in cash by MP NeuroTech HK by May 6, 2021.

Upon completion of such investments, our Company became the largest shareholder of Rapid Medical holding approximately 22.28% of its issued share capital through MP NeuroTech HK and Sevenoaks. The other shareholders of Rapid Medical are all Independent Third Parties. With the initial investment, we have since become the exclusive distributor of Rapid Medical's flagship products, *Comaneci, Tigertriever, Tigertriever 13* and all follow-up products, in Greater China, which further enhances our footprint in hemorrhagic stroke and AIS.

None of the applicable percentage ratios as defined under the Listing Rules in respect of the above acquisition exceeds 25% which would require disclosure under Rule 4.05(A) of the Listing Rules.

Disposal of Shanghai Shenyi

Shanghai Shenyi was established in the PRC with limited liability on June 22, 2017 and is primarily engaged in the R&D of deep brain stimulation. As Shanghai Shenyi's principal business is not in line with the core business of our Group, on October 25, 2018, as part of intra-group restructuring, MP NeuroTech Shanghai transferred its entire equity interest in Shanghai Shenyi to MicroPort Qianyan (Shanghai) Brain Science and Technology Co., Ltd. (微創前沿（上海） 腦科學技術有限公司) (currently known as Shanghai MicroPort Dimensional Brain Science and Technology (Group) Co., Ltd. (上海微創次元腦科學技術（集團）有限公司)) ("**MicroPort Qianyan**"), a wholly owned subsidiary of MicroPort, at a consideration of RMB5.0 million, which was determined with reference to the then registered share capital of Shanghai Shenyi and was fully settled by MicroPort Qianyan in cash on November 9, 2018. Upon completion of such equity transfer, Shanghai Shenyi became a wholly owned subsidiary of MicroPort Qianyan.

Deregistration of Jiangxi MP NeuroTech

Jiangxi MP NeuroTech was established in the PRC with limited liability on May 15, 2017. Before the deregistration, it was wholly owned by MP NeuroTech Shanghai. Jiangxi MP NeuroTech had no business operations since its establishment. In order to streamline the structure of our Group, on March 18, 2020, Jiangxi MP NeuroTech was deregistered and ceased to be a subsidiary of our Company.

Our Directors confirm that Jiangxi MP NeuroTech was not involved in any pending or unresolved arbitration or legal proceedings, or had any material non-compliances, immediately prior to its deregistration.

OUR EMPLOYEE STOCK OWNERSHIP PLATFORMS

For the purpose of rewarding our employees and consultants at the relevant time for their contribution or potential contribution to our Group, HNA Global Limited, HNNT Global Limited, LHA Global Limited and LHNT Global Limited were established as our employee stock ownership platforms.

HNA Global Limited was incorporated in the BVI with limited liability on February 4, 2021. As of the Latest Practicable Date, HNA Global Limited was owned as to approximately 29.59% by Mr. Xie Zhiyong (謝志永) (our executive Director and president), 22.03% by Mr. Peng Bo (彭博) (the chairman of our Board and our non-executive Director) and 14.37% by Partner's ChoiceMed Limited,

a company directly wholly owned by Mr. Wang Yiqun Bruce (our executive Director and executive vice president). The remaining shareholders of HNA Global Limited are employees of our Group. None of the shareholders of HNA Global Limited held 30% or more of the issued share capital of HNA Global Limited.

HNNT Global Limited was incorporated in the BVI with limited liability on March 3, 2021. As of the Latest Practicable Date, the ultimate shareholders of HNNT Global Limited comprised certain employees, former employees and consultants of our Group. None of the shareholders of HNNT Global Limited held 30% or more of the issued share capital of HNNT Global Limited.

LHA Global Limited was incorporated in the BVI with limited liability on February 4, 2021. As of the Latest Practicable Date, LHA Global Limited was owned as to approximately 24.54% by Mr. Peng Bo, 18.74% by Mr. Xie Zhiyong and 15.67% by Partner's ChoiceMed Limited. The remaining shareholders of LHA Global Limited are employees of our Group. None of the shareholders of LHA Global Limited held 30% or more of the issued share capital of LHA Global Limited.

LHNT Global Limited was incorporated in the BVI with limited liability on March 3, 2021. As of the Latest Practicable Date, the ultimate shareholders of LHNT Global Limited comprised certain employees and former employees of our Group. None of the shareholders of LHNT Global Limited held 30% or more of the issued share capital of LHNT Global Limited.

THE PRE-[REDACTED] INVESTMENTS

2020 Issuance of Convertible Bonds

Pursuant to (i) the subscription agreement dated October 28, 2020 entered into among our Company, MicroPort, MP NeuroTech Shanghai and Biolink Limited; (ii) its amendment agreement dated December 21, 2020 entered into among our Company, MicroPort, MP NeuroTech Shanghai, Biolink Limited and Biolink NT; and (iii) its second amendment agreement dated April 27, 2021 entered into among our Company, MicroPort, MP NeuroTech Shanghai, Shanghai Shenjing, Biolink Limited and Biolink NT (collectively, the "**2020 Subscription Agreement**"), our Company agreed to issue convertible bonds (the "**Convertible Bonds**") to Biolink Limited and Biolink NT for a total principal amount of US$50 million and US$20 million, respectively, for a period of two years. Under the terms and conditions of the 2020 Subscription Agreement, the completion of the 2021 Pre-**[REDACTED]** Investment will trigger the mandatory conversion of the Convertible Bonds.

2021 Pre-[REDACTED] Investment

On November 10, 2021, our Company, MP NeuroTech BVI, MP NeuroTech HK, Shanghai Shenjing, MP NeuroTech Shanghai, MP Scientific and the 2021 Pre-**[REDACTED]** Investors, namely CICC Healthcare, Nectar Neuro, BVF III, Biolink Healthcare, Star Wave and Always Enterprises, entered into a share subscription and purchase agreement (the "**2021 Share Purchase Agreement**"), pursuant to which: (i) the 2021 Pre-**[REDACTED]** Investors agreed to subscribe for an aggregate of 2,032,495 newly issued Series A-2 Preferred Shares at an aggregate consideration of approximately US$31.26 million (the "**2021 Share Allotment and Issuance**"); and (ii) MP Scientific agreed to transfer 7,720,432 ordinary Shares to the 2021 Pre-**[REDACTED]** Investors at a consideration of approximately US$118.74 million (the "**2021 Share Transfer**"), whereby the transferred ordinary Shares will be reclassified and redesignated as Series A-2 Preferred Shares immediately after completion of the 2021 Share

Allotment and Issuance and the 2021 Share Transfer. The subscription and purchase price was approximately US$15.38 per Series A-2 Preferred Share which was determined through arm's length negotiation with reference to our funding needs, our products under development and the prospects and development potential of our Group being considered as a whole. The details of the above transactions are set forth below:

	The 2021 Share Allotment and Issuance		The 2021 Share Transfer		
Name of Shareholders[1]	**Number of Series A-2 Preferred Shares allotted and issued**	**Subscription Price *(US$)***	**Number of ordinary Shares Purchased from MP Scientific[2]**	**Purchase Price *(US$)***	**Total Number of Series A-2 Preferred Shares[3]**
CICC Healthcare	1,083,997	16,671,873.86	4,117,563	63,328,118.94	5,201,560
Nectar Neuro	474,249	7,293,949.62	1,801,434	27,706,054.92	2,275,683
BVF III	277,774	4,272,164.12	1,055,126	16,227,837.88	1,332,900
Biolink Healthcare	115,175	1,771,391.50	437,491	6,728,611.58	552,666
Star Wave	67,750	1,041,995.00	257,348	3,958,012.24	325,098
Always Enterprises	13,550	208,399.00	51,470	791,608.60	65,020
Total	**2,032,495**	**31,259,773.00**	**7,720,432**	**118,740,244.00**	**9,752,927**

Notes:

(1) For details and background information of the Shareholders, please see "—Pre-**[REDACTED]** Investments—Background Information of the Pre-**[REDACTED]** Investors" below for details.

(2) Such ordinary Shares were reclassified and redesignated as Series A-2 Preferred Shares immediately after completion of the 2021 Share Allotment and Issuance and the 2021 Share Transfer.

(3) Represents the total number of Series A-2 Preferred Shares held by each 2021 Pre-**[REDACTED]** Investor upon issuance of Series A-2 Preferred Shares and the re-designation of ordinary Shares to Series A-2 Preferred Shares upon completion of the 2021 Share Allotment and Issuance and the 2021 Share Transfer.

2021 Conversion of Convertible Bonds

On November 19, 2021, our Company, Biolink Limited and Biolink NT entered into a convertible note conversion agreement pursuant to which, after the completion of the 2021 Pre-**[REDACTED]** Investment, the Convertible Bonds will be simultaneously converted to an aggregate of 11,759,125 Series A-1 Preferred Shares at a conversion price of approximately US$5.95 per Series A-1 Preferred Share (the "**2021 Conversion of Convertible Bonds**") and our Company will allot and issue 8,399,375 Series A-1 Preferred Shares to Biolink Limited and 3,359,750 Series A-1 Preferred Shares to Biolink NT, respectively, which representing approximately 7.38% and 2.95% of the total number of the issued Shares, respectively.

Upon the completion of the 2021 Share Allotment and Issuance, the 2021 Share Transfer and the 2021 Conversion of Convertible Bonds, the shareholding structure of our Company was as follows:

Name of Shareholders	Shareholding prior to the completion of the 2021 Share Allotment and Issuance and the 2021 Share Transfer *(Approximately)*	Shareholding upon the completion of the 2021 Share Allotment and Issuance, the 2021 Share Transfer and the 2021 Conversion of Convertible Bonds *(Approximately)*
Ordinary Shares		
MP Scientific	69.89%	54.64%
Other existing Shareholders	30.11%	26.46%
Series A-1 Preferred Shares		
Biolink Limited(1)	–	7.38%
Biolink NT(1)	–	2.95%
Series A-2 Preferred Shares		
CICC Healthcare	–	4.57%
Nectar Neuro	–	2.00%
BVF III	–	1.17%
Biolink Healthcare	–	0.49%
Star Wave	–	0.28%
Always Enterprises	–	0.06%
Total	**100%**	**100%**

Note:

(1) For details and background information of Biolink Limited and Biolink NT, please see "—Pre-**[REDACTED]** Investments—Background Information of the Pre-**[REDACTED]** Investors" below for details.

Principal Terms of the Pre-[REDACTED] Investments

Name of the Pre-[REDACTED] Investors	Date of the agreement	Amount of consideration paid	Date of settlement	Date of transfer/ issuance	Cost per Share (as adjusted after the Share Subdivision)[1] *(Approximately)*	Discount to the [REDACTED][2] *(Approximately)*	Shareholding in our Company immediately upon completion of the Pre-[REDACTED] Investments (before the Share Subdivision)	Shareholding in our Company immediately before the [REDACTED] *(Approximately)*	Post-money valuation of our Company
Stride and Strive Limited[3]	November 1, 2015	(i) RMB4,144,013.05[5] (ii) US$223.53[7]	(i) February 6, 2018 (ii) May 24, 2021	May 20, 2021	US$0.058	**[REDACTED]**%	2,235,300 ordinary Shares	1.96%	RMB156.12 million
Miracle Medical Limited[3]		(i) RMB1,256,385.11[5] (ii) US$67.77[7]			US$0.058	**[REDACTED]**%	677,700 ordinary Shares	0.60%	
HNMP Global Limited[3]		(i) RMB5,250,047.22[5] (ii) US$283.19[7]			US$0.058	**[REDACTED]**%	2,831,900 ordinary Shares	2.49%	
LHMP Global Limited[3]	July 24, 2020	(i) RMB5,289,615.11[6] (ii) US$55.68[7]	(i) August 3, 2020 (ii) May 18, 2021	May 20, 2021	US$0.30	**[REDACTED]**%	556,800 ordinary Shares	0.49%	RMB950.0 million
WE'TRON Capital[4]	August 12, 2021	US$17,800,000	August 12, 2021	August 12, 2021	US$0.29	**[REDACTED]**%	12,105,300 ordinary Shares[1]	10.64%	
Biolink Limited	October 28, 2020[8]	US$70,000,000	January 6, 2021	November 19, 2021	US$1.19	**[REDACTED]**%	8,399,375 Series A-1 Preferred Shares	7.38%	US$665.0 million
Biolink NT							3,359,750 Series A-1 Preferred Shares	2.95%	
CICC Healthcare	November 10, 2021	(i) US$16,671,873.86[9] (ii) US$63,328,118.94[10]	(i) (ii) November 20, 2021	November 19, 2021	US$3.08	**[REDACTED]**%	5,201,560 Series A-2 Preferred Shares	4.57%	US$1.75 billion
Nectar Neuro		(i) US$7,293,949.62[9] (ii) US$27,706,054.92[10]	(i) (ii) November 20, 2021				2,275,683 Series A-2 Preferred Shares	2.00%	
BVF III		(i) US$4,272,164.12[9] (ii) US$16,227,837.88[10]	(i) November 23, 2021 (ii) November 26, 2021				1,332,900 Series A-2 Preferred Shares	1.17%	
Biolink Healthcare		(i) US$1,771,391.50[9] (ii) US$6,728,611.58[10]	(i) (ii) November 20, 2021				552,666 Series A-2 Preferred Shares	0.49%	
Star Wave		(i) US$1,041,995.00[9] (ii) US$3,958,012.24[10]	(i) (ii) November 15, 2021				325,098 Series A-2 Preferred Shares	0.28%	
Always Enterprises		(i) US$208,399.00[9] (ii) US$791,608.60[10]	(i) (ii) November 16, 2021				65,020 Series A-2 Preferred Shares	0.06%	

Notes:

(1) The approximate cost per Share is calculated based on the amount of consideration paid by each Pre-**[REDACTED]** Investor divided by the number of Shares to be held by it upon **[REDACTED]** (assuming the **[REDACTED]** is not exercised).

(2) The discount to the **[REDACTED]** is calculated based on the assumption that the **[REDACTED]** is HK$**[REDACTED]** per **[REDACTED]**.

(3) To align the interest of the then shareholders of MP NeuroTech Shanghai with that of our Company, we alloted and issued corresponding new Shares to each of the offshore holding vehicles of Shanghai Henian and Shanghai Lianghong in proportion to their respective shareholding interest in MP NeuroTech Shanghai. Stride and Strive Limited, Miracle Medical Limited, HNMP Global Limited, HNNT Global Limited and HNA Global Limited, being the offshore holding vehicles of Shanghai Henian, and LHMP Global Limited, LHNT Global Limited and LHA Global Limited, being the offshore holding vehicles of Shanghai Lianghong, became our Shareholders. For details, see "—Reorganization—Allotment and Issuance of Shares to Onshore Shareholders" above. Each of HNNT Global Limited, HNA Global Limited, LHNT Global Limited and LHA Global Limited has been established as our employee stock ownership platforms. For details, see "—Our Employee Stock Ownership Platforms" above. For more background information of each of Stride and Strive Limited, Miracle Medical Limited, HNMP Global Limited and LHMP Global Limited, see "—Background Information of the Pre-**[REDACTED]** Investors" below.

(4) On August 12, 2021, in light of its strategic planning and internal funding arrangements, Hopeway Corp. Limited transferred the entire 12,105,300 Shares held by it, representing of approximately 12.11% shareholding in our Company, to WE'TRON Capital at a consideration of US$17.8 million and was fully settled in cash on August 12, 2021.

(5) The consideration is calculated based on the initial capital injection of RMB26.54 million to MP NeuroTech Shanghai made by Shanghai Henian and reflected and mirrored the respective shareholding interest we alloted and issued to the offshore holding vehicles of Shanghai Henian.

(6) The consideration is calculated based on the initial capital injection of RMB35.0 million to MP NeuroTech Shanghai made by Shanghai Lianghong and reflected and mirrored the respective shareholding interest we alloted and issued to the offshore holding vehicles of Shanghai Lianghong.

(7) Being the par value for the Shares that each Shareholder subscribed.

(8) Pursuant to the 2020 Subscription Agreement, our Company agreed to issue the Convertible Bonds to Biolink Limited and Biolink NT and, under the terms and conditions of the 2020 Subscription Agreement, the completion of the 2021 Pre-**[REDACTED]** Investment will trigger the mandatory conversion of the Convertible Bonds. On November 19, 2021, our Company, Biolink Limited and Biolink NT entered into a convertible note conversion agreement, pursuant to which the Convertible Bonds was simultaneously converted to an aggregate of 11,759,125 Series A-1 Preferred Shares after the completion of the 2021 Pre-**[REDACTED]** Investment, and our Company has allotted and issued 8,399,375 Series A-1 Preferred Shares to Biolink Limited and 3,359,750 Series A-1 Preferred Shares to Biolink NT, respectively. For details, see "—Reorganization—2021 Conversion of Convertible Bonds" above.

(9) Being the subscription price for the 2021 Share Allotment and Issuance. For details, see "—The Pre-**[REDACTED]** Investments—2021 Pre-**[REDACTED]** Investment" above.

(10) Being the purchase price for the 2021 Share Transfer. For details, see "—The Pre-**[REDACTED]** Investments—2021 Pre-**[REDACTED]** Investment" above.

Further Information about the Pre-[REDACTED] Investments

Strategic benefits of the Pre-[REDACTED] Investors brought to our Company

At the time of the Pre-**[REDACTED]** Investments, our Directors were of the view that (i) our Company would benefit from the additional capital provided by the Pre-**[REDACTED]** Investors for our R&D, construction of production facilities, daily operations and market development, thereby helping our Group to better enhance our market competitiveness, broaden our market resources and facilitate our rapid development; and (ii) the Pre-**[REDACTED]** Investments have

	expanded our shareholder base and shown the Pre-**[REDACTED]** Investors' confidence in the R&D and commercialization capabilities and prospects of our Group, thus increasing our brand influence and market value. Moreover, our Pre-**[REDACTED]** Investors include experienced investors in the area of medical and/or healthcare industry, who can share their insight on business strategies and provide professional advice on our Group's corporate governance, financial reporting and internal control.
[REDACTED] and whether they have been fully utilized	The **[REDACTED]** raised have been used for purposes of our business operations, business development, investment in our principal business and general working capital needs of our Group. As of the Latest Practicable Date, we had utilized approximately 41.0% of the net **[REDACTED]** from the Pre-**[REDACTED]** Investments.
Lock-up period	All the Pre-**[REDACTED]** Investors are subject to a six-month lock-up period commencing from the **[REDACTED]**, during which they will not, inter alia, directly or indirectly dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any Shares of our Company.

Background Information of the Pre-[REDACTED] Investors

To the best of our Directors' knowledge, except for Miracle Medical Limited and WE'TRON Capital, all other Pre-**[REDACTED]** Investors are Independent Third Parties. For details, see "— Public Float" below in this section and the section headed "Substantial Shareholders" in this document. The background information of each of our Pre-**[REDACTED]** Investors is set out below:

Name of Pre-[REDACTED] Investors	Background
Stride and Strive Limited	Stride and Strive Limited is an investment holding company which was incorporated in the BVI and is directly wholly owned by Real & Realistic. Real & Realistic is a company limited by guarantee with no share capital incorporated in Hong Kong. It is a charity foundation focused on advancing and promoting science and education and has no beneficial owner and ultimate controller.
HNMP Global Limited	HNMP Global Limited is an employee stock ownership platform of the MicroPort Group which was incorporated in the BVI with limited liability. HNMP Global Limited is owned as to approximately 52.18% by HNC Global Limited, whose shareholders comprised employees of the MicroPort Group and is the only shareholder holding 30% or more interest in HNMP Global Limited. HNC Global Limited is owned as to 33.60% by Ms. Jin Qiaorong (金巧蓉), an employee of the MicroPort Group, and none of the other shareholders of HNC Global Limited held 30% or more of the issued share capital of HNC Global Limited.

Name of Pre-[REDACTED] Investors	Background
LHMP Global Limited	LHMP Global Limited is an employee stock ownership platform of the MicroPort Group which was incorporated in the BVI with limited liability. LHMP Global Limited is owned as to approximately 47.17% by LHC Global Limited, whose shareholders comprised employees of the MicroPort Group and is the only shareholder holding 30% or more interest in LHMP Global Limited. None of the shareholders of LHC Global Limited held 30% or more of the issued share capital of LHC Global Limited.
Miracle Medical Limited and WE'TRON Capital	Miracle Medical Limited is an investment holding company which was incorporated in the BVI and is directly wholly owned by Maxwell Maxcare Science Foundation Limited ("**Maxwell Maxcare**"). Maxwell Maxcare is a company limited by guarantee with no share capital incorporated in Hong Kong. It is a charity foundation focused on advancing and promoting science and education and has no beneficial owner and ultimate controller. WE'TRON Capital is an investment holding company incorporated in Hong Kong with limited liability and is directly held as to 99.99% by Maxwell Maxcare. As of Latest Practicable Date, WE'TRON Capital held 14.50% of total number of issued shares of MicroPort.
CICC Healthcare	CICC Healthcare is a company incorporated in the Cayman Islands with limited liability and controlled by CICC Healthcare Investment Fund, L.P. The general partner of CICC Healthcare Investment Fund, L.P. is CICC Healthcare Investment Management Limited, an indirect subsidiary of China International Capital Corporation Limited ("**CICC**"). The H-shares of CICC are listed on the Stock Exchange (stock code: 3908) and the A-shares of CICC are listed on the Shanghai Stock Exchange (stock code: 601995). CICC Healthcare Investment Fund, L.P. focuses on equity investment opportunities in core industries such as new medical technologies, new healthcare models and innovative medicines.
Nectar Neuro	Nectar Neuro is a company incorporated in the BVI and is managed and controlled by Helix Capital ZHEYI Limited, which is wholly owned by Gu Zheyi. Helix Harbor Fund I L.P., a Cayman Islands exempted limited partnership managed by HHF Group Limited ("**HHF Capital**"), holds approximately 60.0% participating shares of Nectar Neuro, whose investment strategies include investments in structural opportunities, consolidations and innovations in the medical technology, life science and consumer healthcare sectors, and is the only shareholder holding 30% or more interest in Nectar Neuro. HHF Capital is a leading private equity fund manager with a focus on growth and buyout stage investments in China's healthcare industry.
BVF III	BVF III is a limited partnership established in the BVI and is dedicated to investments in businesses in the medical and healthcare industry. Its general partner is BVF (BVI) Holding Limited and the limited partner is Wenbo Xu. BVF (BVI) Holding Limited is a limited liability company incorporated in the BVI and is directly wholly owned by Wenbo Xu.

Name of Pre-[REDACTED] Investors	Background
Biolink Healthcare, Biolink Limited and Biolink NT	Biolink Healthcare is a company incorporated in the BVI and is mainly engaged in equity investment in the medical sector. There is no ultimate beneficial owner who holds 30% or more interest in Biolink Healthcare. Hu Yibin holds 100% voting power in Biolink Healthcare. Biolink Limited is an investment holding company with limited liability which was incorporated in the BVI and is directly wholly owned by Biolink Fund Limited Partnership. Biolink NT is an exempted company with limited liability incorporated in the Cayman Islands and a special purpose vehicle directly wholly owned by Biolink NT Fund Limited Partnership. Each of Biolink Fund Limited Partnership and Biolink NT Fund Limited Partnership is managed by Biolink Biomedical Ltd., a company incorporated in the Cayman Islands with limited liability ("**Biolink Biomedical**"). Biolink Biomedical is indirectly wholly owned by Blossom Vision Limited, which is in turn wholly owned by Suntera Corporate Trustees (Hong Kong) Limited, the trustee of a discretionary trust set up by Hu Yibin as the settlor. Biolink Biomedical is dedicated to investments in businesses in the medical and healthcare industry. None of the limited partner of Biolink Fund Limited Partnership and Biolink NT Fund Limited Partnership holds 30% or more interest in the partnerships.
Star Wave	Star Wave is an investment holding company with limited liability which was incorporated in the BVI and is directly wholly owned by Gao Bin. Star Wave mainly invests in the medical and healthcare industry related business.
Always Enterprises	Always Enterprises is an investment holding company with limited liability which was incorporated in the BVI and is dedicated to investments in businesses in the medical and healthcare industry. Always Enterprises is owned as to 86.32% by Liping Yu, being the only shareholder holding 30% or more interest in Always Enterprises.

Special Rights Granted to the Pre-[REDACTED] Investors

Pursuant to the shareholders agreement dated November 19, 2021 entered into among our Company, MP NeuroTech BVI, MP NeuroTech HK, Shanghai Shenjing, MP NeuroTech Shanghai and the then Shareholders of our Company, as amended by the deed of amendment dated June 9, 2022, (the "**Shareholders Agreement**"), which superseded the previous shareholders agreements, the Pre-**[REDACTED]** Investors were granted certain special rights, including but not limited to information rights, protective provisions, redemption rights, pre-emptive rights, director nomination rights, rights to be consented prior to certain corporate actions and anti-dilution rights. The redemption rights were terminated on December 28, 2021 and all the other special rights under the Shareholders Agreement shall be automatically terminated upon the **[REDACTED]** in compliance with the requirements of the Guidance on Pre-**[REDACTED]** Investments (HKEX-GL43-12).

Public Float

Upon completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised), Maxwell Maxcare will control approximately **[REDACTED]**% interest in our total issued Shares through Miracle Medical Limited and WE'TRON Capital and will be our substantial shareholder. As such,

each of Miracle Medical Limited and WE'TRON Capital, being a subsidiary of Maxwell Maxcare, will be a core connected person of our Company as defined under the Listing Rules and the Shares held by each of them will not be counted towards the public float.

Upon completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised), Hu Yibin will control approximately **[REDACTED]**% interest in our total issued Shares through Biolink Healthcare, Biolink Limited and Biolink NT and will be our substantial shareholder. As such, each of Biolink Healthcare, Biolink Limited and Biolink NT, being a close associate of Hu Yibin, will be a core connected person of our Company as defined under the Listing Rules and the Shares held by each of them will not be counted towards the public float.

Save as disclosed above in this section and the section headed "Substantial Shareholders" in this document, to the best of our Directors' knowledge, all other Pre-**[REDACTED]** Investors are not connected persons of our Company and are Independent Third Parties. As a result, Shares held by the existing Shareholders, other than MP Scientific, Miracle Medical Limited, WE'TRON Capital, Biolink Healthcare, Biolink Limited and Biolink NT, will all be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules. Hence, over 25% of our total issued Shares will be held by the public upon completion of the **[REDACTED]** as required under 8.08(1)(a) of the Listing Rules.

Compliance with Interim Guidance and Guidance Letters

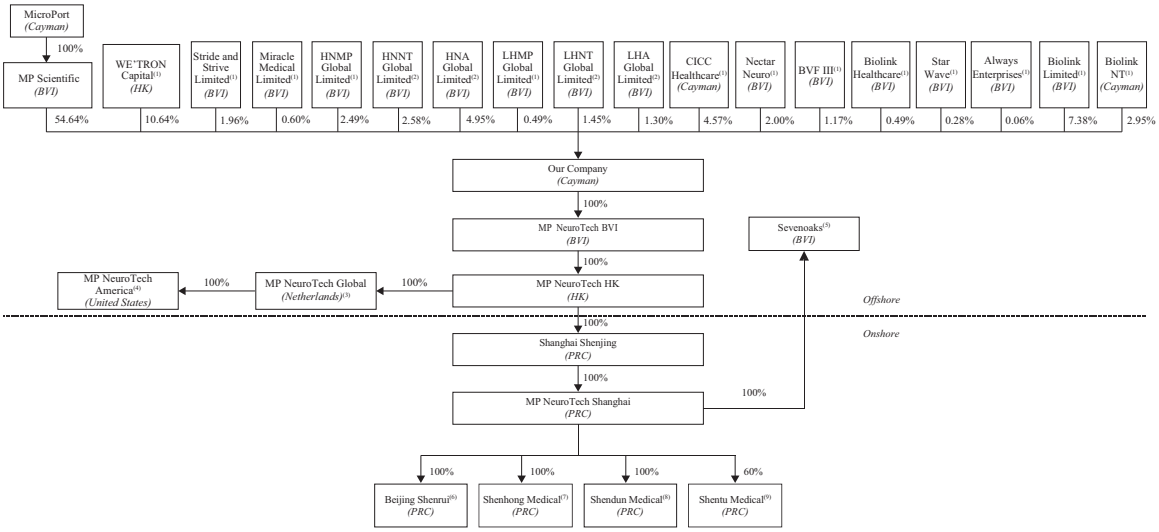
The Joint Sponsors are of the view that the Pre-**[REDACTED]** Investments are in compliance with the Interim Guidance on Pre-**[REDACTED]** Investments (HKEX-GL29-12) and the Guidance on Pre-**[REDACTED]** Investments (HKEX-GL43-12).

SHARE SUBDIVISION AND SHARE CONVERSION

On [●], we conducted the Share Subdivision pursuant to which each share in our issued and unissued share capital was subdivided into [five] shares of the corresponding class with par value US$[0.00002] each, following which our issued share capital consisted of (i) [461,397,840] Shares with par value of US$[0.00002] each; and (ii) [58,795,625] Series A-1 Preferred Shares with par value of US$[0.00002] each; and (iii) [48,764,635] Series A-2 Preferred Shares with par value of US$[0.00002] each. Each Series A Preferred Shares will be converted to one Share upon the **[REDACTED]** becoming unconditional.

SHAREHOLDING AND CORPORATE STRUCTURE

Corporate structure upon completion of the Reorganization and the Pre-[REDACTED] Investments and immediately prior to the [REDACTED]



Notes:

(1) See "—Pre-**[REDACTED]** Investments—Background Information of the Pre-**[REDACTED]** Investors" above for the detailed background information of each of the Pre-**[REDACTED]** Investors.

(2) See "—Our Employee Stock Ownership Platforms" above for details and background information of our employee stock ownership platforms.

(3) MP NeuroTech Global was incorporated in the Netherlands with limited liability on April 8, 2022 and has not had business operations since its incorporation.

(4) MP NeuroTech America was incorporated in the United States on June 8, 2022 and has not had business operations since its incorporation.

(5) On September 18, 2019, Sevenoaks was incorporated by MP NeuroTech Shanghai in the BVI with limited liability as an investment holding company which invested 11.85% of the total number of issued shares of Rapid Medical. Upon its incorporation, one share was allotted and issued to MP NeuroTech Shanghai with a subscription price of US$5.5 million which was fully paid in cash by MP NeuroTech Shanghai on April 16, 2020.

Rapid Medical is an Israel-based company primarily engaged in the development, manufacturing and sales of innovative devices for neuro-interventional procedures. We subsequently became its largest shareholder by investing in April 2019 and April 2021, respectively, and has become the exclusive distributor of certain flagship products of Rapid Medical in Greater China since our initial investment. For more details, see "—Acquisition, Disposal and Deregistration of Subsidiaries during the Track Record Period—Acquisition of certain interests in Rapid Medical" above in this section.

(6) Beijing Shenrui was established in the PRC with limited liability on December 21, 2020 and has not had business operations since its establishment.

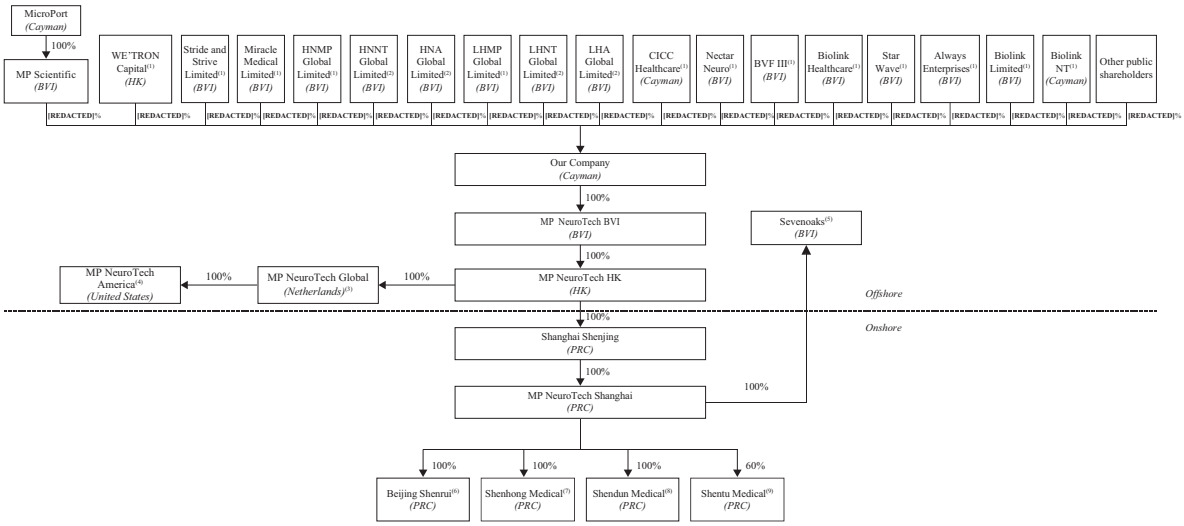
(7) Shenhong Medical was established in the PRC with limited liability on August 5, 2021 and is primarily engaged in the R&D of liquid embolic agents.

(8) Shendun Medical was established in the PRC with limited liability on January 10, 2019 and is primarily engaged in the R&D of *NUMEN* Biodegradable Coil and Balloon Protection Guide Catheter.

(9) Shentu Medical was established in the PRC with limited liability on June 12, 2020 and is primarily engaged in the R&D of neurovascular guidewires and carotid artery stent. The remaining 40% equity interest in Shentu Medical is held by

Shanghai Meijing, our employee stock ownership platform. As of the Latest Practicable Date, the general manager of Shentu Medical, Mr. Zhang Yingtao (張瀅濤), was the general partner of Shanghai Meijing and the limited partners were employees and consultants of our Group, as well as Shanghai Xuenao Enterprise Management Consulting Center (Limited Partnership) (上海學腦企業管理諮詢中心（有限合夥）), our employee stock ownership platform, whose general partner was Mr. Zhang Yingtao and its limited partners were our employees and former employees.

Corporate structure immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised)



Notes:

See the respective notes to the corporate structure upon completion of the Reorganization and the Pre-**[REDACTED]** Investments and immediately prior to the **[REDACTED]**.

[REDACTED] OF OUR GROUP FROM MICROPORT

MicroPort considers that it is commercially beneficial to MicroPort and our Company and in the interests of the shareholders of MicroPort to effect the **[REDACTED]** as the **[REDACTED]** is expected to create greater value for MicroPort and its shareholders as a whole and our Company for the following reasons:

(a) the **[REDACTED]** will unlock value of our Company which is at a fast-growing stage and provide MicroPort and its shareholders an opportunity to realize the value of their investment in our Group under a separate standalone platform for our Group's business;

(b) the **[REDACTED]** will separate our Group's business from the MicroPort Group's business. Such separation will enable shareholders and investors to appraise the strategies, success factors, functional exposure, risks and returns of our Group and the MicroPort Group separately and to make or refine their investment decisions accordingly. Investors will have the choice to invest in either one or all of the businesses of the MicroPort Group;

(c) the **[REDACTED]** will enable our Group to build our identity as a separately **[REDACTED]** group, to have a separate fund-raising platform and to broaden our investor base. Direct access to capital markets allows our Group to make equity and/or debt financing to fund our existing operations and future expansion without reliance on MicroPort, thereby accelerating our expansion, improving our operating and financial management efficiencies, which in turn will provide better return to our Shareholders;

(d) the **[REDACTED]** will enable our Group to enhance our corporate profile, thereby increasing our ability to attract investors for making investments in our Group, which could provide synergy for our Group, and the MicroPort Group will also benefit from such investments without further capital commitment;

(e) the **[REDACTED]** will increase the operational and financial transparency of and improve the corporate governance of our Company and provide Shareholders and investors with greater clarity on the businesses and financial status of our Group on a standalone basis, and such improvements will help to build investor confidence in forming investment decisions based on their assessment of the performance, management, strategy, risks and returns of our Group; and

(f) the **[REDACTED]** will enable more focused development, strategic planning and better allocation of resources for the MicroPort Group and our Group with respect to their respective businesses. Both the MicroPort Group and our Group will benefit from the efficient decision-making process under the separate management structure for seizing emerging business opportunities, especially with a dedicated management team for our Group to focus on our development. In addition, the **[REDACTED]** will improve the ability of our Group to recruit, motivate and retain key management personnel.

The **[REDACTED]**, if **[REDACTED]**, may constitute a discloseable transaction for MicroPort under the Listing Rules.

The proposal in relation to the **[REDACTED]** was submitted by MicroPort to the Stock Exchange for approval pursuant to Practice Note 15 of the Listing Rules (the "**Practice Note 15**"), and the Stock Exchange has confirmed that MicroPort may proceed with the **[REDACTED]**. Practice Note 15 requires MicroPort to have due regard to the interests of its existing shareholders by providing them with an **[REDACTED]** to the Shares, either by way of a distribution in specie of existing Shares or by way of a preferred application in the **[REDACTED]** of existing or new Shares (the "**[REDACTED]**"). Practice Note 15 provides that the respective minority shareholders of MicroPort may by resolution in general meeting resolve to waive the **[REDACTED]**. MicroPort will provide the **[REDACTED]** to the **[REDACTED]** by way of the **[REDACTED]**. See "Structure of the **[REDACTED]**" in this document for further details of the **[REDACTED]**.

PRC REGULATORY REQUIREMENTS

As confirmed by our PRC Legal Advisers, we have obtained and completed all necessary approvals, registrations and/or procedures in all material aspects required by the relevant PRC regulatory authorities in respect of the steps of the Reorganization in relation to our PRC subsidiary, as described above.

According to the M&A Rules jointly issued by the MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, the STA, the China Securities Regulatory Commission (the "**CSRC**"), the SAMR and the SAFE on August 8, 2006, as amended on June 22, 2009, a foreign investor is required to obtain necessary approvals when it (i) acquires the equity of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise, (ii) subscribes for the increased capital of a domestic enterprise so as to convert the

domestic enterprise into a foreign-invested enterprise, (iii) establishes a foreign-invested enterprise through which it purchases the assets of a domestic enterprise and operates these assets, or (iv) purchases the assets of a domestic enterprise, and then invests such assets to establish a foreign-invested enterprise.

Article 11 of the M&A Rules regulates "affiliated mergers", which refers to the circumstance where a domestic company or enterprise or a domestic natural person, through an overseas company established or controlled by it/him, acquires a domestic company which is related to or connected with it/him, and an approval from MOFCOM is required.

Our PRC Legal Advisers are of the opinion that no approval from MOFCOM under the M&A Rules is required for the Reorganization for the reasons that, (1) Shanghai Shenjing was established as a foreign-owned enterprise by means of direct investment rather than the merger or acquisition by our Company under the M&A Rules, (2) the share transfer from Shanghai Wangdaotong and Shanghai Lianghong to Shanghai shenjing shall be deemed as the equity transfer of a sino-foreign equity joint venture enterprise, which does not involve the circumstance under the M&A Rules, where foreign investors acquire equity of shareholders of nonforeign investment enterprises in China MOFCOM.

Pursuant to the SAFE Circular 37 promulgated by SAFE and which became effective on July 4, 2014, (a) a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle (the "**Overseas SPV**") that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing, and (b) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPV, including, among other things, a change of the Overseas SPV's PRC resident shareholder(s), the name of the Overseas SPV, terms of operation, or any increase or reduction of the Overseas SPV's capital, share transfer or swap, and merger or division.

Pursuant to the Circular of SAFE on Further Simplification and Improvement in Foreign Exchange Administration on Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) (the "**SAFE Circular No. 13**"), promulgated by SAFE and which became effective on June 1, 2015, the power to accept SAFE registration was delegated from local SAFE to local banks where the assets or interest in the domestic entity are located.

According to the Foreign Exchange Registration Form for Overseas Investment of Domestic Individual Residents and the Business Registration Certificate stamped and confirmed by qualified local banks, as of the Latest Practicable Date, each of our directors and senior management who indirectly hold shares in our Company, being PRC resident and who is required to conduct registration pursuant to the requirement of the SAFE Circular 37 have completed the initial registration under the SAFE Circular 37.

OVERVIEW

We are a China-based 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 had, as of the Latest Practicable Date, amassed a total of 30 assets in our portfolio, including ten therapeutic products and three access products approved and commercialized in China and 17 product candidates under development. We boast a comprehensive portfolio of approved therapeutic products 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 have commercialized products covering 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 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. China's neuro-interventional medical device market has been dominated by internationally renowned companies. According to CIC, we are the only Chinese company among the top five players in this market in terms of revenue in 2020, with a market share of approximately 4%.

Stroke is the leading cause of death in China, accounting for over 20% of total mortalities in 2020, with high incidence rates. According to CIC, China had an incidence of 0.8 million hemorrhagic stroke patients, 0.5 million transient ischemic attack (a condition commonly associated with cerebral atherosclerotic stenosis) patients and 1.7 million AIS patients in 2020. The penetration rate of neuro-interventional procedures in the fields of hemorrhagic stroke, cerebral atherosclerotic stenosis and AIS in China has remained relatively low at 9.1%, 1.0% and 2.7%, respectively, in 2020, suggesting significant potential for development. 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%.

Employing neuro-interventional medical devices, endovascular neurosurgeries represent advanced treatment options for neurovascular disease, with minimal invasion and shorter recovery time for patients as compared to traditional open surgery. Specifically:

- *Hemorrhagic stroke.* One major cause of hemorrhagic stroke is intracranial aneurysm, which is primarily treated by embolization coils and flow-diverting stents. Hemorrhagic stroke neuro-interventional devices accounted for 65.2% of China's neuro-interventional medical device market in 2020 in terms of sales revenue, according to CIC. In 2020, the penetration rate of neuro-interventional procedures for intracranial aneurysm in China was at 9.1%, as compared to 62.3% in the United States.

- *Cerebral atherosclerotic stenosis.* Cerebral atherosclerotic stenosis is a subset and the main form of ischemic stroke, which is primarily treated by bare metal stents, drug-eluting stents (DES) and balloon catheters. By the same parameters, according to CIC, cerebral atherosclerotic stenosis neuro-interventional devices accounted for 12.2% of the market in 2020.

- *Acute ischemic stroke.* AIS occurs when blood flow through a brain artery is blocked by a clot, or mass of thickened blood. A stent retriever is the main neuro-interventional medical

device for the treatment of AIS. By the same parameters, according to CIC, AIS neuro-interventional devices accounted for 22.6% of the market in 2020.

Our portfolio includes products covering all of the three major areas of neurovascular disease, with the following highlights:

Hemorrhagic stroke

- NUMEN® Coil Embolization System ("*NUMEN*") and NUMEN FR Coil Detachment System ("*NUMEN FR*"), which obtained NMPA approval in 2020 and obtained FDA approval in the United States, CE Marking in the European Union and MFDS approval in South Korea in 2021;

- Tubridge® Flow-diverting Stent ("*Tubridge*"), the first neuro-interventional medical device admitted to the Green Path and the first and the only Chinese-developed flow-diverting stent approved by the NMPA;

- Willis® Intracranial Stent Graft System ("*Willis*"), the first and the only intracranial stent graft indicated for the treatment of cerebral vessel diseases in the world; and

- Rebridge® Intracranial Visualized Stent ("*Rebridge*"), the first Chinese-developed full-visualization coil embolization assisting stent that entered clinical trials.

Cerebral atherosclerotic stenosis

- APOLLO™ Intracranial Arterial Stent System ("*APOLLO*"), the world's first approved stent system to treat intracranial atherosclerotic disease (ICAD); and

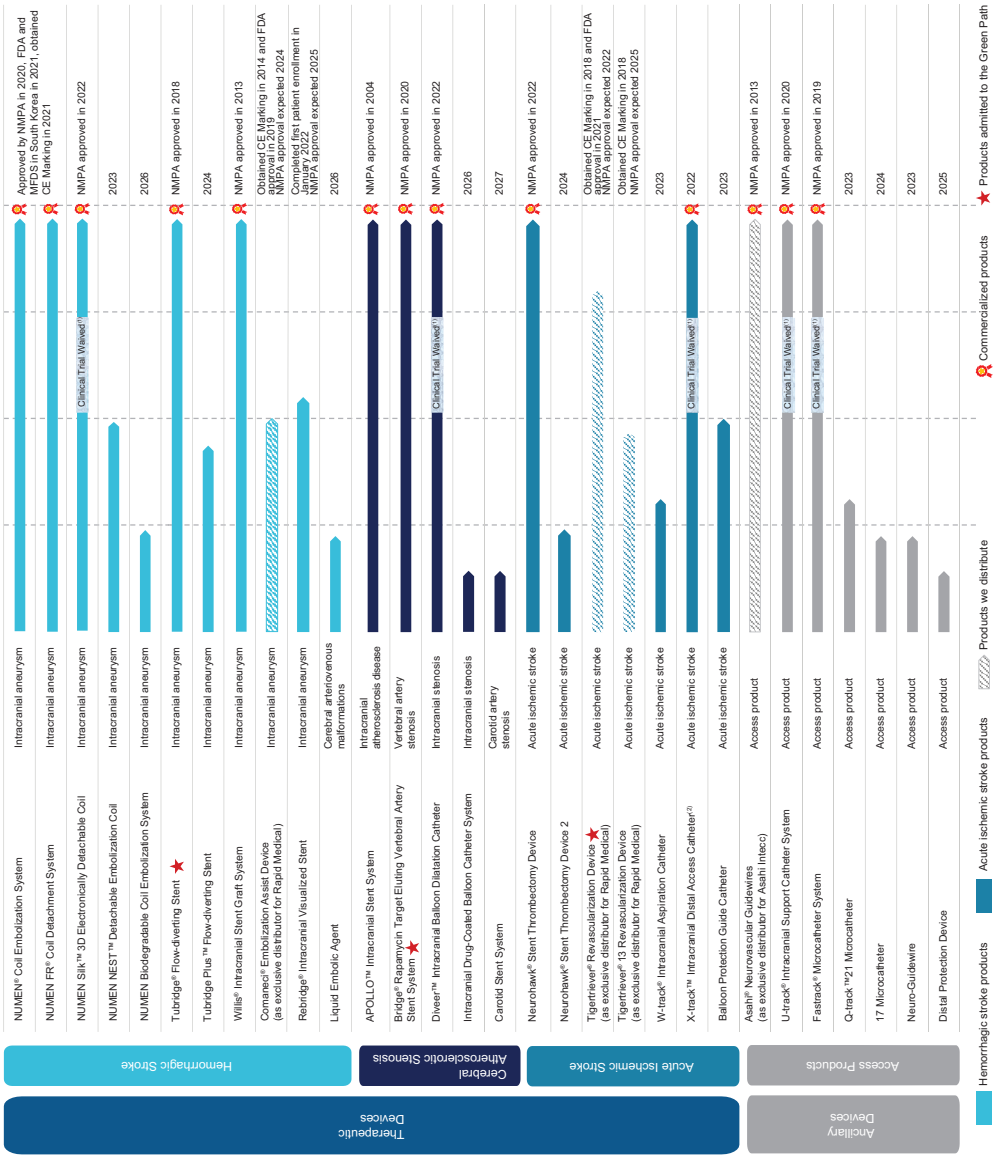
- Bridge® Rapamycin Target Eluting Vertebral Artery Stent System ("*Bridge*"), the first vertebral artery DES that was admitted to the Green Path and approved by the NMPA.

Acute ischemic stroke

- Neurohawk® Stent Thrombectomy Device ("*Neurohawk*"), our self-developed stent retriever system with enhanced full visualization, which was approved by the NMPA in February 2022; and

- Tigertriever™ Revascularization Device ("*Tigertriever*"), the world's first adjustable stent retriever with full visualization and developed by our partner Rapid Medical. We have the exclusive right to commercialize *Tigertriever*, *Tigertriever 13* and all follow-up products of *Tigertriever*, which are compatible with procedures in blood vessels of varying diameters, in Greater China. *Tigertriever* was admitted to the Green Path. We submitted *Tigertriever*'s NMPA application in December 2021 and expect to receive approval in the fourth quarter of 2022. According to CIC, *Tigertriever 13* is to date the world's smallest stent retriever, designated for distal vessel occlusion.

The following chart summarizes our product portfolio as of the Latest Practicable Date:



Through 18 years of development, we have gained technological expertise and R&D achievements that stand out in China. As of the Latest Practicable Date, we had five approved hemorrhagic stroke products, three approved cerebral atherosclerotic stenosis products and two approved AIS products. As of the same date, we had three products that had been admitted to the NMPA's innovative medical device special review and approval procedure (known as the "Green Path"), which is a selective program under which the NMPA provides support throughout the registration process and grants priority review to qualified medical device candidates, and four self-developed products that had obtained 16 national or regional awards. As of the Latest Practicable Date, we had 102 registered patents in China, including 32 invention patents, and 142 patents under application, including 110 invention patents. In addition, we had 30 patents registered and 58 patents under application in 10 other countries as of the Latest Practicable Date. According to CIC, we ranked first among Chinese neuro-interventional medical device companies in China in terms of registered patents. Our distinctive physician-engineer collaboration model (醫工結合) throughout our R&D process allows us to gain practical insight from key opinion leaders and real-time needs from patients.

Through our collaborations with physicians, we aim to develop a complete portfolio of neurovascular interventional solutions for physicians and patients.

As the largest Chinese neuro-interventional medical device company in China with a market share of approximately 4%, we have a proven record of commercialization as demonstrated by our comprehensive portfolio of commercialized products covering the major hospitals in the field of neuro-intervention. As of December 31, 2019, 2020 and 2021, we had penetrated into approximately 1,500, 1,800 and 2,200 hospitals, respectively, among which approximately 1,000, 1,150 and 1,300 were Class III hospitals, and 500, 650 and 900 were Class I and Class II hospitals, respectively. We had penetrated into approximately 2,400 hospitals, among which over 1,400 are Class III hospitals as of the Latest Practicable Date. According to CIC, our products had penetrated all of the top 100 hospitals as monthly ranked by China's National Stroke Center in 2021. We have established customized commercialization strategies targeting specific market segments. In first- and second-tier cities, we focus on enhancing our brand awareness and penetrating into major hospitals through organizing and participating influential conferences in neuro-intervention industry, building long-term relationship with key opinion leaders and providing training to physicians. Given that hemorrhagic stroke surgeries are more prevalent in first- and second-tier cities, for distributors covering these markets, we select those who have solid experience in distributing hemorrhagic stroke products and strong connections with leading hospitals in hemorrhagic stroke surgeries. In lower-tier cities and counties, we promote our products through our Eagle & Swallows (神雕飛燕) program, through which we introduce knowledge about neuro-intervention, organize training on neuro-interventional procedures, provide follow-up consulting, and offer routine guidance to local physicians and patients. Accordingly, as surgeries for acute ischemic stroke and cerebral atherosclerotic stenosis are more prevalent in lower-tier cities and counties, for distributors covering these markets, we select those who have rich experience and extensive hospital connections in these surgical areas.

We maintain and follow a global vision. Some of our flagship products have been approved in overseas markets for sale. Our *NUMEN* and *NUMEN FR* obtained FDA approval in the United States, CE Marking in the European Union and MFDS approval in South Korea in 2021. In addition, we collaborate with global leading neuro-interventional medical device companies to enrich our product portfolio and expand our sales network. In 2019, we established a strategic relationship with Israel-based Rapid Medical, under which we act as the exclusive distributor of Rapid Medical's flagship products, *Comaneci*, *Tigertriever*, *Tigertriever 13* and all follow-up products, in Greater China. In May 2021, we became Rapid Medical's largest shareholder through equity investments. In addition, we have cooperated with Japan-based Asahi Intecc and act as the exclusive distributor for its neurovascular guidewires in mainland China since November 2016. Furthermore, we have established local sales teams in Latin America, Asia Pacific and Europe. We also plan to establish an overseas R&D and production center in Irvine, California, the neuro-intervention R&D hub in the United States. Our goal is to establish a local supply chain and production facilities in the United States aiming to supply the global market with overseas production and to move forward with our global expansion.

We recorded robust financial growth during the Track Record Period. Our revenue increased from RMB183.7 million in 2019 to RMB 221.9 million in 2020 and further to RMB382.8 million in 2021.

COMPETITIVE STRENGTHS

We believe the following strengths contribute to our success:

Largest Chinese neuro-interventional medical device company with comprehensive product portfolio.

As the largest Chinese player in the neuro-interventional medical device industry in China, we have been promoting the development of this high potential industry through our innovative products. As early as 2004, *APOLLO* was approved by the NMPA and became the world's first approved stent system to treat ICAD, a disease caused by cerebral atherosclerotic stenosis. Over the 18 years since then, we have grown into the largest Chinese neuro-interventional medical device company, in terms of revenue in 2020, according to CIC. As of the Latest Practicable Date, we had ten therapeutic products approved in China, including two coil embolization systems, one coil detachment system, one flow-diverting stent, one stent graft, one intracranial artery stent, one vertebral artery drug-eluting stent (DES), one stent retriever, one intracranial balloon dilatation catheter and one intracranial distal access catheter. These approved therapeutic products cover all of the three major areas of neurovascular disease, namely hemorrhagic stroke, cerebral atherosclerotic stenosis and AIS. As of the same date, we also had three access products approved by the NMPA, including two self-developed products and one product of Asahi Intecc that we distribute in mainland China. We boast a comprehensive portfolio of products and product candidates covering all of the three major areas of neurovascular disease—hemorrhagic stroke, cerebral atherosclerotic stenosis and AIS—that are approved or in the registration approval stage.

- *Hemorrhagic stroke*. In the field of hemorrhagic stroke, the largest segment of the neuro-interventional medical device industry in China by product sales, we have commercialized products covering key therapeutic categories in this segment, including embolization coils, flow-diverting stents and stent grafts, according to CIC. Our commercialized products include *NUMEN*, *NUMEN FR*, *Tubridge* and *Willis*. According to CIC, *Tubridge* was the first neuro-interventional medical device admitted to the Green Path, and was the first and remains the only Chinese-developed flow-diverting stent approved by the NMPA. *Willis* was the first and remains the only intracranial stent graft to treat cerebral vessel diseases approved in the world. We also have products approved in overseas markets. *NUMEN* and *NUMEN FR* have been approved in the United States, the European Union and South Korea.

- *Cerebral atherosclerotic stenosis*. According to CIC, *APOLLO* was the world's first approved stent system to treat ICAD. In addition, *Bridge* was the first vertebral artery DES that was admitted to the Green Path and approved by the NMPA.

- *AIS*. Through self-development and strategic cooperation, we have received NMPA approval for *Neurohawk* and *X-track* and progressed into the registration approval stage of *Tigertriever*, covering varying vessel diameters. According to CIC, we are the only Chinese company who has stent retrievers that are compatible with procedures in varying sizes of blood vessels.

- *Access products*. We have a variety of access products to accommodate the treatment of neurovascular disease. Our approved access products include Fastrack Microcatheter

System and U-track Intracranial Support Catheter System, as well as Asahi guidewires, for which we have acted as its exclusive distributor in mainland China since November 2016.

In 2019, 2020 and 2021, our revenue increased rapidly at a CAGR of 44.4%, reaching RMB382.8 million in 2021. According to CIC, we are the largest Chinese neuro-interventional medical device company in terms of revenue in 2020.

Strong R&D capability and effective R&D model creating multiple technological breakthroughs in China and worldwide.

Leveraging our position in China's neuro-interventional medical device industry, we have built strong R&D capability and an effective R&D model. As of the Latest Practicable Date, we had a total of 30 commercialized products and product candidates in our portfolio, including 3 products that had been admitted to the Green Path. In particular, our self-developed *Tubridge* was the first neuro-interventional medical device and *Bridge* was the first vertebral artery DES admitted to the Green Path, according to CIC. In addition, all of our six approved therapeutic products have been developed by ourselves, two of which have obtained FDA approval, CE Marking and MFDS approval.

Some of our self-developed products achieved technological breakthroughs globally and in China. According to CIC, *Willis* was the first and remains the only intracranial stent graft to treat cerebral vessel diseases approved in the world, and *Tubridge* was the first and remains the only Chinese-developed flow-diverting stent approved by the NMPA. Moreover, *APOLLO* was the world's first approved stent to treat ICAD, and *Bridge* was the first vertebral artery DES that was admitted to Green Path and approved by the NMPA.

Our products have received multiple recognitions globally and in China. *Willis* was one of the innovative stent devices to treat intracranial aneurysm recognized by *Stroke*, a journal published by American Heart Association and American Stroke Association, in 2007. *Willis* also won the First Prize in Science and Technology Award of Shanghai (上海市科技進步一等獎) in 2009 and the Second Prize in National Science and Technology Award (國家科學技術進步獎二等獎) in 2014. *APOLLO* won the Second Prize for Science and Technology Award of Shanghai (上海市科技進步二等獎) in 2009.

We have developed and relied on a distinctive physician-engineer collaboration model (醫工結合) throughout our R&D process. We cooperate with a wide range of physicians in various forms and depths. In the early stage of product research and development, we obtain and consider physicians' practical needs in product design. Further into the R&D process, we establish an interactive mechanism with physicians to advance product development. Through close communication with experts in the clinic, we convert treatment ideas into therapeutic solutions in the laboratory.

- *Tubridge.* The design concept of *Tubridge* can be traced back to the time when there was no optimal treatment in China for the treatment of large and giant intracranial aneurysms, and physicians resorted to layering multiple coil embolization systems and stents, which could lead to lower rate of success and high surgical costs. Our development of *Tubridge* represented an early hemodynamics (the dynamics of blood flow) study in China. Between 2012 and 2016, we completed the first prospective, multi-center and randomized controlled trial (RCT) in China's neuro-interventional medical device industry. The primary endpoint of the RCT showed a statistically significantly higher aneurysm complete occlusion rate of

Tubridge than the stent-assisted coiling device used in the control group. *Tubridge* allows physicians to treat a majority of large and giant intracranial aneurysms with one flow-diverting stent, which could save more than 50% in costs, according to CIC.

- *Willis.* We jointly developed *Willis* with Professor Li Minghua from Shanghai Sixth People's Hospital Affiliated to Shanghai Jiaotong University, who first introduced the theory of parent artery reconstruction of intracranial aneurysm, that is to bypass and cover the orifice of the aneurysms with a covered stent, reconstruct the parent artery wall and redirect the blood to the cerebral artery. Based on this innovative theory, we worked on *Willis*' design, material and technology seamlessly with Professor Li and launched *Willis* in 2013 (with us owning all intellectual property). *Willis* is the first neuro-interventional therapeutic device that applies the theory of intracranial parent artery reconstruction in practice to treat neurovascular diseases, and it remained as the only intracranial stent graft for the treatment of cerebral vessel diseases in the world, according to CIC. Compared to surgical repair or coil embolization, *Willis* is able to reduce the risk of procedure-related rupture of aneurysms and the related risk of intracranial bleeding.

- *Bridge.* Conventional treatments of vertebral artery stenosis, such as coronary drug-coated balloon stents and intracranial bare-metal stents, have relatively high in-stent restenosis rates. To address this, we developed *Bridge*, a rapamycin target-eluting vertebral artery stent system, which effectively contained the in-stent restenosis rate to 3.7% at the six-month follow-up in its registration clinical trial, which was significantly lower than the in-stent restenosis rate of 15.2% of the other NMPA-approved vertebral stent, according to CIC.

Through 18 years of development, we have built technological expertise and R&D achievements that stand out in China. As of Latest Practicable Date, we had 102 registered patents in China, including 32 invention patents, and 142 patents under application, including 110 invention patent applications. In addition, we had 30 patents registered and 58 patents under application in 10 other countries. According to CIC, we ranked first among Chinese neuro-interventional medical device companies in China in terms of registered patents. We also participated in drafting the industry standards for intracranial arterial stents and intracranial coil embolization systems. We have an experienced in-house R&D team. Mr. Wang Yiqun Bruce, head of our R&D team, has 26 years of experience in international leading medical device companies. The majority of our R&D team members and all core R&D team members have a master's degree or a doctoral degree.

Proven commercialization capabilities with the highest revenue among Chinese neuro-interventional medical device companies.

As the first domestic entrant to the neuro-interventional medical device industry in China, we have developed proven commercialization capabilities evidenced by our leading position among domestic peers, customized commercialization strategies and an extensive distribution network.

According to CIC, we are the largest Chinese neuro-interventional medical device company in terms of revenue in 2020. Our revenue increased from RMB183.7 million in 2019 to RMB382.8 million in 2021, at a CAGR of 44.4%. Some of our flagship products have predominant market shares in China. According to CIC, *Willis* has a market share of 100% in intracranial stent graft market, and

Tubridge and *APOLLO* has a market share of approximately 44% and 47% in flow-diverting stent market and intracranial stent market, respectively, all in terms of sales volume in China's neuro-interventional medical device market in 2020.

We had penetrated into approximately 2,400 hospitals, among which over 1,400 are Class III hospitals as of the Latest Practicable Date. According to CIC, our products had penetrated into all of the top 100 hospitals in China as monthly ranked by China's National Stroke Center in 2021.

We have established differentiated commercialization strategies for first- and second-tier cities on the one hand and lower-tier cities and counties on the other hand.

- In first- and second-tier cities, we focus on enhancing our brand awareness and penetrating into major hospitals through organizing and participating in influential conferences in the neuro-intervention industry, building long-term relationship with key opinion leaders and providing training to physicians. We are an active participant in various major conferences in the neuro-intervention industry in China, including the annual Oriental Conference of Interventional Neurovascology (東方腦血管大會), the Annual Conference of Chinese Interventional Neuroradiology Society of Chinese Stroke Association (中國卒中協會神經介入分會學術年會) and the Western Stroke Interventional Conference (西部卒中介入會議). We have established a teaching and training model, under which experienced physicians provide training to physicians who are new to our products. These physicians, once experienced in using our products, will in turn be invited to train newcomers to further improve our brand awareness. We also offer skill training programs to young physicians to help them improve technical skills and broaden understanding of neuro-interventional surgery.

- In lower-tier cities and counties, we promote our products through our Eagle & Swallows (神雕飛燕) program. Stroke treatment is time-sensitive. The PRC government started an initiative in 2018 to establish a full coverage of stroke treatment nationally, aiming to allow patients to receive treatment within one hour of disease onset. The number of stroke treatment centers in lower-tier cities and counties is expected to rapidly increase, and the historically less developed markets will become increasingly important. Through our Eagle & Swallows (神雕飛燕) program, we introduce knowledge about neuro-intervention, organize training on neuro-interventional procedures, provide follow-up consulting and routine guidance to physicians and patients. As of the Latest Practicable Date, we had penetrated into approximately 130 lower-tier cities and counties.

We have an internal sales and marketing team of approximately 100 employees, with an average industry experience of more than 8 years. In addition, we have established cooperation with more than 200 distributors and sub-distributors, covering all provinces in the PRC. We have maintained long-term relationships with our distributors, some of which have had more than 10 years of cooperation with us.

Increasing global visibility with strategic partnerships for further expansion

We are committed to becoming a global leader in the neuro-interventional medical device market. We are gradually gaining access for our products into the top 10 countries in terms of neuro-

interventional procedures, including the United States, Japan, South Korea and Brazil. As the first step of our overseas expansion, *NUMEN* and *NUMEN FR* received FDA approval in the United States, CE Marking in the European Union and MFDS approval in South Korea in 2021. We also performed the first overseas coil embolization placement procedure using *NUMEN* and *NUMEN FR* in Chile in August 2021.

As part of our globalization process, we have established a series of localized sales organizations with in-depth understanding of local markets and resources of sales channels. We have leaders of sales and marketing team in Brazil, Japan and United Kingdom, who work collaboratively to expand our global sales network and enhance our market presence.

In addition, to enhance our brand awareness in the United States and globally, we seek to localize our R&D, supply chain and production. We plan to establish a R&D and production center in Irvine, California, the neuro-intervention R&D hub in the United States. We believe that our presence in the United States will help us compete with top U.S. neuro-interventional medical device companies in the areas of talent, brand, supply chain and production capability. Our goal is to establish a local supply chain and production facilities in the United States aiming to supply the global market with overseas production and to move forward with our global expansion.

We cooperate with leading international companies to expand our product portfolio and sales network, with the aim of achieving a more diversified portfolio of products for all of the three major areas of neurovascular disease. In 2019, we established a strategic relationship with Rapid Medical, to which we believe we are complementary in terms of products and resources. As part of this cooperation, we are the exclusive distributor of Rapid Medical's flagship products, *Comaneci*, *Tigertriever* and *Tigertriever 13*, and all follow-up products, in Greater China, which further enhances our footprint in hemorrhagic stroke and AIS. We also plan to leverage Rapid Medical's sales network in the United States as we progress our overseas plans for *NUMEN* and *NUMEN FR*. In November 2016, we entered into a distribution agreement with Asahi Intecc, under which we act as the exclusive distributor of its global leading neurovascular guidewires in mainland China. Relying on our sales network in mainland China, the sales of Asahi guidewires have grown rapidly since we began to act as its exclusive distributor.

Efficient management of supply chain to ensure top quality and large-scale production

As an established medical device company with a comprehensive portfolio of commercialized products and products under development, we believe one of our key strengths is our ability to effectively manage our supply chain, manufacturing capacity and quality assurance systems.

We have established a robust supplier evaluation system to ensure satisfactory performance of the suppliers and to secure stable supplies of quality equipment, materials and services. Relying on our long-term cooperation and continuous growing demands, we have established stable relationship with these suppliers, including several industry top suppliers in the global medical device market.

We have achieved scalable production in China. During the Track Record Period, we conducted manufacturing activities primarily at our manufacturing facility located in our leased properties in Zhoupu, Shanghai, with an aggregate GFA of approximately 2,300 sq.m. To expand our manufacturing capability as the market demand continues to grow, we constructed another

manufacturing facility in our leased properties in Zhangjiang, Shanghai, with an aggregate GFA of approximately 7,000 sq.m. We obtained the production permit for this facility in May 2022. As of the Latest Practicable Date, we manufactured our commercialized stent, coil and catheter products at these facilities with an annual production capacity of approximately 110,000 units. We expect to increase our designed annual capacity to approximately 350,000 units per year in 2025. In addition, we possess key proprietary technology and knowledge of our specialized machinery, which enables us to adjust product design in accordance with our specific manufacturing requirements, iterate and upgrade our product portfolio and improve cost efficiency.

We believe product quality is the lifeline of a neuro-interventional medical device company. We strive to pursue innovation and to provide patients with safe and reliable products to help them improve their quality of life. We uphold product quality as our core value and have established a corporate culture to consistently manufacture high-quality products. To achieve this goal, we have formed a digital product quality control system covering the entire production process, allowing us to trace every step in our product design, development, manufacturing and after-sale service and monitoring. We have also established a central testing laboratory in accordance with ISO13485 that could meet the testing and verification demands at each stage within the product life cycle. We have received product quality recognition and certifications in China and globally. We were recognized as a Grade A Product Quality Enterprise by Shanghai Food and Drug Administration consecutively from 2016 to 2020. In 2015, we obtained the ISO13485 Medical Device Quality Management System Certification. Since then, we have obtained quality system certification in the European Union, Brazil, Argentina and South Korea. We also expect to receive quality system certifications in Japan in 2022.

Visionary and experienced management team and strong synergy with controlling shareholder MicroPort

We have a visionary management team with rich experience and expertise covering the full spectrum of research and development, manufacturing and commercialization of neuro-interventional medical devices. Mr. Peng Bo, our chairman, has over 20 years of experience in the medical device industry and also serves as the chief marketing officer of MicroPort. Mr. Xie Zhiyong, our president, has over 20 years of experience in the neuro-intervention industry. Mr. Xie has been recognized as a Leading Talent of Shanghai (上海市領軍人才) and Zhangjiang Professional of Excellence (張江卓越人才). Mr. Xie has two research projects that won the Second Prize for National Science and Technology Award (國家科學技術進步獎二等獎) and more than 100 registered patents. Mr. Wang Yiqun Bruce, our executive vice president and director of our engineering and technology department, has 26 years of neuro-intervention industry experience, including 17 years with Boston Scientific Corporation, and is a member of the prestigious Shanghai Foreign Elite Talent Introduction Program (上海市高層次引進人才). Mr. Wang has 16 patents registered in the United States and 13 patents registered in China. Mr. Duan Lei, our vice president of sales and promotion of neuro-interventional solutions, is well connected with key opinion leaders in the neuro-intervention industry and has more than 15 years of medical device industry experience. Led by Mr. Duan, we have maintained rapid sales growth as evidenced by our robust financial growth during the Track Record Period.

Since our inception, we have received strong support from our Shareholders and achieved great synergy with our Controlling Shareholder, MicroPort. MicroPort is a leading medical device company focused on innovating, manufacturing and marketing high-end medical devices globally, which has

been listed on the Main Board since 2010. Benefiting from the market recognition of the "MicroPort" brand, we have successfully penetrated into the major hospitals in the field of neuro-intervention. Inspired by the global R&D, manufacturing and sales service network of MicroPort, our team has accumulated vast experience in this field.

OUR STRATEGIES

Our mission is to provide accessible, top-quality and comprehensive solutions for stroke patients. We plan to implement the following strategies to achieve this mission:

Promote universal and affordable neuro-interventional solutions to patients

According to CIC, the number of stroke patients and the penetration rate of neuro-interventional procedures continue to rise worldwide. In China, the penetration rate of neuro-interventional procedures in the fields of hemorrhagic stroke, cerebral atherosclerotic stenosis and AIS has remained relatively low as compared to that of the developed countries. Additionally, with the rapid increase in the number of approved Chinese-developed neuro-interventional medical devices, there is significant increasing potential for the market share of Chinese-developed neuro-interventional medical devices.

As the pioneer in the market, we will use our proven commercialization capability and strategy to gain market share and provide universal neuro-interventional solutions. To widen the breadth of our market coverage, we will continue to promote our products in lower-tier cities and counties through our Eagle & Swallows (神雕飛燕) program. We will proactively seek to meet the market demand for Chinese-developed products and further strengthen our position in the neuro-intervention industry in China.

We aim to offer advanced and affordable neuro-interventional products in all of the three major areas of neurovascular disease, allowing patients to receive neuro-interventional procedures at a relatively lower price. While our products are more affordable, our products retain comparable quality as similar products from international companies. We will continue to expand our commercial offering while ensuring affordable neurovascular solutions to the wider public.

Continue to enhance our innovation capability, expand product portfolio and achieve complete solution for neurovascular disease

We have established a comprehensive R&D system to continuously enhance our innovation capability and R&D efficiency. Our physician-engineer collaboration model (醫工結合) covers the entire R&D process, allowing us to make timely innovative adjustments to solve problems in neurovascular disease treatment.

We will also continue to expand the depth and breadth of our product pipeline to achieve full product coverage of the neurovascular therapeutic area. We expect to commercialize *NUMEN Silk* 3D electronically detachable coil, *Diveer* intracranial balloon dilatation catheter and *Tigertriever* revascularization device in 2022. We expect to have around 30 commercialized products by 2026.

- *Continue to strengthen our product portfolio for hemorrhagic stroke.* We plan to develop the next-generation coil embolization systems and flow-diverting stents to offer a total solution for a wide range of intracranial aneurysm procedures. In the next five years, we intend to achieve the most comprehensive product pipeline for the treatment of intracranial aneurysm globally.

- *Solidify our leading position in cerebral atherosclerotic stenosis.* We will continue to invest in the development of self-expandable and drug-coated intracranial stents as well as vertebral artery drug-eluting balloon catheters. We expect to achieve higher efficacy, improved safety and better treatment results in the area of cerebral atherosclerotic stenosis.

- *Increase our investment in AIS products.* We will continue the research and development of stent retrievers and aspiration products in the field of AIS. For stent retrievers, we expect to commercialize our self-developed *Neurohawk* and Rapid Medical's *Tigertriever* upon obtaining their NMPA approvals in 2022. We will then have stent retrievers compatible with procedures in varying sizes of blood vessels. For aspiration products, we will increase investments in the development of aspiration catheters, balloon guiding catheters and distal access technology. In 2023, we expect to commercialize multiple products in the field of AIS, establishing a comprehensive layout for the treatment of AIS.

- *Enhance our access product portfolio.* We intend to expand our access product portfolio by developing products that are compatible with therapeutic products for hemorrhagic stroke, cerebral atherosclerotic stenosis and AIS.

Comprehensive global strategy to expand our international layout

With an eye on the international market, we actively seek to continue the establishment and expansion of our global presence. We intend to expand our product portfolio and global sales network, and achieve a more diversified portfolio of products for all major neurovascular disease areas in the global market. We plan to continue advancing the registration of our innovative products overseas. We also plan to further expand our international team to cover the top 10 countries in terms of neuro-interventional procedures. Relying on our localized team members, we aim to provide physicians and patients from all over the world with advanced treatment, training on neuro-interventional procedures, and a comprehensive product portfolio. Through our continuing efforts, we aim to enhance our brand awareness and product recognition in the global market.

To achieve international recognition of our product and brand, we intend to establish R&D and production centers overseas. For instance, we plan to establish an overseas R&D and production center in Irvine, California, the hub of neuro-intervention of R&D in the United States, within two years to supply the global market. Our goal is to create quality products in accordance with international standards and connect with physicians worldwide to understand their clinical needs in neuro-interventional procedures. We will also establish a global procurement and supply chain network to build resources in different locations, to reduce cost, improve production capacity and enhance product quality in turn.

To accelerate our globalization strategy, we will continue to integrate resources from our cooperation partners and to seek support from our Controlling Shareholder, MicroPort. We intend to expand our product portfolio and global sales network through our cooperation partners. Furthermore, benefiting from the market recognition of the "MicroPort" brand, we believe we are well positioned to promote our products to physicians and hospitals globally.

Continue to improve our operating efficiency, enlarge production scale and enhance economies of scale

We have built an efficient, integrated and all-round operation platform. As we continue to expand our business, we intend to further improve operating efficiency, enlarge production scale and enhance economies of scale.

We will continue to optimize our all-round operating system, consisting of procurement, quality control, manufacturing and training systems. We plan to establish and maintain a global supply chain. Benefiting from the complementary effect of domestic and international resources, we are able to effectively control cost and enhance operating efficiency. In addition, we will continue to adhere to a standardized quality control system in the entire production process and upgrade our manufacturing technologies. We aim to ensure consistent high-quality and stable capacity under large-scale production. Through our training system, we aim to familiarize our employees with the all-round operating system to improve efficiency and ensure quality control.

We plan to continuously improve our production capacity and efficiency by expanding our manufacturing facility and the scale of our production team to meet the demands of the market. In doing so, we believe we will benefit from economies of scale and achieve lower procurement and production costs. With our continuous expansion, we aim to provide affordable neuro-interventional solutions to a wider general public.

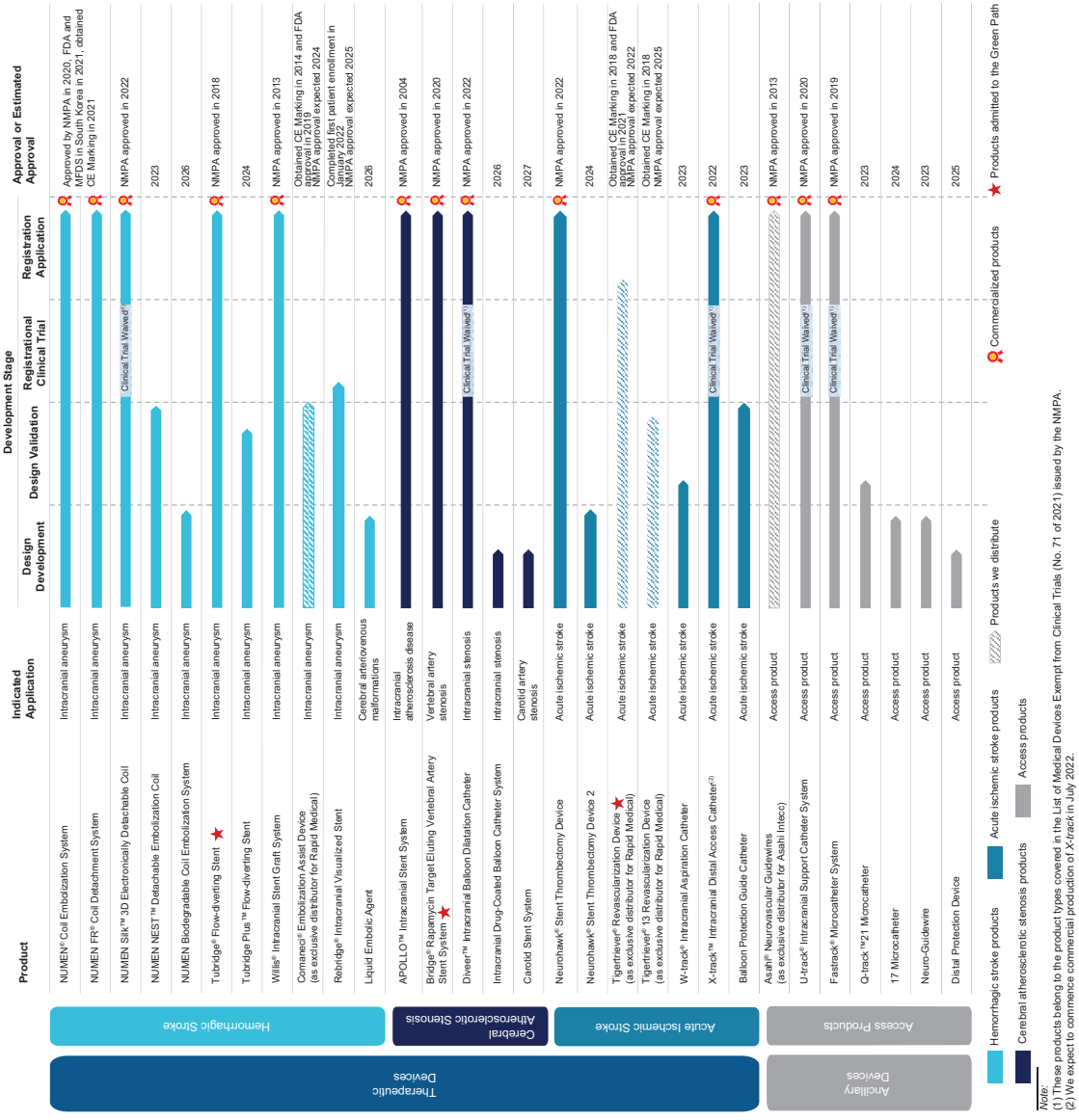
Continue to cooperate with enterprises in the neuro-intervention industry worldwide

We have entered into various forms of cooperation with leading international companies. Leveraging our position in the neuro-intervention industry in China and our global brand influence, we believe we are the preferred partner for international companies in China.

We aim to expand our product line and strengthen synergies among products through cross-border collaborations. We will closely follow and monitor cutting-edge technologies in the global neuro-intervention industry by focusing on highly innovative companies in the industry with breakthrough technologies and innovative products that are complementary to our product portfolio. We plan to establish cooperation with these companies through strategic acquisition, equity investments, distribution arrangements, registration cooperation or a combination of these methods. Our goal is to reinforce our influence in the global neurovascular marketplace.

OUR PRODUCT PORTFOLIO

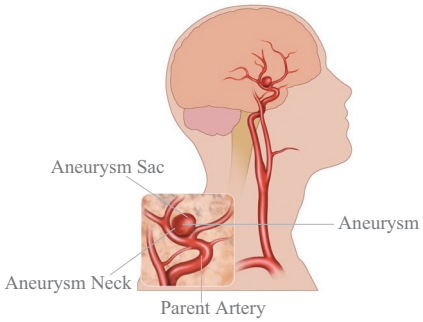
Since our first product approval in 2004, we have amassed a total of 30 commercialized products and product candidates in our portfolio. We boast a comprehensive portfolio of approved products covering all of the three major areas in neurovascular diseases, namely hemorrhagic stroke, cerebral atherosclerotic stenosis and acute ischemic stroke (AIS). As of the Latest Practicable Date, we had ten therapeutic products and three access products approved in China. All of our commercialized therapeutic products are classified as Class III medical devices under NMPA regulations. As of the same date, we also had 17 product candidates under development. The following chart summarizes our product portfolio as of the Latest Practicable Date:



Hemorrhagic Stroke Products

A hemorrhagic stroke happens when an artery in the brain leaks or ruptures. Hemorrhagic stroke is most commonly caused by high blood pressure or intracranial aneurysm, which are balloon-like bulges in an artery that can stretch and burst. If an intracranial aneurysm ruptures, the blood floods around brain tissues and it quickly becomes life-threatening. Therefore, intracranial aneurysms are

known as "ticking timebombs in the head." Even if an intracranial aneurysm remains unruptured, it still presses on brain tissues nearby and potentially causes pain around the eye, changes in vision or numbness on one side of the face. Below is an illustrative diagram of an intracranial aneurysm:



Traditionally, the only available treatment for intracranial aneurysm was surgical clipping, which requires the patient to have a craniectomy, an open procedure that removes part of the skull. The physician then places a clip through an incision in the skull to seal off the aneurysm neck. In the last three decades, minimally invasive treatments for intracranial aneurysm have evolved tremendously, and various treatment options have been developed.

The first minimally invasive treatment was coil embolization, which closes off the aneurysm sac by filling the aneurysm with coils. This prevents the aneurysm from further expanding and rupturing. Coils can also be used in conjunction with assisting devices like stents, especially for aneurysms with wide necks or unusual shapes. The stent supports the coils and prevents them from migrating into the parent artery, the artery from which the aneurysm has developed, whilst at the same time encouraging packing density and suspension of blood flow in the aneurysm. Stent grafts are expandable stents covered by a membrane, which fit within the artery wall tightly and therefore prevent blood flow from entering the aneurysm. A relatively new treatment is flow diversion. Flow-diverting stent aims to decrease blood flow within the aneurysm and redirect the blood to the parent artery. It also promotes endothelial tissue formation along the surface of the stent, which subsequently closes off the aneurysm neck and permanently closes the aneurysm from systemic blood circulation. Flow-diverting stent is specifically indicated for large aneurysms (between 10 and 25 mm in diameter) or giant aneurysms (greater than 25 mm in diameter). For large or giant aneurysms, flow-diverting stent provides better coverage for aneurysm necks, and therefore has a higher rate of success and lower recurrence rate compared to traditional treatments.

We have developed a comprehensive product portfolio covering all treatment options discussed above. Our products portfolio for intracranial aneurysm include (i) *NUMEN*® Coil Embolization System; (ii) *NUMEN FR*® Coil Detachment System; (iii) *Tubridge*® Flow-diverting Stent; (iv) *Willis*® Intracranial Stent Graft System; (v) *Comaneci*® Embolization Assist Device; and (vi) *Rebridge*® Intracranial Visualized Stent. We are also developing a liquid embolic agent for treating cerebral arteriovenous malformations (cerebral AVM), a condition where abnormal connections form between the arteries and veins in the brain.

Commercialized Products

NUMEN® Coil Embolization System ("NUMEN")

NUMEN (meaning "god with divine power" in Latin) is a coil embolization system used to treat intracranial aneurysm. In a procedure with *NUMEN*, several coils are placed densely within the target aneurysm to close off blood inflow, preventing the aneurysm from further expanding and bursting. After the embolization, a thrombus, or blood clot, also gradually forms inside the aneurysm and endothelial cells start to cover the aneurysm neck. This further stops blood from flowing into the aneurysm and effectively cures it.

NUMEN permits stable framing, smooth filling and finishing, with superb conformability to shapes of aneurysms. Its three models, *MicroFrame*, *MicroFill* and *MicroFinish*, have 177 specifications with different diameters, lengths and softness levels, providing physicians with a full range of embolization options to ensure the safety and efficacy in all stages of the coiling procedure.

NUMEN is classified as a Class III medical device under NMPA regulations and was approved and commercialized in China in September 2020. It also obtained FDA approval, CE Marking and MFDS approval in South Korea in 2021. In August 2021, the first overseas coil embolization procedure with *NUMEN* was completed in Chile, marking *NUMEN*'s initial entrance to the overseas market.

We have been continuously developing upgraded versions of *NUMEN*. *NUMEN Silk* was approved by the NMPA in February 2022. We plan to submit the registration application for *NUMEN NEST* in the first quarter of 2023 and expect to obtain NMPA approval in the fourth quarter of 2023. *NUMEN Biodegradable* is currently in the design development stage, and we expect to obtain NMPA approval in 2026.

Product Structure

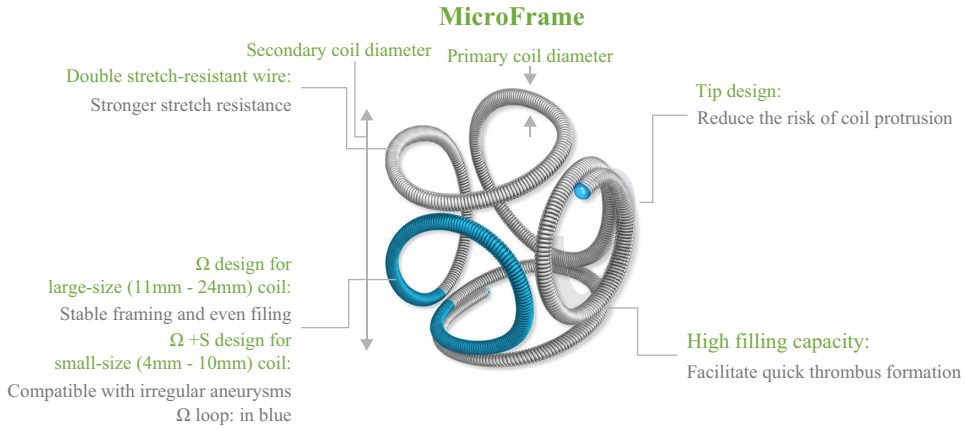
NUMEN coils are made of thin and soft platinum tungsten alloy wires, which are deployed through a microcatheter when placed in the aneurysm sac. The physician detaches a coil after it is properly placed. *NUMEN* is used together with its detachment device, *NUMEN FR*, which also obtained FDA approval, CE Marking and MFDS approval along with *NUMEN*. *NUMEN FR* uses an electrolytic detachment mechanism, which features a fast, smooth and convenient detaching process. See "*—NUMEN FR® Detachment System*" below for details.

Features and Competitive Advantages

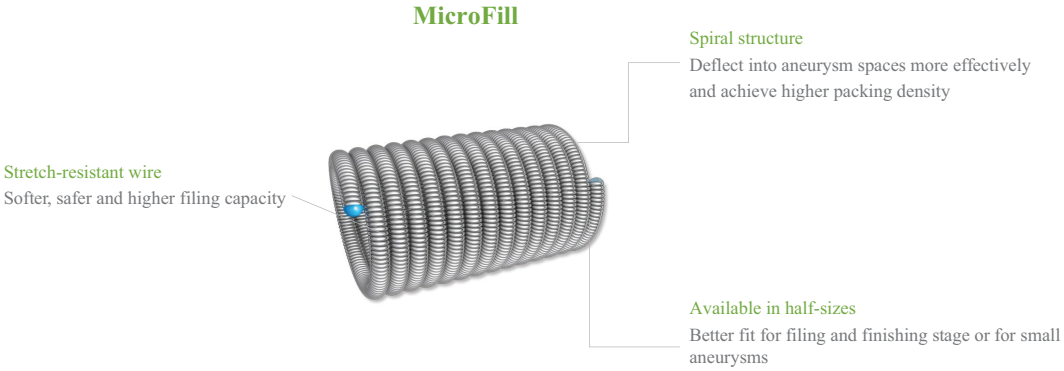
NUMEN has three models, *MicroFrame*, *MicroFill* and *MicroFinish*. Each of the three models has further variations with different diameters, lengths and softness levels, aiming to provide physicians with a full range of embolization options, helping ensure the safety and efficacy in all stages of the coiling procedure, namely, framing, filling and finishing stages. The framing stage aims to build up a stable and supportive basket in the aneurysm, and the framing coil usually has the same or slightly smaller diameter as the aneurysm. In the filling stage, filling coils, which are shorter and smaller than the framing coil, are packed densely inside the framing coil. Then, in the finishing stage, the physician places finishing coils, which are much softer than framing coils and filling coils, in the remaining spaces in the aneurysm.

We believe the three models of *NUMEN* have the following features and benefits:

- *MicroFrame* provides stable framing and dense coverage for the aneurysm neck. *MicroFrame* uses double stretch-resistant wires, which have stronger stretch resistance. Also, the tip design of the *MicroFrame* minimizes the risk of coil protrusion (*i.e.*, a coil falling out of the aneurysm neck) and provides a stable anchor to the aneurysm wall. *MircoFrame*'s high filling capacity facilitates quick thrombus formation, which is critical for treating aneurysms.



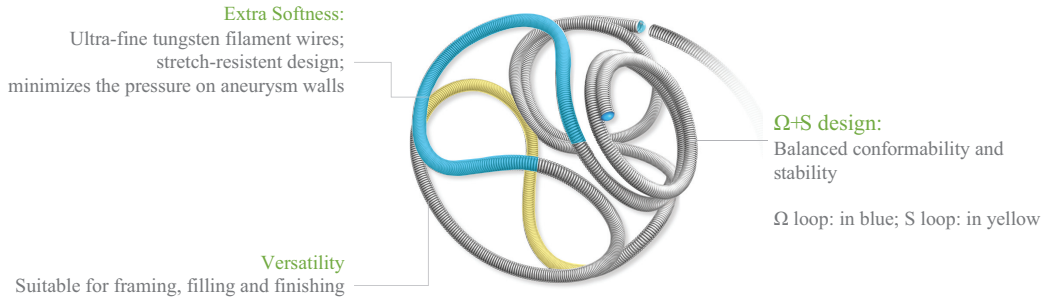
- *MicroFill* is specifically designed for high-density filling. Its spiral design allows it to fill in remaining spaces in aneurysms more efficiently. *MicroFill* is also available in half sizes, making it a better fit for the filing or finishing stage or small aneurysms. Its stretch-resistant wires allow it to be safer and have superior durability. These features enable *MicroFill* to achieve better packing density, greater conformability and reduced compartmentalization. Compartmentalization is an effect where coils divide aneurysm space into several smaller spaces without uniform distribution within the aneurysm. This is primarily a result of the coils' poor conformability and undermines the procedure's ability to reach the desired packing density.



- *MicroFinish* is made of ultra-fine tungsten filament wires. These properties help the coils achieve extra softness and minimizes the pressure on aneurysm walls. *MicroFinish*'s Ω+S design allows it to have a good balance between stability and conformability. Ω loops (in blue in the diagram below) allows the coil to have a stable configuration, whereas S loops (in yellow in the diagram below) fill the open spaces in the aneurysm sac. Thanks to its

softness and stability, *MicroFinish* is well-balanced for framing, filling and finishing, covering all stages of the coiling procedure.

MicroFinish



Upgraded Generations of NUMEN

NUMEN Silk™ 3D Electronically Detachable Coil ("*NUMEN Silk*")

NUMEN Silk features greater smoothness in coil filing stage and finishing stage. The smoothness of the distal-end of the delivery wire utilized in *NUMEN Silk* improves the microcatheter's stability. *NUMEN Silk* also minimizes the kick-back of the microcatheter in the finishing stage, therefore reducing the risk of aneurysm rupture and improving intraoperative safety.

NUMEN NEST™ Detachable Embolization Coil ("*NUMEN NEST*")

NUMEN NEST has a greater primary coil diameter than other NUMEN models. This feature allows *NUMEN NEST* to achieve the desired packing density with fewer coils, which leads to higher filling capacity and greater cost efficiency.

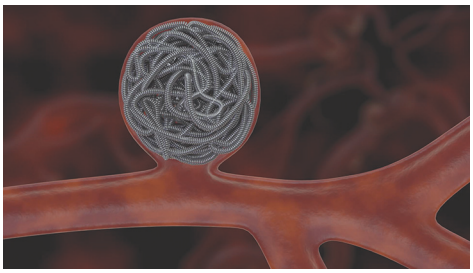
NUMEN Biodegradable Coil Embolization System ("*NUMEN Biodegradable*")

NUMEN Biodegradable utilizes innovative biodegradable materials, and can be substantially absorbed during the patient's healing process. *NUMEN Biodegradable* is expected to be used mostly together with coil-assisting stents or flow-diverting stents, which reduces the likelihood of "mass effect," where the brain tissue surrounding a large or giant aneurysm is compressed and injured due to space being taken up by the aneurysm.

Operation Procedure

At the beginning of a coil embolization procedure, the physician inserts a flexible micro-guidewire and a microcatheter through the femoral artery in the groin. The physician steers the microcatheter through blood vessels and uses fluoroscopy which makes the blood vessels visible through real-time X-ray.

Once the microcatheter reaches the target brain vessel, the physician guides it to enter the aneurysm. The coil advances into the aneurysm through the microcatheter. The microcatheter allows the physician to deploy, position or reposition the coil until it is properly placed and then detached. Multiple coils are packed inside the aneurysm sac to occlude, or close up, the aneurysm. Below is an illustrative diagram of an aneurysm after a coil embolization procedure:



Over time as the coils slow down blood flow inside the aneurysm, blood clots begin to form inside the aneurysm, and endothelial cells start to cover the aneurysm neck. This further stops blood from flowing into the aneurysm and effectively cures it.

Summary of Clinical Trial Results

Between August 2017 and December 2019, we completed a registrational clinical trial, Coil Application Trial in China, or the "CATCH" study, which investigated the safety and efficacy of *NUMEN* in the treatment of intracranial aneurysms in comparison against an established coil embolization product. CATCH was a prospective, randomized, controlled, open-label, non-inferiority trial conducted in ten centers across China, with a total of 350 subjects enrolled and randomized. The primary efficacy endpoint of the trial, successful aneurysm occlusion rate at six months, was 91.18% for the *NUMEN* group as compared to 91.85% for the control group ($p = 0.8419$), which demonstrated that *NUMEN* was non-inferior to the control group product for the efficacy of aneurysm occlusion. *NUMEN* also demonstrated a good safety profile. The overall mortality rates during the 30-day follow-up period was 1.19% and 1.81% for the *NUMEN* group and control group ($p=0.6837$), respectively, showing no significant difference between the two groups. The serious adverse event (SAE) occurrence rate during a 12-month follow-up period was 12.50% and 17.47% for the *NUMEN* group and control group, respectively, also showing no statistically significant difference ($p = 0.2222$).

Development History and Development Plan

NUMEN was approved by the NMPA in September 2020 and commenced commercialization in China in the same month. It also obtained CE Marking, FDA approval and MFDS approval in South Korea in May 2021, September 2021 and September 2021, respectively. In August 2021, the first overseas coil embolization procedure with *NUMEN* was completed in Chile, marking *NUMEN*'s entrance to the overseas market.

We have been continuously developing upgraded versions of *NUMEN*. *NUMEN Silk* was approved by the NMPA in February 2022. We plan to submit the registration application for *NUMEN NEST* in the first quarter of 2023 and obtain NMPA approval in the fourth quarter of 2023. *NUMEN Biodegradable* is currently in the design development stage, and we expect to obtain NMPA approval in 2026.

Market Opportunity and Competition

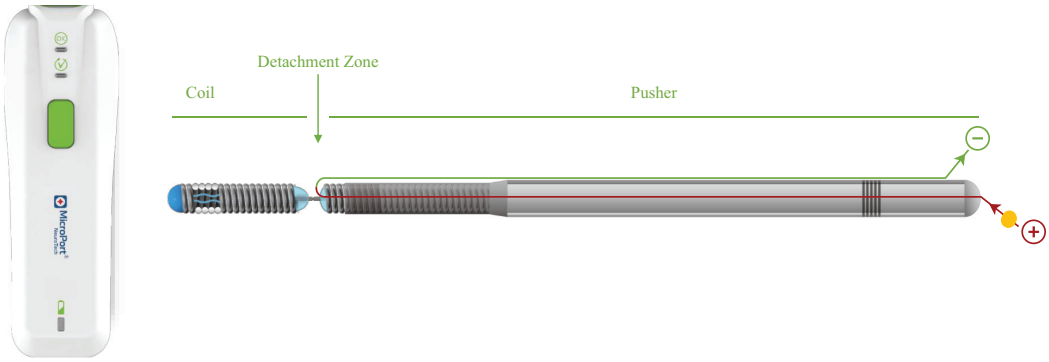
Intracranial coil embolization has become widely accepted and is often the first-line treatment for intracranial aneurysm. The number of intracranial coil embolization procedures in China increased from approximately 28,300 in 2015 to 70,100 in 2020 and is estimated to further increase to approximately 205,400 in 2026, at a CAGR of 21.8% from 2020 to 2026, according to CIC.

As of the Latest Practicable Date, there were 38 intracranial coil embolization devices developed by a number of companies approved by the NMPA, as shown in the following table:

Company	Number of approved embolization coils
Medtronic	8
MicroVention	8
Johnson & Johnson	5
Stryker Neurovascular	5
Achieva Medical	3
Our Company	2
TJWY Medical	2
Wallaby Medical	2
SealMed	1
Zylox-Tonbridge Medical	1
Visee Medical	1
Total	**38**

NUMEN FR® Coil Detachment System ("NUMEN FR")

NUMEN FR is the detachment system used together with *NUMEN*. After having properly placed the embolization coil, a physician detaches the coil from the delivery wire by pressing a button on *NUMEN FR*. Below is an illustrative diagram of *NUMEN FR* and the coil detachment zone:



Coil detachment systems commonly employ electrolytic, hydraulic, mechanical or electrothermal mechanisms. *NUMEN FR* utilizes the electrolytic detachment mechanism. The detachment segment disengages when a current is passed through it over time. In CATCH study, the registrational clinical trial for *NUMEN* and *NUMEN FR*, *NUMEN FR* demonstrated a high detachment success rate of 98.91% (820 out of 829). For details of CATCH study, see "—NUMEN® Coil Embolization System ("NUMEN")—Summary of Clinical Trial Results." *NUMEN FR* is classified as a Class III medical device under NMPA regulations and was approved and commercialized in China

in July 2020. Together with *NUMEN*, *NUMEN FR* was approved in the United States, the European Union and South Korea in 2021.

Tubridge® Flow-diverting Stent ("Tubridge")

Tubridge is a flow-diverting stent that treats intracranial aneurysm as an endovascular scaffold to alter the flow between the parent artery and the aneurysm. *Tubridge* is specifically indicated for large and giant aneurysms, where coil embolization, the more traditional treatment, has a lower rate of success and higher recurrence rate due to the complexity and size of the aneurysms. Also, *Tubridge* allows physicians to treat large and giant intracranial aneurysms with a single device, which could save more than 50% in costs as compared with coil embolization procedures where multiple embolic coils and stents are needed, according to CIC. Further, because *Tubridge* eliminates the need to enter the aneurysm sac, it significantly reduces the risk of intraoperative rupture and is therefore safer.

Tubridge's mechanism of action can be divided into three stages: hemodynamic (the dynamics of blood flow) stage, thrombus formation stage and endothelialization stage. The hemodynamic stage happens immediately after the placement of *Tubridge*, as the coverage of the aneurysm neck with stent mesh disrupts blood flow and reduces pressure within the aneurysm. This significantly reduces the velocity of blood flow inside the aneurysm and, as a result, a stable thrombus forms over days to weeks. Furthermore, in the endothelialization stage, the stent acts a scaffold for endothelial cells to form along it, which facilitates permanent exclusion of the aneurysm from blood circulation and ultimately reconstructs the artery.

Tubridge is classified as a Class III medical device under NMPA regulations. It was recognized as an innovative medical device by the NMPA, or entered the Green Path, in 2016, and was approved by the NMPA in March 2018. According to CIC, *Tubridge* was the first neuro-interventional medical device that entered the Green Path, and was also the first and remains the only Chinese-developed flow-diverting stent approved by the NMPA. The clinical trial for *Tubridge* was the first randomized controlled trial (RCT) of neuro-interventional devices in China, according to CIC. The next-generation product, *Tubridge Plus*, is in the design validation stage and is expected to obtain NMPA approval in 2024.

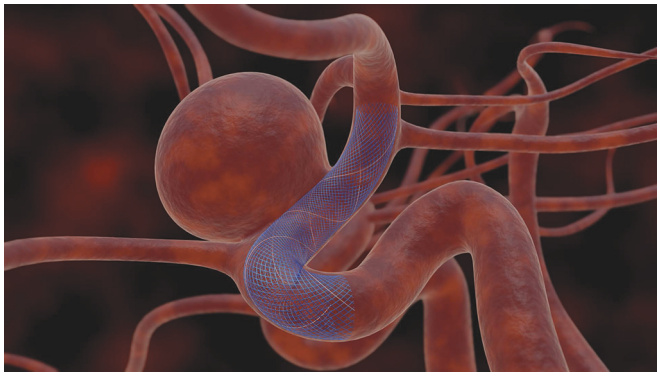
Product Structure

Tubridge

Tubridge consists of a braided nickel-titanium stent and a delivery system, which deploys the stent to the target artery through a combination of pushing and unsheathing techniques. The nickel-titanium braided wires allow the mesh to be highly flexible and conformable to the artery wall, which is critical given the large variations in the arterial diameter over the length of the stent. In addition to nickel-titanium wires, the mesh is also comprised of two platinum-iridium wires which serve as radiopaque markers to locate the stent under angiography, imaging through X-ray to check blood vessels. Given the need to place the stent accurately, *Tubridge* can be repositioned and redeployed.

Tubridge's mesh stent covers the aneurysm neck, which significantly reduces the velocity of blood flow inside the aneurysm and, as a result, a stable thrombus forms over days to weeks. Further, the stent also acts a scaffold for endothelial cells to form along it, which facilitates permanent exclusion of the aneurysm from blood circulation and ultimately reconstructs the artery. *Tubridge* has

43 specifications with different lengths and diameters, including several large-size specifications, which are able to provide physicians with a full range of options for vascular reconstruction. Below is an illustrative diagram of *Tubridge*'s stent placed in the parent artery:



Tubridge Plus™ Flow-diverting Stent ("*Tubridge Plus*")

We are currently developing the next-generation product, *Tubridge Plus*, which aims to improve the smoothness in delivery and stent radiopacity (visibility under angiography). Such upgrades are expected to enhance the safety of procedures with *Tubridge Plus* as they facilitate the accurate placement of the stent. As a result, the needs for repositioning or adjusting the stent are likely to be reduced.

Operation Procedure

A physician begins the *Tubridge* placement procedure by inserting a guiding catheter through the femoral artery. Led by a guidewire, the catheter is threaded to the target brain artery. The physician then removes the guidewire and inserts a microcatheter through the catheter. The microcatheter, carrying the flow-diverting stent, is navigated past the aneurysm neck before being unsheathed. This unsheathing action releases the flow-diverting stent and deploys it in the parent artery across the aneurysm neck. The flow-diverting stent slows blood flow entering the aneurysm causing flow stagnation within the aneurysm, and thrombus forms within the aneurysm as a result. In the meantime, endothelial cells begin to grow along the stent and cover the aneurysm neck. This eventually leads the aneurysm to be separated from the parent artery, therefore, resulting in aneurysm occlusion.

Features and Competitive Advantages

We believe *Tubridge* has the following features and benefits:

- *The first and only Chinese-developed flow-diverting stent. Tubridge* was the first neuro-interventional medical device that entered the Green Path, and was also the first and remains the only Chinese-developed flow-diverting stent approved by the NMPA, according to CIC.

- *Flexibility and conformability.* Consisted of 48/64 (representing small/large size) braided nickel-titanium wires, the mesh of *Tubridge* is highly flexible and conformable to the artery wall, which is critical given the large variations in the arterial diameter over the length of the stent.

- *Innovative mechanism of action: flow diversion. Tubridge*'s mesh stent covers the aneurysm neck, which significantly reduces the velocity of blood flow inside the aneurysm and, as a result, a stable thrombus forms over days to weeks. Further, the stent also acts a scaffold for endothelial cells to form along it, which facilitates permanent occlusion of the aneurysm from blood circulation and ultimately reconstructs the artery.
- *43 specifications providing a full range of options. Tubridge* has 43 specifications with different lengths and diameters, including several large-size specifications, which provide physicians with a full range of options for vascular reconstruction.

Summary of Clinical Trial Results

Between 2012 and 2016, we completed a clinical trial (the "PARAT" study) comparing *Tubridge*'s safety and efficacy in treating large or giant aneurysms against a well-established stent-assisted coiling device. Stent-assisted coiling is a more traditional technique as compared with the flow diversion technique.

The PARAT study was a prospective, multicenter, randomized clinical trial conducted in 15 hospitals in China. A total of 144 patients completed the procedures, including 82 patients undergone *Tubridge* placement procedure and 62 patients treated with stent-assisted coiling. The primary endpoint was complete aneurysm occlusion at the 6-month follow-up review. In its 6-month follow-up review, the aneurysm complete occlusion rate for the *Tubridge* group and the stent-assisted coiling group was 75.3% and 24.5%, respectively. Such results demonstrated that *Tubridge* had a statistically significantly higher aneurysm complete occlusion rate than the stent-assisted coiling device (95% confidence interval, $p<0.001$). The adverse event (AE) occurrence rate at the one-year follow-up was 56.10% and 53.23% for the *Tubridge* group and the control group, respectively. The AEs primarily included headache, vomiting and fever, and were not device-related. There was no statistically significant difference in the AE occurrence rate between the groups at the 30-day, 90-day or one-year follow-up. The overall rate of death or stroke related to target vessels at the one-year follow-up was 17.07% and 14.52% for the *Tubridge* group and the control group, respectively, also showing no statistically significant difference between the groups ($p=0.678$). The PARAT study was the first randomized controlled trial (RCT) of neuro-interventional devices in China, according to CIC.

Development History and Development Plan

The development of *Tubridge* represented an early hemodynamics research project in China, according to CIC, and was sponsored under the National Technology Support Scheme (國家科技支撐計畫) in 2012. Between 2012 and 2016, we completed the PARAT study comparing *Tubridge*'s safety and efficacy in treating large or giant aneurysms against a well-established stent-assisted coiling device.

Tubridge entered the Green Path in 2016, and was approved by the NMPA in March 2018. According to CIC, *Tubridge* was the first neuro-interventional medical device that entered the Green Path, and was also the first and remains the only Chinese-developed flow-diverting stent approved by the NMPA.

Tubridge Plus, our next-generation product, is in the design validation stage and will commence the registrational clinical trial in the second quarter of 2022, and is expected to obtain the approval in 2024.

Market Opportunity and Competition

Flow diversion is the most recently developed treatment for intracranial aneurysm. Compared with traditional treatments such as coil embolization, flow diversion alters the blood flow away from the aneurysm and reduces the need to place coils inside the aneurysm sac, thereby reducing the risk of intraoperative rupture or failures due to coil migration.

Although the flow diversion technique is relatively new, its penetration is expected to grow rapidly. The number of procedures performed with flow-diverting stents in China is expected to increase from approximately 4,500 in 2020 to 38,900 in 2026 at a CAGR of 43.5%, and the penetration rate is expected to increase from 0.5% in 2020 to 5.0% in 2026. The following table sets forth the flow-diverting stents approved in China as of the Latest Practicable Date, according to CIC. *Tubridge* obtained a market share of approximately 44% in 2020 in China in terms of sales volume.

Product	Company	NMPA First Approval Time
Pipeline Flex Embolization Device	Medtronic	December 2017
Tubridge	Our Company	March 2018
Surpass Streamline Flow Diverter	Stryker Neurovascular	June 2020

Willis® Intracranial Stent Graft System ("Willis")

Willis is a stent graft indicated for treating intracranial aneurysm. It is made of a thin metal mesh (the stent) covered by a thin polytetrafluoroethylene (ePTFE) membrane (the graft). Delivered by a balloon catheter, the stent graft is opened inside the parent artery when the balloon is inflated. The stent graft blocks blood flow away from the aneurysm and prevents it from rupturing, causing it to gradually shrink along with thrombus formation.

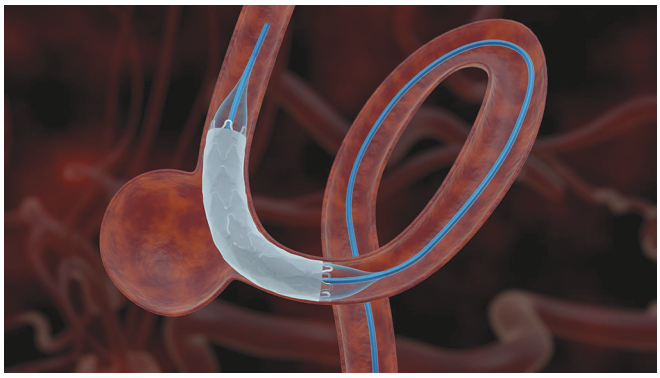
According to CIC, *Willis* was the first and remains the only intracranial stent graft for treating cerebral vessel diseases in the world. It is also the first medical device that applies the theory of intracranial parent artery reconstruction in practice. Leveraging the stent graft's high flexibility and conformability, *Willis* achieves a high rate of aneurysm exclusion after the stent placement and a low rate of endoleak, which is defined as the persistent perfusion of the space between the stent and the parent artery and represents one of the most common failures of endovascular repair.

Willis is classified as a Class III medical device under NMPA regulations and was approved by the NMPA in 2013. Our research project on *Willis* won the Second Prize for National Science and Technology Award (國家科學技術進步獎二等獎) in 2014.

Product Structure

Willis consists of a stent, an ePTFE membrane and a low-pressure balloon catheter. The stent, available in various diameters and lengths, is made of a cobalt-chromium alloy, which is radiopaque under angiography, which in turn facilitates accurate placement. The sinusoidal (or sine-curve) design of the stent also provides better balance among strength, flexibility and conformability. The membrane is extremely thin and highly expandable. The membrane's strength and flexibility help reduce the likelihood of incomplete coverage of the aneurysm neck, stent migration and membrane rupture, which are all common causes of failure of endovascular repair. The balloon catheter delivers the stent graft to the parent artery. The balloon is able to expand gradually under low pressure, which minimizes the pressure on the wall of the parent artery and reduces the risk of artery rupture. *Willis*

has also variations for arteries with different diameters. Below is an illustrative diagram of *Willis* placed in the parent artery:



Operation Procedure

A physician first inserts the guidewire into the femoral artery and navigates it to the parent artery in the brain. Guided by the guidewire, the stent graft system is threaded up and placed across the aneurysm neck. Then the balloon is inflated to open up the stent and to eliminate the space between the stent graft and the artery wall, ensuring that the stent is opposed to the vessel wall in place. The physician then deflates the balloon and retrieves the catheter from the body. This procedure excludes the aneurysm from blood circulation and, consequently, causes the aneurysm to shrink and be cured.

Features and Competitive Advantages

We believe *Willis* has the following features and benefits:

- *The first and only intracranial stent graft for cerebral vessel diseases in the world.* According to CIC, *Willis* was the first and remains the only intracranial stent graft for treating cerebral vessel diseases in the world. It is also the first medical device that applies the theory of intracranial parent artery reconstruction in practice. *Willis* also provides viable solutions for complex neurovascular diseases, including dissecting aneurysms, blood blister-like aneurysms, pseudo-aneurysms and carotid-cavernous fistulae.

- *Stent with sinusoidal design and highly expandable ePTFE membrane.* The sinusoidal (or sine-curve) design of the stent provides a better balance among strength, flexibility and conformability. The ePTFE membrane is extremely thin and highly expandable. The membrane's strength and flexibility help reduce the likelihood of incomplete coverage of the aneurysm neck, stent migration and membrane rupture.

- *Low-pressure expandable balloon catheter. Willis* is equipped with a low-pressure expandable balloon catheter specifically designed for neuro-interventional procedure. The balloon expands gradually under low pressure, which minimizes the pressure on the wall of the parent artery and reduces the risk of artery rupture.

Development History

Willis is classified as a Class III medical device under NMPA regulations and was approved by the NMPA in 2013. Our research project on *Willis* won the Second Prize for National Science and

Technology Award in 2014. Our earlier research on *Willis* was also awarded First Prize for Science and Technology Award of the Ministry of Education (教育部科技進步一等獎) in 2012 and First Prize for Science and Technology Award of Shanghai (上海市科技進步一等獎) in 2009. *Willis* was one of the innovative stent devices for intracranial aneurysm in 2007 recognized by *Stroke*, a journal published by American Heart Association and American Stroke Association.

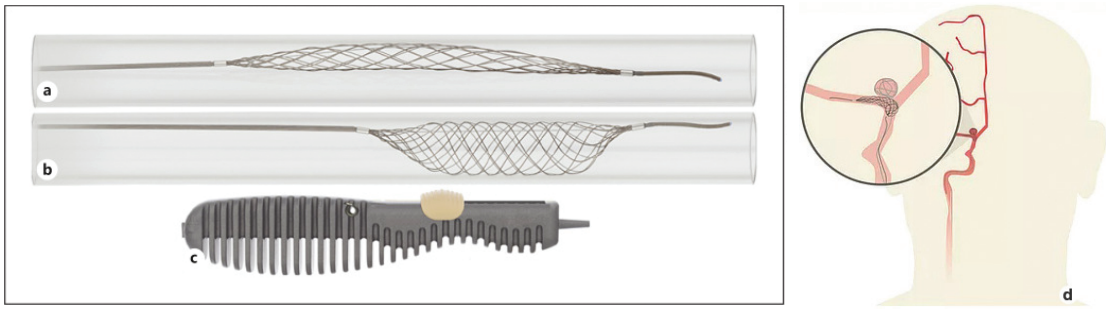
Market Opportunity and Competition

Stent graft is an alternative treatment option for treating intracranial aneurysm. According to CIC, as of the Latest Practicable Date, *Willis* was the first and remained the only intracranial stent graft for treating cerebral vessel diseases in the world.

Product Candidates under Development

Comaneci® Embolization Assist Device ("Comaneci")

Comaneci is a temporary coil embolization assisting stent developed by Rapid Medical. An assisting stent is particularly useful for the coil embolization of wide-neck or unusually shaped aneurysms. The stent serves as a scaffold to prevent the coils from falling out of the aneurysm sac, inadvertently blocking the artery. Such temporary stenting procedure also serves as a platform to increase packing density. *Comaneci* is a temporary assisting stent, which is retrieved by the physician after the procedure. This eliminates the need for patients to take medications, which are normally needed for permanent assisting stents. *Comaneci* also features its adjustability in size. Using a slider on the handle, a physician controls the movement of the main wire in the stent, which further controls the stent to inflate or deflate. Below are illustrative diagrams of *Comaneci*:



Notes:

a. The deflated stent of *Comaneci* after being unsheathed from the microcatheter.

b. The inflated stent controlled by the physician through the slider on the handle.

c. The handle of the *Comaneci* with its yellow adjustable slider on top.

d. The stent placed in the parent artery.

Delivered by a microcatheter, the *Comaneci* stent is deployed across the aneurysm neck. Once the stent is in place, another microcatheter carrying the embolization coils is placed in the aneurysm sac. With the stent temporarily deployed and open, the coils are then released through the coiling microcatheter into the aneurysm sac. The physician then slowly retracts the stent and checks the stability of the coils inside the aneurysm sac. After the checking is complete, the physician withdraws the embolization microcatheter, and then re-sheaths the stent in the stent microcatheter and retrieves both the stent and the stent microcatheter.

Comaneci received CE Marking in 2014 and was approved by the FDA in 2019. It also received FDA Breakthrough Device designation, a program designed to facilitate the development and registration of medical devices offering more effective treatment or diagnosis of life-threatening or irreversibly debilitating diseases or conditions, in February 2022, to treat cerebral vasospasm (a condition where the blood vessels in the brain become narrow, thus reducing blood flow to the brain and causing subsequent death of brain tissue) after hemorrhagic stroke. We were engaged as the exclusive distributor in Greater China for *Comaneci*. See "—Collaborations—Rapid Medical" for details. We are assisting Rapid Medical to conduct preparatory work for registering *Comaneci* with the NMPA. *Comaneci* is expected to be approved by the NMPA in 2024.

Rebridge® Intracranial Visualized Stent ("*Rebridge*")

Rebridge is a coil embolization assisting stent in the design validation stage. *Rebridge* features full radiopacity and densely braided mesh. The wires that are braided into the stent are made of radiopaque alloy. Compared with other stents that only have several radiopaque wires serving as marker wires, all wires of *Rebridge* are radiopaque, allowing physicians to visualize the stent deployment to achieve optimal placement. Radiopaque strands along the entire stent body also enable physicians to visualize the stent expansion. *Rebridge* is also densely braided. The high metal coverage and small pore size provide stronger and consistent support to the embolization coils, in particular, those smaller coils used in the finishing stage. *Rebridge* are also designed in several models to accommodate arteries with different diameters, but all models of *Rebridge* remain to be low-profile and can be delivered with the same delivery system.

Rebridge is the first Chinese-developed full-visualization coil embolization assisting stent that entered clinical trials, according to CIC. We commenced a controlled, multi-center, randomized trial to evaluate *Rebridge*'s safety and efficacy. The first patient enrollment for *Rebridge*'s registrational clinical trial was completed in January 2022, and the trial is expected to be completed in the fourth quarter of 2024. We expect to obtain NMPA approval in 2025.

Liquid Embolic Agent

We are conducting preclinical design development for a liquid embolic agent to treat cerebral arteriovenous malformations (cerebral AVM). Cerebral AVM is an abnormal connection between the arteries and veins in the brain that usually forms by birth. Arteries in the brain connect directly to nearby veins without having the normal capillaries, or tiny blood vessels, between them.

Our *Liquid Embolic Agent* intends to provide a minimally invasive, endovascular treatment for cerebral AVM. *Liquid Embolic Agent* is primarily composed of ethylene vinyl alcohol, a chemical substance that can embolize blood vessels. Ethylene vinyl alcohol is dissolved in dimethyl sulfoxide, a solvent, and mixed with radiopaque substance. The liquid is delivered to the target vessel through a microcatheter. It then begins to form a skin and solidifies over time from the outside to the inside, achieving embolization of the target area of the vessel. For smaller AVMs, the embolization is intended to completely obliterate the malformation; for larger AVMs, the embolization reduces the AVM size and enhances the safety for further surgery.

Liquid Embolic Agent is currently under preclinical design development. We plan to commence a clinical trial in 2024 and expect to obtain NMPA approval in 2026.

Cerebral Atherosclerotic Stenosis Products

Cerebral atherosclerotic stenosis occurs when blood flow to the brain is restricted by narrowed arteries due to plaque buildup inside the vessel. Cerebral atherosclerotic stenosis can be further divided into intracranial stenosis, vertebral artery stenosis and carotid artery stenosis. The prevalence of cerebral atherosclerotic stenosis in Chinese population increased from 15.6 million patients in 2015 to 17.1 million patients in 2020, and is estimated to further increase to 18.8 million patients in 2026 at a CAGR of 1.6% from 2020 to 2026.

Because cerebral atherosclerotic stenosis is commonly seen among people aged above 40, it is expected that an increasing number of people in China will suffer from this condition in the future, considering the aging population trend in China. In addition, a further growth in the neuro-interventional device market is driven by the higher risk of cerebral atherosclerotic stenosis observed among young generations in China, primarily due to an increasing prevalence of coexisting traditional stroke risk factors and health risk behaviors including hypertension, diabetes, obesity, lipid disorders and tobacco use.

Selection of a treatment for cerebral atherosclerotic stenosis depends on factors such as the size of the blockage and the patient's risk for a first stroke or recurrent strokes. For smaller blockages, medications and recommendations of lifestyle changes may be used to minimize risk factors, such as high cholesterol and high blood pressure. Surgery may be recommended when there is a large blockage and high risk for stroke, involving the use of a balloon, a stent or a drug-coated/eluting device (typically a drug-coated balloon or drug-eluting stent) to stretch and open the blocked artery. Depending on the anatomical location of the blockage, stents for treating cerebral atherosclerotic stenosis are further categorized into intracranial stents, vertebral stents and carotid stents.

We have developed a comprehensive product portfolio to treat cerebral atherosclerotic stenosis. Our products and product candidates include (i) *APOLLO*™ intracranial stent system; (ii) *Bridge*® rapamycin target eluting vertebral artery stent system; (iii) *Diveer*™ intracranial balloon dilatation catheter; (iv) an intracranial drug-coated balloon catheter system; and (v) a carotid stent system.

Commercialized Products

APOLLO*™ *Intracranial Stent System (*"APOLLO"*)

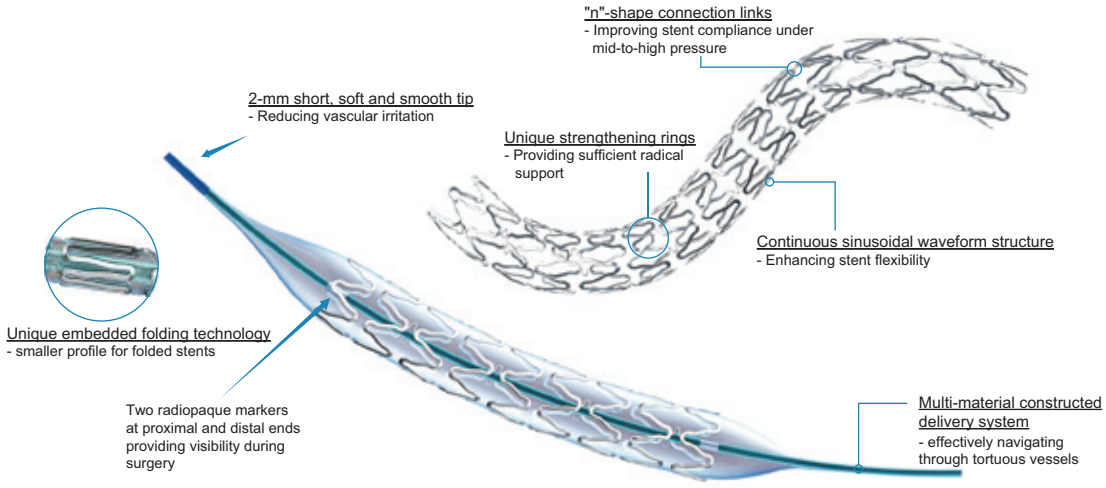
APOLLO is designed to treat patients suffering from intracranial atherosclerotic disease (ICAD). *APOLLO* consists of a balloon-expandable stent and a delivery catheter, with the stent being delivered to the lesion to push plaque back against the artery walls and keep the artery open. *APOLLO* was approved by the NMPA in 2004. According to CIC, *APOLLO* was the world's first approved stent system to treat ICAD. *APOLLO* was designated a National Key New Product (國家重點新產品) by the Ministry of Science and Technology of PRC in 2011 and won the Second Prize for Science and Technology Award of Shanghai (上海市科技進步二等獎) in 2009.

Product Structure

APOLLO comprises a balloon-expandable stent and a delivery catheter with a short tip and a semi-compliant balloon located at the distal end of the catheter. Semi-compliant balloons are commonly used in applications that require mid-to-high pressures but provide more flexibility for easy

delivery. An inflation tube is located at the proximal end of the delivery catheter and it inflates the balloon when the latter is delivered to the target lesion. The proprietary embedded folding technology ensures lower profile insertion into the body and improves trackability, which is also aided by radiopaque markers at both ends of the stent.

The stent uses laser-cut stainless steel with various diameters and lengths, allowing physicians to choose the appropriate stent to meet each patient's particular needs. The superior design of *APOLLO* enhances trackability and provides greater flexibility in diseased and narrowed arteries. Below is an illustrative diagram of *APOLLO*:



Operation Procedure

Intracranial stent placement is an endovascular procedure performed with local anesthesia. Under X-ray guidance using fluoroscopy, a guiding catheter is navigated from the femoral or radial artery to the narrowed cerebral artery. The balloon-expandable stent is advanced to the target lesion. Once in position, the stent opens up as the physician inflates the balloon. The stent is placed in the narrowed area permanently to push plaque back against the artery wall, keeping the artery open and preventing plaque from obstructing blood flow. The guiding catheter and guidewire are removed after the physician confirms that the stented vessel functions properly through angiography. Below is an illustrative diagram of how *APOLLO* opens up and keeps the narrowed vessel open upon placement:

Features and Competitive Advantages

APOLLO was the first Chinese-developed and the world's first approved balloon-expandable stent for treating ICAD. We believe *APOLLO* has the following features and benefits:

- *Supportive and flexible stent with advanced structure*. *APOLLO* is composed of strengthening rings that are constructed in sinusoidal waveform to provide sufficient radical support while reducing the metal coverage on the vessel wall. Additionally, two "n"-shaped connection links are staggered in 90 degrees axially to connect the strengthening rings, which improves compliance and thus allows the stent to navigate through tortuous intracranial vessels.

- *Unique embedded folding technology*. *APOLLO* employs a unique embedded folding technology so that the stent has a smaller profile when folded, which makes it safer to be delivered through the vessels. The balloon can also be folded to ensure smaller diameter and thus smooth delivery and retracement during the procedure.

- *Multi-material constructed delivery system with soft tip design to achieve minimum invasiveness.* The delivery system of *APOLLO* is constructed of various materials that are connected with precision to enhance navigation through tortuous vessels. The soft and smooth tip design of the delivery system further reduces irritation to the vessels during the procedure.

Summary of Clinical Trial Results

Between 2013 and 2015, we completed a registrational clinical trial (the "AIRE-CHINA" study) comparing *APOLLO*'s safety and efficacy in treating severe symptomatic ICAS against a well-established balloon predilation and self-expanding stent. The AIRE-CHINA study was a prospective single-arm registry study with a total of 300 patients enrolled. The primary efficacy endpoint was the rate of stroke, transient ischemic attack (TIA) and death within 30 days after implantation. In its 30-day follow-up review, the rate of stroke, TIA and death for the *APOLLO* group and the control group was 4.4% and 4.3%, respectively, which also suggests a low occurrence rate of AE (stroke, TIA and death). Within one year, there was no difference in the probability of primary outcomes (stroke, TIA and death) between patients in the *APOLLO* group and patients in the control group.

Development History

The R&D work for *APOLLO* started in 2003, where preclinical work included market research, product design and data verification. We applied regulatory registration of *APOLLO* as a Class III medical device and obtained the NMPA approval in 2004. *APOLLO* was designated a National Key New Product in 2011 and won the Second Prize for Science and Technology Award of Shanghai in 2009.

Market Opportunity and Competition

The cerebral atherosclerotic stenosis neuro-interventional device market in China is at an early stage of development. The number of cerebral atherosclerotic stenosis neuro-interventional procedures in China increased from approximately 13,300 in 2015 to approximately 39,000 in 2020 and is

estimated to further increase to approximately 149,400 in 2026, at a CAGR of 24.5% from 2020 to 2026. Particularly, the number of cerebral and vertebral stenting procedures in China increased from approximately 11,500 in 2015 to approximately 33,900 in 2020 and is estimated to further increase to approximately 103,600 in 2026, at a CAGR of 20.5% from 2020 to 2026. Considering the market potential, domestic players are becoming increasingly important by making affordable alternatives available to patients with unmet medical needs and generally improve the penetration rate of stenting procedures. One of the key distinguishing factors for competing in this market is the ability to develop advanced products with improved safety and efficacy features.

According to CIC, there were three NMPA-approved cerebral stent devices (including DES) for treating cerebral atherosclerotic stenosis as of the Latest Practicable Date, summarized in the following table. According to CIC, our *APOLLO* has a market share of approximately 47.0% in the intracranial stent market, in terms of 2020 sales volume.

Product	Company	NMPA First Approval Time
APOLLO	Our Company	November 2004
Wingspan Stent System	Stryker Neurovascular	November 2006
Intracranial DES (顱內藥物洗脫支架系統)	Sino Medical Sciences Technology Inc. (賽諾醫療)	July 2021

Bridge*® *Rapamycin Target Eluting Vertebral Artery Stent System ("*Bridge*")

Bridge is designed to treat patients suffering from symptomatic vertebral artery stenosis, which is the narrowing and blockage of the vertebral arteries that induce symptoms such as ischemic stroke. *Bridge* is a balloon-expandable stent with rapamycin coated inside the grooves on the stent surface facing the vessel wall. Rapamycin is an anti-proliferation drug commonly used in stenting procedures to reduce the incidence of neointimal hyperplasia, *i.e.*, the thickening of a vascular wall that can cause the vessel to become blocked or obstructed again after stent placement. *Bridge* is designed to deliver the drug-eluting stent to the lesion and push plaque back against the artery walls while slowly delivering rapamycin to the target area. *Bridge* was recognized as an innovative medical device (創新醫療器械), or entered the Green Path, in 2018. We obtained NMPA approval for *Bridge* in December 2020. According to CIC, *Bridge* was the first vertebral artery DES that was admitted to the Green Path and approved by the NMPA.

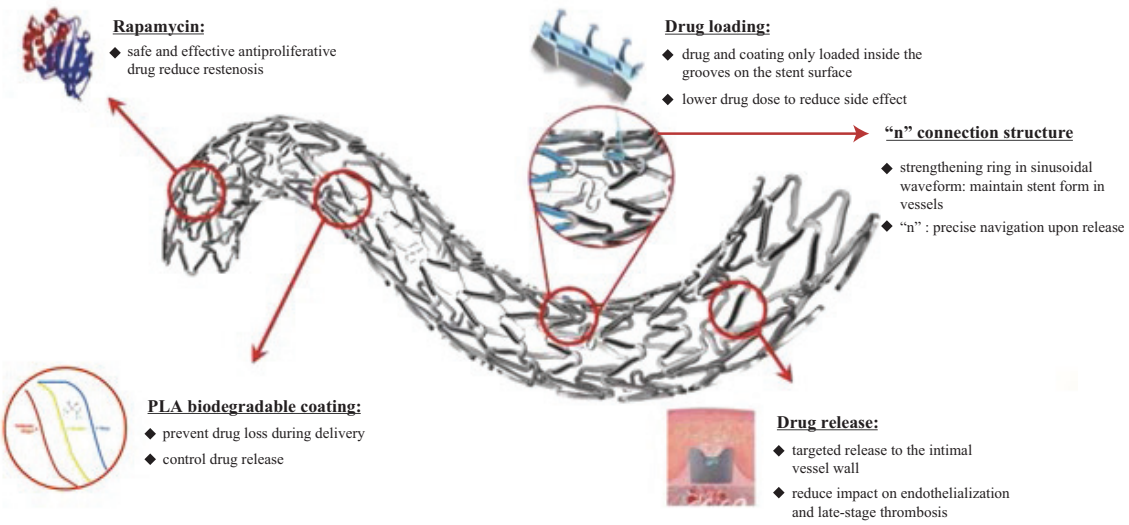
Product Structure

Bridge is a balloon-expandable drug-eluting stent constructed of a cobalt-chromium alloy with various diameters and lengths, and coated with rapamycin. Cobalt-chromium alloy stents are thinner, stronger and more flexible than stainless steel stents, and, as a result, provide higher efficacy. Rapamycin has been proven to be safe and effective in preventing in-stent restenosis and inflammation around the stent.

Bridge features a unique drug delivery design. The drug is loaded inside the tiny grooves on the stent surface facing the vessel wall, with a targeted release to the narrowed area of the blood vessel. Such design helps reduce the amount of drug released and improve safety by minimizing the impact on patient, including allowing for faster re-endothelialization (new endothelial cell growth, which

helps form a thick walled layer lining the blood vessels) along the stent construct as it becomes embedded and incorporated in the blood vessel. Below is an illustrative diagram of *Bridge*:

Unique drug loading design of *Bridge*



Operation Procedure

Vertebral artery stenting is similar to intracranial stenting for atherosclerosis, *e.g.*, the procedure in which our *APOLLO* stent is used. The balloon-expandable drug-eluting stent is advanced to the lesion over a guidewire and released as the balloon inflates. The loaded rapamycin elutes from the stent gradually and is released to the vessel wall. For further details, see "—*APOLLO*—Operation Procedure."

Features and Competitive Advantages

Bridge was the first target DES for treating vertebral artery stenosis that was admitted to the Green Path and approved by the NMPA in China. We believe *Bridge* has the following features and benefits:

- *Targeted drug release*. *Bridge* employs an advanced engraving technique to support the targeted release of anti-proliferative drug from the stent to the vessel walls.
- *Lower dose of drug load and release for safer results*. The biodegradable coating consisting of rapamycin and polylactic acid (PLA) is only stored in the tiny grooves on the stent surface facing the vessel wall, rendering relatively lower drug dose, proper drug release dynamics and safer results with low neurotoxicity.
- *Improved follow-up efficacy*. Our clinical trial results showed that the in-stent restenosis rate for *Bridge* was only 3.7% at six-months after surgery, which is significantly lower than the in-stent restenosis rate of 15.2% of the other NMPA-approved vertebral stent, according to CIC.

Summary of Clinical Trial Results

We had conducted a prospective, multicenter, single-arm clinical trial in China between 2014 and 2018 to evaluate the safety and efficacy of *Bridge*. The trial was conducted in 6 centers with 101 subjects enrolled. The primary efficacy endpoint is the rate of in-stent restenosis (defined as stenosis greater than 50% of the vessel lumen diameter in a previously stented segment) of subjects, which was assessed through digital subtraction angiography (DSA) performed at six months after surgery. The trial showed that the in-stent restenosis rate for *Bridge* was only 3.7% at six-months after surgery, which was significantly lower than the in-stent restenosis rate of 15.2% of the other NMPA-approved vertebral stent, according to CIC. And there was no occurrence of serious AE related to the trial devices during or after the clinical trial.

Development History and Development Plan

The R&D work for *Bridge* started in 2012. *Bridge* entered the Green Path in March 2018. *Bridge* is classified as a Class III medical device and was approved by the NMPA in December 2020. According to CIC, *Bridge* was the first vertebral DES admitted to the Green Path. We then commenced sales of *Bridge* in China in 2021.

We are currently conducting preclinical design development for a large-size *Bridge* (*Bridge 4.5/5.0*) and plan to commence a clinical trial in 2023. We expect to obtain NMPA approval in 2025.

Market Opportunity and Competition

The conventional treatments of vertebral artery stenosis primarily include coronary stents and intracranial bare-metal stents. These treatments have relatively high restenosis rates resulting from the formation of neointimal hyperplasia, a condition caused by the proliferation of vascular wall cells in response to the stent implantation. In line with the overall growth of the cerebral atherosclerotic stenosis neuro-interventional devices market in China, demand for efficient, safe and reliable vertebral artery stent solutions is growing. The rationale for using drug-eluting stents is to inhibit the occurrence of vascular restenosis, which improves the safety and efficacy of stenting procedures in treating vertebral artery stenosis. According to CIC, there were two NMPA-approved vertebral drug-eluting stents for treating vertebral artery stenosis as of the Latest Practicable Date, summarized in the following table:

Product	Company	NMPA First Approval Time
Rapamycin Vertebral Artery DES (雷帕霉素藥物洗脫椎動脈支架系統)	Alain Biotechnology Co. Ltd. (Beijing) (雅倫生物科技)	July 2020
Bridge	Our Company	December 2020

Diveer™ Intracranial Balloon Dilatation Catheter ("Diveer")

Diveer is used in interventional procedures for intracranial stenosis, which, when placed in the lesion, compresses the plaque through balloon dilatation and at the same time widens the lumen of the artery and keeps it open. We commenced product development for *Diveer* in March 2020 and completed type testing for *Diveer* to the required technical standards in May 2021. We applied for the NMPA approval in June 2021 and received NMPA approval in January 2022.

Product Candidates under Development

Intracranial Drug-Coated Balloon (DCB) Catheter System

Our intracranial DCB catheter system is used in interventional procedures for intracranial stenosis, which, in addition to opening up the artery through balloon dilatation, also delivers an anti-proliferative drug to the lesion to prevent neointimal hyperplasia. As of the Latest Practicable Date, there was no intracranial DCB approved for marketing in China. We have commenced product development for our intracranial DCB catheter system and expect to receive NMPA approval in 2026.

Carotid Stent System

Our carotid stent system is used in interventional procedures for carotid artery stenosis, which is a procedure similar to stent implantation for ICAD, *e.g.*, the procedure using our *APOLLO*. See "—*APOLLO*—Operation Procedure." We have commenced product development for our carotid stent system since September 2021 and expect to receive NMPA approval in 2027.

Acute Ischemic Stroke Products

Acute ischemic stroke is characterized by a sudden loss of blood circulation to an area in the brain, resulting in corresponding loss of neurological function. AIS occurs when blood flow to a brain artery is obstructed by a clot, which is a mass of thickened blood. A typical cause of AIS is intracranial atherosclerosis. In China, there were 1.7 million patients of AIS in 2020, according to CIC.

AIS treatment is time-sensitive. According to CIC, it is crucial to provide proper treatment to AIS patients within 24 hours from symptom onset. The best treatment time for AIS is four to six hours since symptom onset. Before 2004, intravenous thrombolysis was the only approved treatment for AIS. The application of intravenous thrombolysis is recommended to be used within three hours from symptom onset. Because intravenous thrombolysis causes low recanalization rate, mechanical thrombectomy, in particular stent-retrieving thrombectomy, has become the first-line treatment for AIS. Using fluoroscopy or continuous X-ray, the physician guides the stent retriever through the patient's vessel to locate and extract the clot. Stent-retrieving thrombectomy is used within 24 hours from symptom onset. As a relatively new approach to treat AIS, aspiration thrombectomy is a neuro-interventional procedure using negative pressure to pull out the clot through an aspiration catheter. It can be conducted independently or in conjunction with stent-retrieving thrombectomy.

We are developing a comprehensive product portfolio to treat AIS. Our product solutions include (i) *Neurohawk*® stent thrombectomy device; (ii) *Tigertriever*® revascularization device; (iii) *W-track*® intracranial aspiration catheter; (iv) *X-track*™ intracranial distal access catheter; and (v) balloon protection guide catheter.

Commercialized Products

Neurohawk® Stent Thrombectomy Device

Overview

Our *Neurohawk* is a stent retriever used in minimally invasive thrombectomy procedures to remove clots in blood vessels. By placing the expandable stent into the target blood vessel, physicians

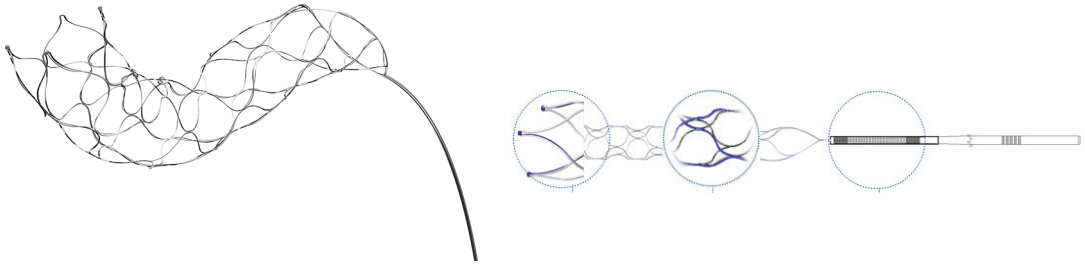
can capture the clot and remove it by retrieving the stent. *Neurohawk* is our self-developed stent retriever system with full visualization.

Neurohawk is classified as a Class III medical device by the NMPA. We commenced a clinical trial for *Neurohawk* in March 2018 and completed it in February 2021. We submitted a registration application to NMPA in March 2021 and obtained NMPA approval in February 2022.

Product Structure

Neurohawk comprises a self-expanding stent and a pusher wire, which is compressed inside an introducer sheath. The stent is able to expand and catch the clot when released after being deployed in the target blood vessel. *Neurohawk* can maintain ideal apposition with vessel wall by expanding and compressing the stent. *Neurohawk* is equipped with enhanced full visualization with three radiopaque markers on the distal end and three radiopaque wires in the main part of the stent. The stent can be seen under fluoroscopy, which enables physicians to place and retrieve the device confidently.

Neurohawk



Radiopaque Distal Markers | Radiopaque Wires | Pusher Wire with Radiopaque Segment

We have developed two models with different diameters for *Neurohawk*, allowing physicians to choose the stent retriever according to the blood vessel diameter. *Neurohawk* AIS4025 is suitable for stent-retrieving thrombectomy in blood vessel with a diameter of 2 to 3 mm, such as the M1 segments of the middle cerebral artery. *Neurohawk* AIS6030 is suitable for stent-retrieving thrombectomy in blood vessels with a diameter of 3 to 5 mm, such as the internal carotid artery. Both models of *Neurohawk* can be delivered through a 0.021 inch microcatheter.

Operation Procedure

During a thrombectomy procedure, the physician first locates the blockage using advanced neuro-imaging technology. The physician then inserts a combination of access and delivery catheters in femoral artery, to get access to the intended vascular site under fluoroscopic guidance, then introduce a microcatheter inside the guiding catheter to reach the occluded segment and pass through the clot. The stent retriever is then inserted into the microcatheter and delivered to the occluded segment. The physician uses the delivery wire to hold the stent position and withdraws the microcatheter to unsheathe the stent, letting it open and expand outward to capture the clot. As the device can be seen in its entirety under fluoroscopy, the physician can monitor the position of stent to ensure that it is fully open. The physician then draws back the stent retriever with the captured clot.

Features and Competitive Advantages

Neurohawk is our self-developed stent retriever system with full visualization. We believe *Neurohawk* has the following features and benefits:

- *Promotion of clot retrieval and stent wall opposition*. *Neurohawk* is structured with three-dimensional spiral and staggered meshes, which allow *Neurohawk* to better capture large, tough or fragile clots. Physicians may also expand and compress the stent to optimize wall apposition to blood vessel relying on *Neurohawk's* sound radial resistance force.

- *Enhanced full visualization*. *Neurohawk* is equipped with radiopaque markers on the distal end and radiopaque wires in the main part of the stent to provide full visualization. The radiopaque markers are embedded on the distal end and in the main body of the stent, and in the pusher wire. The radiopaque markers allow the physicians to determine the nature of the clot and apply appropriate techniques to remove the clot.

Summary of Clinical Trial Results

Between 2018 and 2021, we completed a clinical trial (the "CAPTURE" study) to evaluate the safety and efficacy of *Neurohawk* by primarily comparing the recanalization rate between patients undergoing stent retrieving thrombectomy procedures using *Neurohawk* and *Solitaire FR* revascularization device (Medtronic). The CAPTURE study was a prospective, multi-center, randomized and non-inferiority clinical trial with a total of 239 patients enrolled.

The primary efficacy endpoint is the recanalization rate（mTICI≥2b) with stent thrombectomy procedures. The recanalization rate was 88.70% of the *Neurohawk* group and 90.60% of the *Solitaire FR* group. *Neurohawk* demonstrated non-inferiority in respect of efficacy as compared with *Solitaire FR*. The second efficacy endpoints of the clinical trial include time for recanalization, NIHSS score at 30±6 hours and ratio of patients with 90±14 days post treatment mRS score not exceeding 2 (inclusive). There was no statistically difference in the secondary endpoints between the two study groups.

The safety endpoints of the clinical trial are the rate of symptomatic intracranial hemorrhage (sICH) at 30±6 hours and all-cause mortality rate at 90±14 days. There is no statistically significant difference in both safety endpoints between the two study groups.

Development History and Development Plan

Our development of *Neurohawk* started in 2015. We commenced a clinical trial for *Neurohawk* in March 2018 and completed it in February 2021. We submitted a registration application to NMPA in March 2021 and obtained NMPA approval in February 2022.

We are currently developing *Neurohawk 2* with different working length for wider applicability. We expect to submit registration application to NMPA and obtain approval in 2024.

Market Opportunity and Competition

See "—*Tigertriever*® Revascularization Device—Market Opportunity and Competition."

Aspiration Catheters

X-track™ *intracranial distal access catheter ("**X-track**")*

X-track distal access catheter is used in neuro-interventional procedures to facilitate the delivery of stent to reach the distal point in target blood vessels. *X-tract* removes the clot through direct aspiration together with stent retriever thrombectomy. *X-track* is a single-lumen catheter, the body of which is built of three layers, including an inner tube, a reinforcement layer and an outer layer. The proximal end of the single-lumen catheter is connected to a connector and a strain relief tube. *X-track* is equipped with an guide sheath and a shaping mandrel. To facilitate the advancement of *X-track* in neuro-interventional procedures, *X-track* has a semi-rigid proximal shaft and a flexible distal shaft with a radiopaque marker.

X-track is designed for the introduction of a wide range of neuro-interventional therapeutic devices. The physician first places *X-track*, together with microcatheter and micro guidewire, into a guide sheath. The physician then inserts the microcatheter and micro guidewire to the proximal end of *X-track*, and advances the assembly of microcatheter, micro guidewire and *X-track* to the target vessel. Once *X-track* reaches the target location, the physician removes the micro guidewire and insert the therapeutic device through *X-track*.

We commenced R&D for *X-track* in August 2017. We submitted an NMPA registration in July 2021 and obtained NMPA approval in April 2022. We expect to commence commercial production of *X-track* in July 2022.

Product Candidates under Development

Tigertriever*® *Revascularization Device

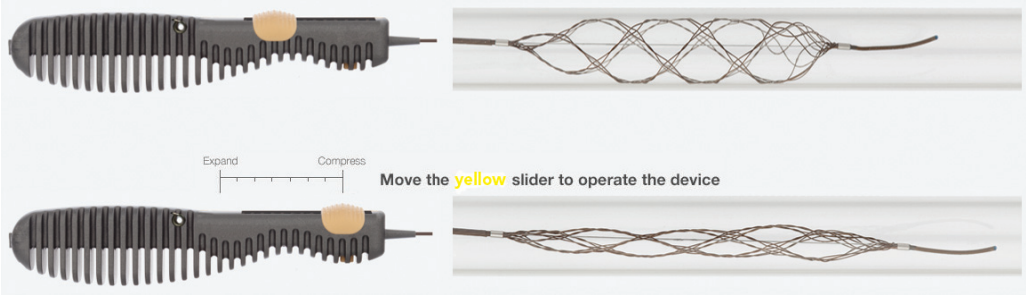
Overview

Developed by Rapid Medical, *Tigertriever* is the world's first adjustable stent retriever with full visualization, according to CIC. *Tigertriever* is classified as a Class III medical device by the NMPA. *Tigertriever* received FDA registration in the United States in March 2021 and CE Marking in the European Union in May 2018. The *Tigertriever* product family are compatible with procedures performed in blood vessels of varying diameters. We were engaged as the exclusive distributor in Greater China for *Tigertriever, Tigertriever 13* and all follow-up products of *Tigertriever*. The

Tigertriever is delivered through a 0.021 or a 0.017 inch microcatheter and is usually used for occlusion in large cerebral arteries, middle cerebral arteries and middle anterior cerebral arteries. *Tigertriever 13* is delivered through a 0.013 inch microcatheter and is mainly used for occlusion in distal small and middle cerebral arteries. *Tigertriever 13*, designed for distal vessel occlusion, is the world's smallest stent retriever to date. The *Tigertriever* product family allows physicians to treat AIS in the majority of cerebral arteries, while the conventional stent retrievers are generally delivered through a 0.021 inch microcatheter for large cerebral arteries.

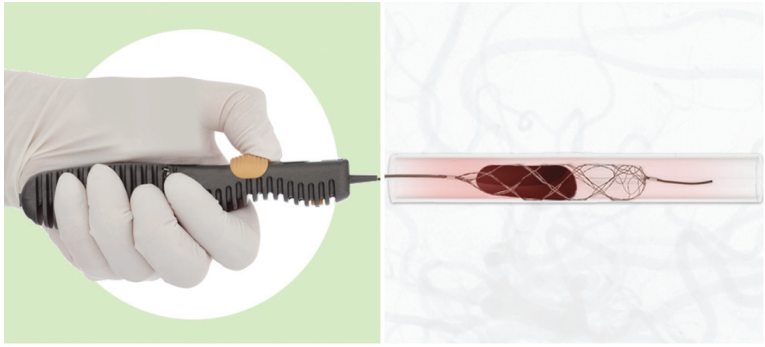
Product Structure

Tigertriever consists of a braided nickel-titanium stent, a core wire and an expansion control handle. The braided nickel-titanium stent retriever is collapsible, nondetachable and fully retrievable. The stent construction is expanded by pulling a core wire, which is connected to the distal end of the mesh. The proximal end of the core wire is connected to a slider in the handle, through which physicians may expand and compress the stent at any time during the procedure. Being the world's first adjustable stent retriever with full visualization, *Tigertriever* is also equipped with full length radiopacity, allowing physicians to observe and feel the stent retriever under fluoroscopy.



Operation Procedure

For a procedure with *Tigertriever*, the physician delivers the stent retriever through a microcatheter. When the mesh of the stent retriever reaches the occluded segment, the physician will move the slider on the control handle to expand and compress the mesh to capture the clot. As the wires of the mesh are completely radiopaque, the device can be seen in its entirety under fluoroscopy. The physician can expand and contract the mesh to conform properly to the diameter of the affected vessel wall. The physician then pulls back the stent retriever with the captured clot.



Features and Competitive Advantages

Tigertriever is world's first adjustable stent retriever with full visualization. We believe *Tigertriever* has the following features and benefits:

- *Smooth penetration. Tigertriever* is a braided nickel-titanium stent that utilizes a distinctive braided technology. With a large pore size mesh, *Tigertriever* has a stable structure for smooth penetration.

- *Unparalleled visibility. Tigertriever* is equipped with visible wires that enable full length radiopacity. This allows physicians to observe and feel the stent retriever interacting under fluoroscopy.

- *Adjustable radial force to improve apposition.* During the entire procedure, physicians may manually adjust the radial force through the slider in the handle, to improve apposition to vessel wall and minimize vessel injuries.

Development History and Development Plan

In the United States, clinical trials for *Tigertriever* commenced in May 2018 and completed clinical trial in March 2020. *Tigertriever* received FDA approval in March 2021 and CE Marking in the European Union in May 2018.

In China, *Tigertriever* was admitted to the Green Path in May 2020. We are assisting Rapid Medical to conduct preparatory work for registering *Tigertriever* with the NMPA. We submitted *Tigertriever*'s NMPA application in December 2021 and expect to receive approval in the fourth quarter of 2022. We plan to assist Rapid Medical to submit *Tigertriever 13*'s NMPA application in 2024 and expect to receive approval in 2025.

Market Opportunity and Competition

Mechanical thrombectomy has become the first-line treatment for acute ischemic stroke, and stent retriever thrombectomy is the most widely used approach. The number of stent retriever thrombectomy procedures (including standalone stent retriever thrombectomy procedures and stent retriever thrombectomy procedures combined with aspiration thrombectomy procedure) increased from 3,500 in 2015 to 37,800 in 2020, at a CAGR of 61.3% and is expected to further increase to 271,400 in 2026, at a CAGR of 38.9%. The penetration rate for stent retriever thrombectomy procedures (including standalone stent retriever thrombectomy procedures and stent retriever thrombectomy procedures combined with aspiration thrombectomy procedure) increased from 0.2% in 2015 to 2.2% in 2020, and is expected to increase to 15.3% in 2026.

According to CIC, thrombectomy stent procedures performed in small- and medium-sized blood vessels accounted for approximately 15.0% of all thrombectomy stent procedures in 2020. We expect the market size of the thrombectomy stent procedures performed in small- and medium-sized blood vessels is expected to increase from RMB70.0 million in 2020 to RMB420.0 million in 2026, representing a CAGR of 34.3%.

As of the Latest Practicable Date, there were 16 stent retrievers approved by NMPA, including products developed by both Chinese companies and international companies. We submitted an NMPA

registration application of *Neurohawk* in March 2021 and received approval in the first quarter of 2022. In addition, *Tigertriever* was admitted to the Green Path in May 2020. We submitted *Tigertriever*'s NMPA application in December 2021 and we expect to receive approval in the fourth quarter of 2022. We are the exclusive distributor for *Tigertriever, Tigertriever 13* and all follow-up products of *Tigertriever* in Greater China. The following table sets forth these approved stent retrievers:

Company	Number of approved stent retriever	First approved time by NMPA
Medtronic	3	April 2015
Stryker Neurovascular	2	December 2015
Johnson & Johnson	2	November 2018
Acandis GmbH	1	January 2016
Jiangsu Ni Ke	1	May 2018
Shanghai Heartcare	1	August 2020
Zylox-Tonbridge Medical	1	September 2020
Skynor Medical	1	May 2021
Ruikangtong Scientific	1	July 2021
Our Company	1	February 2022
Achieva Medical	1	February 2022
NeuroCare Medical	1	February 2022
Total	**16**	

Aspiration Catheters

We are also developing W-track® intracranial aspiration catheters and balloon protection guide catheters to treat AIS.

*W-track® Intracranial aspiration catheter ("**W-track**")*

W-track is an intracranial aspiration catheter used for clot aspiration. *W-track* is a single-lumen catheter, the body of which is composed of an inner tube, a reinforcement layer and an outer tube. The proximal end of the single-lumen catheter is connected to a connector and a strain relief. It is also equipped with a guide sheath, a shaping mandrel and an hemostatic valve. To facilitate the delivery of *W-track* in neuro-interventional procedures, *W-track* has a semi-rigid proximal shaft and a flexible distal shaft with a radiopaque marker.

W-track is indicated for the introduction of neuro-interventional therapeutic devices into target vessels or the removal of clot from target blood vessels. The physician first places *W-track*, together with microcatheter and micro guidewire, into guide sheath or a sheath connecting to the hemostasis valve. This is to prevent backflow of blood during insertion of catheter. The physician then inserts the microcatheter and micro guidewire into the proximal end of *W-track*, and advances the assembly of microcatheter, micro guidewire and *W-track* to the target blood vessel. Once *W-track* reaches the target location, the physician removes the microcatheter and the micro guidewire. This type of intracranial device is often referred to as an intermediate catheter. It can be used as an access platform for any type of neuro-interventional procedure or exclusively for thrombus aspiration and clot removal.

We believe *W-track* has the following features and competitive advantages:

- *Smooth delivery. W-track* has a multi-segment transition design to allow its smooth delivery. Between its inner tube and outer tube, the reinforcement layer is constructed in double-wire braided structure with stainless steel, which enhances the stability of aspiration catheter while maintaining flexibility of the tubes. With such design, *W-track* can reach the target occlusion quickly and smoothly, in particular in tortuous intracranial vessels.

- *Enhanced durability. W-track* is composed of reinforced stainless steel wires, which lowers the risks of collapse or damage.

- *Efficient aspiration capacity. W-track* has large aspiration lumen allowing physicians to remove clot efficiently.

We commenced R&D for *W-track* in May 2021. We expect to submit an NMPA registration application in third quarter of 2022 and receive approval in 2023.

Market Opportunity and Competition

The number of aspiration thrombectomy procedures (including standalone aspiration thrombectomy procedures and aspiration thrombectomy procedures combined with stent retriever thrombectomy procedures) increased from 2,000 in 2015 to 22,500 in 2020, at a CAGR of 63.1%, and is expected to further increase to 171,600 in 2026, at a CAGR of 40.2%, according to CIC. The penetration rate of aspiration thrombectomy procedures (including standalone aspiration thrombectomy procedures and aspiration thrombectomy procedures combined with stent retriever thrombectomy procedures) increased from 0.1% in 2015 to 1.3% in 2020, and is expected to increase to 9.7% in 2026, according to CIC.

As of the Latest Practicable Date, there were eight aspiration catheters approved by the NMPA. The following table sets forth these approved aspiration catheters:

Company	Number of approved aspiration catheter	First approved time by NMPA
Penumbra	3	May 2018
Hemo Bioengineering	1	May 2021
MicroVention	1	July 2021
Weiming Medical	1	April 2022
Yijie Medical	1	April 2022
Achieva Medical	1	May 2022
Total	**8**	

Balloon protection guide catheter

Our balloon protection guide catheter is a dual-lumen catheter, which is comprised of an inner tube, an outer tube, a balloon, a connector and a strain relief. The balloon protection guide catheter is equipped with two guide sheaths, one dilater, one inner pipe and one rotating hemostasis valve (RHV). The balloon protection guide catheter is indicated for use in facilitating the insertion and the guidance of an intravascular catheter into a selected blood vessel in the neuro vascular systems. The

balloon provides temporary vascular occlusion during the angiographic procedures and neuro-interventional procedures.

For procedures with a balloon protection guide catheter, the physician first inserts the inner pipe into the balloon protection guide catheter through the lumen and flushes the inner pipe with heparinized saline. Through the guide sheath, the physician introduces and navigates the balloon protection guide catheter to the target vessel. The balloon protection guide catheter can provide proximal flow arrest when the physician performs the clot retrieval procedure with stent retrievers or aspiration catheters in the target vessel. Before removing the stent retrievers or aspiration catheters, the physician inflates the balloon with inflation media, which is consist of half heparinized saline and half contrast, by a 2 ml dilator. Upon completion of the clot retrieval procedure, the physician deflates the balloon using the 2 ml dilator and remove the balloon protection guide catheter.

We commenced R&D for the balloon protection guide catheter in May 2021. We expect to submit an NMPA registration in the fourth quarter of 2022 and receive approval in the second quarter of 2023.

Access Products

Commercialized Products

Asahi® Neurovascular Guidewires ("Asahi guidewires")

Asahi Intecc is an industry leader in guidewire manufacturing, with Asahi guidewires being one of the global leading neurovascular guidewires, according to CIC. Asahi guidewires are designed to selectively guide and carry catheters as well as other interventional devices within the neurovascular blood vessels. Asahi guidewires feature a unique multi-stranded coil design at the tip, enhancing torque response, elongation resistance and flexibility. Asahi guidewires were approved by the NMPA in August 2013 and we have been engaged as the exclusive distributor for Asahi guidewires in mainland China since November 2016.

U-track® Intracranial Support Catheter System ("U-track")

U-track is designed for distal navigation and supporting precise delivery of a variety of neurovascular interventional devices during a neurovascular surgery. We obtained NMPA approval for *U-track* in December 2020.

We believe *U-track* has the following features and competitive advantages:

- *Eleven-transition design and three-layer structure for better navigability and stability*. *U-track* features an eleven-transition design and consists of three layers, including a polytetrafluoroethylene (PTFE) inner tube, a stainless steel coil middle tube and a polymer outer protective layer, which ensure that the catheter can reach the target lesion with better navigability and stability in tortuous vessels.

- *Minimum invasiveness*. *U-track* has a rounded tip design, which causes minimum damage to the vessels during a procedure.

- *Better addressing physicians' needs*. With a larger inner dimension and various accessories, *U-track* is compatible with different procedures and better meets physicians'

needs. Additionally, *U-track* is able to navigate through tortuous vessels and lesions without requiring further shaping handling by the physician because of our pre-shaped angle design, which effectively saves operation time.

Fastrack® Microcatheter System ("Fastrack")

Fastrack is designed for distal navigation and supporting precise delivery of intracranial interventional devices, specifically our *Tubridge*, during a neurovascular surgery. *Fastrack* features a stainless steel-braided proximal end, a distal end with reinforced nickel-titanium coils and double radiopaque markers, ensuring effective support and stability in tortuous vessels. In addition, *Fastrack* has a unique nine-transition design that enables a smooth transition from the proximal end to the distal end, therefore permitting better navigation in interventional procedures. We obtained NMPA approval for *Fastrack* in July 2019.

Product Candidates under Development

As of the Latest Practicable Date, we had four access product candidates in various R&D stages, which further supplements our comprehensive product portfolio. The table below summarizes information on our product candidates:

Name	Designed Features and Applications	Development Plans and Expected Approval Time
Q-track™ 21 Microcatheter	With an inner diameter of 0.021 inch, it is used for the delivery of various stent devices and surgical fluids in neuro-interventional procedures.	Expect to complete type testing; to receive NMPA approval in 2023.
17 Microcatheter	With an inner diameter of 0.017 inch, it is used for the delivery of various devices and surgical fluids in neuro-interventional procedures.	Expect to commence preliminary studies; to receive NMPA approval in 2024.
Neuro-Guidewire	It is used to selectively introduce and position catheters and other interventional devices within arteries in neuro-interventional surgery.	Expect to finish product design and complete type testing; to receive NMPA approval in 2023.
Distal Protection Device	It is specifically designed to support our carotid stent system, which is used to filter and capture atherosclerotic fragments broken off during interventional procedures.	Expect to finish product design and complete type testing; to receive NMPA approval in 2025.

COLLABORATIONS

As part of our business strategy, we evaluate opportunities to strategically collaborate with other neurovascular device companies through distributorships and investments. We have entered into

distribution agreements with Asahi Intecc since November 2016 to exclusively distribute their neurovascular guidewires in mainland China. We have also entered into an exclusive distribution agreement with Rapid Medical since October 2019 to distribute their products in Greater China, which collaboration is further strengthened through our strategic investment in Rapid Medical as we prepare for further global expansion of our products.

Rapid Medical

Rapid Medical is a privately held medical device company organized in the State of Israel which develops a range of interventional devices for neurovascular diseases such as ischemic and hemorrhagic stroke. Rapid Medical is a medical technology, or "medtech," company with cutting edge research and development capabilities, proven record of regulatory approvals and advanced commercialization capabilities. We believe Rapid Medical has products and resources that are complementary to ours. In October 2019, we entered into a distribution agreement with Rapid Medical to be engaged as Rapid Medical's exclusive distributor to market, promote, distribute and sell *Comaneci*, *Tigertriever*, *Tigertriever 13* and all follow-up products in Greater China. The distribution agreement has a term of ten years, but may be terminated earlier. For example, either party may terminate the agreement immediately if a material breach committed by the other party is not curable or remains uncured for a period of 30 days after such other party has been required in writing to remedy the breach.

Rapid Medical shall use reasonable commercial efforts to obtain NMPA marketing approval for the products with our assistance. The NMPA approval will be owned solely by Rapid Medical. Rapid Medical shall be responsible for necessary costs and expenses associated with obtaining, holding and maintenance of the NMPA approval. We are currently assisting Rapid Medical to register *Tigertriever* with the NMPA. It was admitted to the Green Path in May 2020 and is classified as a Class III medical device by the NMPA. We expect to receive its approval in the fourth quarter of 2022.

After Rapid Medical obtains NMPA approval for these products, we will order the products by means of purchase order, and we will have the right but not the obligation to place the order on a monthly basis. The purchase price is determined pursuant to terms specified in the agreement, which may be reviewed and adjusted through good faith negotiation by both parties from time to time. For each purchase order, we shall make the full payments within sixty calendar days after the date of delivery. We shall use our best efforts to comply with the annual minimum volume requirements as specified in the agreement. If we fail to meet the annual minimum volume requirements, and we have not rectified such failure within a grace period, Rapid Medical is entitled, at its discretion, to either terminate this agreement or cancel our exclusivity distributor status under this agreement.

We are permitted to use Rapid Medical's trademarks identifying its products distributed in Greater China by us, related services and Rapid Medical's business solely as required to convey that we are acting as Rapid Medical's distributor of aforementioned products in Greater China. All of Rapid Medical's intellectual property, including all updates and new versions, improvements and development thereof, are and shall remain Rapid Medical's sole and exclusive property.

In addition, we plan to leverage Rapid Medical's sales network in the United States as we progress our overseas plans. As we expand our coil embolization systems in the United States, we plan to engage Rapid Medical as the distributor for *NUMEN* and *NUMEN FR* in the United States, and these products enhance Rapid Medical in the field of hemorrhagic stroke.

We also made a strategic investment in Rapid Medical and was the largest shareholder of Rapid Medical, holding approximately 22.28% of the issued share capital of Rapid Medical as of the Latest Practicable Date. See "History, Reorganization and Corporate Structure—Acquisition of certain interest in Rapid Medical" for further details. Rapid Medical has been loss-making since we made investment in it. Upon the completion of our series D investment in Rapid Medical in 2021, we obtained significant influence over Rapid Medical and recognized our investment in Rapid Medical as interests in an associate under equity method. From the completion of our series D investment in Rapid Medical to December 31, 2021, Rapid Medical incurred a loss of RMB33.7 million, and we accordingly recorded share of losses of Rapid Medical of RMB7.5 million. Although Rapid Medical is loss-making, we believed that the investments in Rapid Medical would be of strategic value because it considered Rapid Medical a promising medtech company with (i) strong research and development capabilities and a product pipeline with a proven record of regulatory approvals that could potentially be complementary with ours; (ii) commercialization capabilities and sales networks that we could potentially leverage; and (iii) impressive revenue growth.

Asahi Intecc

Asahi Intecc is a Japan-based medical device company dedicated to developing stainless steel wire products for catheter treatments. Asahi Intecc has a comprehensive product portfolio of guidewires and catheters for different treatments and purposes, such as PTCA guidewires, PTCA guilding catheters and PTCA balloon catheters. In November 2016, we entered into a distribution agreement with Asahi Intecc to be engaged as Asahi Intecc's exclusive distributor to market, promote, distribute and sell its neurovascular guidewires in mainland China. We extended our distribution agreement with Asahi Intecc in July 2021. The distribution agreement has a fixed term of three years unless terminated earlier. For example, either party may terminate the agreement without cause upon written notice of three months to the other party. In addition, a party may terminate the agreement if, among other things, a breach committed by the other party remains uncured for a reasonable period of days after such other party has been asked to remedy the breach.

Asahi Intecc shall apply for NMPA approval for the products to be distributed in mainland China. We will order the products by means of purchase order and shall provide Asahi Intecc an order volume estimate beforehand. For each purchase order, we shall make the full payments to Asahi Intecc before the date of shipment. The purchase price is determined pursuant to terms specified in the agreement. We shall comply with the minimum purchase quantity requirements as specified in the agreement and if we fail to meet the specified minimum purchase quantity requirements, Asahi Intecc is entitled to terminate this agreement. We are permitted to use Asahi Intecc's trademarks associated with products distributed in mainland China for purposes solely related to such distribution, which permission shall be terminated upon the termination of the agreement. All intellectual property associated with Asahi Intecc's products are its sole and exclusive property.

RESEARCH AND DEVELOPMENT

We are a domestic market leader in the neuro-interventional medical devices industry in China and our commercial success largely depends on our R&D capabilities. Leveraging our advanced technologies and engineering techniques, we have built our R&D platforms to support our product development, manufacturing and quality control.

We are engaged in ongoing R&D activities to expand the application of our products and to deliver clinically advanced new products with enhanced features, such as improved efficacy, safety, reliability and ease of use. As of the Latest Practicable Date, we had a total of 12 approved self-developed products in China. In addition, our *NUMEN* and *NUMEN FR* have been approved in the United States, the European Union and South Korea. In line with the growth in the neuro-interventional medical devices market, we will continue to develop new product candidates to maintain and expand our product coverage. We incurred R&D expenditure (including the capitalized R&D expenses) of RMB76.0 million, RMB80.5 million and RMB102.9 million for the years ended December 31, 2019, 2020 and 2021, respectively.

While we believe that we are able to comply with the regulatory review process and therefore introduce new products in a timely manner, the time required from developing to commercializing a new product varies and may be affected by factors beyond our control, *e.g.*, clinical trial results and government approvals. See "Risk Factors—Risks Relating to the Development of Our Products and Product Candidates."

Our In-house R&D Team

As of the Latest Practicable Date, our in-house R&D team consisted of 137 members. Over 50% of our team members have a master's degree or a doctoral degree and approximately 40% had previously worked at multinational pharmaceutical and medical device companies. Mr. Wang Yiqun Bruce, our executive vice president, is enrolled in the Shanghai Foreign Elite Talent Introduction Program (上海市高層次引進人才) and Mr. Xie Zhiyong, our president, has been recognized as a Zhangjiang Professional of Excellence (張江卓越人才). In addition, our R&D team has participated in drafting the industry standards for neurovascular intracranial stents and neurovascular intracranial coils.

Our R&D team is primarily responsible for the initiation and proposal of new R&D projects, specifically including design planning, prototyping and verification. Our R&D team also provides technical support for all subsequent steps in product development and commercialization, including clinical trials, product registration and quality management. Furthermore, our R&D team collaborates closely with leading experts and KOLs in the industry to gain their guidance and insights so that we can take first-hand clinical opinions into consideration throughout our R&D process.

We have entered into confidentiality and non-compete agreements with our key R&D team members. Pursuant to the employment agreements of our R&D personnel, any intellectual property conceived and developed during their employment belongs to our Company and they waive all relevant rights or claims to such intellectual property.

Our Technology Platforms

We have various technology platforms to meet our R&D, manufacturing and quality control needs, including:

- *Braiding and coiling technology development and manufacturing platform*. With this platform, we apply multi-ratio and varied-density braiding technology to develop various multistrand medical devices such as our *Numen* and *Tubridge*.
- *Stent forming and processing platform*. With this platform, we developed our stent products such as *APOLLO*, *Bridge* and *Willis* using our high-precision laser cutting

machines for microscopic device cutting. Our metal processing capabilities are further enhanced through our downstream electrochemical polishing and surface treatment technology.

- *Balloon technology development and manufacturing platform*. With complete balloon molding, laser welding, folding and final assembly production lines on this platform, we are able to develop our balloon catheter product candidates such as the intracranial drug-coated balloon catheter system and balloon dilatation catheters.

- *Catheter technology development and manufacturing platform*. With this platform, we applied coil winding, mesh-braiding, thermal-molding, marker-band placing and coating technologies to develop our catheter products such as the Fastrack Microcatheter and the U-track Intracranial Support Catheter.

- *Finite element analysis (FEA) platform*. With this platform developed by MicroPort Group, we use various finite element models to predict and optimize stent expansion process. This platform helps us optimize the stents in their design phase, which reduces the number of physical prototypes and experiments.

- *Fatigue testing platform*. With this platform, we carry out fatigue tests for our long-term implantable devices. Our platform is capable of carrying out such fatigue tests with fast turnaround in our product design and assembly.

With our technology platforms, our R&D team is able to carry out product design and development in accordance with the specific requirements for neuro-interventional medical devices, therefore overcoming technology bottlenecks in designing and developing our production concepts. With our technology platforms, we have also achieved synergy in R&D and manufacturing, which ensures a smooth transition from our product design to commercial manufacturing in accordance with our quality management system.

Product Design and Preclinical Development

Our product design and development process includes the following steps:

- *Planning*. At this stage, we analyze market trends, regulatory requirements, existing products or product candidates as well as unmet clinical needs in the neuro-interventional medical devices industry and gather the information needed for designing a product candidate. Such information includes the product candidate's function, performance, usability and safety requirements, selection of raw materials, applicable engineering techniques and other essential requirements.

- *Prototyping*. At this stage, we prepare the design production and testing process. We also evaluate the safety and efficacy of the sample product through an internal design assessment to ensure that the product design meets the applicable regulatory requirements and other essential requirements.

- *Verification*. At this stage, we conduct verification tests to ensure that the design outputs are suitable for manufacturing before becoming final production specifications. Our verification tests assess factors including a product candidate's function, operability, reliability, safety and efficacy.

After all the three steps have been completed, our product candidates generally undergo preclinical animal studies before reaching the clinical trial stage, which helps us identify potential risks and improve our product design. We have contracted with animal laboratories in China to conduct animal studies. Pursuant to the relevant agreements, we are primarily responsible for designing a specific protocol and monitoring the tests while the laboratories are primarily responsible for carrying out the animal test accordingly. Under the agreements, the laboratories adhere to strict confidentiality obligations and all the data, as well as any intellectual property rights developed from the animal tests belong to us.

Clinical Trials and Registration

After the completion of the preclinical studies, our product candidates generally enter the clinical trial stage, which further helps us evaluate the safety and efficacy of such candidates. We typically collaborate with physicians in local hospitals to conduct clinical trials. We work with the physicians to formulate a clinical trial plan and select patients eligible for the clinical trials. We are responsible for the overall management of clinical trials, including designing clinical trial protocols, selecting trial sites and communicating with regulatory authorities. Physicians are mainly responsible for conducting the clinical trials and follow-up visits with the patients. We also engage CROs and SMOs, who are clinical trial service providers and assist us in the execution of clinical trials. Specifically, the CROs we engaged are primarily responsible for reviewing the clinical trial data, handling and managing transactional matters at the trial sites and operating the electronic data capture (EDC) system for the clinical trials. The SMOs we engaged assist researchers to complete certain supporting duties in relation to our ongoing clinical trials, including collecting source data and scheduling patient follow-up visits, among others. We are also responsible for overseeing the CROs' and SMOs' performance. In 2019, 2020 and 2021, we engaged six, seven and four CROs and four, four and five SMOs, respectively, to assist the R&D of our product candidates. During the same periods, we incurred service fees to CROs and SMOs of RMB4.1 million, RMB3.8 million and RMB2.9 million, respectively. The service fees we paid to our CROs and SMOs during the Track Record Period were determined on a case-by-case basis with regard to the scale of the relevant clinical trials (primarily depending on the number of patients, trial sites and follow-up visits) and the service scope. Payment schedules for CROs and SMOs are typically tied to clinical trial milestones, *e.g.*, the enrollment of a certain percentage of patients, the enrollment of all patients, the conclusion of the trial and the finalization of the clinical trial report. There is generally no fixed term on our agreement with CROs and SMOs, considering the uncertain nature of clinical trials. However, our CROs and SMOs are expected to complete their duties in a timely manner (*i.e.*, to complete specific milestone events in accordance with an agreed timeline). Furthermore, they are obligated to provide us with regular updates on the trial progress and data reports pursuant to the agreement. We invite qualified CROs and SMOs to submit bids and select the winning bid by considering a number of factors, such as experience in providing services for similar clinical trials, service quality and pricing. We own all intellectual property in relation to the clinical studies and the CROs and SMOs are obligated to maintain strict confidentiality in respect of all non-public information and data from the clinical studies. Typically, we may terminate an agreement with a CRO or SMO without cause if we provide the other party sufficient prior written notice and pay the outstanding service fees. In addition, an agreement may be terminated by either party, among other things, upon notice to the other party if a breach by the other party is not curable or remains uncured for a stipulated period of time (*e.g.*, 14 days) after notice of the breach is received by the other party.

After successful completion of a registrational clinical trial, we apply for the approval from NMPA or other relevant authorities to register our candidates. For each product candidate, we are required to file the registration application in accordance with the relevant registration regulations. For example, as we prepare for further global expansion, our *NUMEN* obtained FDA approval in the United States, CE Marking in the European Union and MFDS approval in South Korea in 2021. The registration process is complex and time-consuming, requiring collaborations from multiple departments such as R&D, preclinical studies and clinical trials. We believe our extensive experience in managing the registration process is critical for us to obtain the regulatory approvals for our product candidates.

MANUFACTURING

During the Track Record Period, we conducted manufacturing activities primarily at our manufacturing facility located in our leased properties in Zhoupu, Shanghai, with an aggregate GFA of approximately 2,300 sq.m. To expand our manufacturing capability as the market demand continues to grow, we constructed another manufacturing facility in our leased properties in Zhangjiang, Shanghai, with an aggregate GFA of approximately 7,000 sq.m. We obtained the production permit for this facility in May 2022. As of the Latest Practicable Date, we manufactured our commercialized stent, coil and catheter products at these facilities with an annual production capacity of approximately 110,000 units. We estimate that our designed production capacity will further increase to approximately 350,000 units per year in 2025.

As part of our global expansion strategy, we plan to lease a manufacturing facility with an aggregate GFA of approximately 1,000 sq.m. in Irvine, California, USA, which is expected to commence operations in 2023. After we obtain the relevant lease, we plan to seek FDA approval for this manufacturing facility. We plan to recruit talent locally and focus on the R&D, manufacturing and supply of our coil products at this facility. We believe such complete and localized production line of coil products could ensure prompt supply to local and global hospitals and help us penetrate the global neuro-interventional market. We may construct additional manufacturing facilities as necessary going forward. See "—Properties" in this section for more details of our properties.

Our manufacturing facilities and our manufacturing processes are and will continue to be subject to ongoing, periodic inspection by the NMPA, the European Medicines Agency ("EMA") or other comparable regulatory agencies to ensure compliance with the quality standards, which is usually the prerequisite to obtain marketing approval in the respective jurisdictions.

Manufacturing Process

The manufacturing process for our products primarily involves the following steps:

(i) *Preparation*: We inspect and clean the raw materials or components of the manufactured products.

(ii) *Laser cutting/braiding*: We laser cut or braid the metal materials to form the device frame based on designs developed by our engineers.

(iii) *Surface treatment*: We treat the surface of key parts of the manufactured products.

(iv) *Assembling*: We assemble parts of the manufactured products.

(v) *Work in progress quality inspection*: We inspect our work-in-progress after various stages, including preparation, cutting, surface treatment and assembling.

(vi) *Packaging*: We package the manufactured products.

(vii) *Sterilization*: We sterilize the packaged products.

(viii) *Finished goods quality inspection*: We inspect the finished products before storing them in our warehouse.

We conduct substantially all of the steps above in-house, which increases our production efficiency and reduces our dependence on third-party suppliers. This vertical integration distinguishes us from our domestic competitors and enables us to be flexible with our production responding to changes in market demand for our products.

To stay compliant with the applicable quality standards, we have incorporated a series of quality control measures in our manufacturing process. We monitor and evaluate our product quality regularly and conduct internal audit on our quality management periodically. In 2019, 2020 and 2021, there were four, five and eight regulatory inspections on our manufacturing process, respectively, conducted by the Shanghai Drug Administration and other regulatory authorities. We passed all of these regulatory inspections without receiving any sanctions due to non-compliance. During the Track Record Period and up to the Latest Practicable Date, we had no product recalls for all products sold by us.

Facilities

To support our diverse product portfolio, our key manufacturing equipment mainly includes laser cutting machines, digital display measuring microscopes and intelligent testing equipment. We develop specialized machinery in house as well as purchase from multiple domestic and overseas suppliers. Saved for some machinery with advanced features and quality from certain suppliers, we are able to purchase manufacturing machinery from alternative suppliers. During the Track Record Period, we had not experienced any material or prolonged interruptions of our machinery due to equipment or machinery failure.

We believe that our current manufacturing capacity is able to meet our short-term commercial needs. Our location also gives us an advantage in manufacturing over our international competitors given our geographic proximity to the China market. We have access to China's vast labor pool, which makes it easier for us to hire people with the appropriate skills for our production. As of the Latest Practicable Date, we had a production team of over 130 employees. To enhance our production quality and efficiency, our production personnel is required to undergo rigorous training before they commence work on our production lines.

Production Capacity, Production Volume and Utilization Rates for Our Commercialized Products

The table below sets forth the production capacity, production volume and utilization rate for the products in our Zhoupu manufacturing facility for the periods indicated:

	For the year ended December 31,		
	2019	2020	2021
Production capacity[(1)] (units)	**40,000**	**50,000**	**112,500**
Hemorrhagic stroke products	10,500	19,500	60,700
Cerebral atherosclerotic stenosis products	24,000	24,000	38,800
Access products	4,000	5,000	10,500
AIS products	1,500	1,500	2,500
Actual production volume (units)	**30,845**	**36,231**	**96,798**
Utilization rate	**77.1%**	**72.5%**	**86.0%**
Hemorrhagic stroke products	60-70%	70-80%	80-90%
Cerebral atherosclerotic stenosis products	80-90%	70-80%	80-90%
Access products	70-80%	60-70%	80-90%
AIS products	70-80%	40-50%	80-90%

Note:

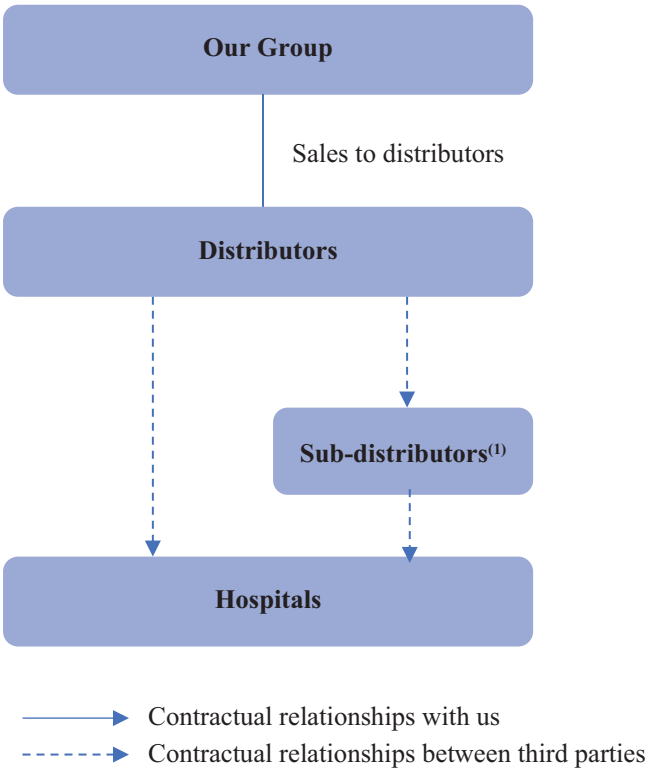
(1) Our production capacity is calculated based on the assumptions of full annual attendance of our production employees and functional operations of our equipment.

SALES, DISTRIBUTION AND MARKETING

Our Sales and Distribution Model

In line with the medical device industry norm in China, we adopt a distributorship model, which we believe allows us to leverage the distributors' customer bases and expertise in local markets. During the Track Record Period, all of our products were sold through distributors. We primarily operate a multi-layer distribution system, where a majority of our products are sold from distributors to sub-distributors, and such sub-distributors on-sell our products to hospitals through their own sales and distribution networks; and a relatively smaller proportion of our products are sold from our distributors directly to hospitals. We believe that the multi-layer distribution system allows us to reach a broader group of end-customers leveraging the sub-distributors' local networks and expertise. In the meantime, under the multi-layer distribution system, the distributors manage their sub-distributors, which enhances our management efficiency.

The following chart illustrates the structure of our sales and distribution model:



Notes:

(1) We primarily operate a multi-layer distribution system.

(2) In 2019 and 2020, all of our revenue was generated from domestic sales. Since July 2021, we began to enter into distribution agreements with overseas distributors. In 2021, our revenue from other countries amounted to RMB0.6 million, accounting for 0.2% of our total revenue in the same year. We expect that the China market will continue to be the predominant source of our revenue.

As of the Latest Practicable Date, we had established an extensive distribution network in China. The following table sets forth the changes in the number of our distributors (not including sub-distributors) during the Track Record Period:

	For the year ended December 31,		
	2019	2020	2021
As of the beginning of the period	89	79	60
Additions of new distributors(1)	28	17	8
Termination of existing distributors(2)	38	36	48
Termination due to regional distributors choosing to become sub-distributors of national distributors	35	16	32
Termination due to expiration of distribution agreements	3	20	16
As of the end of the period(3)	79	60	20

Notes:

(1) The number of new distributors represents those distributors that were engaged in the year indicated but were not engaged in the year immediately preceding the year indicated.

(2) The number of terminated distributors represents those distributors that were engaged in the year immediately preceding the year indicated but were not engaged in the year indicated.

(3) Based on information reported by our distributors, in the years ended December 31, 2019, 2020 and 2021, 4, 8 and 8 distributors engaged sub-distributors, respectively. We recorded revenue of RMB150.2 million, RMB209.1 million and RMB348.9 million attributable to such distributors in these periods, respectively, which represented a majority of our revenue.

(4) The number of our distributors decreased significantly during the Track Record Period as we gradually established an extensive and extensible network centered on a smaller number of national distributors, which we have found suitable for the types of products we sell. Specifically, on the one hand, we terminated a number of distributors as they chose to become sub-distributors of other larger, national distributors or due to contract expiry. On the other hand, the number of new distributors that we engaged decreased during each period of the Track Record Period, as we strategically chose to center our distributor network on a smaller number of national distributors.

During the Track Record Period, as shown in the table above, we terminated certain distributors because (i) certain regional distributors chose to become sub-distributors of other larger, national distributors. Specifically, because neuro-interventional medical devices usually have many specifications with different diameters, lengths and softness levels (e.g., *NUMEN* has more than 170 specifications), distributors must maintain a sufficient level of inventory to accommodate needs from hospitals for various specifications. This requires distributors to have sufficient cash on hand and strong inventory management capabilities. As a result, certain regional distributors chose to become sub-distributors of larger national distributors to leverage such national distributors' stronger capital resources, storage and inventory management capabilities and logistic capacity; and (ii) our distribution agreements with certain distributors expired and we decided not to renew such distribution agreements due to commercial reasons, for example, the distributors' unsatisfactory sales performance or change of business focus. For distributors terminated during the years ended December 31, 2019, 2020 and 2021, the aggregated revenue attributable to such terminated distributors was RMB6.9 million, RMB11.6 million and RMB15.3 million in 2018, 2019 and 2020 (the previous period before termination), and the average revenue attributable to such terminated distributors was RMB0.2 million, RMB0.3 million and RMB0.3 million in the same periods, respectively. The average length of our business relationship with the distributors terminated in the years ended December 31, 2019, 2020 and 2021 was 2.6 years, 2.3 years and 3.4 years, respectively, and the average length of our business relationship with the remaining distributors in the same periods was 2.8 years, 3.4 years and 2.6 years, respectively. Our Directors confirm that there were no material disputes or litigation between us and the terminated distributors during the Track Record Period and up to the Latest Practicable Date.

During the Track Record Period, to the best of our Directors' knowledge, all of our distributors were Independent Third Parties, and none of our distributors were controlled by our current or former employees. During the Track Record Period, we did not provide any material advance or financial assistance to our distributors. To the best of our Directors' knowledge, during the Track Record Period, there were no other relationship or arrangement (family, business, financing, guarantee or otherwise) between our distributors and our Group, our Directors, shareholders and senior management and their respective associates. Our Directors confirm that there were no distributors or sub-distributors which (i), to our best knowledge, were the subject of any actual or threatened material non-compliant incidents, claims, litigation or legal proceedings in relation to sales of our products, or (ii) materially breached the distributorship agreements during the Track Record Period and up to the Latest Practicable Date.

The tables below summarize the details of our five largest distributors for the periods indicated.

Five Largest Distributors in 2019	Background	Revenue Derived from the Distributor	Percentage of Total Revenue
		(RMB'000)	
Distributor A	A distributor primarily engaged in the distribution of medical devices, cosmetics and household products	122,388	66.6%
Distributor B	A distributor primarily engaged in the distribution of medical devices and export and import of goods	13,443	7.3%
Distributor C	A distributor primarily engaged in the distribution of medical devices, medicine, cosmetics and household products	11,959	6.5%
Distributor D	A distributor primarily engaged in the distribution of medical devices, medicine and health products	4,745	2.6%
Distributor E	A distributor primarily engaged in the distribution of electronic devices, household goods and medical devices	2,699	1.5%
Total		155,234	84.5%

Five Largest Distributors in 2020	Background	Revenue Derived from the Distributor	Percentage of Total Revenue
		(RMB'000)	
Distributor A	A distributor primarily engaged in the distribution of medical devices, cosmetics and household products	129,864	58.5%
Distributor D	A distributor primarily engaged in the distribution of medical devices, medicine and health products	57,950	26.1%
Distributor F	A distributor primarily engaged in the distribution of medical devices, cosmetics and construction materials	15,035	6.8%
Distributor G	A distributor primarily engaged in the distribution of medical devices, cosmetics, electronic products and textile	10,034	4.5%
Distributor H	A distributor primarily engaged in the distribution of medicine, medical devices, electronics and cosmetics	5,600	2.5%
Total		218,483	98.4%

Five Largest Distributors in 2021	Background	Revenue Derived from the Distributor	Percentage of Total Revenue
		(RMB'000)	
Distributor D	A distributor primarily engaged in the distribution of medical devices, medicine and health products	110,542	28.9%
Distributor A	A distributor primarily engaged in the distribution of medical devices, cosmetics and household products	101,120	26.4%
Distributor G	A distributor primarily engaged in the distribution of medical devices, cosmetics, electronic products and textile	86,769	22.7%
Distributor H	A distributor primarily engaged in the distribution of medicine, medical devices, electronics and cosmetics	41,049	10.7%
Distributor I	A distributor primarily engaged in the distribution of medical devices	18,257	4.8%
Total		357,737	93.5%

Our sales to the five largest distributors increased during the Track Record Period because certain regional distributors chose to become sub-distributors of these large, national distributors. Specifically, because neuro-interventional medical devices usually have many specifications with different diameters, lengths and softness levels, distributors must maintain a sufficient inventory level to accommodate needs from hospitals for various specifications. This requires distributors to have sufficient cash on hand and strong inventory management capability. As a result, certain regional distributors chose to become sub-distributors of larger national distributors to leverage such national distributors' stronger capital resource, storage and inventory management and logistic capacity, thereby causing an increase in the sales concentration to the five largest distributors. Although our sales to the five largest distributors increased during the Track Record Period, such an increase in distributor concentration did not have a material impact on the gross profit margin, revenue or averaging selling price with respect to sales to such distributors during the Track Record Period. If we lose any major distributors, the distribution of our products may be interrupted. See "Risk Factors—Risks Relating to Commercialization and Distribution of our Products—If we lose our existing distributors and fail to secure new distributors, our business and sales of the relevant products could be adversely affected" and "—The number of our distributors decreased during the Track Record Period and our distribution network is centered on a small number of major distributors." However, we do not foresee a significant risk of reliance on these largest distributors, because such national distributors are abundant in China. According to CIC, as of the Latest Practicable Date, there were over 100 national distributors in China who distribute neuro-interventional medical devices. We also host annual meetings with our existing distributors and potential distributors, through which we connect with many national distributors and have built up a rich candidate pool. Therefore, we will be able to find alternative national distributors in a timely manner if any of our current largest distributors terminates business relationship with us. Also, we primarily use distributors to streamline administration and logistics, and at the same time we already have regular and close contacts with the

sub-distributors as we proactively monitor how our products are sold and used in hospitals. Therefore, should we need to replace a national distributor, we would only need to facilitate administrative arrangements between the new distributor and the sub-distributors (*e.g.*, establishing logistics arrangements). We believe that the switch cost would not have a material adverse effect on our business operations. We plan to increase the number of our distributors and reduce the concentration of our sales to major distributors. Specifically, our Eagle & Swallows team will continue to promote our products in lower-tier cities and counties to enhance our penetration in these markets. Through their market exploration initiatives, Eagle & Swallows team will connect with qualified distributors and sub-distributors who serve these lower-tier cities and counties. We will further evaluate such distributors and sub-distributors and engage suitable candidates to support our growing distribution needs in these under-penetrated markets. Also, we will continue to host our annual meetings with distributors, through which we have built up a rich distributor candidate pool and will continue to explore business opportunities with additional distributors.

Sales to Distributors

Selection and Management of Distributors

We select our distributors based on a series of criteria regarding their credentials, capabilities and experience in the medical device industry. We also review the qualifications of our distributors to ensure that they possess the requisite business licenses and permits to sell medical devices in their designated territories. Our distributorship agreements typically have a term of one year, which are renewable upon our review of our distributors' performance. In addition, we typically have an early termination right in our distributorship agreements which enables us to terminate a distributorship relationship early if there is a material breach committed by the distributor as specified in the agreement.

We conduct regular reviews of our distributors, based on their financial performance, business performance and regulatory compliance. Financial performance is primarily evaluated by credit records and business performance is primarily evaluated by sales performance, especially whether they meet the target order amount, and the designated hospitals' feedback. We also review their compliance with applicable laws and regulations. We retain the discretion to adjust their credit terms, renegotiate order price and certain other commercial terms with them based on the review results. Our sales and marketing personnel monitors, manages and supports the activities of our distributors to help ensure that they comply with our guidelines, policies and procedures. We have adopted the following measures and policies to better manage the network of our distributors: (i) we either require our distributors to make full payment when making the purchase orders, or grant credit terms on a case-by-case basis to distributors who have passed our credit assessment; (ii) we currently do not require a minimum purchase amount by any distributors so that we can focus on market expansion; (iii) we require our distributors to report their product flow, sales data and inventory level regularly and submit sales invoices and delivery records; (iv) our distributorship agreements provide a strict return and exchange policy, wherein we accept product exchange due to packaging defects and expiry. Near-expiry products can only be returned or exchanged under situations specified in the agreement; and (v) we require our distributors to comply with all relevant anti-corruption and anti-bribery laws and regulations and any breach of such laws and regulations would allow us to unilaterally terminate the underlying distribution agreements pursuant to the early termination right.

Our distributors and sub-distributors are only authorized to sell to their designated hospitals in designated geographic regions, and cannot sell, directly or indirectly, to end customers outside their designated geographic regions. We do not appoint more than one distributor or sub-distributor for the same type of product for a hospital in the PRC.

Management of Sub-distributors

During the Track Record Period, certain of our distributors engaged sub-distributors from time to time, which then on-sold our products to hospitals. We only enter into bipartite distribution agreements with distributors, and do not enter into tripartite distribution agreements with distributors and their sub-distributors. We require our distributors to verify the sub-distributors' qualifications, financial conditions and compliance history before engaging any sub-distributors, and to submit such documentation to us for review before engaging a sub-distributor. Any sub-distributors engaged by our distributors must seek our consent prior to using our trademarks. After the engagement of a sub-distributor, we require our distributors to regularly monitor and report to us the sub-distributor's compliance status, sales performance, inventory level and any breach of the sub-distributorship agreement.

Distribution Agreements

The table below summarizes the salient terms of the standard agreement with our distributors:

Term	Generally one year, with automatic renewal for another year in the absence of disagreement.
Relationship with distributors	We form a seller-buyer relationship rather than a principal-agent relationship with our distributors. Our distributors are Independent Third Parties.
Designated geographical regions	Distributors are authorized to distribute our products in designated regions as specified in the agreement.
Minimum purchase amount, minimum sales target	We do not mandate minimum purchase amount. We sometimes mandate a minimum sales target, and whether the target is met will be considered as a factor whether the agreement will be renewed next year.
Selling price to sub-distributors or end-customers	We do not mandate the selling price of products sold from distributors to sub-distributors, and we provide guiding price to distributors for reference. We require distributors to report the actual selling price to us after they determine the selling price with sub-distributors or end-customers.
Payment and credit terms	We either require our distributors to make full payment when making the purchase orders, or grant credit terms on a case-by-case basis to distributors who have passed our credit assessment.
Product return/exchange	We accept product exchange due to packaging defects, quality issues and expiry. Near-expiry products can only be exchanged under situations specified in the agreement. Such return/exchange policy is in line with industry practice.
Transportation and delivery	Distributors are responsible for transporting the products and bearing the costs and risk of loss during the course of transportation.

Warranty	We warrant that our products meet the quality standards as specified in the product manual.
Regulatory compliance	We require our distributors to comply with all laws, regulations and mandatory industry standards and not to adversely affect our compliance with such laws, regulations and industry standards.
Restriction on sub-distributors	We require our distributors to conduct due diligence on any potential sub-distributors before engaging them. Any sub-distributors engaged by our distributors must provide us with relevant certificates and qualifications and seek our written consent prior to distribution of our products.
Reporting obligations	We require our distributors to report to their inventory level, the product flow and sales data periodically as agreed.
Intellectual property and confidentiality	All intellectual properties related to our products belong to us. Our distributors are required to maintain confidentiality as agreed.
Termination	The agreement may be terminated by us when, among other things, the distributor fails to comply with relevant laws and regulations, or breaches material undertaking specified in the agreement.

Product Return

Under our standard distribution agreement with distributors, we accept product exchange due to packaging defects and quality issues. We also allow returns of near-expiry products, limited to a low single-digit percentage of the total purchase amount. Such return policy is in line with industry practice. We allow return of a small percentage of near-expiry products because neuro-interventional medical devices usually have many specifications with different diameters, lengths and softness levels, which means distributors must maintain a high inventory level to accommodate needs from hospitals for various specifications. By allowing return of a small percentage of near-expiry products, we intend to encourage our distributors to maintain sufficient level of inventory to better address hospitals and patients' needs. See "—Distribution Agreement" above.

During the Track Record Period, among all of our commercialized products, only certain units of *Apollo*, *Willis*, *Tubridge* and *T-track/Fastrack* were returned. Specifically, the number of *Apollo*, *Willis*, *Tubridge* and *T-track/Fastrack* returned during the Track Record Period was 1,256, 167, 141 and 61, respectively, representing a return rate of 2.4%, 12.3%, 2.1% and 2.5%, respectively. The return rate of *Willis* was relatively high because we terminated certain distributors in 2019 and 2020, and we agreed to repurchase *Willis* sold to such distributors on a one-off basis. We terminated these distributors for *Willis* because we decided to switch to other distributors with more warehouses across China and greater logistics capacity, who could distribute our products more efficiently. According to CIC, our rate of return is in line with industry norm.

Pricing

We take into account a number of factors in determining the prices of our products sold to distributors, such as prices of competing products, our manufacturing costs, patient affordability and the differences in features between our products and competing products. We from time to time consider adjusting the prices sold to distributors according to the market conditions and competition. For the impact of diagnosis related groups (DRG) mechanism and centralized procurement on the pricing of our products, see "—Recent Evolvements in Our Regulatory Environment" for details.

As of the Latest Practicable Date, there was no price guidance set by the PRC government on neuro-interventional medical devices. If the PRC government sets such a price guidance, the prices of our products may be negatively affected. See "Risk Factors—Risks Relating to Commercialization and Distribution of Our Products—Downward change in pricing of our products caused by changes in market competition may have a material adverse effect on our business and results of operations."

Our Marketing Model

Our in-house sales and marketing team consists of highly experienced sales personnel. As of the Latest Practicable Date, we had a sales and marketing team of approximately 100 personnel in China. We are also planning and building localized sales and marketing teams in our overseas markets. We expect to continue expanding our international team to cover Asian Pacific, Latin America, the European Union, United Kingdom, the Middle East and Africa.

We have adopted customized sales and marketing approaches tailored for different markets to maximize the penetration of our products. For markets where we have established a solid brand name, which are mainly first-tier cities, our sales and marketing personnel continue providing well-rounded supporting services to maintain our market position. For markets where we are yet to establish our market recognition, which are mainly lower-tier cities and counties, our Eagle & Swallows (神雕飛燕) team carry out various marketing activities to enhance the awareness for neurovascular surgeries and our products. For example, we provide training on neuro-interventional surgery and routine guidance to local physicians. We believe lower-tier cities represent markets with great growth potential, given that the treatment for stroke is highly time-sensitive whereas the hospitals eligible for such surgeries are currently insufficient to meet such medical demands.

We are committed to making neuro-interventional surgeries more accessible. Therefore, we devote significant efforts in providing training to physicians. Our training programs, such as Twins Program and Spark Training Camp (星火訓練營), help young physicians improve their technical skills and broaden their understanding of neuro-interventional surgery. During the Track Record Period, we also supported the training programs held by top-tier hospitals across China by providing technical support.

We interact with leading principal investigators, KOLs and physicians. In addition, we actively participate in academic or industry conferences in neurovascular surgery, including the annual Oriental Conference of Interventional Neurovascology (東方腦血管大會), the Annual Conference of Chinese Interventional Neuroradiology Society of Chinese Stroke Association (中國卒中協會神經介入分會學術年會) and the Western Stroke Interventional Conference (西部卒中介入會議). As part of our globalization initiative, we also regularly attend international conferences, such as the annual meetings of the Society of NeuroInterventional Surgery held in the United States, to establish our market recognition overseas. We believe such conferences provide us with opportunities to have a better understand of the recent progress in this area and showcase our innovations.

RECENT EVOLVEMENTS IN OUR REGULATORY ENVIRONMENT

As a medical device developer and manufacturer based in the PRC, we operate in a heavily regulated environment that keeps evolving. We summarize below recent developments in certain regulatory movements that are material to our business and prospects.

Two-Invoice System

Implementation Status and Impact on our Group

The "two-invoice system" is a pilot regulatory mechanism initially proposed by the PRC government in 2016 to restrain high pricing of medicine and high-value medical devices due to multiple layers of distribution. As designed, a maximum of two invoices (one invoice from the manufacturer to the distributor and another invoice from the distributor to the hospital) would be allowed to be issued in the chain of distribution.

As of the Latest Practicable Date, the two-invoice system for medical devices was not mandatorily implemented nationwide; it was only mandatorily implemented in three provinces, namely, Anhui, Shaanxi and Fujian. Whether and when the two-invoice system will be mandatorily implemented in other provinces for medical devices remains uncertain, as advised by our PRC Legal Advisers. Specifically, pursuant to the Reply of the National Healthcare Security Administration to Recommendation No. 1209 of the Second Session of the Thirteenth National People's Congress issued in July 2019, the implementation of two-invoice system for high-value medical devices should be further discussed given the huge differences between high-value medical devices and drugs and the complexity of clinical use and after-sales service. As advised by our PRC legal advisers, pursuant to relevant PRC regulations, for imported medical devices, the invoice for any initial sale from the overseas manufacturer to its general distributor in China will not count as one invoice under the two-invoice system, because the general distributor in China is considered equivalent to the manufacturer for this purpose. See "Regulatory Overview—Laws and Regulations on Medical Device—Two-Invoice System for Medical Devices" for details.

We primarily operate a multi-layer distribution system (where our distributors engage sub-distributors to on-sell products to hospitals), but we only do so in provinces where the two-invoice system is not mandatorily implemented. Our sales in the provinces where the two-invoice system has been mandatorily implemented for medical devices (*i.e.*, Anhui, Shaanxi and Fujian) represented an insignificant proportion of our revenue during the Track Record Period. Specifically, our sales from these three provinces amounted to RMB4.6 million, RMB3.3 million and RMB4.3 million in the years ended December 31, 2019, 2020 and 2021, respectively, representing 2.5%, 1.5% and 1.1% of our revenue in the respective periods.

Our Compliance Status and Measures to Ensure Ongoing Compliance

As advised by our PRC Legal Advisers, we had complied with the two-invoice system in all material aspects for all of our commercialized products (including our self-developed products and products developed by Rapid Medical and Asahi for which we served as their exclusive distributor in China) during the Track Record Period and up to the Latest Practicable Date. During the Track Record Period and up to the Latest Practicable Date, in Anhui, Shaanxi and Fujian, we only engaged distributors but not sub-distributors after the relevant local regulations of two-invoice system were implemented. In these provinces where the two-invoice system is implemented, hospitals are required to verify the number of invoices that have been issued in the chain of distribution before they pay the distributors, which ensures that the distributors have complied with the two-invoice requirement.

We have put in place a system to actively monitor policy changes. If the two-invoice system is implemented in other provinces in the future, we will take prompt action to ensure strict compliance,

including, for example, distributing directly through the hitherto sub-distributors. For example, we have established a designated team which constantly monitors the regulatory changes, especially regulations on the two-invoice system and centralized procurement, in each province. Once a regulatory change is announced in a province, this team will also be responsible for formulating and executing corresponding business strategies and compliance measures with the support of the local team in the respective province. Also, if the two-invoice system is implemented in other provinces, we believe we will be able to leverage the rich experience that we have gained from the three provinces where the two-invoice system was implemented earlier in handling the transition from distributing through distributors to distributing through hitherto sub-distributors. Further, we are confident that we will be able to do so without material impact on our operations and financial conditions, because in our current distributor network we use national distributors primarily to streamline administration and logistics, leveraging such national distributors' capital resources and logistics and inventory management capabilities, and at the same time we already have regular and close contacts with the sub-distributors as we proactively monitor how our products are sold and used in hospitals. Given that we have achieved wide acceptance of our products in hospitals nationwide, we believe we can rearrange distribution of our products to reach hospitals if needed, and such rearrangement will only cause immaterial administrative costs and will not materially adversely affect our business operations and financial performance.

Centralized Procurement

In 2019, China initiated pilot programs to regulate prices of medical devices through government-mandated centralized procurement at the provincial level. See "Regulatory Overview—Overview—Laws and Regulations on Medical Device—The Reform Plan of High-Value Medical Consumables" for details.

As of the Latest Practicable Date, the only category of neuro-interventional medical devices that had become subject to centralized procurement and had an impact on us was coil embolization products, and in Hebei, Jiangsu and Fujian provinces only, pursuant to regulations recently promulgated there. In Zhejiang province, microcatheters *for general use* are subject to centralized procurement, whereas our *Fastrack* microcatheter is designed to work specifically with *Tubridge* and is therefore not subject to centralized procurement.

Our *NUMEN* successfully won the bid to be enrolled in Hebei's centralized procurement program in December 2021 for a period of one year. We believe the Hebei program is positive for us because it will help us gain market access to the province as we had not sold *NUMEN* in Hebei before. *NUMEN*'s sales in Hebei commenced in February 2022. *NUMEN*'s enrollment in Hebei's centralized procurement program allows us to generate sales volume in Hebei, expand our business with relatively low marketing expenses and enhance our brand awareness. *NUMEN*'s enrollment in Hebei's centralized procurement program has very limited impact on our gross profit margin. The program regulates the price that the products are sold to hospitals in the province, not the ex-factory price that we sell the products to our distributors. According to CIC, there was on average an over 40% price decline in Hebei for coil embolization products generally before and after the program took effect. Nevertheless, since the commencement of sales of *NUMEN* in Hebei in February 2022 and up to the Latest Practicable Date, our ex-factory price for *NUMEN* destined for Hebei had been the same as that for *NUMEN* destined for other provinces. From our perspective, we expect that revenue from *NUMEN*

in Hebei will account for less than 1% of our revenue in 2022. From an industry perspective, Hebei is a relatively small market for coil embolization products as well, where the number of coil embolization products sold in 2021 only accounted for approximately 2% of coil embolization products sold in China, according to CIC.

In March and May 2022, Jiangsu and Fujian announced their centralized procurement programs for coil embolization products, respectively. As of the Latest Practicable Date, the commencement dates of the bidding process in these two provinces had not been determined. We similarly expect the impact of the Jiangsu and Fujian programs on our gross profit margin to be limited. Our revenue from *NUMEN* in Jiangsu or Fujian represented less than 1% of our revenue in 2021. We expect that revenue from *NUMEN* in Jiangsu or Fujian will account for less than 1% of our revenue in 2022. From an industry perspective, Jiangsu and Fujian are also relatively small markets for coil embolization products. The number of coil embolization products sold in Jiangsu and Fujian accounted for approximately 4% and 2% of coil embolization products sold in China in 2021, respectively, according to CIC. Because of the limited scope and inchoate nature of these programs as relevant to our products, they had had limited impact on our selling prices or profitability as of the Latest Practicable Date, and we will closely monitor the implementation of centralized procurement programs in other provinces or for other products going forward.

As advised by our PRC Legal Advisers, we had complied with centralized procurement regulations in all material aspects during the Track Record Period and up to the Latest Practicable Date. Whether and when centralized procurement will be implemented for other products or in other provinces that are relevant to us remains uncertain, as advised by our PRC Legal Advisers. Pursuant to a series of official documents and communications (such as the National Medical Insurance Plan under the 14th Five-Year Plan promulgated in September 2021), the implementation of centralized procurement may be expected to be further expanded. In particular, the National Medical Insurance Plan under the 14th Five-Year Plan provides a non-binding guidance suggesting that provinces shall target to enroll at least five types of high-value medical consumables (not limited to any particular therapeutic area) to centralized procurement programs by 2025, but there had not been any specific binding requirement or non-binding guidance with regard to any particular product category, including neuro-interventional medical devices, as of the Latest Practicable Date. If our products become subject to centralized procurement in any province, we will formulate a strategic plan to decide our approach to participating in the bidding process and, if we prevail, leveraging the limited market access to achieve significant sales volume.

Diagnosis Related Groups (DRG) Mechanism

In June 2020, the Office of the National Health Security Administration initiated the diagnosis-related groups (DRG) mechanism to control the prices of medical devices and treatments by dividing patients into different diagnosis-related groups and making medical reimbursement payments according to a standard set for each group instead of actual expenses incurred by patients. The DRG mechanism encourages hospitals to treat patients efficiently, thereby reducing unnecessary costs to be reimbursed by the national medical insurance program. As a result, hospitals tend to prioritize the purchase of medical devices with a higher performance-price ratio. See "Regulatory Overview—Laws and Regulations on Medical Devices—National Medical Insurance System" for details.

As of the Latest Practicable Date, the pilot DRG program had been implemented in certain cities in about 30 provinces in China. According to the National Medical Insurance Plan under the 14th Five-Year Plan ("十四五"全民醫療保障規劃) promulgated in September 2021, the hospitalization expenses reimbursed under the DRG mechanism is planned to reach 70% of the total hospitalization expenses reimbursed by the national medical insurance program. Therefore, we expect the DRG mechanism to be implemented more comprehensively nationwide. As a result, hospitals will tend to choose medical devices with greater cost efficiency, which we believe will bring us competitive advantages against international medical device developers. For example, clinical studies demonstrated *Tubridge*'s non-inferiority in respect of efficacy as compared to a competing product developed by an international company, but the end user price of *Tubridge* is cheaper by approximately 20% than that of the competing product, according to CIC, suggesting greater cost efficiency, or a higher performance-price ratio, of *Tubridge*. We will continue to finetune our products to improve their cost efficiency, thereby improving their competitiveness under the DRG mechanism.

PRC National Reimbursement Drug List (NRDL)

As of the Latest Practicable Date, neuro-interventional medical devices had not been covered by the PRC NRDL. As of the same date, our commercialized products, including *APOLLO*, *Willis*, *Tubridge*, *NUMEN*, *Bridge*, *U-track* and Asahi guidewires, had obtained the medical insurance registration code, a prerequisite for these products to be eligible for being covered by the NRDL and the provincial reimbursement drug lists. As of the same date, these products had been covered by multiple provincial medical insurance reimbursement lists, *i.e.,* eligible for partial reimbursement in such provinces. For risks related to the PRC national medical insurance reimbursement list, see "Risk Factors—Risks Relating to Commercialization and Distribution of Our Products—Our sales may be affected by the level of medical insurance reimbursement available to patients using our products."

OUR CUSTOMERS

Our direct customers include distributors in China and overseas. For details about our distributors, see "—Sales, Distribution and Marketing—Sales to Distributors" in this section. In 2019, 2020 and 2021, the aggregate sales to our five largest customers were RMB155.2 million, RMB218.5 million and RMB357.7 million, representing 84.5%, 98.4% and 93.5% of our revenue, respectively. Sales to our largest customer for the same periods were RMB122.4 million, RMB129.9 million and RMB110.5 million, representing 66.6%, 58.5% and 28.9% of our revenue, respectively. Our largest customer in 2019 and 2020 is an Independent Third Party and a distributor of our various products, such as *APOLLO*, *Tubridge*, *NUMEN*, *NUMEN FR*, *Bridge* and *Fastrack*. Our largest customer in 2021 is an Independent Third Party and is another distributor of our various products. The decrease in sales to our largest customer during the Track Record Period was primarily a result of our efforts in diversifying our distribution channels. None of our Directors or their associates, and none of our existing Shareholders who (to the knowledge of our Directors) own more than five percent of our issued share capital, have any interest in any of our five largest customers.

RAW MATERIALS AND OUR SUPPLIERS

Raw Materials

Our principal raw materials are alloy metal wires, metal tubes and polymer plastic tubings, which we use to make our stent, coil and catheter products. We also purchase various chemicals which we use to prepare subassemblies and products.

Suppliers

To ensure the quality of our raw materials, we only procure them from selected suppliers that can satisfy our stringent raw material requirements and quality standards. We have set up a series of criteria for evaluating and selecting our supplier candidates, which covers factors such as industry qualifications, services and quality assessments. We also conduct an overall evaluation combining all aforementioned factors before we consider a supplier candidate qualified and formulate any purchase schedules. Our current suppliers include both overseas and domestic suppliers. Our overseas suppliers include companies in Japan and the United States. In the long term, we expect to select more qualified suppliers in line with our business expansion. We also have established stringent rules for subsequent maintenance and management of suppliers. We conduct quality inspections of our suppliers by evaluating and inspecting their manufacturing process and purchased materials. Upon receiving the raw materials, we retain the right to reject or return based on our inspection results. In addition, we conduct regular review and annual audit for qualified suppliers to maintain the continual high quality of our purchased materials. During the Track Record Period, we did not encounter any material dispute with our suppliers or any material breach of our purchase agreements.

In 2019, 2020 and 2021, purchases from our five largest suppliers amounted to RMB45.8 million, RMB57.0 million and RMB88.7 million, respectively, accounting for 61.0%, 54.7% and 48.4%, respectively, of our total purchases for the same periods. Purchases from our largest supplier for the same periods totaled RMB24.1 million, RMB38.2 million and RMB43.0 million, representing 32.1%, 36.7% and 23.5% of our total purchases, respectively. Our largest supplier during the Track Record Period was Asahi Intecc, which has engaged us as its exclusive distributor for its neurovascular guidewires in mainland China since November 2016. Except for MicroPort Group, all of our five largest suppliers during the Track Record Period were Independent Third Parties. Save as disclosed above, none of our Directors or their associates, and none of our existing Shareholders who (to the knowledge of our Directors) own more than five percent of our issued share capital, have any interest in any of our five largest suppliers.

The tables below summarize the sales to our five largest suppliers for the periods indicated:

Five Largest Suppliers in 2019	Purchases	Purchase Amount	Percentage of Total Purchases
		RMB'000	*%*
Asahi Intecc	Guidewires	24,125	32.1
MicroPort Group	Manufacturing materials and technical services	11,300	15.0
Supplier A	Raw materials	6,547	8.7
Supplier B	Raw materials	2,092	2.8
Supplier C	Manufacturing facilities construction	1,743	2.4
Total		**45,807**	**61.0**

Five Largest Suppliers in 2020	Purchases	Purchase Amount	Percentage of Total Purchases
		RMB'000	*%*
Asahi Intecc	Guidewires	38,195	36.7
MicroPort Group	Manufacturing materials and technical services	8,787	8.4
Supplier D	Raw materials	4,110	3.9
Supplier A	Raw materials	3,311	3.2
Supplier E	Property rental services	2,551	2.5
Total		**56,954**	**54.7**

Five Largest Suppliers in 2021	Purchases	Purchase Amount	Percentage of Total Purchases
		RMB'000	*%*
Asahi Intecc	Guidewires	43,020	23.5
Supplier F	Manufacturing facilities construction	17,367	9.5
MicroPort Group	Manufacturing materials and technical services	11,109	6.1
Supplier D	Raw materials	11,033	6.0
Supplier G	Raw materials	6,134	3.3
Total		**88,663**	**48.4**

INVENTORY MANAGEMENT

Our inventories consist of raw materials, work in progress and finished goods. Depending on our procurement plans and expenses, demand of our distributors and economic order quantities, our inventory level varies. We currently store all our inventories in warehouses in our production facilities in Shanghai.

Our products generally have a shelf life of approximately two to three years. As we sell our products on a first-in-first-out basis, we regularly monitor our inventories to reduce the risk of expiration and overstocking. Our internal policies require a physical count of all our raw materials, work in progress and finished goods from time to time to identify products that are damaged, expired or soon-to-be expired, which are disposed of or for which provisions are made. Our inventory control policies have been effective and we did not experience any material shortage in supply or overstocking of inventories during the Track Record Period and up to the Latest Practicable Date.

QUALITY CONTROL

Quality control and assurance are crucial to us, and we endeavor to ensure the quality of our operations through a comprehensive quality management system in accordance with NMPA regulations, ISO13485:2016 standards as well as other applicable regulations and standards on the quality management system of medical devices, covering essentially every aspect of our operations, including, among other things, product design, procurement and manufacturing. Our management team is actively involved in setting quality control policies and managing our internal and external quality performance.

We have established a comprehensive set of quality control and assurance procedures to monitor our operations to ensure compliance with relevant regulatory requirements and our internal quality requirements. We implement quality control measures throughout our production process, primarily including raw material control and inspection, production process control, product inspection as well as product life cycle risk management.

- **Raw material control and inspection**: we conduct due diligence on our suppliers and only purchase our raw materials from suppliers selected based on a strict set of criteria. We also regularly conduct audits on suppliers' operations, including documentation inspection and/or on-site inspection on such qualified suppliers to ensure their compliance with our requirements and that there are no quality or other issues. See "—Our Raw Materials and Suppliers" for details;

- **Production process control**: we plan the production process based on the technologies adopted by each product type and monitor the entire production process, particularly certain key steps of the production process;

- **Product inspection**: we compile our product inspection manual based on our product specifications, and inspect our products in accordance with our product inspection manual, including testing the capability and measurement of our products, verifying the product labels and manuals as well as confirming that the products are properly packaged and sterilized; and

- **Product life cycle risk management**: we establish a comprehensive risk management system covering the entire life cycle of our products and product candidates, and monitor the implementation of such system to ensure that there are no material risks or other concerns about these products and product candidates.

We complied with all of our quality qualification requirements in all material respects and have passed all of the inspections during the Track Record Period and up to the Latest Practicable Date. See "—Manufacturing—Manufacturing Process" for details.

COMPETITION

The neuro-interventional medical device industry in China is fast growing and highly competitive. We face competition with both internationally renowned companies and emerging domestic neuro-interventional medical device companies that have entered the market with affordable alternatives. We believe we are well positioned to compete in this market with our strengths in product performance, R&D capabilities, distribution and marketing networks, proprietary manufacturing processes and brand recognition.

For information about competition in the relevant markets, please refer to "Industry Overview" in this document.

AWARDS AND RECOGNITIONS

We and our products have received various awards and recognitions, including the following:

Awardee	Award	Year of Award	Awarding Organization
APOLLO	National Key New Product (國家重點新產品)	2011	PRC Ministry of Science and Technology (中國科學技術部)
	Second Place, Shanghai Science and Technology Award (上海市科技進步二等獎)	2009	Shanghai Municipality (上海市政府)
Willis	Second Place, National Science and Technology Award (國家科學技術進步獎二等獎)	2014	PRC State Council (中國國務院)
	First Place, Science and Technology Award (科學技術進步獎一等獎)	2012	PRC Ministry of Education (中國教育部)
	First Place, Shanghai Science and Technology Award (上海市科技進步一等獎)	2009	Shanghai Municipality (上海市政府)
	Innovative Stent Device for Intracranial Aneurysm	2007	*Stroke* (a journal published by American Heart Association and American Stroke Association)
Our Company	Shanghai Patent Model Enterprise (上海市專利示範企業)	2021	Shanghai Intellectual Property Administration (上海市知識產權局)
	Specialized & Innovative "Little Giant" Enterprise (專精特新小巨人企業)	2020	PRC Ministry of Industry and Information Technology (中國工業和信息化部) and PRC Small and Medium Enterprise Bureau (中小企業局)
	Shanghai Brand Cultivation Demonstration Enterprise (上海市品牌培育示範企業)	2020	Shanghai Municipal Commission of Economy and Informatization (上海市經濟和信息化委員會)
	High and New Technology Expertise (高新技術企業)	2020	Science and Technology Commission of Shanghai Municipality (上海市科學技術委員會), Ministry of Financial Affairs of Shanghai Municipality (上海市財政局), Taxation Administration of Shanghai Municipality (上海市稅務局) and State Taxation Administration (國家稅務總局)

INTELLECTUAL PROPERTY RIGHTS

As of the Latest Practicable Date, we had 102 patents and 113 trademarks in China. As of the same date, we had also obtained 30 patents and 47 trademarks overseas. In addition, we had 200 patent and 23 trademark applications pending in and outside China as of the Latest Practicable Date. We believe there is no material legal impediment for us to obtain the approvals for these pending applications. All of the patents that we owned or applied for are related to self-developed technologies by our R&D teams. We may seek additional patents and/or other forms of intellectual property to protect our innovations in the future.

We also follow procedures to ensure that we do not infringe on the intellectual property rights of others, including monitoring and conducting clearance searches on all relevant intellectual property

for our products and product candidates on an on-going basis. During the Track Record Period and up to the Latest Practicable Date, we were not involved in and we were not aware of any intellectual property disputes that may materially and adversely affect our operations.

The table below summarizes the portfolio of our key patents as of the Latest Practicable Date:

Related Product	Name of Patent	Patent Type	Application / Registration No.	Validity Term	Jurisdiction
APOLLO	Net-like intraluminal stent	Invention	CN200810037610.3	May 15, 2008 to May 15, 2028	China
Tubridge	Micro Catheter	Invention	CN200910054209.5	June 30, 2009 to June 30, 2029	China
Tubridge	Aneurismal surgical device	Invention	CN201010116448.1	March 2, 2010 to March 2, 2030	China
Willis	Membrane laminating device	Invention	CN201110129984.X	May 18, 2011 to May 18, 2031	China
Tubridge	Micro Catheter	Invention	EP10793559.5	June 17, 2010 to June 17, 2030	Germany
Neurohawk	Intracranial vascular thrombectomy apparatus	Invention	CN201210148870.4	May 14, 2012 to May 14, 2032	China
Tubridge	Surgical Apparatus for Aneurysms	Invention	JP2012555290	March 2, 2011 to March 2, 2031	Japan
Tubridge	Surgical Apparatus for Aneurysms	Invention	KR1020127022741	March 2, 2011 to March 2, 2031	South Korea
Tubridge	Surgical Apparatus for Aneurysms	Invention	EP11750177.5	March 2, 2011 to March 2, 2031	Germany
Tubridge	Surgical Apparatus for Aneurysms	Invention	EP11750177.5	March 2, 2011 to March 2, 2031	France
Tubridge	Surgical Apparatus for Aneurysms	Invention	EP11750177.5	March 2, 2011 to March 2, 2031	UK
Willis	Membrane laminating system with thickness control, including membrane laminating device and thickness control method	Invention	CN201210458368.3	November 14, 2012 to November 14, 2032	China
Numen	Embolization device and coils	Invention	CN201811170237.9	October 9, 2018 to October 9, 2038	China
Numen	Embolization device and coils thereof	Invention	US16639456	–(1)	United States

Note:

(1) Validity term is not stipulated for pending patent applications.

HEALTH, SAFETY, SOCIAL AND ENVIRONMENTAL MATTERS

We are subject to various health, safety, social and environmental laws and regulations and our operations are regularly inspected by local government authorities. We strive to operate our facilities in a manner that protects the environment and the health and safety of our employees, patients, and communities. We have implemented company-wide environmental, health and safety (EHS) manuals,

policies, and standard operating procedures in relation to air pollution, wastewater treatment, noise treatment, solid waste management and incident response planning.

We have an EHS manager, who is primarily responsible for the development of our EHS policies and overseeing the implementation of measures and procedures to ensure compliance with all applicable environmental protection and health and safety laws, regulations and standards and to safeguard the health and safety of our employees and the neighboring communities. We have also established and strictly implemented a comprehensive EHS management system, such as promulgating safety operation procedures and rules relating to every aspect of our operation and providing EHS training tailored to the demand of our R&D and production activities to all relevant personnel.

Occupational Health and Safety

Our operations involve the use of hazardous and flammable materials, including chemicals and biological materials, and may also produce hazardous wastes. To further ensure our compliance with applicable environmental protection and health and safety laws and regulations, we (i) have established various guidelines governing laboratory procedures and the handling, use, storage, treatment and disposal of hazardous materials and wastes to ensure such guidelines are strictly enforced for the disposal of laboratory materials and wastes; (ii) inspect our equipment and facilities regularly to identify and eliminate safety hazards; (iii) provide regular safety awareness training to our employees; (iv) keep health records for all employees and conduct health examinations before, during and after their time at the company, especially for employees engaged in work involving occupational hazards; and (v) conduct regular fire safety inspections, maintenance of fire-fighting equipment and regular emergency drills.

Environmental, Social and Governance

Corporate social responsibility is our obligatory responsibility as a corporate citizen and a key driving factor to promote the long-term development of our Group. Therefore, we have integrated environmental, social and governance ("ESG") matters into corporate management and operations and we are committed to comply with the ESG reporting requirements upon the **[REDACTED]**. Our Board of Directors has the overall responsibility for establishing, adopting and reviewing the ESG vision, policy and target of our Group, and evaluating, determining and addressing our ESG-related risks periodically. Our Board of Directors will also periodically review our compliance status with ESG policies after the **[REDACTED]**.

We are in the process of establishing ESG policies in accordance with Appendix 27 of the Listing Rules, which would cover, among others, (i) ESG policies and performance; (ii) ESG management strategy; and (iii) ESG risk management and monitoring. We focus on areas such as economic responsibility, employee responsibility, customer responsibility, environment responsibility and public responsibility. We also intend to establish communication channels with stakeholders, so that we could review the issues material to stakeholders, and monitor how our environmental, social and climate-related performance has impacted different stakeholders.

Social Matters

In respect of social responsibilities, we are committed to offering a fair and caring working environment to our employees. We have transparent policies on compensation and dismissal, equal

opportunities and anti-discrimination. We hire employees based on their merits and it is our corporate policy to offer equal opportunities and fair compensations to our employees. We encourage our employees who encounter any discrimination to seek immediate assistance, which also allows us to conduct timely investigation and follow up as needed. In addition, we provide training programs on industry and regulatory developments to our employees.

In light of the COVID-19 pandemic, we have endeavored to provide a safe work environment by implementing company-wide self-protection policies for employees, including providing protective masks and sanitization to our employees.

Environmental Matters

We are dedicated to taking environmental responsibility in all aspects of our business, from procurement of raw materials to treatment of wastes. The major pollutants generated from our manufacturing processes include wastewater, gas emission, noise and solid waste. During the Track Record Period, we engaged professional and qualified third-party waste treatment service provider to collect and treat dangerous chemicals involved and hazardous waste produced in our operations. During the Track Record Period, we also engaged third-party environmental testing institutions to evaluate our pollutants emission and other impact on the environment, including gas emission and noise pollution level of our production bases, on a regular basis. The following chart summarizes our actual emission volume and target emission volume specified in regulatory requirements or industry standards (where applicable) for each type of pollutants during the Track Record Period.

Pollutant content	For the year ended December 31,			
	2019	2020	2021	
	Actual emission volume			Target emission volume
Noise (dB (A))	53.25	50.55	60.00	65
Gas - NMHC (mg/m^3)	4.55	2.57	1.74	70
Hazard wastewater - waste pickle liquor (ton)	3.053	4.17	10.20	N/A
Hazard solid waste (ton)	0.22	0.84	2.75	N/A

During the Track Record Period, we actively monitored our resource consumption for our manufacturing function. For the years ended December 31, 2019, 2020 and 2021, our annual consumption of water amounted to 4,440 tons, 7,935 tons and 8,171 tons, respectively. For the same periods, our annual consumption of electricity amounted to approximately 1.1 million kiloWatt-hours, 1.5 million kiloWatt-hours and 1.3 million kiloWatt-hours, respectively. Our current environmental footprint is relatively small and our operations do not have a significant impact on the environment. Nonetheless, we adhere to the concept of green management and actively seek low-carbon sustainable development in our operations. We plan to further improve our resource consumption management system to promote efficient energy management and reduce the carbon footprint in our operations. We will closely monitor relevant industry developments and make management improvements in accordance with changes in market condition or industry standards when appropriate.

Identification and assessment of environmental, social and governance risks and issues

In respect of physical risk, we focus on acute physical risk, such as extreme weather events. Our production plan and product delivery are impacted by extreme weather events through workplace, production facilities, personnel commuting and transportation, as well as supply chain. To this end, we

have formulated an emergency response plan with clear division of labor and specific implementation measures to ensure the full implementation of safety and health management guidelines. We also regularly organize employees to conduct relevant training and drills.

In respect of transition risks, we are not in an industry highly sensitive to climate-related risks and we are mainly concerned with policy and legal risks. We pay close attention to the global trend and China's national strategy of addressing climate change and ecological environment protection, and will actively enhance our ability to address climate change and cope with China's initiatives and action plans regarding future carbon dioxide emission.

We have taken certain measures to reduce ESG-related risks in the process of operation. We have established system procedures for hazard identification, risk assessment and accident investigation within the scope of production workshops, office areas, and parts warehouses to reduce occupational health and safety risks. We will continue to develop ESG guidelines, clarify departmental responsibilities and monitor our operations. In addition, we will make constant improvement of the ESG management regulation and operation rules. Necessary improvement will then be implemented to mitigate the risks and/or the issues identified. We may engage independent professional third parties to help us make necessary improvements on ESG issues, when necessary.

We believe we have maintained good relationships with the communities surrounding our production facilities. During the Track Record Period and up to the Latest Practicable Date, we complied with the relevant environmental and occupational health and safety laws and regulations in all material aspects, and we did not have any incidents or complaints which had a material and adverse effect on our business, financial condition or impact on the operations of our business during the period. For the years ended December 31, 2019, 2020 and 2021, our total cost of compliance with environmental protection, health and safety laws and regulations amounted to approximately RMB140,000, RMB264,000 and RMB658,000, respectively. We do not expect our costs of complying with current and future environmental protection, health and safety laws to increase significantly going forward. However, because the requirements imposed by these laws and regulations may change, we may be unable to accurately predict the cost of complying with these laws and regulations. See "Risk Factors—Risks relating to Our Operations—If we fail to comply with environmental, health and safety laws and regulations, we could become subject to fines or penalties or incur costs that could have a material adverse effect on the success of our business."

EMPLOYEES

As of the Latest Practicable Date, we had 460 employees in total. The following table sets forth the number of our employees by function as of the Latest Practicable Date.

Function	Number of employees
R&D	137
Production and supply chain	133
Sales and marketing	97
Quality control and regulatory registration	54
Finance, HR, legal and administration	39
Total	**460**

As of the Latest Practicable Date, a small percentage of our workforce was employed through master service agreements we entered into with the third-party dispatched labor agencies in China.

To stay compliant with PRC labor laws, we enter into standard confidentiality and employment agreements with all employees. For a majority of our employees, including management, R&D, sales and marketing, manufacturing and quality control personnel, we also enter into a standard non-compete agreement with these employees to prevent direct or indirect competition during and for one to two years after the employment. We have representative employees participating in the labor union established within the MicroPort Group. As required by PRC labor laws, we make contributions to social insurance and housing provident funds for all of our employees based in China. During the Track Record Period and as of the Latest Practicable Date, we had not experienced any labor disputes or strikes that would materially and adversely affect our business, financial condition or results of operations.

We recruit our employees through recruitment websites, recruiters, internal referrals and job fairs. We offer remuneration packages based on individuals' qualifications and experiences and generally match the market rate for salary and bonus to stay competitive in the labor market. We also provide extensive training programs to our employees and award incentives to encourage inventions by our R&D team. We believe that we maintain a good working relationship with our employees and we did not experience any difficulty in recruiting staff for our operations during the Track Record Period.

PROPERTIES

We are headquartered in Shanghai. As of the Latest Practicable Date, we had obtained property ownership certificates of two properties with an aggregate GFA of approximately 2,455 sq.m. in Shanghai. Our current manufacturing facilities in Zhangjiang and Zhoupu, Shanghai, are leased with a GFA of approximately 7,000 sq.m. and 2,300 sq.m., respectively. As of the Latest Practicable Date, we leased eight properties with an aggregate GFA of approximately 18,497 sq.m. in China for our daily business operations, R&D and manufacturing.

As of the Latest Practicable Date, six lease agreements relating to our leased properties in China that are immaterial to our operations had not been filed with the relevant PRC housing administration authorities. As advised by our PRC Legal Advisers, such non-compliance does not affect the validity of the property lease agreement according to PRC Civil Code and will not have a material adverse effect on our business operations and financial performance. See "Risk Factors—Risks Relating to Our Operations—We may be subject to penalties for the non-registration of lease agreements in the PRC."

INSURANCE

As of the Latest Practicable Date, we had maintained certain insurance policies for our properties, manufacturing facilities, plant and machinery, equipment and inventories against damage caused by accidents. We also maintain clinical trial liability insurance policies against losses arising from severe adverse events that may occur during clinical trials. During the Track Record Period, we did not maintain product liability insurance against claims or liabilities that may arise from products sold by us, which is in line with the industry norm, according to CIC. We consider our current

insurance coverage adequate for our operations and in line with the industry norm. During the Track Record Period, we had not made, or been the subject of, any material insurance claims.

LICENSES AND PERMITS

As a PRC-based medical device company, we are required to obtain various licenses and permits from government authorities for our operations. Our PRC Legal Advisers are of the view that, during the Track Record Period and up to the Latest Practicable Date, we had obtained from the relevant government authorities all necessary licenses, approvals and permits that are material for our business operations in China. We plan to renew all material licenses and permits upon expiration, and there is no material legal impediment to renew such material licenses and permits.

The following table summarizes material licenses and permits we held as of the Latest Practicable Date:

Product	License/Permit	Validity Period	Authority
X-track	PRC Medical Device Registration Certificate (國械註准20223030494)	April 2022 to April 2027	NMPA
Neurohawk	PRC Medical Device Registration Certificate (國械註准20223030183)	February 2022 to February 2027	NMPA
Numen	Shanghai Medical Device Production Permit (滬食藥監械生產許20141986號) PRC Certificate for Exportation of Medical Products (滬食藥監械出20200339號) PRC Medical Device Registration Certificate (國械註准20203130761)	February 2021 to August 2023 December 2020 to December 2022 September 2020 to September 2025	Shanghai Drug Administration Shanghai Drug Administration NMPA
Willis	PRC Certificate for Exportation of Medical Products (滬藥監械出20210276號) Shanghai Medical Device Production Permit (滬食藥監械生產許20141986號) PRC Medical Device Registration Certificate (國械註准20143131916)	December 2021 to September 2022 February 2021 to August 2023 August 2019 to August 2024	Shanghai Drug Administration Shanghai Drug Administration NMPA

Product	License/Permit	Validity Period	Authority
Tubridge	PRC Certificate for Exportation of Medical Products (滬藥監械出20210276號)	December 2021 to September 2022	Shanghai Drug Administration
	Shanghai Medical Device Production Permit (滬食藥監械生產許20141986號)	February 2021 to August 2023	Shanghai Drug Administration
	PRC Medical Device Registration Certificate (國械註准20183770102)	March 2018 to March 2023	NMPA
APOLLO	PRC Certificate for Exportation of Medical Products (滬藥監械出20210276號)	December 2021 to September 2022	Shanghai Drug Administration
	Shanghai Medical Device Production Permit (滬食藥監械生產許20141986號)	February 2021 to August 2023	Shanghai Drug Administration
	PRC Medical Device Registration Certificate (國械註准20173464386)	September 2017 to September 2022	NMPA
Bridge	Shanghai Medical Device Production Permit (滬食藥監械生產許20141986號)	February 2021 to August 2023	Shanghai Drug Administration
	PRC Medical Device Registration Certificate (國械註准20203130971)	December 2020 to December 2025	NMPA

LEGAL PROCEEDINGS AND REGULATORY COMPLIANCE

We may from time to time become involved in legal, arbitral or administrative proceedings arising in the ordinary course of our business. Our Directors are of the view that, as of the Latest Practicable Date, we were not a party to any legal, arbitral or administrative proceeding that would have a material and adverse effect on our business, financial condition or results of operations. Our Directors are not aware of any threatened legal, arbitral or administrative proceedings to which we would be named as a party. Our Directors further confirm that as of the Latest Practicable Date, none of our Directors or senior management personnel was personally involved in any material legal, arbitral or administrative proceedings.

Our Directors are of the view that, during the Track Record Period, and up to the Latest Practicable Date, we did not have any material non-compliance incidents. Our PRC Legal Advisers have advised that, during the Track Record Period and up to the Latest Practicable Date, we had complied with the applicable laws and regulations in all material respects.

RISK MANAGEMENT AND INTERNAL CONTROL

Risk management is vital to our business as we are exposed to various risks during our operations. In addition, we are exposed to financial risks that may arise in the ordinary course of our business. Our Board is responsible for establishing our internal control system and reviewing its effectiveness, which is key to reliable financial reporting and compliance with applicable laws and regulations. We have adopted risk management policies and internal control measures to continuously monitor and assess the potentials risks that could harm our business.

Operational Risk Management

Our operations are highly regulated and thus compliance with PRC laws and regulations is essential in our operational risk management. We continue monitoring the development of PRC laws and regulations to ensure the ongoing compliance of our operations. We also consult with legal counsel to ensure that we have all the necessary permits and licenses required for our operations. We impose the same requirement on our distributors and suppliers.

We typically follow MicroPort Group's measures against corruption and bribery to maintain policy consistency among group members. We maintain strict anti-corruption policies for our sales and marketing activities, and provide routine anti-corruption training programs to our employees and distributors. Our internal anti-corruption regulations define specific areas and key steps of our anti-corruption function, as well as the responsibilities and authorities of relevant departments in carrying out our anti-corruption function. We also set up comprehensive internal protocols detailing our reporting, investigation and remedy procedures with respect to anti-corruption matters. We have provided and will continue to provide periodic training to our Directors and senior management regarding the relevant requirements of the Listing Rules. To ensure compliance with the Listing Rules, such as aspects related to risk management, connected transactions and information disclosure, we have adopted various measures and policies in our operations, which are regularly monitored and assessed.

Financial Reporting Risk Management

For our financial reporting risk management, we have adopted comprehensive accounting policies and continue to train our finance team so that they understand and implement the policies during daily operations.

We [have established] an audit committee, consisted of three qualified members, that reviews, supervises and advises on our financial reporting process, risk management and internal control system. For the qualifications and experience of these committee members, see "Directors and Senior Management." Along with our senior management, our audit committee monitors and assesses our risk management policies across the Company on an ongoing basis to ensure its effectiveness.

We have engaged an internal control consultant to review the effectiveness of our internal controls associated with our major business processes, identify deficiencies and improvement opportunities, provide recommendations on remedial actions and review the implementation status of these remedial actions. During the review process of our internal control consultant, certain internal control matters were identified and we have adopted corresponding internal control measures, including the recommendations made by our internal control consultant, to improve on these matters.

Our internal control consultant has completed the follow-up procedures on our internal control system with regard to those actions taken by us and have not identified any material deficiencies in our internal control system.

BOARD OF DIRECTORS

Our Board comprises of eight Directors, including two executive Directors, three non-executive Directors and three independent non-executive Directors. The powers and duties of our Board include determining our business and investment plans, preparing our annual financial budgets and final reports, and exercising other powers, functions and duties as conferred by the Articles. We [have entered] into a service agreement with each of our executive Directors and a letter of appointment with each of our non-executive Directors and independent non-executive Directors.

The table below sets out certain information in respect of our Directors:

Name	Age	Date of joining our Group	Date of appointment as Director	Existing position(s) in our Group	Roles and responsibilities	Relationship with other Directors or senior management
Mr. Peng Bo (彭博)	53	May 16, 2012	September 30, 2020	Non-executive Director and chairman of our Board	Responsible for overseeing management and operations of our Group	None
Mr. Xie Zhiyong (謝志永)	45	April 1, 2012	November 2, 2020	Executive Director and president	Responsible for the overall management of our Group	None
Mr. Wang Yiqun Bruce (王亦群)	57	June 15, 2015	November 2, 2020	Executive Director and executive vice president	Responsible for the R&D and international business of our Group	None
Mr. Wang Lin (王琳)	48	September 23, 2021	September 23, 2021	Non-executive Director	Responsible for overseeing management and operations of our Group	None
Ms. Wu Xia (吳夏)	40	November 19, 2021	November 19, 2021	Non-executive Director	Responsible for overseeing management and operations of our Group	None
Dr. Xu Yi (胥義)	46	[●]	[●]	Independent non-executive Director	Providing independent advice to the Board	None
Dr. Zhang Haixiao (張海曉)	50	[●]	[●]	Independent non-executive Director	Providing independent advice to the Board	None
Mr. Siu Chi Hung (蕭志雄)	51	[●]	[●]	Independent non-executive Director	Providing independent advice to the Board	None

Chairman of the Board

Mr. Peng Bo (彭博), aged 53, was appointed as our Director on September 30, 2020 and re-designated as our non-executive Director and chairman of our Board on December 16, 2021. Mr. Peng joined our Group in May 2012 and has been serving as the chairman of the board of directors of MP NeuroTech Shanghai since then. He is primarily responsible for overseeing the management and operations of our Group.

Mr. Peng has over 20 years of experience in medical device industry. Mr. Peng joined the MicroPort Group in July 2001 and since then, has successively served various positions in MicroPort Group, including marketing development manager, director of human resources, vice president of domestic marketing and sales and chief marketing officer. Mr. Peng has been serving as the chief marketing officer of Shanghai MicroPort in 2008 and the chairman of the Greater China Executive Committee of MicroPort since 2013, where he is primarily responsible for the overall sales and marketing management. Since May 2012, Mr. Peng has also been serving as the chairman of Shanghai MicroPort Endovascular MedTech (Group) Co., Ltd. (上海微創心脈醫療科技（集團）股份有限公司) ("**MicroPort Endovascular**"), a company principally engaged in endovascular and peripheral vascular devices whose shares are listed on the Science and Technology Innovation Board of the Shanghai Stock Exchange (stock code: 688016).

Mr. Peng obtained his bachelor's degree in computer science from Changchun Institute of Optics and Fine Mechanics (長春光學精密機械學院) (now known as Changchun University of Science and Technology (長春理工大學)) in the PRC in July 1990 and his master's degree in business administration from Shanghai University of Finance and Economics (上海財經大學) in November 2004.

Executive Directors

Mr. Xie Zhiyong (謝志永), aged 45, was appointed as our Director on November 2, 2020 and re-designated as our executive Director on December 16, 2021. He joined our Group in April 2012 and has been serving as our president since then and is mainly responsible for the overall management of our Group. Mr. Xie also holds various directorships and management positions in our Group companies including a director and general manager of MP NeuroTech Shanghai since May 2012.

Mr. Xie had over 22 years of experience in the neuro-intervention industry. Prior to joining our Group, from January 1999 to March 2012, Mr. Xie successively served as a R&D engineer, a manager of the stent R&D department and a R&D director at Shanghai MicroPort Medical, where he was primarily responsible for R&D of coronary stents, peripheral vascular products and neuro-interventional products including leading the R&D work for *APOLLO*. Mr. Xie was awarded the Second Prize for National Science and Technology Award (國家科學技術進步獎二等獎) by the State Council in February 2007 and December 2014, the First Prize for the Science and Technology Award of Shanghai (上海市科學技術獎一等獎) by the Shanghai Municipal Government in November 2009 and the Second Prize for the Science and Technology Award of Shanghai Pudong New Area (上海市浦東新區科技進步獎二等獎) by the People's Government of Shanghai Pudong New Area in January 2017. He was also recognized as a Leading Talent of Shanghai (上海市領軍人才) by the Organization Department of CPC Shanghai Committee (中共上海市委組織部) and Shanghai Municipal Human Resources and Social Security Bureau (上海市人力資源和社會保障局) in February 2020 and a Senior Engineer (正高級工程師) by the Shanghai Municipal Human Resources and Social Security Bureau (上海市人力資源和社會保障局) in December 2020.

Mr. Xie graduated from Shanghai Jiao Tong University (上海交通大學) in the PRC with a major in communications engineering in July 2004 and obtained his master's degree in project management from Zhejiang University (浙江大學) in the PRC in June 2011.

Mr. Wang Yiqun Bruce (王亦群), aged 57, was appointed as our Director on November 2, 2020 and re-designated as our executive Director on December 16, 2021. He joined our Group in June 2015 and has been serving as our executive vice president since then. Mr. Wang is mainly responsible for the R&D and the international business of our Group. He also holds various directorships and management positions in our Group companies including a director of MP NeuroTech Shanghai since December 2015.

Mr. Wang has over 25 years of experience in the neuro-intervention industry. Prior to joining our Group, from September 1986 to December 1990, Mr. Wang worked as an assistant engineer at 621 Research Institute of Aviation Industry Corporation (航空工業總公司621研究所), a comprehensive scientific research institute principally engaged in the technological and engineering research of advanced aeronautical materials. From 1991 to 1995, Mr. Wang served as a researcher at the University of Florida in the United States where he was primarily conducting the research of materials science. From November 1995 to 2013, Mr. Wang successively served as a principal engineer, senior marketing manager and group product manager at Boston Scientific Corporation, a manufacturer of medical devices used in interventional medical specialties, where he was primarily responsible for the R&D and the sales and marketing of neuro-interventional products. From 2013 to 2015, Mr. Wang served as a managing director and chief executive officer of Medinova Global LLC, a company principally engaged in the development and consultancy of marketing channels for medical device companies. Mr. Wang was recognized as an expert of the Shanghai Foreign Elite Talent Introduction Program (上海海外高層次人才引進計畫) in 2016. He was awarded the First Prize for Science and Technology Award of Shanghai (上海市科技進步獎一等獎) by the Shanghai Municipal People's Government (上海市人民政府) in 2020.

Mr. Wang obtained his bachelor's degree in polymer materials from Beijing Institute of Chemical Technology (北京化工學院) (now known as Beijing University of Chemical Technology (北京化工大學)) in the PRC in July 1986, his master of science degree in materials science and engineering from the University of Florida in the United States in December 1992 and his second master's degree of business administration executive program from Temple University in the United States in May 2006.

Non-executive Directors

Mr. Peng Bo (彭博), aged 53, is a non-executive Director and chairman of our Board. Please refer to "—Board of Directors—Chairman of the Board" for his biography.

Mr. Wang Lin (王琳), aged 48, was appointed as our Director on September 23, 2021 and was re-designated as our non-executive Director on December 16, 2021. He is primarily responsible for overseeing the management and operations of our Group.

From May 1997 to September 1998, Mr. Wang served as a project manager's assistant and subcontract manager of Sinopec Engineering Incorporation (中國石化工程建設有限公司), a company principally engaged in engineering construction, where he was primarily responsible for project

management. From November 2003 to July 2005, Mr. Wang served as business development and marketing manager of Eli Lilly Asia Inc. (美國禮來亞洲公司), a company principally engaged in development and sales of pharmaceutical products, where he was primarily responsible for business development and marketing affairs. From August 2005 to February 2009, Mr. Wang served as a project manager of McKinsey & Company, a company principally engaged in management consulting services, where he was primarily responsible for project management. From February 2009 to February 2011, Mr. Wang served as a vice president of Zhejiang Hisun Pharmaceutical Co., Ltd. (浙江海正藥業股份有限公司), a pharmaceutical company whose shares are listed on the Shanghai Stock Exchange (stock code: 600267), where he was primarily responsible for business development and sales. From April 2011 to October 2013, Mr. Wang served as the strategic investment development director of China Resources Pharmaceutical Holdings Company Limited (華潤醫藥控股有限公司), a subsidiary of China Resources Pharmaceutical Group Limited (華潤醫藥集團有限公司), a pharmaceutical company whose shares are listed on the Stock Exchange (stock code: 3320) and general manager of Huarun Pien Tze Huang Pharmaceutical Co., Ltd. (華潤片仔癀藥業有限公司) (now known as Fujian Pien Tze Huang Health Technology co., Ltd. (福建片仔癀健康科技有限公司), a pharmaceutical company, respectively, where he was primarily responsible for the overall management. From October 2013 to January 2015, Mr. Wang served as a partner of Trustbridge Partners (摯信資本), a company principally engaged in investment and management consulting services, where Mr. Wang was primarily responsible for healthcare practice. From January 2015 to March 2017, he served as the general manager of Beijing Rogrand E-Commerce Co., Ltd. (北京融貫電子商務有限公司), a company principally engaged in operating ecommerce platform for pharmaceutical products, where he was primarily responsible for its overall management. From March 2018 to April 2019, he served as the co-president of Shanghai Tianyi Investment (Group) Co., Ltd. (上海天億實業控股集團有限公司), a company principally engaged in investment and management of healthcare related companies, where he was primarily responsible for investment management. Since April 2019, he has been serving as a consultant to companies regarding strategy and investment matters.

Mr. Wang graduated from Tianjin University (天津大學) in the PRC with a bachelor's degree in managerial engineering in July 1994. He received his master's degree in business administration in the China Europe International Business School (中歐國際工商學院) in the PRC April 2003.

Ms. Wu Xia (吳夏), aged 40, was appointed as our Director on November 19, 2021 and was re-designated as our non-executive Director on December 16, 2021. She is primarily responsible for overseeing the management and operations of our Group.

Ms. Wu has over 10 years of experience in research and private equity investment focusing on healthcare industry. Ms. Wu joined CICC Jia Cheng Investment Management Company Limited (中金佳成投資管理有限公司) in July 2008 and served as vice president from January 2012 to December 2014 and as executive director from January 2015 to August 2018. Ms. Wu transferred into CICC Capital Management Co., Ltd. (中金資本運營有限公司) ("**CICC Capital**") in August 2018 as an executive director and has been serving as a managing director of CICC Capital since January 2019, where she is primarily responsible for the overall investment and management of CICC Kangrui I (Ningbo) Equity Investment Limited Partners (Limited Partnership) (中金康瑞壹期(寧波)股權投資基金合夥企業(有限合夥)). Ms. Wu has also been serving as a director of Genetron Holdings Limited, a company whose shares are listed on the NASDAQ under the trading symbol of "GTH", since September 2017, and a non-executive director of MicroPort CardioFlow Medtech Corporation (微創心

通醫療科技有限公司), a medical device company whose shares are listed on the Stock Exchange (stock code: 2160). She was awarded "Outstanding Young PE Investor of the Year 2018" by China Renaissance (華興資本) in 2018.

Ms. Wu obtained her bachelor's degree in finance from Peking University (北京大學) in the PRC in July 2003 and her master's degree in economics and finance from the University of Warwick in the United Kingdom in January 2005.

Independent non-executive Directors

Dr. Xu Yi (胥義), aged 46, was appointed as our independent non-executive Director on [●], 2022.

Dr. Xu has over 16 years of experience in researching on cryopreservation of cells, tissues and organs. He successively served as a lecturer and an associate professor from July 2005 to June 2017, and has been serving as a professor since June 2017, at the University of Shanghai for Science and Technology (上海理工大學), where he is primarily responsible for conducting research on biological thermodynamics. Dr. Xu also served as a senior research scholar at the University of Minnesota in the United States from January 2013 to January 2014.

From April 2017 to April 2021, Dr. Xu served as a deputy head of Cryobiology Group of China Medicinal Biotechnology Association Tissue Biobank Branch (中國醫藥生物技術協會組織生物樣本庫分會低溫生物學組). He has been serving as a committee member of the Biological Resource Management and Utilization Branch of the Chinese Preventive Medicine Association (中華預防醫學會生物資源管理與利用研究分會) since May 2018 and a member of the Tenth Council of Chinese Association of Refrigeration (中國製冷學會第十屆理事會) since October 2020.

Dr. Xu was awarded the Third Prize for Technology Invention Award of Shanghai (上海市技術發明獎三等獎) in November 2006, the Second Prize of Science and Technology Progress Award of Chinese Association of Refrigeration (中國製冷學會科學技術進步獎二等獎) in January 2007, the Second Prize for China Machinery Industry Technology Award (中國機械工業科學技術獎二等獎) in December 2007, the Shanghai Youth Science and Technology "Qimingxing" Program (Type A) (上海市青年科技"啟明星"計劃（A類）資助) in September 2008 and the Third Prize for Technology Invention Award of Shanghai (上海市技術發明獎三等獎) in December 2013.

Dr. Xu graduated from the China University of Mining and Technology (中國礦業大學) in the PRC with a bachelor's degree in thermal engineering in July 1999 and a master's degree in fluid machinery and engineering in June 2002. He obtained his doctor's degree in refrigeration and cryogenic engineering from University of Shanghai for Science and Technology (上海理工大學) in the PRC in August 2005.

Dr. Zhang Haixiao (張海曉), aged 50, was appointed as our independent non-executive Director on [●], 2022.

Dr. Zhang has over 23 years of working experience in law firms and acquired extensive corporate governance experience by providing legal consulting services including but not limited to anti-corruption compliance consulting, internal compliance investigation, intellectual property and anti-unfair competition law consulting services to a number of multinational companies and listed

companies. From October 1998 to March 2000, she served as a legal assistant at the Shanghai Representative Office of Schulz Noack Bärwinkel Law Firm (舒諾貝律師事務所上海辦事處). From March 2000 to July 2003, she served as a practicing lawyer at the Shanghai Office of Beijing Junhe Law Firm (北京市君合律師事務所上海分所). From September 2004 to July 2006, she worked at Shanghai Bangxinyang Law Firm (上海邦信陽律師事務所). From July 2006 to March 2008, she served as a senior associate at the Shanghai Representative Office of Weil Gotshal & Manages LLP (威嘉國際律師事務所上海代表處), where she was primarily responsible for providing legal advice on mergers and acquisitions. From March 2008 to May 2009, she successively served as a senior legal consultant at the Shanghai Representative Office of WongPartnership LLP and a partner at Shanghai Yuanda Law Firm (上海元達律師事務所). From July 2009 to April 2019, she served as a partner at Beijing Zhonglun (Shanghai) Law Firm (北京市中倫（上海）律師事務所), where she was primarily responsible for providing legal advice on anti-corruption, compliance, intellectual property and dispute resolution related matters. Since April 2019, she has been serving as a partner at Beijing Anjie Law Firm (北京安傑律師事務所), where she was mainly responsible for providing legal advice on anti-corruption, compliance, intellectual property and dispute resolution related matters. From 2015 to 2019, she was continuously rated as the "Leading Individual in Compliance" by the international legal ranking institution Legal Band. She has also been serving as an expert member of the Arbitration and Anti-Corruption Working Group of the ICC Arbitration and ADR Committee of the International Chamber of Commerce since November 2019.

Dr. Zhang obtained her first bachelor's degree in industrial management engineering from Tongji University (同濟大學) (formerly known as Shanghai Institute of Building Materials Industry (上海建築材料工業學院)) in the PRC in July 1993 and her second bachelor's degree in international economic law from Fudan University (復旦大學) in the PRC in July 1995. She obtained her master's degree in law from University of Pennsylvania in the United States in May 2002 and her doctor's degree in law from Fudan University (復旦大學) in the PRC in June 2013.

Mr. Siu Chi Hung (蕭志雄), aged 51, was appointed as our independent non-executive Director on [●], 2022.

Mr. Siu has over 25 years of accounting experience and has extensive experience in serving listed companies and IPO clients and advising on financial reporting, corporate governance, compliance and other listing rules matters in numerous occasions when he was an audit partner of KPMG. He joined KPMG Hong Kong in August 1994 and became a partner in July 2008. He was the head of real estate of KPMG (China) and the head of capital markets development, Southern China of KPMG (China) before his resignation in June 2018. From September 2019 to September 2021, he served as an executive director of LVGEM (China) Real Estate Investment Company Limited (綠景(中國)地產投資有限公司), a real estate developer and commercial property operator whose shares are listed on the Stock Exchange (stock code: 0095), where he was primarily responsible for corporate investment, treasury and financing, investor relationship and compliance management. Mr. Siu is also currently serving as an independent non-executive director of Roiserv Lifestyle Services Co., Ltd. (榮萬家生活服務股份有限公司), a property management service provider whose shares are listed on the Stock Exchange (stock code: 2146), an independent non-executive director at China Gas Industry Investment Holdings Co. Ltd., an industrial gas supplier whose shares are listed on the Stock Exchange (stock code: 1940), an independent non-executive director at Dongjiang Environmental Company Limited (東江環保股份有限公司), a hazardous waste disposal services provider whose

shares are listed on the Stock Exchange (stock code: 0895) and an independent non-executive director of Central China Management Company Limited (中原建業有限公司), a project management company for property development projects whose shares are listed on the Stock Exchange (stock code: 9982). Mr. Siu acquired solid knowledge and expertise on corporate governance and compliance matters, during his tenure as independent non-executive director at these listed companies, by reviewing their various continuing connected transactions annually, scrutinizing and monitoring performance reporting, exercising his independent judgment and providing impartial and external opinion to protect the interests of shareholders as a whole.

Mr. Siu obtained his bachelor's degree in business administration from the Chinese University of Hong Kong in Hong Kong in December 1994. He is currently a member of the Hong Kong Institute of Certified Public Accountants, a member of the American Institute of Certified Public Accountants and a member of the Hong Kong Independent Non-Executive Director Association. He also obtained an independent director qualification certificate of listed company from the Shenzhen Stock Exchange in February 2021.

Save as disclosed above, none of our Directors have held any other directorships in listed companies during the three years immediately preceding the date of this document. There is no other information relating to the relationship of any of our Directors with other Directors and senior management officers that should be disclosed pursuant to Rule 13.51(2) or paragraph 41(3) of Appendix 1A of the Listing Rules.

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable inquiries, there was no other matter with respect to the appointment of our Directors that needed to be brought to the attention of our Shareholders and there was no information relating to our Directors that was required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as of the Latest Practicable Date.

SENIOR MANAGEMENT

Our executive Directors and other members of our senior management are responsible for the day-to-day operations and management of the business of our Group. The table below sets forth the key information of our senior management:

Name	Age	Date of joining our Group	Existing position(s) in our Group	Roles and responsibilities
Mr. Xie Zhiyong (謝志永)	45	April 1, 2012	Executive Director and president	Responsible for the overall management of our Group
Mr. Wang Yiqun Bruce (王亦群)	57	June 15, 2015	Executive Director and executive vice president	Responsible for the R&D and international business of our Group
Mr. Duan Lei (段磊)	40	October 1, 2014	Vice president of sales and promotion of neuro-interventional solutions	Responsible for overall management of sales and promotion of neuro-interventional solutions of our Group
Ms. Lu Huina (盧惠娜)	38	April 1, 2016	Senior director of quality, regulatory and clinical affairs	Responsible for quality, regulatory and clinical affairs of our Group
Ms. Wu Zaoli (吳造力)	38	December 7, 2012	Senior director of human resources and administration	Responsible for human resources, administration and legal affairs of our Group
Mr. Xu Weili (徐偉力)	43	December 1, 2020	Senior director of promotion in South China	Responsible for product promotion in South China and providing strategic advice
Ms. Hou Zhuoping (後卓萍)	44	June 1, 2018	Advanced director of finance	Responsible for finance of our Group

Mr. Xie Zhiyong (謝志永), aged 45, our executive Director and president. See "—Board of Directors—Executive Directors—Mr. Xie Zhiyong" of this section for his biography.

Mr. Wang Yiqun Bruce (王亦群), aged 57, our executive Director and executive vice president. See "—Board of Directors—Executive Directors—Mr. Wang Yiqun Bruce" of this section for his biography.

Mr. Duan Lei (段磊), aged 40, joined our Group on October 1, 2014 and has been serving as a vice president of sales and promotion of neuro-interventional solutions since then. He is primarily responsible for overall management of sales and promotion of neuro-interventional solutions of our Group.

Mr. Duan has over 15 years of experience in marketing and sales of medical devices. Prior to joining our Group, from July 2006 to September 2014, Mr. Duan successively served as a sales representative and sales manager in North China at Shanghai MicroPort Medical, where he was primarily responsible for the sales of coronary stents in North China from July 2006 to March 2012 and the sales of *APOLLO* in North China from March 2012 to September 2014.

Mr. Duan graduated from Jiangnan University (江南大學) in the PRC with a major in finance via distance learning in July 2018.

Ms. Lu Huina (盧惠娜), aged 38, joined our Group on April 1, 2016 as a manager of strategy and project management. From January 2017 to November 2020, Ms. Lu successively served as a senior manager of project management and clinical affairs, director of project management and clinical affairs and advanced director of R&D and clinical affairs. Since November 2020, Ms. Lu has been serving as a senior director of quality, regulatory and clinical affairs, primarily responsible for quality, regulatory and clinical affairs of our Group.

Prior to joining our Group, from March 2010 to March 2013, Ms. Lu served as a R&D engineer at Shanghai MicroPort Medical, where she was primarily responsible for R&D of neurovascular products. From April 2013 to March 2016, Ms. Lu served as a supervisor of product development of Shanghai MicroPort Medical, where she was primarily responsible for its product development. Ms. Lu received a Project Management Professional certificate from Project Management Institute in September 2012. She was awarded the Second Prize for Science and Technology Award of Shanghai Pudong New Area (上海市浦東新區科技進步二等獎) by the People's Government of Shanghai Pudong New Area in January 2017 and Science and Technology Award of Shanghai (上海市科技進步獎) by the Shanghai Municipal People's Government in December 2020.

Ms. Lu obtained her bachelor's degree in polymer materials and engineering from Nanchang University (南昌大學) in the PRC in July 2007 and her master's degree in material science from Shanghai University (上海大學) in the PRC in April 2010.

Ms. Wu Zaoli (吳造力), aged 38, joined our Group on December 7, 2012 as a manager of human resources and administration. From December 2012 to November 2020, Ms. Wu successively served as a manager, senior manager, director and advanced director of human resources and administration. Since November 2020, She has been serving as a senior director of human resources and administration, primarily responsible for human resources, administration and legal affairs of our Group.

Prior to joining our Group, from September 2007 to December 2012, Ms. Wu successively served as a human resources promotion specialist, head of editorial department and corporate culture manager at Shanghai MicroPort Medical, where she was primarily responsible for corporate culture affairs.

Ms. Wu obtained her bachelor's degree in administrative management and master's degree in industrial economics from Shanghai Maritime University (上海海事大學) in the PRC in July 2005 and October 2007, respectively.

Mr. Xu Weili (徐偉力), aged 43, joined our Group on December 1, 2020 and has been serving as a senior director of promotion in South China since then. He is primarily responsible for product promotion in South China and providing strategic advice.

Mr. Xu has over 20 years of experience in marketing and sales of pharmaceuticals and medical devices. Prior to joining our Group, from July 2001 to December 2002, Mr. Xu served as a marketing specialist at the marketing department of Shanghai Medical Institute (上海醫工院醫藥經銷部) where he was primarily responsible for marketing and promotion of pharmaceuticals. From January 2003 to

April 2006, Mr. Xu served as a professional medical representative at Xi'an Janssen Pharmaceutical Co., Ltd. (西安楊森製藥有限公司), a pharmaceutical company, where he was primarily responsible for promotion and sales of pharmaceuticals. From April 2006 to July 2007, Mr. Xu served as a senior sales representative at Bristol-Myers Squibb (Shanghai) Trading Company (百時美施貴寶（上海）貿易有限公司), a pharmaceutical products distributor, where he was primarily responsible for promotion and sales of tumor treatment pharmaceuticals. From July 2007 to July 2010, Mr. Xu served as a sales representative at Boston Scientific International Medical Trading (Shanghai) Co., Ltd. (波科國際醫療貿易(上海)有限公司) ("**Boston Scientific**"), a medical device company, where he was primarily responsible for promotion and sales of digestive intervention products in Shanghai. From July 2010 to April 2011, Mr. Xu served as a deputy product manager at Shanghai Roche Pharmaceutical Co., Ltd. (上海羅氏製藥有限公司), a pharmaceutical company. From July 2011 to September 2018, Mr. Xu successively served as a product manager and senior product manager at Stryker (Beijing) Medical Devices Co., Ltd. (史賽克(北京)醫療器械有限公司), a medical device manufacturer, where he was primarily responsible for promotion and sales of neurovascular interventional products. From September 2018 to November 2020, Mr. Xu served as a senior manager of national professional education and clinical training at Boston Scientific where he was primarily responsible for the national internal clinical training of the digestive intervention business department and the professional training of doctors. Mr. Xu was awarded the Stryker President's Club Award (史賽克總裁俱樂部獎) by Stryker Neurovascular in 2012.

Mr. Xu obtained his bachelor's degree in pharmaceutical enterprise management from China Pharmaceutical University (中國藥科大學) in the PRC in July 2001.

Ms. Hou Zhuoping (後卓萍), aged 44, joined our Group on June 1, 2018 as a senior manager of finance. Since November 2020, she has been serving as an advanced director of finance, primarily responsible for finance of our Group.

Ms. Hou has over 22 years of experience in accounting and financial management. Prior to joining our Group, from June 1999 to April 2004, Ms. Hou successively worked at the Shanghai branch of Boli Food Industry (Kunshan) Co., Ltd. (波力食品工業(昆山)有限公司) (**"Boli Food"**), a food products manufacturer and distributor, Bote Plastics Industry (Shanghai) Co., Ltd. (波特塑料工業(上海)有限公司) and Boli Food. From July 2004 to March 2015, Ms. Hou successively served as an accountant and finance manager at Shanghai MicroPort Medical, where she was primarily responsible for its finance work. From March 2015 to May 2018, Ms. Hou served as a financial manager at MicroPort Endovascular where she was primarily responsible for its financial matters.

Ms. Hou obtained her bachelor's degree in accountancy from Fudan University (復旦大學) in the PRC in May 2008. Ms. Hou was certified as an Intermediate Accountant (中級會計師) by Shanghai Municipal Human Resources and Social Security Bureau (上海市人力資源和社會保障局) in July 2010. She was qualified as a board secretary by the Shanghai Stock Exchange (上海證券交易所董事會秘書) in July 2020.

COMPANY SECRETARY

Ms. Hui Yin Shan (許燕珊), aged 53, was appointed as our company secretary on December 16, 2021.

Ms. Hui is a senior manager of corporate services of Tricor Services Limited, a global professional services provider specializing in integrated business corporate and investor services. She has over 18 years of experience in the corporate secretarial field. Since October 2020, Ms. Hui has been the company secretary of OneForce Holdings Limited (元力控股有限公司), an investment holding company whose shares are listed on the Stock Exchange (stock code: 1933), the joint company secretary of Honliv Healthcare Management Group Company Limited (宏力醫療管理集團有限公司), a company operating private hospitals in the PRC whose shares are listed on the Stock Exchange (stock code: 9906) and the company secretary of Shanghai MicroPort MedBot (Group) Co., Ltd. (上海微創醫療機器人(集團)股份有限公司), a surgical robot company whose shares are listed on the Stock Exchange (stock code: 2252).

Ms. Hui graduated from Hong Kong Polytechnic University in Hong Kong with a bachelor's degree in applied mathematics in November 1994. She received her master's degree in finance from Curtin University of Technology in Australia in December 2002. Ms. Hui obtained a bachelor's degree in law from University of London in the United Kingdom in August 2017. She is an associate member of the Hong Kong Chartered Governance Institute and the Chartered Governance Institute UK & Ireland, respectively.

BOARD COMMITTEES

Our Board [has established] the audit committee, the remuneration committee and the nomination committee and delegated various responsibilities to these committees, which assist our Board in discharging its duties and overseeing particular aspects of our Group's activities.

Audit Committee

We [have established] an audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraphs C.3 of the Corporate Governance Code ("**CG Code**") as set out in Appendix 14 to the Listing Rules. The audit committee consists of Mr. Siu Chi Hung, Dr. Xu Yi and Dr. Zhang Haixiao. Mr. Siu Chi Hung is the chairperson of the audit committee.

The primary duties of the audit committee are to (i) review and supervise our financial reporting process and internal control system of our Group, risk management and internal audit; (ii) provide advice and comments to our Board in respect of financial, risk management and internal control matters; and (iii) perform other duties and responsibilities as may be assigned by the Board.

Remuneration Committee

We [have established] a remuneration committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B.1 of the CG Code as set out in Appendix 14 to the Listing Rules. The remuneration committee consists of Dr. Xu Yi, Mr. Peng Bo and Mr. Siu Chi Hung. Dr. Xu Yi is the chairperson of the remuneration committee.

The primary duties of the remuneration committee include, but not limited to (i) establishing, reviewing and providing advices to our Board on our policy and structure concerning remuneration of our Directors and senior management and on the establishment of a formal and transparent procedure for developing policies concerning such remuneration; (ii) determining the terms of the specific remuneration package of each Director and senior management; and (iii) reviewing and approving

performance-based remuneration by reference to corporate goals and objectives resolved by our Directors from time to time.

Nomination Committee

We [have established] a nomination committee with written terms of reference in compliance with paragraph A.5 of the CG Code as set out in Appendix 14 to the Listing Rules. The nomination committee consists of Dr. Zhang Haixiao, Mr. Xie Zhiyong and Dr. Xu Yi. Dr. Zhang Haixiao is the chairperson of the nomination committee.

The primary duties of the nomination committee are to (i) review the structure, size and composition of our Board on a regular basis and make recommendations to the Board regarding any proposed changes to the composition of our Board; (ii) identify, select or make recommendations to our Board on the selection of individuals nominated for directorship, and ensure the diversity of our Board members; (iii) perform review on the contributions made by our Directors (including our independent non-executive Directors) and the sufficiency of time devoted to perform their duties; (iv) assess the independence of our independent non-executive Directors; and (v) make recommendations to our Board on relevant matters relating to the appointment, re-appointment and removal of our Directors and succession planning for our Directors.

BOARD DIVERSITY POLICY

Our Board [has adopted] a board diversity policy which sets out the approach to achieve diversity on our Board. Our Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in supporting the attainment of our Company's strategic objectives and sustainable development. Our Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to talent, skills, gender, age, cultural and educational background, ethnicity, professional experience, independence, knowledge and length of service. We will select potential Board candidates based on merit and his/her potential contribution to our Board while taking into consideration our own business model and specific needs from time to time. All Board appointments will be based on meritocracy and candidates will be considered against objective criteria, having due regard to the benefits of diversity on our Board.

Our Board has a balanced mix of knowledge, skills and experience, including but without limitation to medical device and engineering, electronics, private equity investment, biomedical engineering research, law and accounting. Members of our Board have obtained degrees in various majors including computer science, business administration, communications engineering, project management, finance, materials science refrigeration and cryogenic engineering, industrial management engineering and law. We have three independent non-executive Directors from different industry backgrounds, including biomedical engineering research, legal practice and accounting experience. Furthermore, our Directors are of a wide range of age, from 40 years old to 56 years old.

With regards to gender diversity on the Board, we recognize the particular importance of gender diversity. Our Board currently comprises two female Directors and six male Directors. We have taken and will continue to take steps to promote and enhance gender diversity at all levels of our Company, including but without limitation at our Board and senior management levels. Our board diversity

policy provides that our Board should aim to increase the proportion of female members over time after **[REDACTED]** where possible when selecting and making recommendations on suitable candidates for Board appointments. We will also ensure that there is gender diversity when recruiting staff at mid to senior level so that we will have a pipeline of female senior management and potential successors to our Board going forward. It is our objective to maintain an appropriate balance of gender diversity with reference to the expectations of stakeholders and international and local recommended best practices.

Our nomination committee is responsible for ensuring the diversity of our Board members. After **[REDACTED]**, our nomination committee will review our board diversity policy and its implementation from time to time to monitor its continued effectiveness and we will disclose the implementation of our board diversity policy, including any measurable objectives set for implementing the board diversity policy and the progress on achieving these objectives, in our corporate governance report on an annual basis.

COMPLIANCE ADVISOR

We have appointed Somerley Capital Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, our compliance advisor will advise our Company in the following circumstances:

- before the publication of any regulatory announcement, circular and financial report;
- where a transaction, which might be notifiable or connected transaction, is contemplated including shares issues and share repurchases;
- where our Company proposes to use the **[REDACTED]** from the **[REDACTED]** in a manner different from that detailed in this document or where our business activities, developments or results deviate from any forecast, estimate or other information in this document; and
- where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the **[REDACTED]** or **[REDACTED]** volume of our Shares.

The term of the appointment shall commence on the **[REDACTED]** and end on the date on which our Company distribute our annual report in respect of our financial results for the first full financial year commencing after the **[REDACTED]**.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and members of our senior management receive compensation from our Group in the form of fees, salaries, allowances and benefits in kind, discretionary bonuses, retirement scheme contributions and equity-settled share-based payment.

The aggregate remuneration (including fees, salaries, allowances and benefits in kind, discretionary bonuses, retirement scheme contributions and equity-settled share-based payment) paid to our Directors for each of the three years ended December 31, 2021 was approximately RMB4.3 million, RMB4.6 million and RMB6.5 million, respectively. Save as disclosed above, no other amounts have been paid or are payable by any member of our Group to our Directors for each of the three years ended December 31, 2021.

The aggregate amount of salaries, other benefits, discretionary bonuses and equity-settled share-based payment paid to our five highest paid individuals in respect of each of the three years ended December 31, 2021 was approximately RMB8.1 million, RMB7.9 million and RMB12.7 million, respectively.

No remuneration was paid by us to our Directors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office in respect of each of the three years ended December 31, 2021. Further, none of our Directors had waived or agreed to waive any remuneration during the same periods.

Under the arrangement currently in force, the aggregate remuneration (including fees, salaries, allowances and benefits in kind, discretionary bonuses, retirement scheme contributions and equity-settled share-based payment) of our Directors for the year ending December 31, 2022 is estimated to be no more than approximately RMB5.3 million (excluding discretionary bonus).

Our Board will review and determine the remuneration and compensation packages of our Directors and senior management and will, following the **[REDACTED]**, receive recommendation from the remuneration committee which will take into account salaries paid by comparable companies, time commitment and responsibilities of our Directors and performance of our Group.

COMPETITION

Each of our Directors confirms that as of the Latest Practicable Date, he/she did not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, either directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

From time to time our non-executive Directors may serve on the boards of both private and public companies within the broader healthcare and medical device industries. However, as these non-executive Directors are neither our Controlling Shareholders nor members of our executive management team, we believe that their interests in such companies as directors would not render us incapable of carrying on our business independently from the other companies in which they may hold directorships from time to time.

KEY TERMS OF EMPLOYMENT CONTRACTS

We normally enter into employment contracts, confidentiality agreements and non-competition agreements with our senior management members and other key personnel. Below sets forth the key terms of these contracts we have entered into with our senior management and other key personnel.

Confidentiality

- Scope of confidential information. Information that the employee shall keep confidential includes but is not limited to trade secrets, inventions, discoveries, technical updates and improvements, data (including but not limited to clinical data), design, know-how, market and sales conditions, information of distributors, customers and employee compensation of our Group and the MicroPort Group.
- Confidential obligation. The employee shall keep confidential information in confidence and shall not use, divulge, publish or otherwise disclose or allow to be disclosed any aspect

of confidential information to any entity or person whatsoever without the written consent of our Group.

- Confidential period. The confidentiality obligation shall continue to be in effect after the departure of the employee.

Non-competition

Within one or two years from the date of the employee's departure (the "**Non-compete Period**"), the employee shall not be engaged in any work, consulting or other services of any kind for any other person or business entity that competes with our Group. Our Group shall pay monthly compensation to the relevant employee during the Non-compete Period.

Service Invention

The rights and interests in any invention, discovery, utility model, design and technical solution that produced by the employee within one year from the date of the employee's departure during their employment, including but not limited to those (i) related to the employee's work or (ii) developed in whole or in part using our equipment or confidential information, shall belong to us.

Non-solicitation

The employee agrees that he/she shall not directly or indirectly, (i) solicit, induce, recruit or encourage any of our employees to leave our Group; and (ii) solicit our clients, within one or two years after termination of employment with our Group.

CORPORATE GOVERNANCE

Our Company aims to achieve high standards of corporate governance which are crucial to the development and safeguard the interests of our Shareholders. To accomplish this, our Company expects to comply with the CG Code and the associated Listing Rules after the **[REDACTED]**.

OVERVIEW

Immediately upon completion of the **[REDACTED]** (without taking into account any Shares which may be issued pursuant to the exercise of the **[REDACTED]**), MicroPort will, through its wholly owned subsidiary, MP Scientific, be indirectly interested in approximately **[REDACTED]**% of the total share capital of our Company. Accordingly, MicroPort and MP Scientific will be our Controlling Shareholders under the Listing Rules.

BACKGROUND OF OUR CONTROLLING SHAREHOLDERS

MicroPort, together with its subsidiaries, is a leading medical device company focusing on innovating, manufacturing and marketing high-end medical devices whose shares have been listed on the Main Board of the Stock Exchange since 2010 (stock code: 853). MicroPort maintains world-wide operations in a broad range of business segments. As of December 31, 2021, MicroPort has eight major business segments: cardiovascular devices, orthopedics devices, cardiac rhythm management, endovascular and peripheral vascular devices, neurovascular devices, heart valve devices, surgical robot and surgical devices, and offers nearly 300 medical solutions to patients around the world, covering the circulatory system, nervous system, exercise system, endocrine system, urinary system and reproductive system. MP Scientific is an investment holding company wholly owned by MicroPort.

DELINEATION OF BUSINESS

There is clear delineation between the businesses of the MicroPort Group (the "**Retained Business**") and our business. The table below sets forth the principal business of our Group and the Retained Business undertaken by the MicroPort Group:

Our Group:	R&D manufacturing and commercialization of neuro-interventional medical devices for neurovascular diseases including hemorrhagic stroke, cerebral atherosclerotic stenosis and acute ischemic stroke (the "**Principal Business**")
The MicroPort Group:	(i) cardiovascular devices business offering products and services for the interventional treatment of coronary artery related diseases (the "**Cardiovascular Business**");
	(ii) orthopedics devices business offering an extensive range of products that includes reconstructive joints, spine, trauma and other professional implants and equipment (the "**Orthopedics Business**");
	(iii) cardiac rhythm management business focusing on solutions for the management of cardiac rhythm disorders and heart failure. It offers devices that monitor patient cardiac information in order to (a) identify abnormal heart conditions such as bradycardia and tachy-arrhythmia; and (b) apply electrical pulses and shocks to prevent or treat such abnormal conditions (the "**CRM Business**");
	(iv) endovascular and peripheral vascular devices business offering a range of products and services for the interventional treatment of thoracic and abdominal aortic aneurysm, peripheral vascular disease, aortic dissection and other endovascular related diseases (the "**EV Business**"). The MicroPort Group

carries on the EV Business through a non-wholly owned subsidiary, Shanghai MicroPort Endovascular MedTech (Group) Co., Ltd. (上海微創心脈醫療科技（集團）股份有限公司) ("**MicroPort Endovascular**"), which shares are listed on the Science and Technology Innovation Board of the Shanghai Stock Exchange (stock code: 688016);

(v) heart valve devices business focusing on the R&D manufacturing and sale of devices treating valvular heart diseases (the "**Heart Valve Business**"). The MicroPort Group carries on the Heart Valve Business through a non-wholly owned subsidiary, MicroPort CardioFlow Medtech Corporation (微創心通醫療科技有限公司) ("**MicroPort CardioFlow**"), which shares are listed on the Main Board of the Stock Exchange (stock code: 2160);

(vi) the surgical robots business focusing on the research, development and commercialization of surgical robots that are used to assist surgeons to perform surgical procedures (the "**Surgical Robot Business**"). The MicroPort Group carries on the Surgical Robot Business through a non-wholly owned subsidiary, Shanghai MicroPort MedBot (Group) Co., Ltd. (上海微創醫療機器人（集團）股份有限公司), whose shares are listed on the Main Board of the Stock Exchange (stock code: 2252); and

(vii) surgical devices business focusing on extracorporeal circulation products used for cardiac surgery and occlusion series products used for congenital heart disease (the "**Surgical Devices Business**").

As illustrated above, the MicroPort Group focuses on different types of medical devices that are of different nature and have different applications from those of our Principal Business. Our Group provides neuro-interventional medical devices for neurovascular diseases including hemorrhagic stroke, cerebral atherosclerotic stenosis and acute ischemic stroke. The business of our Group is not related to the businesses of the MicroPort Group. The products of our Group and the MicroPort Group are not interchangeable, nor are they complementary. The following sets forth further illustration on the differences between our Principal Business and the Retained Business.

Business	Key products, services and/or business activities	Nature of key products	Technical requirement	Treatment of relevant diseases	Applications
Principal Business	Neuro-interventional medical devices for neurovascular diseases	See "Business—Our Product Portfolio."	See "Business—Our Product Portfolio."	Neurovascular diseases including hemorrhagic stroke, cerebral atherosclerotic stenosis and acute ischemic stroke.	See "Business—Our Product Portfolio."

Business	Key products, services and/or business activities	Nature of key products	Technical requirement	Treatment of relevant diseases	Applications
Cardiovascular Business	Coronary stent system	Through implantation of stent in the coronary artery for the treatment of coronary artery stenosis; stent coated with the drug rapamycin can effectively inhibit the proliferation and migration of smooth muscle cells and prevent the reoccurrence of stenosis at the same location.	Combining drug loading stent design and drug-eluting stent body, drug and formula design, the cycle of drug release are the key technical requirements.	Coronary heart diseases caused by artery stenosis and restenosis, myocardial infarction. Open the narrowed artery, restore blood flow and prevent the recurrence of the treated vessel narrow or blockage.	Implantation in the stenosis site of coronary artery.
Orthopedics Business	Joint replacement and internal spinal, trauma fixation products	Surgically implanted prosthesis to replace defected hip, knee; internal fixation devices surgically implanted to treat, stabilize the spine and limb fractures and other orthopedics injuries.	Implant design, material selection, surface treatment and manufacturing process.	Osteoarthritis of the knee; hip fracture or femoral head necrosis; hip deformity; extremity long bone fracture; spinal trauma; spinal degenerative diseases and tumors.	Implants for partial or complete hip or knee replacement; limbs long bone; cervical, thoracic, lumbar and pelvis.
CRM Business	Management of cardiac rhythm disorders and heart failure and implantable pacemaker	Through implantation of pacemaker to generate electrical impulses with certain frequency of pulse current stimulates the myocardium contacted by the electrode treating bradycardia.	Low-power hardware platform design of the pacemaker, automated and physiological pacing algorithms, pacemaker assembly process.	Bradycardia due to abnormal cardiac electrical conduction in the ventricle or atrium, including sick sinus syndrome, AV block.	Implantation in ventricle and atrium.

Business	Key products, services and/or business activities	Nature of key products	Technical requirement	Treatment of relevant diseases	Applications
Heart Valve Business	VitaFlow™ and VitaFlow™ Liberty transcatheter aortic valve and its delivery system.	Self-expanding nitinol frame, bovine pericardial valve leaflets, double-layer PET skirt and motorized handle.	Anti-calcification treatment of the bovine pericardium, high radial force of the frame, durability of the valve, low incidences after implantation and ease of use of the motorized delivery system.	Valvular heart diseases, in particular aortic stenosis, mitral regurgitation and tricuspid regurgitation.	Using artificial aortic valve to replace the natural aortic valve in human body for the treatment of heavy aortic stenosis.
EV Business	Thoracic and abdominal aortic stent-graft	Through implantation of stent-graft in the thoracic and abdominal aortic artery to exclude (isolate) aortic aneurysms and prevent aneurysm rupture.	The stent-graft is made of Nitinol alloy stent and Dacron graft with medical suture assembly. The key technology is to prevent stent-graft endoleak, migration and fully exclude aneurysm sac.	Thoracic and abdominal aneurysm, stent-graft implantation can isolate aortic aneurysms and prevent blood pressure from impacting the aneurysms, leading to vascular rupture and massive bleeding.	Implantation in the thoracic and abdominal aneurysm lesion.

Business	Key products, services and/or business activities	Nature of key products	Technical requirement	Treatment of relevant diseases	Applications
	Peripheral products	Treatment of peripheral arterial or venous stenosis and occlusive lesions.	By dilating the stenosis lesions to reopen the vascular or by removing the thrombus in vessel through the thrombectomy device. The key technology is how to more effectively clear the blockage and avoid long-term restenosis caused by smooth muscle proliferation without damaging the intima.	Peripheral vascular arteriosclerosis, iliac vein compression syndrome, deep vein thrombosis, pulmonary thrombosis.	Peripheral vascular arteriosclerosis, iliac vein compression syndrome, deep vein thrombosis, pulmonary thrombosis.
Surgical Robot Business	Surgical robots	Surgical robots applied in surgeries to enable greater operative precision and less invasiveness.	Robot ontology, control algorithms, electrical engineering, image-based navigation and precision imaging.	For application in surgical specialties of laparoscopic, orthopedic, panvascular, natural orifice and percutaneous procedures.	Assisting surgeons in performing complex surgical procedures.
Surgical Devices Business	Products required for surgical bypass surgery, including membrane oxygenator (Membrane Oxygenation System), Hollow Fiber Hemofilter, Arterial Filter and Suction Catheters.	Artificial piping to connect the arteries and the artificial heart-lung machine to enable oxygenation of blood in cardiac surgery to replace short-term heart and lung function.	Oxygenation performance, temperature performance, and pre-charge priming pressure loss.	The need for human blood oxygenation exchange conditions apply to bypass surgery and organ transplant, cardiac arrest, respiratory surgery, accident and emergency rescue.	Application for surgical bypass surgery by connecting membrane oxygenator to heart of patient and artificial heart-lung machine.

Given that there is a clear delineation between the businesses of our Group and the MicroPort Group, our Directors are of the view that the Retained Business does not compete and is unlikely to compete, directly or indirectly, with our Group's business.

As of the Latest Practicable Date, none of our Controlling Shareholders and Directors had any interest in any business which competes or is likely to compete, either directly or indirectly with our Company's business which would require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

For reasons set out below, we are capable of carrying on our business independently of our Controlling Shareholders and their respective close associates (other than our Group) after the **[REDACTED]**.

Management Independence

Our Board comprises two executive Directors, three non-executive Directors, and three independent non-executive Directors. Save for our two non-executive Directors, namely Mr. Peng Bo, who is currently serving as the chief marketing officer of Shanghai MicroPort Medical, the chairman of MicroPort Endovascular and the chairman of the Greater China Executive Committee of MicroPort, and Ms. Wu Xia, who is currently serving as a non-executive director of MicroPort CardioFlow, none of our other Directors or members of our senior management team holds any position in our Controlling Shareholders or their respective close associates.

Despite their overlapping roles, Mr. Peng Bo and Ms. Wu Xia as our non-executive Directors will not be involved in the day-to-day management and operations of our businesses. Our executive Directors and senior management team will carry out the business operations of our Group independently from our Controlling Shareholders and their respective close associates.

As of the Latest Practicable Date, save for (i) Mr. Peng Bo, our chairman and non-executive Director, who was interested in approximately 0.42% of the shares and underlying shares of MicroPort; (ii) Mr. Xie Zhiyong, our president and executive Director, who was interested in less than 0.1% of the shares and underlying shares of MicroPort; and (iii) Mr. Wang Yiqun Bruce, our executive vice president and executive Director, who was interested in less than 0.1% of the shares and underlying shares of MicroPort, none of our other Directors held interests in our Controlling Shareholders or their respective close associates. Having taken into account the following factors, our Directors are of the view that the above Directors' interests in MicroPort do not constitute material interests that require the relevant Directors to abstain from voting at our Board meetings in respect of matters involving MicroPort after **[REDACTED]** or compromise the relevant Directors' independence of judgement in discharging their fiduciary duty as Directors of our Group:

(i) each of our Directors is aware of his/her fiduciary duties as a Director, which require, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interests;

(ii) in the event that there is any potential conflict of interest arising out of any contract or arrangement or any other proposal in which our Directors or any of his/her close associates has any material interest, the interested Director(s) is required to declare the nature of such interest before voting at the relevant Board meetings in respect of such transactions and shall abstain from voting on (nor shall be counted in the quorum in relation to) any resolutions approving any contract or arrangement or any other proposal in which he/she or any of his/her close associates is materially interested in. See "Appendix III—Summary

of the Constitution of our Company and Cayman Islands Company Law" to this document for details;

(iii) we [have appointed] three independent non-executive Directors with extensive experience in their respective areas of expertise to ensure that the decision of our Board are made after due consideration of independent and impartial opinions and in the best interests of our Company and our Shareholders as a whole. Matters including connected transactions are required to be referred to our independent non-executive Directors for review and approval; and

(iv) we will adopt a series of corporate governance measures to manage conflicts of interests, if any, between our Group and our Controlling Shareholders which would support our independent management. See "—Corporate Governance Measures" in this section below for details.

Based on the reasons above, our Directors are of the view that our Group is capable of managing our business independently from our Controlling Shareholders and their respective close associates following the completion of the **[REDACTED]**.

Operational Independence

We have full rights to make all decisions on, and to carry out, our own business operations independently from our Controlling Shareholders and their respective close associates and will continue to do so after the **[REDACTED]**. Our Group is able to operate without reliance on our Controlling Shareholders and their respective close associates.

R&D

We have our own R&D center which is independent from the R&D centers of our Controlling Shareholders and their respective close associates. As of the Latest Practicable Date, our R&D center comprised over 130 members, who are all full-time employees of our Group and do not hold any position in our Controlling Shareholders or their respective close associates. In addition, as of the Latest Practicable Date, we had 132 registered patents in the PRC and other countries for our R&D and operations. With such independent R&D center, an experienced and independent R&D team and self-owned patents, our Group has all the requisite resources to carry on our R&D process independently.

Customers, sales and marketing/distribution

We have our independent sales and marketing teams. Members of our marketing team were recruited by our Group independently.

There is no cross-selling between our Controlling Shareholders (including their respective close associates) and our Group. We do not rely on our Controlling Shareholders and their respective close associates as a source of its sales and we do not sell our products through our Controlling Shareholders and their respective close associates.

Both our Controlling Shareholders (including their respective close associates) and our Group adopt a sales model through the appointment of distributors, in line with the industry norm. For the

three years ended December 31, 2021, our Group had 79, 60 and 20 distributors, respectively, out of which 13, 18 and 13 were overlapping distributors with the MicroPort Group. There is no reliance of our Group on the overlapping distributors, having taken into account, (i) the total transaction amount to the overlapping distributors accounted for approximately 11.0%, 33.1% and 39.3% of our total sales for the three years ended December 31, 2021, respectively; (ii) these overlapping distributors were selected by our Group and the MicroPort Group independently; (iii) the sales of the MicroPort Group and our Group through the overlapping distributors are not bundled with each other and are not irreplaceable; and (iv) our Group may appoint other distributors offering comparable quality and standard of services with similar terms through selection process.

The distribution of medical devices in the PRC is generally carried out by national platforms distributors which carry a comprehensive range of medical devices and products with nationwide coverage, and regional distributors which carry a smaller range of products with focus on specific regions. We shifted our strategy from distributing our products through regional distributors to distributing through large scale and reputable platform distributors with sufficient capital resources, strong logistics capacity and nationwide coverage. These overlapping large scale and reputable platform distributors are equipped with strong capital strength, professional experience and efficient supply chain and logistics, and are qualified to distribute medical devices used to treat various diseases (including the products of the MicroPort Group and our products). The shift of distribution strategy is also in line with our business expansion during the Track Record Period. The number of our commercialized products increased from five in 2019, to eight in 2020 and further to nine in 2021.

Among the 13, 18 and 13 overlapping distributors, 3, 5 and 4 are large-scale and reputable platform distributors and the transaction amount to these overlapping large-scale and reputable platform distributors accounted for approximately 78.3%, 94.2% and 92.1% of the total transaction amount to the overlapping distributors for the three years ended December 31, 2021, respectively. The transaction amount from our Group to each of these overlapping large-scale and reputable platform distributors only accounts for a small proportion of their respective total sales amount. Set out below are the items distributed through the overlapping distributors.

Hemorrhagic Stroke Therapeutic Products

For the three years ended December 31, 2021, we had 4, 14 and 12 overlapping distributors, respectively, engaged in distribution of our hemorrhagic stroke therapeutic products, including *NUMEN*, *NUMEN FR*, *Tubridge* and *Willis*. Such transactions accounted for approximately 78.9%, 43.6% and 47.3% of our total sales through overlapping distributors for the three years ended December 31, 2021, respectively.

Cerebral Atherosclerotic Stenosis Products

For the three years ended December 31, 2021, we had 4, 4 and 6 overlapping distributors, respectively, engaged in distribution of our cerebral atherosclerotic stenosis products, including *APOLLO* and *Bridge*. Such transactions accounted for approximately 5.0%, 8.5% and 22.3% of our total sales through overlapping distributors for the three years ended December 31, 2021, respectively.

Access Products

For the three years ended December 31, 2021, we had 6, 5 and 9 overlapping distributors, respectively, engaged in distribution of our access products, including Asahi guidewires, *Fastrack* and

U-track. Such transactions accounted for approximately 16.1%, 47.8% and 30.4%, respectively, of our total sales through overlapping distributors for the three years ended December 31, 2021, respectively.

While the products of the MicroPort Group and our Group have overlapping customers, our products form a totally different market segment from the MicroPort Group's products. Given that the medical devices are used to treat different diseases and there are differences in the nature and applications of the products in different departments of the hospitals, the MicroPort Group and our Group have different requirements for distributors. We negotiate our engagement terms, and enter into agreements with the distributors independently from the MicroPort Group. The sales agreements of the MicroPort Group and our Group are not bundled together, and neither the MicroPort Group nor our Group will generate any benefits by virtue of the sales of the other to the overlapping customers.

Production

We have our own production facilities, which are different from and not interchangeable with the production facilities of our Controlling Shareholders and their respective associates. We have our own production team dedicated to our production and operating process. The production facilities are operated by our own production team and we do not rely on our Controlling Shareholders and their respective close associates for our production.

Suppliers/ procurement

We procure parts and materials used in R&D and manufacturing independently. We have a separate procurement team and run our election and procurement process independently from our Controlling Shareholders and their respective close associates. There are overlapping suppliers between our Group and our Controlling Shareholders and their respective close associates. For the three years ended December 31, 2021, we had 69, 130 and 113 overlapping suppliers with the MicroPort Group, respectively. The total transaction amount for the overlapping suppliers accounted for approximately 31.1%, 69.3% and 39.4%, respectively, of our Group's total procurement amount for the corresponding periods. These overlapping suppliers were selected by our Group and the MicroPort Group independently. Due to the following reasons, our Directors are of the view that procurement from overlapping suppliers does not result in any reliance on our Controlling Shareholders and their respective close associates:

(a) we have full discretion to select our suppliers, and all the transactions between our Group and the overlapping suppliers are negotiated independently from our Controlling Shareholders and their respective close associates;

(b) most of the overlapping suppliers were suppliers of raw materials (including some low-value raw materials) such as coils, tubes and other standard parts. For the three years ended December 31, 2021, we had 67, 102 and 77 overlapping suppliers for the procurement of raw materials and standard parts and such transactions accounted for approximately 99.8%, 90.2% and 38.5%, respectively, of our total procurement amount from our overlapping suppliers with the MicroPort Group. The majority of these overlapping suppliers are reputable suppliers, which are professional and provide sufficient quality assurance in the industry and the purchases from the overlapping suppliers were

made after considering the product quality and service quality based on their track record with our Group. Asahi Intecc (one of our major suppliers) became one of the overlapping suppliers as MicroPort Endovascular made an one-off procurement from Asahi Intecc at a transaction amount of US$1,400 in 2020, which led to the increase in the procurement amount of key materials and standard parts from overlapping suppliers in 2020. Except for 2020, the majority of the raw materials and standard parts procured from the overlapping suppliers are materials and parts for non-key and peripheral supporting functions for our business for the three years ended December 31, 2021, and are readily available from alternative suppliers in the market at comparable prices, quality and terms as the overlapping suppliers;

(c) the remaining overlapping suppliers mainly provide general parts for localized production (including plant construction and decoration) and common non-medical equipment automation parts (including laser welding machine and braiding machine). We commenced the construction of our new production facilities with a total GFA of approximately 7,000 sq.m. in 2021 to expand our production capacity. Since the supplier candidates of construction and decoration materials in the supplier list of the MicroPort Group have already passed its strict selection process and are believed to be able to supply high quality products at competitive prices, we consider it commercially sensible and time-efficient to collect quotes from them and compare with the terms offered by other supplier candidates, which led to an increase in the one-off or piecemeal procurement of construction and decoration materials and parts from overlapping suppliers in 2021. The majority of these overlapping suppliers are reputable suppliers, which are professional and provide sufficient quality assurance in the industry;

(d) the purchase agreements for the parts and materials in R&D and production of our Group and our Controlling Shareholders and their respective close associates are not bundled together. We do not have packaged deal with our Controlling Shareholders and/or their respective close associates in procurement, or vice versa;

(e) while the types of materials supplied by the overlapping suppliers to our Controlling Shareholders and their respective close associates are similar to those supplied to our Group, they differ in their specifications and usage. The raw materials such as polymeric materials and wires procured by our Group normally have smaller specifications and are used in R&D and production of our products that are of different nature and have different applications from those of our Controlling Shareholders and their respective close associates; and

(f) the procurement amount from each overlapping supplier is relatively low. For the three years ended December 31, 2021, the transaction amount with the single largest overlapping supplier accounted for approximately 4.9%, 31.4% and 10.2%, respectively, of our Group's total procurement amount for the corresponding periods. The increase in 2020 was due to Asahi Intecc (one of our major suppliers) became one of the overlapping suppliers and MicroPort Endovascular made an one-off procurement from Asahi Intecc at a transaction amount of US$1,400 that year. The transaction amount with the second largest overlapping supplier accounted for approximately 7.7% of our Group's total

procurement amount for the year ended December 31, 2020. The increase in 2021 as compared to 2019 was due to the commencement of the construction of our new production facilities in 2021 for the purpose of expanding our production capacity and the procurement of certain construction and decoration services from a reputable overlapping supplier. The relatively low supplier concentration minimizes the risk that may be caused by potential change of any single supplier.

Administrative Support

We have independent R&D center and production facilities, full-time management team and staff to carry out our own administration and operation independent from our Controlling Shareholders and their respective close associates. Save for the administrative support services as set out in the section headed "Connected Transactions—(B) Continuing Connected Transactions subject to the Reporting, Annual Review and Announcement Requirements but exempt from Circular and Independent Shareholders' Approval Requirement", all key administrative functions will be carried out by our own team without reliance or the support of our Controlling Shareholders and their respective close associates.

Continuing connected transactions with our Controlling Shareholders

The section headed "Connected Transactions" in this document sets out the continuing connected transactions between our Group and our Controlling Shareholders or their associates which will continue after the completion of the **[REDACTED]**. The terms of all such transactions will be determined after arm's length negotiations and on normal commercial terms. Accordingly, such continuing connected transactions are not expected to affect our operational independence as a whole.

Financial Independence

As of the Latest Practicable Date, our Group did not have any outstanding loans, advances or balances of non-trade nature due to or from our Controlling Shareholders or their respective close associates or financial assistance arrangement with our Controlling Shareholders or their respective close associates, and our Group had not provided any guarantee in respect of any loans of our Controlling Shareholders and their respective close associates and vice versa.

In addition, we have our own internal control and accounting systems, accounting and finance department, independent treasury function for cash receipts and payment and independent access to third party financing. Accordingly, we believe we are able to maintain financial independence from our Controlling Shareholders and their respective close associates.

CORPORATE GOVERNANCE MEASURES

Each of our Controlling Shareholders has confirmed that it fully comprehends its obligations to act in our Shareholders' best interests as a whole. Our Directors believe that there are adequate corporate governance measures in place to manage existing and potential conflicts of interest. In order to further avoid potential conflicts of interest, we have implemented the following measures:

(a) as part of our preparation for the **[REDACTED]**, we have amended our Articles of Association to comply with the Listing Rules. In particular, our Articles of Association provided that,

unless otherwise provided, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his/her associates have a material interest nor shall such Director be counted in the quorum present at the meeting;

(b) a Director with material interests shall make full disclosure in respect of matters that may have conflict or potentially conflict with any of our interest and abstain from the board meetings on matters in which such Director or his/her associates have a material interest, unless the attendance or participation of such Director at such meeting of the Board is specifically requested by a majority of the independent non-executive Directors;

(c) we are committed that our Board should include a balanced composition of executive Directors, non-executive Directors and independent non-executive Directors. We have appointed independent non-executive Directors and we believe our independent non-executive Directors possess sufficient experience and they are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial, external opinion to protect the interests of our public Shareholders. For details of our independent non-executive Directors, please refer to "Directors and Senior Management—Board of Directors—Independent non-executive Directors" in this document;

(d) we have appointed Somerley Capital Limited as our compliance advisor, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to Directors' duties and corporate governance; and

(e) as required by the Listing Rules, our independent non-executive Directors shall review any continuing connected transactions annually and confirm in our annual report that such transactions have been entered into in our ordinary and usual course of business, are either on normal commercial terms or on terms no less favorable to us than those available to or from independent third parties and on terms that are fair and reasonable and in the interests of our Shareholders as a whole.

OVERVIEW

Pursuant to Chapter 14A of the Listing Rules, the directors, substantial shareholders and chief executive of our Company and our subsidiaries (other than the directors, substantial shareholders and chief executive of our insignificant subsidiaries), any person who was a director of our Company or our subsidiaries within 12 months preceding the **[REDACTED]** and any of their respective associates will be connected persons of our Company upon **[REDACTED]**.

Our Group [has entered into] certain continuing transactions with our connected persons in our ordinary and usual course of business. Upon completion of the **[REDACTED]**, the transactions disclosed in this section will constitute continuing connected transactions under Chapter 14A of the Listing Rules.

(A) CONTINUING CONNECTED TRANSACTION FULLY EXEMPT FROM THE REPORTING, ANNUAL REVIEW, ANNOUNCEMENT, CIRCULAR AND INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS

Trademark Licensing

On September 26, 2021, MP NeuroTech Shanghai, our principal operating subsidiary, entered into a master trademark licensing agreement (the "**Master Trademark Licensing Agreement**") with Shanghai MicroPort Medical, pursuant to which Shanghai MicroPort Medical agreed to grant our Group a license to use certain "MicroPort" series of trademarks registered in the PRC (the "**Licensed Trademarks**"), either exclusively or non-exclusively, on a royalty-free basis for a perpetual term commencing on January 1, 2021, which is subject to the renewal of the licensed trademarks. The Licensed Trademarks, details of which are set out in "Statutory and General Information—B. Further Information about Our Business—2. Intellectual Property Rights—(a) Trademarks" in Appendix IV to this document, contain "微創" and "MicroPort" word and graphic trademarks registered in the PRC which are not assignable since such marks under the "MicroPort" brand are continuously used by the members of the MicroPort Group as well.

We believe that entering into the Master Trademark Licensing Agreement with a term of more than three years can ensure the stability of our operations and is beneficial to us and our Shareholders as a whole. The Joint Sponsors are of the view that it is normal business practice for agreements of this type to be of such duration.

Shanghai MicroPort Medical is a wholly owned subsidiary of MicroPort, one of our Controlling Shareholders, and therefore a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transactions under the Master Trademark Licensing Agreement will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon the **[REDACTED]**.

As the right to use the licensed trademarks is granted to us on a royalty-free basis, the transactions under the Master Trademark Licensing Agreement will be within the de minimis threshold provided under Rule 14A.76 of the Listing Rules and will be exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

(B) CONTINUING CONNECTED TRANSACTIONS SUBJECT TO THE REPORTING, ANNUAL REVIEW AND ANNOUNCEMENT REQUIREMENTS BUT EXEMPT FROM CIRCULAR AND INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENT

1. Procurement of Property Management Services

On [●], MP NeuroTech Shanghai [entered into] a master property management services agreement with MicroPort Sinica (the "**Master Property Management Services Agreement**"), pursuant to which MicroPort Sinica agreed to provide property management services to our Group, including but not limited to management and maintenance of communal buildings and public usage facilities (the "**Property Management Services**") for our office and production area (the "**Property**"). The Master Property Management Services Agreement has a term commencing from the **[REDACTED]** until December 31, 2023.

As a result of the recent relocation of the offices and production facilities of our Group in the PRC, property management services for such premises are required. The entering into of the Master Property Management Services Agreement can ensure a safe, comfortable and tailored working environment for the employees of our Group. Our Directors (including the independent non-executive Directors) are of the view that the terms of the Master Property Management Services Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better and are conducted in the ordinary and usual course of our business and in the interests of our Company and our Shareholders as a whole.

As the procurement of the Property Management Services commenced on January 1, 2022, there is no historical transaction amount in respect of the Property Management Services paid by MP NeuroTech Shanghai to MicroPort Sinica for each of the three years ended December 31, 2021.

The fees to be charged for the Property Management Services will be determined with reference to the prevailing market price, which shall be taken into account (i) the nature, area, age, infrastructure features, geographical location and neighborhood profile of the Property; (ii) the scope of the Property Management Services; and (iii) the anticipated operational costs including but not limited to labor costs, administrative costs and costs of materials. The aforesaid pricing policies would be comparable to and no less favorable than those that may be offered by other independent third-party service providers.

It is estimated that the maximum transaction amounts in relation to the procurement of the Property Management Services for each of the two years ending December 31, 2023 will not exceed RMB1.40 million and RMB1.40 million, respectively.

The following factors were considered in arriving at the above annual caps:

- the nature, area, age, infrastructure features, geographical location and neighborhood profile of the Property
- the scope of the Property Management Services; and
- the costs of the Property Management Services (primarily labor costs, administrative costs and costs of materials).

MicroPort Sinica is a wholly owned subsidiary of MicroPort, one of our Controlling Shareholders, and therefore a connected person of our Company for the purpose of the Listing Rules. Accordingly, the

transactions under the Master Property Management Services Agreement will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon the **[REDACTED]**.

Since one or more of the applicable percentage ratios under the Listing Rules in respect of the annual caps under the Master Property Management Services Agreement is expected to be more than 0.1% but less than 5% on an annual basis, the transactions under the Master Property Management Services Agreement constitute continuing connected transactions for our Company which are subject to the reporting, annual review and announcement requirements but exempt from circular and independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

2. Procurement of Catering Services

On [●], MP NeuroTech Shanghai [entered into] a master catering services agreement with MicroPort Sinica (the "**Master Catering Services Agreement**"), pursuant to which MicroPort Sinica and its subsidiaries agreed to provide or procure the provision of catering services to our Group, including but not limited to provision of (i) daily meals for our employees; and (ii) catering services for conferences and business meals (the "**Catering Services**"). The Master Catering Services Agreement has a term commencing from the **[REDACTED]** until December 31, 2023.

The entering into of the Master Catering Services Agreement is favorable to our Company as conducting the transactions thereunder will be conducive to reducing our Group's operating costs and to obtaining convenient and quality services for our Group. Meanwhile, it could provide quality food and beverage services for our employees as part of their benefit package and to ensure quality food to be offered to the guests of our Group during its business functions. Our Directors (including the independent non-executive Directors) are of the view that the terms of the Master Catering Services Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better and are conducted in the ordinary and usual course of our business and in the interests of our Company and our Shareholders as a whole.

As the procurement of the Catering Services commenced on January 1, 2022, there is no historical transaction amount in respect of the Catering Services paid by MP NeuroTech Shanghai to MicroPort Sinica for each of the three years ended December 31, 2021.

The fees to be charged for the Catering Services will be determined with reference to the prevailing market price, which shall be taken into account (i) the estimated number of our employees; (ii) the scope of the Catering Services; and (iii) the costs such as the labor costs and costs of materials. The aforesaid pricing policies would be comparable to and no less favorable than those that may be offered by other independent third-party service providers.

It is estimated that the maximum transaction amounts in relation to the procurement of the Catering Services for each of the two years ending December 31, 2023 will not exceed RMB2.1 million and RMB3.0 million, respectively.

The following factors were considered in arriving at the above annual caps:

- the estimated increase in number of our employees;
- the scope of the Catering Services; and
- the Catering Services costs (primarily labor costs and costs of materials).

MicroPort Sinica is a wholly owned subsidiary of MicroPort, one of our Controlling Shareholders, and therefore a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transactions under the Master Catering Services Agreement will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon the **[REDACTED]**.

Since one or more of the applicable percentage ratios under the Listing Rules in respect of the annual caps under the Master Catering Services Agreement is expected to be more than 0.1% but less than 5% on an annual basis, the transactions under the Master Catering Services Agreement constitute continuing connected transactions for our Company which are subject to the reporting, annual review and announcement requirements but exempt from circular and independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

3. Procurement of Supporting Services

On [●], our Company [entered into] a master supporting services procurement agreement (the "**Master Supporting Services Procurement Agreement**") with MicroPort, pursuant to which the MicroPort Group and its joint ventures and associates agreed to provide our Group certain supporting services, including but not limited to animal testing services, product testing services, simulation technical services, sterilization services and administrative support services (the "**Supporting Services**"). The Master Supporting Services Procurement Agreement has a term commencing from the **[REDACTED]** until December 31, 2023. In addition, in order to avoid leakage of our test data and/or information, as well as our sensitive business data, formulations or patent information during the provision of the Supporting Services, the Master Supporting Services Procurement Agreement contains, among others, confidentiality clauses, pursuant to which each party is required to keep all information received strictly confidential. Due to the strict implementation of information confidentiality measures, during the Track Record Period and up to the Latest Practicable Date, the procurement of the Supporting Services did not result in leakage of sensitive business data, formulas or patents of our Group.

Due to the long and close relationship between the MicroPort Group and our Group, the MicroPort Group is familiar with our specific requirements and expected deliverables, which helped to reduce communication costs, accumulate tacit knowledge of the provision of the Supporting Services and has enabled us to constantly procure the high-quality Supporting Services that met our specific requirements. As such, the entering into of the Master Supporting Services Procurement Agreement will enable us to constantly obtain the high-quality Supporting Services. Our Directors (including the independent non-executive Directors) are of the view that the terms of the Master Supporting Services Procurement Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better and are conducted in the ordinary and usual course of our business and in the interests of our Company and our Shareholders as a whole.

For each of the three years ended December 31, 2021, the transaction amounts for the procurement of the Supporting Services were approximately RMB2.4 million, RMB2.2 million and RMB3.9 million, respectively.

The fees for the Supporting Services are determined after arm's length negotiations and mainly calculated based on the unit service fee and the expected services for each type of the Supporting

Services required by our Group from MicroPort Group and its joint ventures and associates. The service fees are determined by taking into account (i) the procurement volume of each type of the Supporting Services; (ii) the prevailing market rate of similar services (having taken into account the nature, complexity and scope of the Supporting Services, the method of delivery and the anticipated operational costs including but not limited to labor costs and costs of materials used for providing the Supporting Services); and (iii) the fees charged for historical transactions of similar services. The aforesaid pricing policies would be comparable to and no less favorable than those that may be offered by other independent third-party service providers.

It is estimated that the maximum transaction amounts in relation to the procurement of the Supporting Services for each of the two years ending December 31, 2023 will not exceed RMB5.0 million and RMB3.2 million, respectively.

The following factors were considered in arriving at the above annual caps:

- the historical transaction amounts and grow trend in relation to the procurement of the Supporting Services during the Track Record Period; and
- the estimated demand for the Supporting Services for the two years ending December 31, 2023 which is primarily driven by the R&D and commercialization of our products, having taken into account our R&D schedule, registration progress and estimated production volume of our products; and
- the estimated service fee to be charged by the MicroPort Group and its joint ventures and associates, which is based on the historical service fee rate.

The expected higher annual cap for the procurement of the Supporting Services for the year ending December 31, 2022 as compared to the historical transaction amounts during the Track Record Period is primarily due to the following reasons:

- the MicroPort Group updated the calculation methodology of the fee arrangement for the supporting R&D services by including the test site usage fee, which has been charged by the MicroPort Group since December 2021; and
- our increased demand of product testing services for our newly developed products' R&D and commercialization.

The decrease in the relevant proposed annual caps is primarily due to our plans to establish our own product testing laboratory and to independently carry out product testing services going forward.

MicroPort is one of our Controlling Shareholders and therefore a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transactions under the Master Supporting Services Procurement Agreement will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon the **[REDACTED]**.

Since one or more of the applicable percentage ratios under the Listing Rules in respect of the annual caps under the Master Supporting Services Procurement Agreement is expected to be more than 0.1% but less than 5% on an annual basis, the transactions under the Master Supporting Services Procurement Agreement constitute continuing connected transactions for our Company which are

subject to the reporting, annual review and announcement requirements but exempt from circular and independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

4. Procurement of Materials

On [●], our Company [entered into] a master materials procurement agreement (the "**Master Materials Procurement Agreement**") with MicroPort, pursuant to which our Group agreed to procure from or procure through the MicroPort Group and its joint ventures and associates semi-finished products of stents and delivery systems and Rapamycin (the "**Materials**") for use in our R&D and production of our products, including *APOLLO*, *Willis* and *Bridge*. The Master Materials Procurement Agreement has a term commencing from the **[REDACTED]** until December 31, 2023.

The Materials have been produced in high and stable quality standards that meet our R&D and production requirements. As such, the entering into of the Master Materials Procurement Agreement will enable us to constantly obtain the high-quality Materials. Our Directors (including the independent non-executive Directors) are of the view that the terms of the Master Materials Procurement Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better and are conducted in the ordinary and usual course of our business and in the interests of our Company and our Shareholders as a whole.

For each of the three years ended December 31, 2021, the total transaction amounts for the procurement of the Materials were approximately RMB11.6 million, RMB8.6 million and RMB10.8 million, respectively.

The fees for the procurement of the Materials are determined after arm's length negotiations and mainly calculated based on the unit price and the procurement volume of each of the Materials. Given each of the Materials is readily available from independent third party suppliers at a comparable price, the prices for the procurement of the Materials are determined by taking into account (i) the prevailing market price of the materials of the similar specification, as well as the quality, volume, method of procurement, cost of procurement to the MicroPort Group and its joint ventures and associates (in respect of the Materials procured on our behalf); and (ii) the fees charged for historical transactions of similar materials. The aforesaid pricing policies would be comparable to and no less favorable than those that may be offered by other independent third-party suppliers.

It is estimated that the maximum transaction amounts for the procurement of the Materials for each of the two years ending December 31, 2023 will not exceed RMB7.4 million and RMB6.6 million, respectively.

The following factors were considered in arriving at the above annual caps:

- the historical transaction amounts in relation to the procurement of the Materials during the Track Record Period;
- the estimated demand for the Materials for the two years ending December 31, 2023; and
- the estimated price of the Materials to be charged by the MicroPort Group and its joint ventures and associates, which is based on the historical price.

The decrease in the relevant proposed annual caps is primarily due to the following reasons:

- we started to independently produce semi-products of the stents; and
- we plan to source delivery systems from independent suppliers at similar quality and terms to those offered by the MicroPort Group and its joint ventures and associates.

MicroPort is one of our Controlling Shareholders and therefore a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transactions under the Master Materials Procurement Agreement will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon the **[REDACTED]**.

Since one or more of the applicable percentage ratios under the Listing Rules in respect of the annual caps under the Master Materials Procurement Agreement is expected to be more than 0.1% but less than 5% on an annual basis, the transactions under the Master Materials Procurement Agreement constitute continuing connected transactions for our Company which are subject to the reporting, annual review and announcement requirements but exempt from circular and independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

5. Leasing of Properties

On [●], MP NeuroTech Shanghai [entered into] a master property lease agreement (the "**Master Property Lease Agreement**") with MicroPort, pursuant to which MP NeuroTech Shanghai agreed to lease certain premises to the MicroPort Group (the "**Premises**") for office and/or production uses. The Master Property Lease Agreement has a term commencing from the **[REDACTED]** until December 31, 2023.

The MicroPort Group leased the Premises from our Group for office and/or production uses pursuant to the previous leasing agreement. The rent has been determined by MP NeuroTech Shanghai and the MicroPort Group with reference to the prevailing market rent of comparable properties in the area where the Premises are situated and the historical rent paid by the MicroPort Group to MP NeuroTech Shanghai for the lease of the Premises. Our Directors (including the independent non-executive Directors) are of the view that the terms of the Master Property Lease Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better and are conducted in the ordinary and usual course of our business and in the interests of our Company and our Shareholders as a whole.

For each of the three years ended December 31, 2021, the transaction amounts for the lease of the Premises were nil and approximately RMB0.3 million and RMB1.1 million, respectively.

The amounts for the lease of the Premises are determined after arm's length negotiations and mainly calculated based on the monthly rent and the lease term. The rent is determined by taking into account (i) the historical transaction amounts paid to MP NeuroTech Shanghai by the MicroPort Group for the lease of the relevant Premises; and (ii) the market rent of similar premises in proximity of those leased by the MicroPort Group from MP NeuroTech Shanghai.

It is estimated that the maximum transaction amounts in relation to the lease of the Premises for each of the two years ending December 31, 2023 will not exceed RMB1.9 million and RMB1.9 million, respectively.

The following factors were considered in arriving at the above annual caps:

- the historical transaction amounts payable to MP NeuroTech Shanghai by the MicroPort Group for the lease of the relevant Premises; and
- the prevailing market rates of the Premises in the same locality with similar scale and quality.

The expected higher annual cap for the lease of the Premises for the year ending December 31, 2022 as compared to the historical transaction amounts during the Track Record Period is primarily due to the number of the Premises leased by the MicroPort Group from MP NeuroTech Shanghai increased from one in 2020 to four in 2021, with one leasing commencing in May 2021.

MicroPort is one of our Controlling Shareholders and therefore a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transactions under the Master Property Lease Agreement will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon the **[REDACTED]**.

Since one or more of the applicable percentage ratios under the Listing Rules in respect of the annual caps under the Master Property Lease Agreement is expected to be more than 0.1% but less than 5% on an annual basis, the transactions under the Master Property Lease Agreement constitute continuing connected transactions for our Company which are subject to the reporting, annual review and announcement requirements but exempt from circular and independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

(C) APPLICATION FOR WAIVER

The transactions described in "—(B) Continuing Connected Transactions subject to the Reporting, Annual Review and Announcement Requirements but exempt from Circular and Independent Shareholders' Approval Requirement" in this section constitute our continuing connected transactions under the Listing Rules, which are subject to the reporting, annual review and announcement requirements but exempt from circular and independent shareholders' approval requirement of the Listing Rules.

In respect of these continuing connected transactions, pursuant to Rule 14A.105 of the Listing Rules, we have applied for, and the Stock Exchange [has granted] us, waivers exempting us from strict compliance with the announcement requirement under Chapter 14A of the Listing Rules in respect of the continuing connected transactions as disclosed in "—(B) Continuing Connected Transactions subject to the Reporting, Annual Review and Announcement Requirements but exempt from Circular and Independent Shareholders' Approval Requirement" in this section, subject to the condition that the aggregate amounts of the continuing connected transactions for each financial year shall not exceed the relevant amounts set forth in the respective annual caps (as stated above). Apart from the announcement requirement for which waiver from strict compliance with [has been] obtained, our Company will comply at all times with the other applicable provisions under Chapter 14A of the Listing Rules in respect of these non-exempt continuing connected transactions.

If any terms of the transactions contemplated under the agreements mentioned above are altered or if our Company enters into any new agreements with any connected person in the future, we will apply for and obtain a separate waiver from the Stock Exchange.

(D) DIRECTORS' VIEWS

Our Directors (including our independent non-executive Directors) consider that all the continuing connected transactions described in "—(B) Continuing Connected Transactions subject to the Reporting, Annual Review and Announcement Requirements but exempt from Circular and Independent Shareholders' Approval Requirement" in this section have been and will be carried out: (i) in the ordinary and usual course of our business, (ii) on normal commercial terms or better; and (iii) in accordance with the respective terms that are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

Our Directors (including our independent non-executive Directors) are also of the view that the annual caps of the continuing connected transactions in "—(B) Continuing Connected Transactions subject to the Reporting, Annual Review and Announcement Requirements but exempt from Circular and Independent Shareholders' Approval Requirement" in this section are fair and reasonable and are in the interests of our Company and our Shareholders as a whole.

(E) JOINT SPONSORS' VIEW

The Joint Sponsors are of the view (i) that the continuing connected transactions described "—(B) Continuing Connected Transactions subject to the Reporting, Annual Review and Announcement Requirements but exempt from Circular and Independent Shareholders' Approval Requirement" in this section have been and will be carried out in the ordinary and usual course of our business, on normal commercial terms or better, that are fair and reasonable and in the interests of our Company and our Shareholders as a whole, and (ii) that the proposed annual caps (where applicable) of such continuing connected transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the **[REDACTED]** and assuming that the **[REDACTED]** is not exercised, the following persons will have interests and/or short positions (as applicable) in the Shares or underlying shares of our Company, which would be required to be disclosed to us and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of our Company or any other members of our Group:

		Shares held as of the date of this document immediately prior to the completion of the [REDACTED](1)		**Shares held immediately following the completion of the [REDACTED]**	
Name of Shareholder	**Nature of interest**	**Number**	**Approximate Percentage**	**Number**	**Approximate Percentage**
MP Scientific (2)	Beneficial owner	310,871,340 (L)	54.64%	**[REDACTED]** (L)	**[REDACTED]**%
MicroPort (2)	Interest of controlled corporation	310,871,340 (L)	54.64%	**[REDACTED]** (L)	**[REDACTED]**%
WE'TRON Capital (3)	Beneficial owner	60,526,500 (L)	10.64%	**[REDACTED]** (L)	**[REDACTED]**%
Maxwell Maxcare Science Foundation Limited ("**Maxwell Maxcare**") (3)(4)	Interest of controlled corporation	63,915,000 (L)	11.24%	**[REDACTED]** (L)	**[REDACTED]**%
Biolink Limited	Beneficial owner	41,996,875 (L)	7.38%	**[REDACTED]** (L)	**[REDACTED]**%
Biolink Fund Limited Partnership(5)	Interest of controlled corporation	41,996,875 (L)	7.38%	**[REDACTED]** (L)	**[REDACTED]**%
Biolink Biomedical Ltd. ("**Biolink Biomedical**")(5)(6)	Interest of controlled corporation	58,795,625 (L)	10.33%	**[REDACTED]** (L)	**[REDACTED]**%
Lion Fish Limited(5)(6)	Interest of controlled corporation	58,795,625 (L)	10.33%	**[REDACTED]** (L)	**[REDACTED]**%
Thiriving Hope Limited(5)(6)	Interest of controlled corporation	58,795,625 (L)	10.33%	**[REDACTED]** (L)	**[REDACTED]**%
Blossom Vision Limited(5)(6)	Interest of controlled corporation	58,795,625 (L)	10.33%	**[REDACTED]** (L)	**[REDACTED]**%
Suntera Corporate Trustees (Hong Kong) Limited(5)(6)	Trustee of discretionary trust	58,795,625 (L)	10.33%	**[REDACTED]** (L)	**[REDACTED]**%
Hu Yibin(5)(6)(7)	Settlor of discretionary trust and interest of controlled corporation	61,558,955 (L)	10.82%	**[REDACTED]** (L)	**[REDACTED]**%

Notes:

(1) The letter "L" denotes a long position in our Shares.

(2) MP Scientific is directly wholly owned by MicroPort. By virtue of the SFO, MicroPort is deemed to be interested in the Shares in which MP Scientific is interested.

(3) WE'TRON Capital is directly owned as to 99.99% by Maxwell Maxcare. By virtue of the SFO, Maxwell Maxcare is deemed to be interested in the Shares held by WE'TRON Capital.

(4) Maxwell Maxcare is also the sole shareholder of Miracle Medical Limited. Miracle Medical Limited held **[REDACTED]** Shares, representing approximately 0.60% and **[REDACTED]**% of our Shares in issue immediately prior to and following the completion of the **[REDACTED]** (without taking into account any Shares which may be issued pursuant to the exercise of the **[REDACTED]**), respectively. By virtue of the SFO, Maxwell Maxcare is deemed to be interested in the Shares held by Miracle Medical Limited.

(5) Each of Biolink Fund Limited Partnership (as the sole shareholder of Biolink Limited), Biolink Biomedical (as the general partner of Biolink Fund Limited Partnership), Lion Fish Limited (as the sole shareholder of Biolink Biomedical), Thiriving Hope Limited (as the sole shareholder of Lion Fish Limited), Blossom Vision Limited (as the sole shareholder of Thiriving Hope Limited), Suntera Corporate Trustees (Hong Kong) Limited (as the trustee of a discretionary trust (the "**Trust**") and the sole shareholder of Blossom Vision Limited) and Hu Yibin (the settlor of the Trust) is deemed to be interested in the Shares held by Biolink Limited by virtue of the SFO.

(6) Biolink Biomedical is also the general partner of Biolink NT Fund Limited Partnership, which is the sole shareholder of Biolink NT. As such, each of Biolink Biomedical, Lion Fish Limited, Thiriving Hope Limited, Blossom Vision Limited, Suntera Corporate Trustees (Hong Kong) Limited and Hu Yibin is deemed to be interested in the Shares held by Biolink NT by virtue of the SFO. Biolink NT held **[REDACTED]** Shares, representing approximately 2.95% and **[REDACTED]**% of our Shares in issue immediately prior to and following the completion of the **[REDACTED]** (without taking into account any Shares which may be issued pursuant to the exercise of the **[REDACTED]**), respectively.

(7) Hu Yibin holds 100% voting power in Biolink Healthcare. Biolink Healthcare held **[REDACTED]** Shares, representing approximately 0.49% and **[REDACTED]**% of our Shares in issue immediately prior to and following the completion of the [**REDACTED**] (without taking into account any Shares which may be issued pursuant to the exercise of the **[REDACTED]**), respectively. By virtue of the SFO, Hu Yibin is deemed to be interested in the Shares held by Biolink Healthcare.

If the **[REDACTED]** is fully exercised, the interest of MP Scientific, MicroPort, WE'TRON Capital, Maxwell Maxcare, Biolink Limited, Biolink Fund Limited Partnership, Biolink Biomedical, Lion Fish Limited, Thiriving Hope Limited, Blossom Vision Limited, Suntera Corporate Trustees (Hong Kong) Limited and Hu Yibin in our Shares will be approximately **[REDACTED]**%, **[REDACTED]**%, **[REDACTED]**%, **[REDACTED]**%, **[REDACTED]**%, **[REDACTED]**%, **[REDACTED]**%, **[REDACTED]**%, **[REDACTED]**% and **[REDACTED]**%, respectively.

Save as disclosed above and the section headed "Statutory and General Information—C. Further Information about Our Directors and Substantial Shareholders—3. Disclosure of interests" in Appendix IV to this document, our Directors are not aware of any person who will, immediately following completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised), have beneficial interests or short positions in any Shares or underlying Shares, which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly interested in 10% or more of the issued voting shares of any member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

The following is a description of the authorized and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately following the completion of the Share Subdivision and the **[REDACTED]** (assuming the **[REDACTED]** is not exercised):

		Nominal value (US$)
Authorized share capital:		
2,500,000,000	Shares of US$[0.00002] each	[50,000]
Issued and to be issued, fully paid or credited as fully paid:		
461,397,840	Shares in issue as of the date of this document	[9,227.9568]
[107,560,260]	Series A Preferred Shares to be converted to Shares on a one-for-one basis	[2,151.2052]
[REDACTED]	Shares to be issued under the **[REDACTED]**	**[REDACTED]**
[REDACTED]	**Total**	**[REDACTED]**

ASSUMPTIONS

The above table assumes that the **[REDACTED]** becomes unconditional and the issue of Shares pursuant to the **[REDACTED]** are made. It takes no account of any Shares which may be issued pursuant to the exercise of the **[REDACTED]** or any Shares that may be issued or repurchased by our Company pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

RANKING

The **[REDACTED]** will rank *pari passu* in all respects with all Shares currently in issue or to be issued as mentioned in this document, and will qualify and rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this document.

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS ARE REQUIRED

Our Company will have only one class of Shares upon completion of the **[REDACTED]**, namely ordinary shares, and each ranks *pari passu* with the other Shares.

Pursuant to the Cayman Companies Act and the terms of the Memorandum of Association and Articles of Association, our Company may from time to time by ordinary resolution of Shareholders (i) increase our capital; (ii) consolidate and divide our capital into shares of larger amount; (iii) divide our shares into several classes; (iv) subdivide our shares into shares of smaller amount; and (v) cancel any shares which have not been taken. In addition, our Company may subject to the provisions of the Cayman Companies Act reduce its share capital or capital redemption reserve by our Shareholders passing a special resolution. See the section headed "Appendix III—Summary of the Constitution of our Company and Cayman Islands Company Law" to this document for further details.

GENERAL MANDATE TO ALLOT AND ISSUE SHARES

Subject to the **[REDACTED]** becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with a total number of issued shares of not more than the sum of:

- 20% of the total number of the Shares in issue immediately following completion of the **[REDACTED]** (excluding the Shares which may be allotted and issued pursuant to the exercise of the **[REDACTED]**); and
- the total number of Shares repurchased by us under the authority referred to in the paragraph headed "— General Mandate to Repurchase Shares" in this section.

This general mandate to issue Shares will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;
- the expiration of the period within which our Company's next annual general meeting is required by the Memorandum of Association and Articles of Association or any other applicable laws to be held; or
- the date on which it is varied or revoked by an ordinary resolution of our Shareholders passed in a general meeting.

See the section headed "Statutory and General Information—A. Further Information about our Group—4. Resolutions of the Shareholders of our Company dated [●]" in Appendix IV to this document for further details of this general mandate to allot, issue and deal with Shares.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the **[REDACTED]** becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase our own securities with nominal value of up to 10% of the total number of our Shares in issue immediately following the completion of the **[REDACTED]** (excluding the Shares which may be allotted and issued pursuant to the exercise of the **[REDACTED]**).

The repurchase mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which our Shares are **[REDACTED]** (and which are recognized by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed "Statutory and General Information—A. Further Information about our Group—5. Repurchase of our own securities" in Appendix IV to this document.

This general mandate to repurchase Shares will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or

- the expiration of the period within which our Company's next annual general meeting is required by the Memorandum of Association and Articles of Association or any other applicable laws to be held; or
- the date on which it is varied or revoked by an ordinary resolution of our Shareholders passed in a general meeting.

See the section headed "Statutory and General Information—A. Further Information about our Group—5. Repurchase of our own securities" in Appendix IV to this document for further details of the repurchase mandate.

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 a China-based 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 had, as of the Latest Practicable Date, amassed a total of 30 assets in our portfolio, including ten therapeutic products and three access products approved and commercialized in China and 17 product candidates under development. We boast a comprehensive portfolio of approved therapeutic products 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 have commercialized products covering 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. China's neuro-interventional medical device market has been dominated by internationally renowned companies. According to CIC, we are the only Chinese company among the top five players in this market in terms of revenue in 2020, with a market share of approximately 4%.

We recorded robust financial growth during the Track Record Period. Our revenue increased rapidly during the Track Record Period, which amounted to RMB183.7 million, RMB221.9 million and RMB382.8 million in 2019, 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 ten therapeutic products approved in China. 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 2,400 hospitals as of the Latest Practicable Date, among which over 1,400 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 years ended December 31, 2019, 2020 and 2021, gross profit margins of hemorrhagic stroke products and cerebral atherosclerotic stenosis products were 85.2%, 77.2% and 82.6%, respectively, and 87.7%, 88.9% and 88.0%, respectively, while gross profit margin of access products was 40.0%, 38.9% and 39.8%, respectively. During the same period, our revenue contribution from hemorrhagic stroke products increased from 43.7% in 2019 to 45.2% in 2020, and further increased to 55.9% in 2021; revenue contribution from cerebral atherosclerotic stenosis products decreased from 41.6% in 2019 to 35.5% in 2020, and further decreased to 29.5% in 2021; revenue contribution from access products increased from 14.2% in 2019 to 18.6% in 2020 but decreased to 14.2% 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, 2019, 2020 and 2021, our total research and development costs amounted to RMB38.2 million, RMB53.0 million and RMB94.1 million, accounting for 20.8%, 23.9% and 24.6% 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, 2019, 2020 and 2021, our selling and marketing expenses amounted to RMB45.2 million, RMB48.2 million and RMB69.2 million, accounting for 24.6%, 21.7% and 18.1% 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.

Preferred shares

The preferred shares issued by us are classified, on the basis of their component parts, as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Preferred shares issued by us are classified as equity if they are non-redeemable by us or redeemable only at our option, and any dividends are discretionary. Dividends on preferred shares capital classified as equity are recognized as distributions within equity.

Preferred shares are classified as financial liabilities if they are redeemable on a specific date or at the option of the shareholders (including options that are only exercisable in case of triggering events having occurred), or if dividend payments are not discretionary. The liability is recognized and measured in accordance with our policy for interest-bearing borrowings set out in Note 2(q) to the Accountants' Report set out in Appendix I to this document and accordingly dividends thereon are recognized on an accrual basis in profit or loss as part of finance costs.

Conversion features of preferred shares are classified separately as equity if the option will be settled by exchange of a fixed amount of cash or another financial asset for a fixed number of our own equity instruments. The equity component is the difference between the initial fair value of the preferred shares as a whole and the initial fair value of the liability component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

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.

When we extinguish the bonds before maturity through an early redemption or repurchase in which the original conversion privileges are unchanged, we allocate consideration paid and any transaction costs for the repurchase or redemption to the liability and equity components of the bonds at the date of such transaction. The method used in allocating is consistent with that used in the original allocation when the bonds were issued. Once the allocation is made, any resulting gain or loss relating to the liability and equity components is recognized in profit or loss and in equity, respectively.

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. The useful life of capitalized development costs is determined based on the estimated life cycle of the underlying product since its commercialization. For medical devices, the validity period of registration certificates is five years, and the validity period can be extended for another five years upon expiry. As such, the useful life of capitalized development costs is determined based on an estimated life cycle of 10 years.

Fair Value of Unlisted Equity Investments

We acquired Series C preferred shares of Rapid Medical in 2019. As at December 31, 2019 and 2020, we classified the equity investment in Rapid Medical as financial assets at FVPL in which no quoted prices in an active market exist. The fair value of the financial instruments as of December 31,

2019, which was categorized into Level 2, was determined with reference to the recent transaction price. The fair value of the financial instruments as of December 31, 2020, which was categorized into Level 3, was established by using valuation techniques, including market comparable companies and equity allocation model. Valuation techniques are certified by independent business valuers before being implemented for valuation and are calibrated to ensure that outputs reflect market conditions. Valuation models established by the valuers make the maximum use of market inputs. However, it should be noted that some inputs, such as discount for lack of marketability and possibilities under certain events, require the management team's estimates and assumptions, which are reviewed periodically and 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 investment at FVPL.

In relation to the valuation of Level 3 financial assets as of December 31, 2020, our Directors adopted the following procedures: (i) engaged independent external valuer, provided necessary financial and non-financial information so as to enable the valuer to perform valuation procedures and discussed with the valuer on relevant assumptions; (ii) carefully considered all information especially those non-market related information input, which require management team's assessments and estimates; and (iii) reviewed the valuation working papers and results prepared by the valuer. Based on the above procedures, our Directors are of the view that the value of financial assets is fair and reasonable, and the financial statements of our Group are properly prepared.

In relation to the valuation of the financial assets categorized with level 3 fair value measurements, the Joint Sponsors have conducted relevant due diligence work, including but not limited to, (i) review of relevant notes in the Accountants' Report as contained in Appendix I to this document; (ii) review of valuation report regarding investment in Rapid Medical prepared by valuer engaged by the Company; and (iii) discussed with the Company, the reporting accountants and the valuer about the key basis and assumptions for the valuation of the financial assets. Based on due diligence carried out by the Joint Sponsors, nothing has come to the attention of the Joint Sponsors that would cause them to doubt on the reasonableness of the above-mentioned Directors' view.

Details of the fair value measurement of Level 3 financial instruments, particularly the fair value hierarchy, the valuation techniques and key inputs, including the significant unobservable inputs, the sensitivity analysis and the movement of the Level 3 fair value measurements are disclosed in Note 30(e) to the Accountants' Report issued by the reporting accountants in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 "Accountants' Report on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants as set out in Appendix I to this document.

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,		
	2019	2020	2021
		RMB'000	
Revenue	183,720	221,923	382,799
Cost of sales	(37,266)	(57,140)	(84,445)
Gross profit	146,454	164,783	298,354
Other net income	6,452	11,463	25,299
Research and development costs	(38,166)	(53,037)	(94,133)
Selling and marketing expenses	(45,150)	(48,215)	(69,228)
Administrative expenses	(15,286)	(18,130)	(47,243)
Other operating costs	(200)	(1,000)	(28,320)
Profit from operations	**54,104**	**55,864**	**84,729**
Finance costs	(1,693)	(4,467)	(45,309)
Share of losses of an associate	–	–	(7,517)
Profit before tax	**52,411**	**51,397**	**31,903**
Income tax expense	(5,436)	(6,110)	(7,733)
Profit for the year and attributable to equity shareholders of the Company	**46,975**	**45,287**	**24,170**

NON-HKFRS MEASURES

To supplement our consolidated statements of profit or loss which are presented in accordance with HKFRSs, we also use adjusted net profit and adjusted net profit margin, which are not required by, or presented in accordance with, HKFRSs. The presentation of such non-HKFRS measures when shown in conjunction with the corresponding HKFRS measures facilitates a comparison of our operating performance by eliminating the impact of interest on other financial liabilities, interest on convertible bonds and **[REDACTED]** expenses and the related income tax impact. Such non-HKFRS measures allow investors to consider metrics used by our management in evaluating our performance. The use of the non-HKFRS measures has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for or superior to, an analysis of our results of operations or financial condition as reported under HKFRSs. In addition, the non-HKFRS financial measures may be defined differently from similar terms used by other companies and therefore may not be comparable to similar measures presented by other companies.

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

	For the year ended December 31,		
	2019	2020	2021
		RMB'000	
Profit for the year	**46,975**	**45,287**	**24,170**
Excluding the impacts of:			
Interest on other financial liabilities[(1)]	–	–	(19,660)
Interest on convertible bonds[(2)]	–	(2,262)	(22,875)
[REDACTED] expenses	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Income tax impact	–	–	1,131
Adjusted net profit for the year (unaudited)[(3)]	**46,975**	**47,549**	**91,912**
Net profit margin (%)	**25.6**	**20.4**	**6.3**
Adjusted net profit margin (%)[(4)]	**25.6**	**21.4**	**24.0**

Notes:

(1) Interest on other financial liabilities represents interest expense in relation to the financial liabilities of the Series A-1 Preferred Shares and the Series A-2 Preferred Shares. In November 2021, the Convertible Bonds (see note 2 below) were converted to an aggregate of 11,759,125 Series A-1 Preferred Shares. In the same month, we completed the 2021 Pre-**[REDACTED]** Investments, pursuant to which (i) we allotted 2,032,495 Series A-2 Preferred Shares to the 2021 Pre-**[REDACTED]** Investors; and (ii) MP Scientific agreed to transfer 7,720,432 ordinary shares of the Company to the 2021 Pre-**[REDACTED]** Investors, which were then reclassified and redesignated as the Series A-2 Preferred Shares. The Series A-1 Preferred Shares and the Series A-2 Preferred Shares will automatically convert into Shares upon **[REDACTED]**, at which time the other financial liability will be re-designated from liabilities to equity.

(2) Interest on convertible bonds primarily represents interest expenses arising from the Convertible Bonds. In October and December 2020, we entered into a subscription agreement and an amendment agreement, pursuant to which we issued certain convertible bonds to BioLink Limited and BioLink NT. The Convertible Bonds bore an interest rate at 4% per annum with a maturity of two years. In November 2021, the Convertible Bonds were converted to the Series A-1 Preferred Shares (see note 1 above).

(3) **[REDACTED]** expenses, interest on other financial liabilities and interest on convertible bonds are in relation to our financing activities, rather than operating activities.

(4) Representing adjusted net profit divided by revenue for the year and multiplied by 100%.

Revenue

Product Type

We generated substantially all of our revenue from sales of medical devices, which amounted to RMB182.7 million, RMB220.5 million and RMB381.4 million in 2019, 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,					
	2019		2020		2021	
	Amount	% of total	Amount	% of total	Amount	% of total
	RMB'000 (except percentages)					
Revenue from sales of medical devices						
Hemorrhagic stroke products	80,190	43.7%	100,440	45.2%	213,937	55.9%
Cerebral atherosclerotic stenosis products	76,397	41.6%	78,730	35.5%	113,018	29.5%
Access products	26,155	14.2%	41,298	18.6%	54,470	14.2%
Subtotal	182,742	99.5%	220,468	99.3%	381,425	99.6%
Rental income from operating leases	978	0.5%	1,455	0.7%	1,374	0.4%
Total	**183,720**	**100.0%**	**221,923**	**100.0%**	**382,799**	**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 2019 to 2021 at a CAGR of 63.3% 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 43.7% in 2019 to 45.2% in 2020, and further to 55.9% 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, 2019, 2020 and 2021, we recorded revenue from the sales of cerebral atherosclerotic stenosis products of RMB76.4 million, RMB78.7 million and RMB113.0 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, 2019, 2020 and 2021, we recorded revenue from the sales of access products RMB26.2 million, RMB41.3 million and RMB54.5 million, respectively. Revenue generated from sales of access products increased from 2019 to 2021 at a CAGR of 44.3%, 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 2019, 2020 and 2021, our cost of sales was RMB37.3 million, RMB57.1 million and RMB84.4 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,					
	2019		2020		2021	
	Amount	% of total	Amount	% of total	Amount	% of total
	RMB'000 (except percentages)					
Raw material costs(1)	27,874	74.8%	42,941	75.2%	55,615	65.9%
Manufacturing costs(2)	8,228	22.1%	12,307	21.5%	24,592	29.1%
Direct labor costs	1,164	3.1%	1,892	3.3%	4,238	5.0%
Total	**37,266**	**100.0%**	**57,140**	**100.0%**	**84,445**	**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 RMB146.5 million in 2019 to RMB164.8 million in 2020 and further to RMB298.4 million 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,					
	2019		2020		2021	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000 (except percentages)					
Hemorrhagic stroke products	68,332	85.2%	77,540	77.2%	176,643	82.6%
Cerebral atherosclerotic stenosis products	66,983	87.7%	69,955	88.9%	99,423	88.0%
Access products	10,464	40.0%	16,070	38.9%	21,691	39.8%
Gross profit/ gross profit margin of sales of medical devices	**145,779**	**79.8%**	**163,565**	**74.2%**	**297,757**	**78.1%**
Total gross profit/overall gross profit margin	**146,454**	**79.7%**	**164,783**	**74.3%**	**298,354**	**77.9%**

Our gross profit margin for hemorrhagic stroke products decreased from 85.2% in 2019 to 77.2% in 2020. The decrease was primarily because (i) we provided favorable price of hemorrhagic

stroke products to our certain distributors in 2019 and 2020 in view of the increased sales volume from these distributors. In 2019, we offered favorable price to two distributors of *Tubridge* and one distributor of *Willis* in view of their high sales volume, and in 2020, we offered favorable price to two distributors of *Tubridge* and three distributors of *Willis* for the same reason; and (ii) in 2020, we commenced sale of coil embolization systems, which had a lower gross profit margin, primarily due to the relatively higher costs of imported raw materials for the coil embolization system than raw material costs for flow-diverting stents and intracranial stent graft. The gross profit margin for hemorrhagic stroke products increased from 77.2% in 2020 to 82.6% in 2021. The increase was primarily due to the increase in gross profit margin of flow-diverting stents and intracranial stent graft as a result of the economies of scale.

Our gross profit margin for cerebral atherosclerotic stenosis products remained stable in 2019, 2020 and 2021.

Our gross profit margin for access products remained stable in 2019, 2020 and 2021. Our gross profit margin for access products decreased slightly from 40.0% in 2019 to 38.9% in 2020. The decrease was primarily because we offered favorable price of Asahi guidewires to our distributors in view of the increased sales volume. Our gross profit margin for access products increased slightly from 38.9% in 2020 to 39.8% in 2021.

Research and Development Costs

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,					
	2019		2020		2021	
	Amount	% of total	Amount	% of total	Amount	% of total
	(RMB'000, except for percentage)					
Staff costs	20,758	54.4%	23,366	44.0%	41,086	43.6%
Costs of materials and consumables	10,900	28.6%	18,908	35.7%	30,189	32.1%
Testing fees	273	0.7%	3,139	5.9%	8,264	8.8%
Depreciation and amortization	1,694	4.4%	1,927	3.6%	4,527	4.8%
Consulting fees	2,058	5.4%	3,747	7.1%	4,954	5.3%
Others	2,483	6.5%	1,950	3.7%	5,114	5.4%
Total	**38,166**	**100.0%**	**53,037**	**100.0%**	**94,133**	**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,					
	2019		2020		2021	
	Amount	% of total	Amount	% of total	Amount	% of total
	RMB'000 (except percentages)					
Staff costs	20,731	45.9%	23,476	48.7%	35,127	50.8%
Market development expenses	17,652	39.1%	16,881	35.0%	25,290	36.5%
Transportation and travel expenses	4,710	10.4%	5,166	10.7%	5,677	8.2%
Others	2,057	4.6%	2,692	5.6%	3,134	4.5%
Total	**45,150**	**100.0%**	**48,215**	**100.0%**	**69,228**	**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 for professional services, including legal, accounting services, valuation and recruitment services, and consulting services in relation to the Reorganization; (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,					
	2019		2020		2021	
	Amount	% of total	Amount	% of total	Amount	% of total
	RMB'000 (except percentages)					
Staff costs	9,772	63.9%	9,859	54.4%	19,910	42.1%
Depreciation and amortization expenses	2,098	13.7%	2,844	15.7%	13,135	27.8%
Consulting and service fees	1,146	7.5%	2,350	12.9%	7,017	14.9%
Office and utility expenses	605	4.0%	958	5.3%	1,481	3.1%
Tax and surcharges	910	6.0%	1,189	6.6%	2,933	6.2%
Others	755	4.9%	930	5.1%	2,767	5.9%
Total	**15,286**	**100.0%**	**18,130**	**100.0%**	**47,243**	**100.0%**

Other Operating Costs

Our other operating costs primarily consist of (i) restructuring related expenses; (ii) **[REDACTED]** expenses; and (iii) donation. We recorded other operating costs of RMB**[REDACTED]**, RMB**[REDACTED]** and RMB**[REDACTED]** for the years ended December 31, 2019, 2020 and 2021, respectively.

Finance Costs

Our finance costs primarily consist of (i) interest on convertible bonds, primarily represents interest expenses arising from the Convertible Bonds; (ii) interest on other financial liabilities, represents interest expenses in relation to the financial liabilities of the Series A-1 Preferred Shares and the Series A-2 Preferred Shares; (iii) interest on lease liabilities; (iv) interest on interest-bearing borrowings and (v) 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,		
	2019	2020	2021
		RMB'000	
Interest on the convertible bonds	–	2,262	22,875
Interest on other financial liabilities	–	–	19,660
Interest on lease liabilities	270	735	2,665
Interest on interest-bearing borrowings	1,256	978	–
Interest on loans from related parties	91	397	–
Others	76	95	109
Total	**1,693**	**4,467**	**45,309**

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 of neuro-interventional medical devices to maintain and expand our product coverage, as well as government grants for high-tech companies and intellectual property development and production. Our government grants are generally one-off in nature; (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,		
	2019	2020	2021
		RMB'000	
Fair value changes in financial instruments	–	1,230	12,098
Government grants	6,551	9,580	6,106
Interest income on financial assets carried at amortized cost	50	137	3,957
Net foreign exchange (loss)/gain	(138)	377	(160)
Net (loss)/gain on disposal of property, plant and equipment	(21)	(68)	394
Others	10	207	2,904
Total	**6,452**	**11,463**	**25,299**

Share of Losses of an Associate

Rapid Medical has been loss-making since we made investment in it. Upon the completion of our series D investment in Rapid Medical in 2021, we obtained significant influence over Rapid

Medical and recognized our investment in Rapid Medical as interests in an associate under equity method. From the completion of our series D investment in Rapid Medical to December 31, 2021, Rapid Medical incurred a loss of RMB33.7 million, and we accordingly recorded share of losses of an associate of RMB7.5 million.

Income Tax Expenses

Our income tax expenses amounted to RMB5.4 million, RMB6.1 million and RMB7.7 million in 2019, 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 10.4%, 11.9% and 24.2% in 2019, 2020 and 2021, respectively. In 2020, NeuroTech Shanghai extended its High and New Technology Enterprise certificate 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

Year Ended December 31, 2021 Compared to Year Ended December 31, 2020

Revenue

Our revenue increased by 72.5% from RMB221.9 million in 2020 to RMB382.8 million in 2021, reflecting an increase of RMB113.5 million in revenue generated from sales of our hemorrhagic stroke products; an increase of RMB34.3 million in revenue generated from sales of our cerebral atherosclerotic stenosis products and an increase of RMB13.2 million of our access products.

Revenue generated from the sales of hemorrhagic stroke products increased by 113.0% from RMB100.4 million in 2020 to RMB213.9 million 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 43.6% from RMB78.7 million in 2020 to RMB113.0 million 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 31.9% from RMB41.3 million in 2020 to RMB54.5 million 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 47.8% from RMB57.1 million in 2020 to RMB84.4 million in 2021 primarily due to an increase of RMB12.3 million in our manufacturing costs and RMB12.7 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 81.1% from RMB164.8 million in 2020 to RMB298.4 million in 2021, primarily reflecting an increase of RMB99.1 million in gross profit from sales of our hemorrhagic stroke products, an increase of RMB29.5 million in gross profit from sales of our cerebral atherosclerotic stenosis products and an increase of RMB5.6 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 74.3% in 2020 to 77.9% 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.

The gross profit margin for hemorrhagic stroke products increased from 77.2% in 2020 to 82.6% in 2021. The increase was primarily due to the increase in gross profit margin of flow-diverting stents and intracranial stent graft as a result of the economies of scale.

The gross profit margin for cerebral atherosclerotic stenosis products remained stable in 2020 and 2021.

Our gross profit margin for access products increased slightly from 38.9% in 2020 to 39.8% in 2021. The increase was primarily due to the increase in sale of our self-developed products, mainly microcatheter system and intracranial support catheter system, which in general have higher gross profit margins than Asahi guidewires that we distribute.

Research and Development Costs

Our research and development costs increased by 77.5% from RMB53.0 million in 2020 to RMB94.1 million in 2021, primarily due to an increase of RMB17.7 million in staff costs as we hired more research and development staff and an increase of RMB11.3 million in cost of materials and consumables and an increase of RMB5.1 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 RMB48.2 million in 2020 to RMB69.2 million in 2021, primarily due to an increase of RMB11.7 million in staff costs as we hired more marketing staff and an increase of RMB8.4 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.

Administrative Expenses

Our administrative expenses increased by 160.6% from RMB18.1 million in 2020 to RMB47.2 million in 2021, primarily due to an increase of RMB10.1 million in staff costs in line with our business expansion as our product portfolio continued to expand, an increase of RMB10.3 million in depreciation and amortization expenses and an increase of RMB4.7 million in consulting and service fees in relation to the Reorganization.

Other Operating Costs

Our other operating costs increased from RMB**[REDACTED]** in 2020 to RMB**[REDACTED]** in 2021, which primarily represented **[REDACTED]** expenses and restructuring-related expenses.

Finance Costs

Our finance costs increased from RMB4.5 million in 2020 to RMB45.3 million in 2021, primarily due to an increase of RMB20.6 million in interest on convertible bonds and an increase of RMB19.7 million of interest on other financial liabilities.

Other Net Income

Other net income million increased by 120.7% from RMB11.5 million in 2020 to RMB25.3 million in 2021, mainly resulting from an increase of RMB10.9 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 RMB3.5 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.

Share of Losses of an Associate

We recorded share of losses of an associate of RMB7.5 million in 2021. Upon the completion of our series D investment in Rapid Medical in 2021, we obtained significant influence over Rapid Medical and recognized our investment in Rapid Medical as interests in an associate under equity method. From the completion of our series D investment in Rapid Medical to December 31, 2021, Rapid Medical incurred a loss of RMB33.7 million, and we accordingly recorded share of losses of an associate of RMB7.5 million.

Income Tax Expense

Our income tax expense increased by 26.6% from RMB6.1 million in 2020 to RMB7.7 million in 2021, primarily due to an increase in profit before tax generated from our PRC onshore subsidiaries. Our effective income tax rate, calculated by dividing income tax expenses by profit before taxation during the same year, increased from 11.9% in 2020 to 24.2% in 2021. The increase in our effective income tax rate was mainly because our taxable profit in 2021 was primarily composed of profit recorded from our PRC onshore subsidiaries, while our taxable profit in 2020 was composed of profit recorded from both onshore and offshore subsidiaries.

Profit for the Year

For the foregoing reasons, in particular the increase in finance costs, our profit for the year decreased by 46.6% from RMB45.3 million in 2020 to RMB24.2 million 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.

The gross profit margin for hemorrhagic stroke products decreased from 85.2% in 2019 to 77.2% in 2020, primarily because (i) we provided favorable price of hemorrhagic stroke products to our certain distributors in 2020 in view of the increased sales volume from these distributors; and (ii) in 2020, we commenced sale of coil embolization system, which had lower gross profit margin, primarily due to the relatively higher costs of imported materials for the coil embolization system than costs of materials for flow-diverting stents and intracranial stent graft.

The gross profit margin for cerebral atherosclerotic stenosis products remained stable in 2019 and 2020.

The gross profit margin for access products decreased slightly from 40.0% in 2019 to 38.9% in 2020 primarily because we offered favorable price of Asahi guidewires to our distributors in view of the increased sales volume.

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.

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,		
	2019	2020	2021
		RMB'000	
Non-current assets			
Property, plant and equipment	47,348	59,485	212,238
Investment Property	14,297	13,954	13,611
Intangible assets	106,756	129,406	127,385
Interest in an associate	–	–	168,211
Financial assets measured at fair value through profit or loss	38,369	37,051	–
Deferred tax assets	3,783	4,346	7,398
Other non-current assets	2,447	1,463	27,345
Total non-current assets	**213,000**	**245,705**	**556,188**
Current assets			
Inventories	37,992	55,006	87,959
Trade and other receivables	61,525	59,406	102,908
Cash and cash equivalents	22,211	425,493	593,287
Total current assets	**121,728**	**539,905**	**784,154**
Current liabilities			
Interest-bearing borrowings	(40,548)	–	–
Convertible bonds	–	(19,202)	–
Trade and other payables	(106,474)	(62,803)	(129,666)
Contract liabilities	(622)	(2,541)	(12,403)
Lease liabilities	(3,982)	(5,952)	(27,993)
Income tax payables	–	(4,256)	(4,148)
Total current liabilities	**(151,626)**	**(94,754)**	**(174,210)**
Net current (liabilities)/assets	**(29,898)**	**445,151**	**609,944**
Total assets less current liabilities	**183,102**	**690,856**	**1,166,132**
Non-current liabilities			
Convertible bonds	–	(297,794)	–
Lease liabilities	(5,105)	(8,200)	(81,705)
Deferred income	(8,592)	(9,554)	(18,124)
Other financial liabilities	–	–	(1,237,990)
Other non-current liabilities	(1,247)	(2,426)	(3,253)
Total non-current liabilities	**(14,944)**	**(317,974)**	**(1,341,072)**
Net assets/(liabilities)	**168,158**	**372,882**	**(174,940)**

Intangible Assets

Our intangible assets primarily represent capitalized development costs. We had intangible assets of RMB106.8 million, RMB129.4 million and RMB127.4 million as of December 31, 2019, 2020 and 2021, respectively. The increase in the carrying amount of our intangible assets from 2019 to 2020 was primarily due to an increase in capitalized development costs relating to our development activities. Our intangible assets decreased slightly from RMB129.4 million as of December 31, 2020 RMB127.4 million as of December 31, 2021.

Impairment test in relation to capitalized development costs

We capitalized development costs that are not yet available for use and test the capitalized development costs annually based on the recoverable amount of each individual asset at product level.

As of December 31, 2019, the capitalized development costs that were not yet available for use included *NUMEN*, *NUMEN FR*, *Bridge* and *Neurohawk*. In 2020, *NUMEN, NUMEN FR* and *Bridge* were approved by NMPA and commenced commercialization in the PRC. As a result, the capitalized development costs that were not yet available for use as of December 31, 2020 and 2021 only included capitalized development costs for *Neurohawk*.

The recoverable amount of each aforementioned product was determined based on value-in-use method, which adopted the multi-period excess earnings method.

The cash flow projections are based on the financial budgets approved by the Directors. Revenue forecasts are based on the management's expectations of the timing of the commercialization, productivity and market size of related products. Our management estimates that the relevant products will have a 10-year useful life commencing from the approval for commercialization with higher rates of revenue growth in the earlier years and declining revenue during the remaining years of the estimated useful life. The discount rates used are pre-tax and reflect specific risks relating to the relevant products.

The key assumptions used for recoverable amount calculations of each individual asset are as follows:

	As of December 31, 2019
***NUMEN and NUMEN FR*[(i)]**	
Revenue from commercialization to peak sales (% annualized compound growth rate)	22%
Revenue for the remaining useful life (% annualized compound growth rate)	-35%
Pre-tax discount rate	28.8%

	As of December 31, 2019
***Bridge*[(i)]**	
Revenue from commercialization to peak sales (% annualized compound growth rate)	29%
Revenue for the remaining useful life (% annualized compound growth rate)	-16%
Pre-tax discount rate	28.6%

	As of December 31,		
	2019	2020	2021
***Neurohawk*[(ii)]**			
Revenue from commercialization to peak sales (% annualized compound growth rate)	27%	27%	22%
Revenue for the remaining useful life (% annualized compound growth rate)	-23%	-23%	-29%
Pre-tax discount rate	28.5%	29.1%	29.8%

Notes:

(i) As of December 31, 2020 and 2021, we did not identify any impairment indicators for *NUMEN, NUMEN FR* and *Bridge* by reviewing internal and external sources of information in accordance with our accounting policies. Consequently, no impairment assessment for *NUMEN, NUMEN FR* and *Bridge* as of December 31, 2020 and 2021 was performed.

(ii) *Neurohawk* was approved by the NMPA in February 2022.

Impact of possible changes in key assumptions

The recoverable amount of *NUMEN* and *NUMEN FR* is estimated to exceed its carrying amount as of December 31, 2019 by approximately RMB73 million. The recoverable amount of *Bridge* is estimated to exceed its carrying amount as of December 31, 2019 by approximately RMB27 million. The recoverable amount of *Neurohawk* is estimated to exceed its carrying amount as of December 31, 2019, 2020 and 2021 by approximately RMB19 million, RMB19 million and RMB7 million, respectively. Considering there was sufficient headroom based on assessment, our Directors do not believe that a reasonably potential change in key assumptions would cause the carrying amount of each individual asset to exceed its respective recoverable amount.

The recoverable amount of each individual asset would equal its carrying amount, if its key assumption was to change as follows with all other variables remain unchanged:

	As of December 31, 2019
NUMEN and NUMEN FR	
Revenue from commercialization to peak sales (% annualized compound growth rate)	10%
Revenue for the remaining useful life (% annualized compound growth rate)	-44%
Pre-tax discount rate	61.6%

	As of December 31, 2019
Bridge	
Revenue from commercialization to peak sales (% annualized compound growth rate)	2%
Revenue for the remaining useful life (% annualized compound growth rate)	-44%
Pre-tax discount rate	56.4%

	As of December 31,		
	2019	2020	2021
Neurohawk			
Revenue from commercialization to peak sales (% annualized compound growth rate)	19%	21%	21%
Revenue for the remaining useful life (% annualized compound growth rate)	-31%	-29%	-31%
Pre-tax discount rate	43.0%	42.0%	35.4%

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

Our financial assets at FVPL and interest in an associate both represent our investments in Rapid Medical. In April 2019, we acquired 1,495,378 series C preferred shares of Rapid Medical, representing approximately 11.85% of interests in it. We recorded this investment as financial assets at FVPL with a fair value of RMB38.4 million and RMB37.1 million as of December 31, 2019 and 2020, respectively. There was no material change in the fair value of our investment in series C preferred shares of Rapid Medical between December 31, 2019 and 2020. In April 2021, we acquired 2,987,349 series D preferred shares of Rapid Medical. Upon the completion of the transaction, we held approximately 22.28% of interest in Rapid Medical and became the largest shareholder of Rapid Medical. We also appointed one director in the board of Rapid Medical. As a result, we believe we have significant influence over Rapid Medical, and as such, Rapid Medical became our associate measured under equity method. The value of our investments in Rapid Medical in the consolidated financial position increased from RMB37.1 million as of December 31, 2020 recognized as financial assets at FVPL to RMB168.2 million as of December 31, 2021 recognized as interest in an associate, primarily due to (i) an increase in our investment in series D preferred shares of Rapid Medical; (ii) an increase in the fair value of our previous investment in series C preferred shares of Rapid Medical.

We assess whether there is any objective evidence that our interest in an associate is impaired at the end of each reporting period by considering the associate's business development process, if there is any significant financial difficulty of the associate, default or bankruptcy encountered by the associate, and adverse change in technology, economic and legal environment. We did not make any

provision for impairment on our interest in Rapid Medical, because (i) we believe there was no major change in the fair value of our investments in Rapid Medical due to the proximity in time between the closing of series D preferred share investment and the measurement of our investment in Rapid Medical; and (ii) there was no material adverse change in the operation and financial performance of Rapid Medical that could lead to provision for impairment. When we made investment in Rapid Medical, we expected to incur a share of losses from it in 2021 and 2022. To the best of our Directors' knowledge, Rapid Medical achieved better financial performance beyond its planned financial target in 2021. Based on Rapid Medical's business development process and its steady financial condition, we did not identify any indicator of impairment as of December 31, 2021, and as such, no impairment was provided in the consolidated statements of profit or loss of the Group as of the same date.

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,		
	2019	2020	2021
		RMB'000	
Raw materials	11,690	19,245	35,639
Work in progress	7,338	8,943	15,675
Finished goods	18,964	26,818	36,645
Total	**37,992**	**55,006**	**87,959**
Inventory turnover days(1)	256	297	309
Finished goods turnover days(2)	116	146	137

Notes:

(1) The inventories turnover days are calculated by dividing the arithmetic mean of the opening and ending balance of inventories in that year by cost of sales for the corresponding year and then multiplying by 365 days.

(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 by cost of sales for the corresponding year and then multiplying by 365 days.

Our inventory increased from RMB38.0 million as of December 31, 2019 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 RMB88.0 million as of December 31, 2021 primarily due to an increase of RMB16.4 million in raw materials and RMB9.8 million increase in finished goods. The increase in finished goods was from (i) an increase in procurement of Asahi guidewires to support the continuous growing sales, and (ii) an increase in hemorrhagic stroke products from its mass production. In 2019, 2020 and 2021, we recorded write-down of inventories of RMB2.9 million, RMB3.8 million and RMB1.6 million, respectively.

Our inventory turnover days were 256, 297 and 309 for the years ended December 31, 2019, 2020 and 2021, respectively. The turnover days for our finished goods were 116, 146 and 137 for the years ended December 31, 2019, 2020 and 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. The increase of our finished goods turnover days from 2019 to 2020 was primarily due to the general increase in our inventory level of finished goods to support an increase in our sales volume of Asahi guidewires and promotion of hemorrhagic stroke products. Our inventory turnover days for finished goods remained relatively stable in 2021, primarily as our sales of Asahi guidewires and hemorrhagic stroke products continued to grow.

We are of the view that our inventories are mostly moving items that are suitable for sale. We regularly monitor inventory level for slow moving and obsolete items to reduce the risk of overstocking. We also sell products on a first-in-first-out basis to reduce the risk of expiration. In addition, our products generally have a shelf life of approximately two to three years. As of December 31, 2021, our inventories were primarily aged less than one year, less than our products' general shelf life. In 2019, 2020 and 2021, our overall inventory turnover days were 256 days, 297 days and 309 days, respectively, and our finished goods turnover days were 116 days, 146 days and 137 days, respectively. Our settlement progress may be relatively slow in the first two months of a year, as sales and marketing activities may slow down slightly during the Chinese New Year holiday. But overall our settlement progress of total inventories and finished goods are generally in line with the overall inventory turnover days and finished goods turnover days. For the foregoing reasons, we believe that there is no recoverability issue for our inventories.

As of April 30, 2022, RMB25.9 million, or 29.5% of our total inventories as of December 31, 2021, which consisted of raw materials, work-in-progress and finished goods, had been subsequently consumed or sold. As of April 30, 2022, RMB22.2 million, or 60.7% of our total finished goods as of December 31, 2021, had been subsequently 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 recoverable. 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,		
	2019	2020	2021
		RMB'000	
Amounts due from related parties in connection with the Restructuring	–	–	66,669
Deposit and prepayment	12,077	14,905	31,248
Trade receivables	46,339	42,170	1,066
Other debtors	2,946	2,331	3,925
Income tax recoverable	163	–	–
Total	**61,525**	**59,406**	**102,908**
Trade receivable turnover days[(1)]	78	73	21

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 by revenue for the corresponding year and then multiplying by 365 days.

Trade and other receivables decreased from RMB61.5 million in 2019 to RMB59.4 million in 2020 primarily because our trade receivables decreased by RMB41.0 million due to our enhanced collection efforts.

The increase of trade and other receivables from RMB59.4 million in 2020 to RMB102.9 million in 2021 was primarily attributable to an increase of RMB66.7 million in amounts due from related parties in connection with the Restructuring and an increase of RMB16.3 million in deposits and prepayments, partially offset by a decrease of RMB41.1 million of trade receivables because we offered a shorter credit terms to certain distributors since 2021. Our amounts due from related parties in connection with the Restructuring primarily relates to the deemed capital contribution from related parties. See Note 28(c)(ii) to the Accountants' Report set out in Appendix I for details. We expect to settle these amounts due from related parties in connection with the Restructuring prior to June 30, 2022.

Our trade receivables turnover days remained relatively stable at 78 and 73 in 2019 and 2020, respectively. The trade receivables turnover days decreased significantly to 21 days in 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,		
	2019	2020	2021
		RMB'000	
Within one month	16,834	15,723	971
1 to 3 months	28,198	26,447	–
3 to 12 months	1,110	–	95
Over 12 months	197	–	–
Total	46,339	42,170	1,066

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

As of April 30, 2022, RMB0.8 million, or 78.9% of our trade receivables as of December 31, 2021, had been settled.

Cash and Cash Equivalents

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 increased from RMB425.5 million as of December 31, 2020 to RMB593.3 million as of December 31, 2021 primarily attributable to cash generated from financing activities, primarily including capital contribution from the shareholders of the Company and 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, partially offset by net payments in connection with the Restructuring and interest paid for Convertible Bonds.

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) sales return; (v) accrued payroll; (vi) amounts due to a related party in connection with an investment; and (vii) 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,		
	2019	2020	2021
		RMB'000	
Trade payables	17,867	10,807	34,948
Other payables and accrued charges	17,328	15,094	39,349
Sales rebates	9,729	11,052	20,753
Sales return	3,932	2,788	5,326
Accrued payroll	19,249	19,736	29,290
Amounts due to a related party in connection with an investment	38,369	–	–
Other amounts due to a related party in connection with a recharge arrangement	–	3,326	–
Total	**106,474**	**62,803**	**129,666**
Trade payable turnover days[(1)]	130	92	99

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 by cost of sales for the corresponding year and then multiplying by 365 days.

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 due to related parties because our related parties enhanced collection efforts and demanded more frequent settlement of trade payables.

Our trade and other payables increased to RMB129.7 million as of December 31, 2021, primarily due to (i) an increase of RMB24.1 million in trade payables, and (ii) an increase of RMB24.3 million in other payables and accrued charges.

Our trade payables turnover days decreased from 130 days for the year ended December 31, 2019 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 99 days in 2021 primarily because of an increase of RMB24.1 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,		
	2019	2020	2021
		RMB'000	
Within one month	12,403	8,844	33,112
1 to 3 months	3,687	862	1,408
3 to 6 months	1,639	1,038	187
Over 6 months but within 1 year	51	–	65
Over 1 year	87	63	176
Total	17,867	10,807	34,948

As of April 30, 2022, RMB14.9 million, or 42.6% of our trade payables as of December 31, 2021, had been subsequently settled.

Income Tax Payable

Our income tax payable increased from nil as of December 31, 2019 to RMB4.3 million as of December 31, 2020 and increased to RMB4.1 million as of December 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 April 30,
	2019	2020	2021	2022
		RMB'000		
				(unaudited)
Current assets				
Inventories	37,992	55,006	87,959	101,393
Trade and other receivables	61,525	59,406	102,908	118,683
Cash and cash equivalents	22,211	425,493	593,287	591,889
Total current assets	**121,728**	**539,905**	**784,154**	**811,965**
Current liabilities				
Interest-bearing borrowings	(40,548)	–	–	–
Convertible bonds	–	(19,202)	–	–
Trade and other payables	(106,474)	(62,803)	(129,666)	(132,682)
Contract liabilities	(622)	(2,541)	(12,403)	(20,086)
Lease liabilities	(3,982)	(5,952)	(27,993)	(25,952)
Income tax payable	–	(4,256)	(4,148)	(2,816)
Total current liabilities	**(151,626)**	**(94,754)**	**(174,210)**	**(181,536)**
Net current (liabilities)/assets	**(29,898)**	**445,151**	**609,944**	**630,429**

We recorded net current liabilities of RMB29.9 million as of December 31, 2019 and 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 increased to RMB609.9 million as of December 31, 2021, primarily due to (i) an increase of RMB167.8 million in cash and cash equivalent; (ii) an increase of RMB43.5 million in trade and other receivables; and (iii) an increase of RMB33.0 million in inventories, partially offset by an increase of RMB66.9 million of trade and other payables and RMB22.0 million in lease liabilities.

Our net current assets increased to RMB630.4 million as of April 30, 2022, primarily due to (i) an increase of RMB13.4 million in inventories and (ii) an increase of RMB15.8 million in trade and other receivables, partially offset by an increase of RMB7.7 million of contract liabilities.

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 April 30, 2022, the latest practicable date for determining our indebtedness, we had capital resources of RMB591.9 million, which is cash and cash equivalents of RMB591.9 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,		
	2019	2020	2021
		RMB'000	
Operating cash flows before movements in working capital	64,399	68,090	103,622
Changes in working capital	(429)	(18,602)	64,677
Income tax refund	1,222	2,881	562
Income tax paid	(8,542)	(5,135)	(11,455)
Net cash flows generated from operating activities	56,650	47,234	157,406
Net cash flows used in investing activities	(49,799)	(73,037)	(186,790)
Net cash flows from financing activities	9,665	431,884	200,746
Net increase in cash and cash equivalents	16,516	406,081	171,362
Cash and cash equivalents at the beginning of year	5,695	22,211	425,493
Effect of foreign exchange rate changes	–	(2,799)	(3,568)
Cash and cash equivalents at the end of year	22,211	425,493	593,287

Operating Activities

For the year ended December 31, 2021, we had net cash flows generated from operating activities of RMB157.4 million, primarily attributable to our profit before tax of RMB31.9 million, as adjusted for non-cash and non-operating items, which primarily include (i) amortization and depreciation of RMB31.7 million; (ii) interest expenses of RMB45.2 million; and (iii) fair value changes in financial instruments of RMB12.1 million. The amount was further adjusted by positive changes in working capital of RMB64.7 million and income tax paid. The positive changes in working capital primarily included a decrease in trade and other receivables of RMB25.8 million, an increase in trade and other payables of RMB52.6 million and increase in contract liabilities of RMB9.9 million, partially offset by an increase of RMB33.0 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 RMB1.0 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 RMB35.4 million, and an increase in deferred income of RMB4.8 million.

Investing Activities

For the year ended December 31, 2021, our net cash used in investing activities was RMB186.8 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 RMB49.4 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.

Financing Activities

For the year ended December 31, 2021, our net cash generated from financing activities was RMB200.7 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 and RMB17.9 million of interest paid for convertible bonds.

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.

INDEBTEDNESS

As of December 31, 2019, 2020 and 2021 and April 30, 2022, except as disclosed in the table below, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance or other similar indebtedness, any guarantees or other material contingent liabilities. Since April 30, 2022 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 April 30,
	2019	2020	2021	2022
	(RMB'000)			*(unaudited)*
Current				
Interest-bearing borrowings	40,548	–	–	–
Convertible bonds	–	19,202	–	–
Lease liabilities	3,982	5,952	27,993	25,952
	44,530	**25,154**	**27,993**	**25,952**
Non-current				
Convertible bonds	–	297,794	–	–
Lease liabilities	5,105	8,200	81,705	74,418
Other financial liabilities	–	–	1,237,990	1,343,012
	5,105	**305,994**	**1,319,695**	**1,417,430**
Total	**49,635**	**331,148**	**1,347,688**	**1,443,382**

Interest-bearing Borrowings

Our 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, 2019, 2020 and 2021 and April 30, 2022, we recorded lease liabilities of RMB9.1 million, RMB14.2 million, RMB109.7 million and RMB100.4 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. Our lease liabilities increased significantly from RMB14.2 million as of December 31, 2020 to RMB109.7 million as of December 31, 2021, primarily because we leased additional office premise and facilities for manufacturing, research and development in Zhangjiang, Shanghai.

Convertible Bonds

As of December 31, 2020 and 2021, we recorded convertible bonds of RMB317.0 million and nil. 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—The Pre-**[REDACTED]** Investments—2021 Conversion of Convertible Bonds" and Notes 25 and 27 to the Accountants' Report set out in Appendix I in this document. As of the Latest Practicable Date, the Convertible Bonds had been fully exchanged into 11,759,125 Series A-1 Preferred Shares, which were recognized as other financial liabilities of the Group.

Other Financial Liabilities

During the Track Record Period, the Company completed the 2021 Share Allotment and Issuance, the 2021 Share Transfer and the 2021 Conversion of Convertible Bonds in November 2021. See "History, Reorganization and Corporate Structure—The Pre-**[REDACTED]** Investments". The liability component of the Series A-1 Preferred Shares and the Series A-2 Preferred Shares were classified as our other financial liabilities in the consolidated statement of financial position in accordance with HKFRSs. As a result, as of April 30, 2022, we had other financial liabilities of RMB1,343.0 million. The Series A-1 Preferred Shares and the Series A-2 Preferred Shares will automatically convert into Shares upon **[REDACTED]**.

CAPITAL EXPENDITURE

Our capital expenditure during the Track Record Period represented payments for the purchase of property, plant and equipment and intangible assets. For the years ended December 31, 2019, 2020 and 2021, our capital expenditure totaled RMB50.1 million, RMB34.1 million and RMB58.0 million, respectively. We expect our capital expenditures to increase in 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 December 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, 2019, 2020 and 2021, our capital commitments totaled RMB1.2 million, RMB14.3 million and RMB37.7 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,		
	2019	2020	2021
Gross profit margin[(1)]	79.7%	74.3%	77.9%
Net profit margin[(2)]	25.6%	20.4%	6.3%
Return on average equity[(3)]	32.6%	16.7%	24.4%
Current ratio[(4)]	0.8x	5.7x	4.5x
Quick ratio[(5)]	0.6x	5.1x	4.0x

Notes:

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

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

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

(4) 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.

Non-HKFRS Measure

	As of/for the year ended December 31,		
	2019	2020	2021
Adjusted net profit margin[1]	25.6%	21.4%	24.0%

Note:

(1) Representing adjusted net profit for the year divided by revenue for the year and multiplied by 100%. Adjusted net profit margin is a non-HKFRS measure. The HKFRS measure closest to adjusted net profit margin is net profit margin. Please refer to "—Non-HKFRS Measures" for the reconciliation of net profit to adjusted net profit and limitations of non-HKFRS measures.

Gross Profit Margin, Net Profit Margin and Adjusted Net Profit Margin

In 2019, 2020 and 2021, our gross profit margin was 79.7%, 74.3% and 77.9%, respectively. In 2019, 2020 and 2021, our net profit margin was 25.6%, 20.4% and 6.3%, respectively, and our adjusted net profit margin was 25.6%, 21.4% and 24.0%, respectively. For details, see "—Results of Operations."

Return on Average Equity

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." Our return on average equity increased from 16.7% in 2020 to 24.4% in 2021, primarily due to the increase from the net profit of RMB45.3 million in 2020 to the adjusted net profit of RMB91.9 million in 2021.

Current Ratio and Quick Ratio

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 4.5 as of December 31, 2021 and our quick ratio decreased from 5.1 as of December 31, 2020 to 4.0 as of December 31, 2021 because our current liabilities increased at a greater rate than our current assets, which primarily represented an increase of RMB66.9 million of trade and other payables because of growth of our business and production scale and an increase of RMB22.0 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 30 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.

Except for cash and cash equivalents, our financial assets measured at amortized cost are trade and other receivables (excluding prepayments for goods and property, plant and equipment), the majority of which are (i) trade receivables from the distributors, (ii) lease deposits and (iii) amounts due from related parties in connection with the Restructuring (as of December 31, 2021). As disclosed in Note 30(a) of the Accountants' Report, we have assessed that during the Relevant Periods, the expected credit losses of trade and other receivable were immaterial because (a) no trade receivables were uncollectable, and the majority of the outstanding balance of trade receivables as of December 31, 2021 were settled subsequently as of April 30, 2022; (b) lease deposits are refundable after the expiry of the leases, and no impairment of lease deposits occurred during the Track Record Period; and (c) amounts due from related parties are expected to be settled prior to June 30, 2022. Therefore, we did not recognize expected credit loss for financial assets measured at amortized cost during the Track Record Period. We will continue monitoring the credit risk from time to time.

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 30(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 30(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 30(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 30(d) in the Accountants' Report set out in Appendix I of this document.

DIVIDENDS

Our Company did not declare any dividend during the Track Record Period. In view of our net liability position as of December 31, 2021, our Company cannot declare a dividend under the Cayman Islands law, which provides that a dividend may not be paid if it would result in a company being unable to pay its debts as they fall due in the ordinary course of business.

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 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 February 2020 and May 2021, MP NeuroTech Shanghai, our subsidiary, leased out its properties to a related party and recognized rental income amounted to RMB0.3 million and RMB1.1 million for the years ended December 31, 2020 and 2021, respectively.

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 December 31, 2021, we recorded corresponding lease liabilities due to related parties in amount of RMB0.3 million and lease receivables due from a related party of RMB0.8 million.

For the above financing and leasing arrangements, there was no sharing of resources between our Group and the relevant parties during the Track Record Period. There was no cost or expenses relating to our Group's operation or capital expenditure that was borne by the relevant related parties without being recharged to our Group.

Cash Deposits Placed in a Related Party

As of December 31, 2021, we had placed cash deposits (including accrued interest) in a total amount of RMB132.3 million in Shanghai HuaRui Bank Co., Ltd. (上海華瑞銀行股份有限公司), a related party with 13.8% equity interest held by MicroPort Group, with interest rate ranged of 2.55% per annum.

Related Party Balances

	As of December 31,		
	2019	2020	2021
Amounts due from related parties			
Trade related	–	138	1,269
Non-trade related	2,848	2,274	66,744
Amounts due to related parties			
Trade related	11,621	4,893	8,348
Non-trade related	38,369	3,326	–

We expect to settle the non-trade related party balances prior to June 30, 2022.

Other Transactions

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

	Year ended December 31,		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Service fee charged by subsidiaries of MPSC	4,678	4,133	6,603
Service fee charged by an equity-accounted investee of MPSC	27	–	450
Purchase of goods from subsidiaries of MPSC	11,271	7,184	8,607
Purchase of goods from an equity-accounted investee of MPSC	289	1,428	2,239
Purchase of equipment from subsidiaries of MPSC	631	907	1,256
Transfer of an intangible asset and equipment to subsidiaries of MPSC	501	–	–
Payment on behalf of the Group by MPSC	–	6	1,793
Payments on behalf of related parties by the Group	2,392	763	481

Service fee charged by subsidiaries of MPSC primarily represents fees charged by subsidiaries of MicroPort for services including market research, animal testing, product testing services and sterilization services. The service fees are primarily paid on a quarterly basis.

Service fee charged by an equity-accounted investee of MPSC primarily represents fees charged by an equity-accounted investee of MPSC for product testing services.

Purchase of goods from subsidiaries of MPSC primarily represents purchase of raw materials, such as stents, introducer, heat shrinkable tubes, oxygen absorbers, wires and metal lining wires, from subsidiaries of MicroPort. Purchase prices are paid within 90 days after receipt of the raw materials.

Purchase of goods from an equity-accounted investee of MPSC primarily represents purchase of raw materials from an equity-accounted investee of MPSC.

Purchase of equipment from subsidiaries of MPSC primarily represents purchase of computers and manufacturing equipment from subsidiaries of MicroPort. Purchase prices are paid in advance.

Transfer of an intangible asset and equipment to subsidiaries of MPSC primarily represents transfer of software and computers to subsidiaries of MicroPort during intra-group restructuring.

Payments on behalf of related parties by the Group primarily payments for purchase of materials and equipment on behalf of Shanghai Shenyi and Shanghai ShenTai Medtech Co., Ltd. The balances are settled on a quarterly basis.

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 and with normal commercial terms between the relevant parties. The above service fee and purchase price were determined after arm's length negotiation with reference to the prevailing market rate of similar service or goods. 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 December 31, 2021, our Company did not have distributable reserves.

[REDACTED] EXPENSES

[REDACTED] expenses to be borne by us are estimated to be approximately HK$**[REDACTED]** (including **[REDACTED]**-related fees and expenses of approximately HK$**[REDACTED]**, and non-**[REDACTED]** related expenses of approximately HK$**[REDACTED]**, which consist of fees and expenses of legal advisers and accountants of approximately HK$**[REDACTED]** and other fees and expenses of approximately HK$**[REDACTED]**, assuming an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]** and that the **[REDACTED]** is not exercised. **[REDACTED]** expenses accounted for approximately **[REDACTED]**% of our gross **[REDACTED]**. Approximately HK$**[REDACTED]** is expected to be charged to our consolidated statements of profit or loss, and approximately HK$**[REDACTED]**, including **[REDACTED]** expenses directly attributable to the issue of the Shares, is expected to be accounted for as a deduction from equity upon the **[REDACTED]**. As of December 31, 2021, **[REDACTED]** expenses of RMB**[REDACTED]** 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.

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 December 31, 2021 as if the **[REDACTED]** had taken place on December 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 December 31, 2021 or any future date.

	Consolidated net tangible liabilities attributable to equity shareholders of the Company as at December 31, 2021[1]	**Estimated net [REDACTED] from the [REDACTED][2][5]**	**Estimated impact upon the conversion of the Series A-1 Preferred Shares and the Series A-2 Preferred Shares[3]**	**Unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of the Company as at December 31, 2021**	**Unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of the Company per Share[4]**	
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB**	**HK$[5]**
Based on an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]** . . .	(302,325)	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**

Notes:

(1) The consolidated net tangible liabilities attributable to equity shareholders of the Company as at December 31, 2021 is based on the consolidated net liabilities attributable to equity shareholders of the Company of RMB174,940,000 as at

December 31, 2021, less the intangible assets of RMB127,385,000, 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 **[REDACTED]** new Shares and the indicative **[REDACTED]** of HK$**[REDACTED]** per Share, after deduction of estimated **[REDACTED]** fees and other related **[REDACTED]** expenses payable by the Company (excluding **[REDACTED]** expenses of RMB**[REDACTED]** which have been accounted for prior to December 31, 2021) and does not take account of any Shares which may be issued upon the exercise of the **[REDACTED]**.

(3) The aggregated balance of the liability portion of the Series A-1 Preferred Shares and the Series A-2 Preferred Shares was RMB1,237,990,000 as of December 31, 2021 (as set out in Note 27 of Appendix I in this document). Upon the **[REDACTED]**, the Series A-1 Preferred Shares and the Series A-2 Preferred Shares will be automatically converted into ordinary shares of the Company and will be re-designated from liabilities to equity.

(4) 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 December 31, 2021, (including the completion of the conversion of the Series A-1 Preferred Shares and the Series A-2 Preferred Shares into ordinary shares of the Company) without taking into account of any Shares which may be issued upon exercise of the **[REDACTED]**.

(5) The estimated net **[REDACTED]** from the **[REDACTED]** are converted into Renminbi at a rate of HK$1 = RMB[0.85502]. 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.

(6) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to December 31, 2021.

NO MATERIAL ADVERSE CHANGE

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 December 31, 2021 (being the date on which the latest audited consolidated financial information of our Group was prepared) and there is no event since December 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.

FUTURE PLANS

For details of our future plans, see "Business—Our Strategies."

[REDACTED]

We estimate that we will receive net **[REDACTED]** of approximately HK$**[REDACTED]** after deducting the **[REDACTED]** fees and expenses payable by us in the **[REDACTED]**, assuming no exercise of the **[REDACTED]** and assuming an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]**. We intend to use the net **[REDACTED]** from the **[REDACTED]** for the following purposes:

- Approximately HK$**[REDACTED]** (representing **[REDACTED]**% of the estimated net **[REDACTED]**) will be used for the research and development of therapeutic and access products for hemorrhagic stroke, cerebral atherosclerotic stenosis and AIS. We expect to utilize **[REDACTED]**% of the estimated net **[REDACTED]** in the next two years:
  - Approximately HK$**[REDACTED]** (representing **[REDACTED]**% of the net **[REDACTED]**) will be used to offer total solutions for hemorrhagic stroke. Specifically, we will (i) develop upgraded generations of *NUMEN*, such as *NUMEN Biodegradable*; (ii) develop *Tubridge*'s next-generation product, *Tubridge Plus*, which is now in the design validation stage; and (iii) move forward with the clinical trials and registration approval process of *Rebridge*;
  - Approximately HK$**[REDACTED]** (representing **[REDACTED]**% of the net **[REDACTED]**) will be used to fund the research and development of cerebral atherosclerotic stenosis products, including preclinical studies, clinical trial and commercialization of large-size *Bridge* (*Bridge* 4.5/5.0);
  - Approximately HK$**[REDACTED]** (representing **[REDACTED]**% of the net **[REDACTED]**) will be used for research and development of AIS products to establish a comprehensive portfolio. Specifically, we will (i) develop *Neurohawk*'s next-generation, *Neurohawk 2*, with wider applicability in procedures; and (ii) increase investments in the development of aspiration catheters and balloon guiding catheters;
- Approximately HK$**[REDACTED]** (representing **[REDACTED]**% of the estimated net **[REDACTED]**) will be used for the commercialization of our products for hemorrhagic stroke, cerebral atherosclerotic stenosis and AIS. We expect to utilize **[REDACTED]**% of the estimated net **[REDACTED]** in the next two years:
  - Approximately HK$**[REDACTED]** (representing **[REDACTED]**% of the net **[REDACTED]**) will be used for the expansion of our sales and marketing team to accommodate our continuous product commercialization and regional expansion. Specifically, we plan to expand team members in our Eagle & Swallows (神雕飛燕) program to promote our products in lower-tier cities and counties;
  - Approximately HK$**[REDACTED]** (representing **[REDACTED]**% of the net **[REDACTED]**) will be used for sales and marketing activities to enhance our brand awareness and promote our new products. Specifically, we intend to (i) increase our presence in academic conferences to enhance our brand awareness; (ii) introduce our new products to key

opinion leaders to enhance product recognition; and (iii) provide training sessions to physicians for them to familiarize with our new products and practice patterns;

- Approximately HK$**[REDACTED]** (representing **[REDACTED]**% of the estimated net **[REDACTED]**) will be used for the expansion of our manufacturing facility to increase the scale of our production. We expect to utilize **[REDACTED]**% of the estimated net **[REDACTED]** in the next two years:
  - Approximately HK$**[REDACTED]** (representing **[REDACTED]**% of the net **[REDACTED]**) will be used for the expansion of the manufacturing facility in accordance with GMP standards in Zhangjiang, Shanghai, to increase our production capacity;
  - Approximately HK$**[REDACTED]** (representing **[REDACTED]**% of the net **[REDACTED]**) will be used for establishing an overseas R&D and production center in Irvine, California, the United States in accordance with FDA standard. We plan to complete its construction by 2023, obtain FDA registration by 2024 and commence production thereafter. As of the Latest Practicable Date, we did not see any material impediment in relation to the establishment of the R&D and production center. The California production center is expected to have a production capacity of up to 40,000 units per year;
- Approximately HK$**[REDACTED]** (representing **[REDACTED]**% of the estimated net **[REDACTED]**) will be used for the expansion of our global presence. We expect to utilize **[REDACTED]**% of the estimated net **[REDACTED]** in the next two years:
  - Approximately HK$**[REDACTED]** (representing **[REDACTED]**% of the net **[REDACTED]**) will be used advancing the research and development, registration approval and commercialization of our products in overseas market, including the Americas, Europe, the Middle East, Africa and Asia Pacific. We plan to establish research and development team in the United States to carry out clinical trials in the United States. We also plan to improve our product quality control system to meet the registration requirement in overseas market. To effectively commercialize our products, we will continue to expand our international sales and marketing team in overseas markets;
  - Approximately HK$**[REDACTED]** (representing **[REDACTED]**% of the net **[REDACTED]**) will be used for establishing our international sales and marketing team to cover the Americas, Europe, the Middle East and Africa and expanding our sales and marketing team in Asia Pacific;
- Approximately HK$**[REDACTED]** (representing **[REDACTED]**% of the estimated net **[REDACTED]**) will be used for advancing our product portfolio through strategic acquisitions, investment, cooperation or a combination of these tactics. We will consider a variety of factors when selecting acquisition targets. We plan to select targets that (i) have leading neuro-interventional technologies and innovative product portfolio or provide upstream and downstream services or materials, including distributors. In particular, we look for companies who have products and resources that are complementary to ours to expand our

product portfolio, enhance our research and development capabilities and penetrate into new regions and countries more efficiently; (ii) have an experienced management team with strong execution ability and in-depth understanding of neuro-interventional industry; and (iii) hold all necessary permits, licenses and approvals for the research, development and sale of neuro-interventional products. We look for targets in the PRC and in the global market. We are open to acquiring majority equity stake or minority equity interest in acquisition targets. According to CIC, there are hundreds of acquisition targets that meet the above criteria in the PRC and the global market. We currently plan to acquire acquisition targets that satisfy the aforesaid criteria within the next five years, and may adjust our acquisition plans based on our business needs and market conditions. As of the Latest Practicable Date, we had not identified any investment or acquisition target; and

- Approximately HK$**[REDACTED]** (representing **[REDACTED]**% of the net **[REDACTED]**) will be used for working capital and other general corporate purposes.

If the **[REDACTED]** is exercised in full, and net **[REDACTED]** that we will receive will be approximately HK$**[REDACTED]**, assuming an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]**. In the event that the **[REDACTED]** is exercised in full, we intend to apply the additional net **[REDACTED]** to the above purpose in the proportions stated above.

To the extent that the net **[REDACTED]** are not immediately applied to the above purposes and to the extent permitted by the relevant law and regulations, so long as it is deemed to be in the best interests of the Company, we will only hold such funds in short-term deposits with licensed banks or authorized financial institutions. We will make an appropriate announcement if there is any change to the above proposed **[REDACTED]**.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

JOINT SPONSORS' INDEPENDENCE

J.P. Morgan Securities (Far East) Limited satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

China International Capital Corporation Hong Kong Securities Limited had declared that in respect of its relationship with the Company, it is not or does not expect to be independent on the basis that (i) Ms. Wu Xia, one of the non-executive Directors, is an employee of CICC Capital Management

Co., Ltd. (中金資本運營有限公司) ("**CICC Capital**") and a director of CICC Healthcare Investment Opportunities V Limited ("**CICC Healthcare**") and CICC Healthcare Investment Management Limited ("**CICC Healthcare Investment**"); (ii) CICC Healthcare is an existing shareholder of the Company with a shareholding of 4.57% in the Company as of the Latest Practicable Date; (iii) CICC Healthcare is owned as to 70% and controlled by CICC Healthcare Investment Fund, L.P., whose general partner is CICC Healthcare Investment; (iv) CICC Healthcare Investment is wholly owned by CICC Capital (Cayman) Limited, a wholly-owned subsidiary of China International Capital Corporation (Hong Kong) Limited ("**CICC HK**"); (v) CICC HK is the holding company of China International Capital Corporation Hong Kong Securities Limited, one of the Joint Sponsors and CICC HK is wholly owned by China International Capital Corporation Limited (中國國際金融股份有限公司) ("**CICC**"); and (vi) CICC Capital is a fellow subsidiary wholly owned by CICC. Having considered the aforementioned relationships, China International Capital Corporation Hong Kong Securities Limited considered that such relationships would be reasonably considered to affect their independence in performing its duties, or might reasonably give rise to a perception that its independence would be so affected under Rule 3A.07 of the Listing Rules.

STRUCTURE OF THE [REDACTED]

[REDACTED]

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HOW TO APPLY FOR [REDACTED] AND [REDACTED]

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[REDACTED]

HOW TO APPLY FOR [REDACTED] AND [REDACTED]

[REDACTED]

The following is the text of a report set out on pages I-1 to I-62, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.

[Letterhead of KPMG]

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF MICROPORT NEUROTECH LIMITED AND J.P. MORGAN SECURITIES (FAR EAST) LIMITED AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED

Introduction

We report on the historical financial information of MicroPort NeuroTech Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-62, which comprises the consolidated statements of financial position of the Group as at 31 December 2019, 2020 and 2021 and the statements of financial position of the Company as at 31 December 2020 and 2021 and the consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows, for each of the years ended 31 December 2019, 2020 and 2021 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-62 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [*date*] (the "Document") in connection with the initial **[REDACTED]** of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial

Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Group's financial position as at 31 December 2019, 2020 and 2021, the Company's financial position as at 31 December 2020 and 2021, and of the Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 29(b) to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

No historical financial statements for the Company

No financial statements have been prepared for the Company since its incorporation.

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
[REDACTED]

HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by KPMG Huazhen LLP Shanghai Branch (畢馬威華振會計師事務所(特殊普通合夥)上海分所) in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

Consolidated statements of profit or loss

(Expressed in Renminbi)

	Note	Year ended 31 December		
		2019	2020	2021
		RMB'000	RMB'000	RMB'000
Revenue	4	183,720	221,923	382,799
Cost of sales		(37,266)	(57,140)	(84,445)
Gross profit		146,454	164,783	298,354
Other net income	5	6,452	11,463	25,299
Research and development costs		(38,166)	(53,037)	(94,133)
Selling and marketing expenses		(45,150)	(48,215)	(69,228)
Administrative expenses		(15,286)	(18,130)	(47,243)
Other operating costs	6(c)	(200)	(1,000)	(28,320)
Profit from operations		54,104	55,864	84,729
Finance costs	6(a)	(1,693)	(4,467)	(45,309)
Share of losses of an associate		–	–	(7,517)
Profit before taxation	6	52,411	51,397	31,903
Income tax	7(a)	(5,436)	(6,110)	(7,733)
Profit for the year and attributable to equity shareholders of the Company		46,975	45,287	24,170
Earnings per share (RMB)	10			
Basic and diluted		[0.11]	[0.10]	[0.05]

Consolidated statements of profit or loss and other comprehensive income

(Expressed in Renminbi)

	Year ended 31 December		
	2019	2020	2021
	RMB'000	RMB'000	RMB'000
Profit for the year	46,975	45,287	24,170
Other comprehensive income for the year, net of nil tax			
Item that will not be reclassified to profit or loss:			
Exchange differences on translation of financial statements of the Company	–	(89)	(3,182)
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign subsidiaries	–	(3,183)	7,438
Other comprehensive income for the year	–	(3,272)	4,256
Total comprehensive income for the year and attributable to equity shareholders of the Company	46,975	42,015	28,426

Consolidated statements of financial position

(Expressed in Renminbi)

	Note	31 December 2019	31 December 2020	31 December 2021
		RMB'000	RMB'000	RMB'000
Non-current assets				
Property, plant and equipment	11	47,348	59,485	212,238
Investment property	11	14,297	13,954	13,611
		61,645	73,439	225,849
Intangible assets	12	106,756	129,406	127,385
Interest in an associate	14	–	–	168,211
Financial assets measured at fair value through profit or loss	15	38,369	37,051	–
Deferred tax assets	24(b)	3,783	4,346	7,398
Other non-current assets	16	2,447	1,463	27,345
		213,000	245,705	556,188
Current assets				
Inventories	17	37,992	55,006	87,959
Trade and other receivables	18	61,525	59,406	102,908
Cash and cash equivalents	19	22,211	425,493	593,287
		121,728	539,905	784,154
Current liabilities				
Interest-bearing borrowings	20	40,548	–	–
Convertible bonds	25	–	19,202	–
Trade and other payables	21	106,474	62,803	129,666
Contract liabilities	22	622	2,541	12,403
Lease liabilities	23	3,982	5,952	27,993
Income tax payables	24(a)	–	4,256	4,148
		151,626	94,754	174,210
Net current (liabilities)/assets		(29,898)	445,151	609,944
Total assets less current liabilities		183,102	690,856	1,166,132
Non-current liabilities				
Convertible bonds	25	–	297,794	–
Lease liabilities	23	5,105	8,200	81,705
Deferred income	26	8,592	9,554	18,124
Other financial liabilities	27	–	–	1,237,990
Other non-current liabilities		1,247	2,426	3,253
		14,944	317,974	1,341,072
NET ASSETS/(LIABILITIES)		168,158	372,882	(174,940)
CAPITAL AND RESERVES	29			
Share capital		53,500	63,531	60
Reserves		114,658	309,351	(175,000)
TOTAL EQUITY/(DEFICIT)		168,158	372,882	(174,940)

Statements of financial position

(Expressed in Renminbi)

	Note	31 December 2020	31 December 2021
		RMB'000	RMB'000
Non-current assets			
Interest in subsidiaries	13	326,245	791,943
Current assets			
Cash and cash equivalents	19	–	195,088
Other receivables			2,926
		–	198,014
Current liabilities			
Convertible bonds	25	19,202	–
Other payables	21	88	27,968
		19,290	27,968
Net current (liabilities)/assets		(19,290)	170,046
Total assets less current liabilities		306,955	961,989
Non-current liabilities			
Convertible bonds	25	297,794	–
Other financial liabilities	27	–	1,237,990
		297,794	1,237,990
NET ASSETS/(LIABILITIES)		9,161	(276,001)
CAPITAL AND RESERVES	29		
Share capital		–	60
Reserves		9,161	(276,061)
TOTAL EQUITY/(DEFICIT)		9,161	(276,001)

Consolidated statements of changes in equity

(Expressed in Renminbi)

	Note	Share capital	Share premium	Exchange reserve	Capital reserve	Statutory general reserve	Retained earnings	Total equity/ (deficit)
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2019		53,500	–	–	38,647	5,221	22,957	120,325
Changes in equity for 2019:								
Profit for the year and total comprehensive income		–	–	–	–	–	46,975	46,975
Appropriation of statutory general reserve		–	–	–	–	4,697	(4,697)	–
Equity-settled share-based transactions	28	–	–	–	858	–	–	858
Balance at 31 December 2019 and 1 January 2020		53,500	–	–	39,505	9,918	65,235	168,158
Changes in equity for 2020:								
Profit for the year		–	–	–	–	–	45,287	45,287
Other comprehensive income		–	–	(3,272)	–	–	–	(3,272)
Total comprehensive income		–	–	(3,272)	–	–	45,287	42,015
Contribution from shareholders	29(c)(i)	10,031	–	–	139,969	–	–	150,000
Issuance of convertible bonds	25	–	–	–	11,601	–	–	11,601
Appropriation of statutory general reserve		–	–	–	–	4,648	(4,648)	–
Equity-settled share-based transactions	28	–	–	–	1,108	–	–	1,108
Balance at 31 December 2020 and 1 January 2021		63,531	–	(3,272)	192,183	14,566	105,874	372,882
Changes in equity for 2021:								
Profit for the year		–	–	–	–	–	24,170	24,170
Other comprehensive income		–	–	4,256	–	–	–	4,256
Total comprehensive income		–	–	4,256	–	–	24,170	28,426
Issuance of ordinary shares	29(c)(ii)	65	276,963	–	–	–	–	277,028
Issuance of convertible bonds	25	–	–	–	4,478	–	–	4,478
Deemed distributions to the shareholder upon the Restructuring (as defined in Note 1)	29(c)(ii)	(63,531)	–	–	(212,491)	–	–	(276,022)
Issuance of the Series A-2 Preferred Shares	27	–	–	–	26,178	–	–	26,178
Re-classification and re-designation from ordinary shares to the Series A-2 Preferred Shares	27	(5)	(276,963)	–	(381,448)	–	–	(658,416)
Exchange of the convertible bonds and the issuance of the Series A-1 Preferred Shares	27	–	–	–	48,904	–	–	48,904
Appropriation of statutory general reserve		–	–	–	–	10,015	(10,015)	–
Equity-settled share-based transactions	28	–	–	–	1,602	–	–	1,602
Balance at 31 December 2021		60	–	984	(320,594)	24,581	120,029	(174,940)

Consolidated statements of cash flows

(Expressed in Renminbi)

	Note	Year ended 31 December 2019	2020	2021
		RMB'000	RMB'000	RMB'000
Operating activities				
Profit before taxation		52,411	51,397	31,903
Adjustments for:				
Amortisation and depreciation	6(d)	9,253	12,470	31,723
Interest expenses	6(a)	1,617	4,372	45,200
Interest income on time deposits		–	–	(822)
Fair value changes in financial instruments	30(e)	–	(1,230)	(12,098)
Share of losses of an associate		–	–	7,517
Loss/(gain) on disposal of property, plant and equipment	5	21	68	(394)
Equity-settled share-based payments	28	1,097	1,013	1,459
Others		–	–	(866)
Changes in working capital:				
Increase in inventories		(23,788)	(17,013)	(32,953)
(Increase)/decrease in trade and other receivables		(16,530)	372	25,796
Increase/(decrease) in trade and other payables		35,371	(6,650)	52,575
Increase in deferred income		4,788	963	8,570
Decrease/(increase) in other non-current assets		(1,186)	628	–
Increase in other non-current liabilities		378	1,179	827
Increase in contract liabilities		538	1,919	9,862
Cash generated from operations		63,970	49,488	168,299
Income tax refund	24(a)	1,222	2,881	562
The People's Republic of China ("PRC") income tax paid	24(a)	(8,542)	(5,135)	(11,455)
Net cash generated from operating activities		56,650	47,234	157,406
Investing activities				
Payments for the purchase of property, plant and equipment		(12,881)	(11,479)	(49,436)
Payments for intangible assets, including expenditures on capitalised development costs		(37,190)	(22,665)	(8,544)
Payments for the investments in an associate and other investments		–	(38,895)	(129,706)
Proceeds from disposal of property, plant and equipment		272	2	74
Placement of time deposits		–	–	(40,000)
Uplift of time deposits		–	–	40,822
Net cash used in investing activities		(49,799)	(73,037)	(186,790)

Consolidated statements of cash flows (continued)

(Expressed in Renminbi)

	Note	Year ended 31 December		
		2019	2020	2021
		RMB'000	RMB'000	RMB'000
Financing activities				
Capital element of lease rentals paid	19(b)	(3,158)	(4,626)	(13,282)
Interest element of lease rentals paid	19(b)	(270)	(735)	(2,665)
Lease deposits (paid)/refund		(1,064)	123	(27,067)
Loans from related parties	19(b)	30,000	38,000	–
Repayments of loans from related parties	19(b)	(35,000)	(38,000)	–
Proceeds from issuance of convertible bonds	25	–	329,045	129,208
Interest paid for convertible bonds	25	–	–	(17,921)
Proceeds from other interest-bearing borrowings	19(b)	42,500	40,000	–
Repayments of interest-bearing borrowings	19(b)	(22,000)	(80,500)	–
Interest paid for loans from related party	19(b)	(102)	(397)	–
Interest paid for interest-bearing borrowings	19(b)	(1,241)	(1,026)	–
Capital contribution from shareholders	29(c)	–	150,000	277,028
Deemed distributions to the shareholder upon the Restructuring	29(c)	–	–	(344,002)
Proceeds from issuance of the Series A-2 Preferred Shares	27	–	–	199,447
Net cash generated from financing activities		9,665	431,884	200,746
Net increase in cash and cash equivalents		16,516	406,081	171,362
Cash and cash equivalents at the beginning of the year		5,695	22,211	425,493
Effect of foreign exchange rate changes		–	(2,799)	(3,568)
Cash and cash equivalents at the end of the year		22,211	425,493	593,287

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

MicroPort NeuroTech Limited (the "Company") was incorporated in the Cayman Islands on 30 September 2020 as an exempted company with limited liability under the Companies Act (As Revised) of the Cayman Islands.

The Company has not carried out any business since the date of its incorporation save for the Group reorganisation below. The Company and its subsidiaries (together, "the Group") are principally engaged in the research and development, manufacturing and sale of neuro-interventional medical devices.

During the Relevant Periods, the Group's business was primarily conducted through MicroPort NeuroTech (Shanghai) Co., Ltd.* ("MP NeuroTech Shanghai") (微創神通醫療科技(上海)有限公司). As part of the Group restructuring (the "Restructuring"), as detailed in the section headed "History, Reorganisation and Corporate Structure" of the Document, the Group obtained control of MP NeuroTech Shanghai in 2021.

Upon the completion of the Restructuring in August 2021, the Company became the holding company of the Group. The Restructuring principally involved inserting certain investment holding companies with no substantive operations as the new holding companies of MP NeuroTech Shanghai. There were no changes in the economic substance of the ownership and the business of the Group before and after the Restructuring. Accordingly, the Historical Financial Information has been prepared and presented as a continuation of the financial information of the business with the assets and liabilities recognised and measured at their historical carrying amounts prior to the Restructuring. Intra-group balances, transactions and unrealised gain/loss on intra-group transactions are eliminated in full in preparing the Historical Financial Information.

The consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the Relevant Periods as set out in this report include the financial performance and cash flows of the companies now comprising the Group as if the current group structure had been in existence and unchanged throughout the Relevant Periods (or where the companies were incorporated/established at a date later than 1 January 2019, for the period from the date of incorporation/establishment to 31 December 2021). The consolidated statements of financial position of the Group as at 31 December 2019, 2020 and 2021 as set out in this report have been prepared to present the financial position of the companies now comprising the Group as of those dates as if the current group structure had been in existence as of the respective dates taking into account the respective dates of incorporation/establishment, where applicable.

As at the date of this report, no audited financial statements have been prepared for the Company and MicroPort NeuroTech Medical LTD, MicroPort NeuroTech International Limited, Sevenoaks Global Limited, Shanghai Shenjing Vortex Medical Technology Co., Ltd.* ("Shanghai Shenjing") (上海神晶漩渦醫療科技有限公司) , Beijing Shenrui Enterprise Management Consulting Co., Ltd.* (北京神睿企業管理諮詢有限公司) and Shenhong Medical Technology (Shanghai) Co., Ltd.* (神泓醫療科技(上海)有限公司), as they either was newly set up in 2021, or have not carried out any business since the date of incorporation or are investment holding companies. The financial statements of the subsidiaries of the Group for which there are statutory requirements were prepared in accordance with the relevant accounting rules and regulations applicable to the entities in the countries in which they were incorporated and/or established.

As at the date of this report, the Company has indirect interests in the following principal subsidiary, which is a private company:

			Proportion of ownership interest		
Name of company	**Place and date of incorporation/ establishment**	**Particulars of registered and paid-up capital**	**Held by the Company**	**Held by the subsidiary**	**Principal activities**
MP NeuroTech Shanghai (Note)	the PRC 16 May 2012	RMB163,531,250	–	100%	Research and development, and the manufacturing and sale of neuro-interventional medical devices

Note: The statutory financial statements of the entity for the years ended 31 December 2019 and 2020 prepared in accordance with the Accounting Standards for Business Enterprises applicable to the enterprises in the PRC were audited by

Shanghai Huidecheng Certified Public Accountants (General Partnership) * (上海匯德成會計師事務所 (普通合夥)). The statutory financial statements of the entity for the year ended 31 December 2021 have not yet been issued as of the date of this report.

* The official names of these companies are in Chinese. The English name is for identification purpose only

All companies comprising the Group have adopted 31 December as their financial year end date.

The Historical Financial Information has been prepared in accordance with all applicable HKFRSs which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Further details of the significant accounting policies adopted are set out in Note 2.

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing this Historical Financial Information, the Group has adopted all applicable new and revised HKFRSs to the Relevant Periods, including HKFRS 16, *Leases* consistently throughout the Relevant Periods. The Group has not applied any new standard or interpretation that is not yet effective during the Relevant Periods. The revised and new accounting standards and interpretations issued but not yet effective for the Relevant Periods are set out in Note 34.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

As at 31 December 2021, the Group was in net liabilities position of RMB174,940,000 in which the balances consist of other financial liabilities of RMB1,237,990,000 (see Note 27) that the earliest redemption dates of the other financial liabilities will be on or after 18 November 2024. After taking into account the Group's cash flow projection and the expected working capital requirements, the directors of the Company are satisfied that the Group is able to meet in full its financial obligations as they fall due for a period of twelve months from 31 December 2021 and it is appropriate to prepare the Historical Financial Information on a going concern basis.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of measurement

As the Group's operation are primarily located in the PRC and most of the Group's transactions are conducted and denominated in Renminbi ("RMB"), which is the functional currency of the Company's principal subsidiary, the financial statements are presented in RMB, rounded to the nearest thousand, unless otherwise stated. The functional currency of the Company is United States dollars ("US$") other than RMB.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the investments in equity securities are stated at their fair value as explained in the accounting policies set out in Note 2(e).

(b) Use of estimates and judgements

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 3.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with Notes 2(p), (q) and (r) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(e)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see Note 2(d)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(j)).

(d) Associates and joint ventures

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 2(j)(ii)). At each reporting date, the Group assesses whether there is any objective evidence that the investment is impaired. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with any other long-term interests that in substance form part of the Group's net investment in the associate or the joint venture (after applying the expected credit losses ("ECL") model to such other long-term interests where applicable (see Note 2(j)(i)).

Unrealised profits and losses resulting from transactions between the Group and its associates and joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(e)).

(e) Other investments in debt and equity securities

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

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("FVPL") for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 30(e). These investments are subsequently accounted for as follows, depending on their classification.

(i) Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see Note 2(v)(iv)).

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

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

(ii) Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in Note 2(v)(iii).

(f) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see Note 2(i)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at cost less accumulated depreciation and impairment losses (see Note 2(j)(ii)). Depreciation is calculated to write off the cost of investment property less its estimated residual value using the straight-line method over its estimated useful life. Rental income from investment properties is accounted for as described in Note 2(v)(ii).

(g) Property, plant and equipment

Property, plant and equipment, including right-of-use assets arising from leases over leasehold properties and of underlying plant and equipment (see Note 2(i)) are stated at cost less accumulated depreciation and impairment losses (see Note 2(j)(ii)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see Note 2(x)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

- Buildings 43 - 45 years
- Leasehold improvements are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being 3 to 10 years from the date of completion;
- Equipment and machinery 10 years
- Office equipment, furniture and fixtures 5 years
- Motor vehicles 5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(h) Intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable (see Note 2(x)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see Note 2(j)(ii)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note 2(j)(ii)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

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

- Software 3 years
- Capitalised development costs 10 years

The useful life of capitalised development costs is estimated based on the expected life cycle of the underlying product since the commercialisation. Both the period and method of amortisation are reviewed annually.

(i) Leased assets

At inception of a contract, the Group assesses 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.

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has 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, the Group recognises 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 the Group are primarily laptops and office furniture. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised 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, the lease liability is measured at amortised cost and interest expense is calculated 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.

The right-of-use asset recognised when a lease is capitalised is initially measured 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. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Notes 2(g) and 2(j)).

The initial fair value of refundable rental deposits is accounted for separately from the right-of use assets in accordance with the accounting policy applicable to investments in debt securities carried at amortised cost (see Notes 2(e)(i), 2(v)(iv) and 2(j)(i)). Any difference between the initial fair value and the nominal value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured 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, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised 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 statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified 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, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with Note 2(v)(ii).

When the Group is 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 the Group applies the exemption described in Note 2(i)(i), then the Group classifies the sub-lease as an operating lease.

(j) Credit losses and impairment of assets

(i) Credit losses from financial instruments, contract assets and lease receivables

The Group recognises a loss allowance for ECLs on the following items:

- financial assets measured at amortised cost (including cash and cash equivalents, time deposits and trade and other receivables, which are held for the collection of contractual cash flows which represent solely payments of principal and interest;
- contract assets as defined in HKFRS 15 (see Note 2(l)); and
- lease receivables.

Other financial assets measured at fair value, including equity securities measured at FVPL, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate; and
- lease receivables: discount rate used in the measurement of the lease receivable.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables, lease receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held). The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;

- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

- an actual or expected significant deterioration in the operating results of the debtor; and

- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income

Interest income recognised in accordance with Note 2(v)(iv) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;

- a breach of contract, such as a default or past due event;

- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset, lease receivables or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- investment properties and other property, plant and equipment, including right-of-use assets;
- intangible assets;
- investments in an associate; and
- investments in a subsidiary in the Company's statement of financial position;

If any such indication exists, the asset's recoverable amount is estimated. In addition, for intangible assets that are not yet available for use, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest Group of assets that generates cash inflows independently (i.e. a cash-generating unit). A portion of the carrying amount of a corporate asset (for example, head office building) is allocated to an individual cash-generating unit if the allocation can be done on a reasonable and consistent basis, or to the smallest Group of cash-generating units if otherwise.

- Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or Group of units) and then, to reduce the carrying amount of the other assets in the unit (or Group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

- Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(k) Inventories

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

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the moving weighted average method and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(l) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see Note 2(v)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECLs in accordance with the policy set out in Note 2(j) and are reclassified to receivables when the right to the consideration has become unconditional (see Note 2(m)).

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see Note 2(v)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see Note 2(m)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see Note 2(v)).

(m) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see Note 2(l)).

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost using the effective interest method and including an allowance for credit losses (see Note 2(j)).

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in Note 2(j).

(o) Preferred shares

The preferred shares issued by the Company are classified, on the basis of their component parts, as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Preferred shares issued by the Company are classified as equity if they are non-redeemable by the Company or redeemable only at the Company's option, and any dividends are discretionary. Dividends on preferred shares capital classified as equity are recognised as distributions within equity.

Preferred shares are classified as financial liabilities if they are redeemable on a specific date or at the option of the shareholders (including options that are only exercisable in case of triggering events having occurred), or if dividend payments are not discretionary. The liability is recognised and measured in accordance with the Group's policy for interest-bearing borrowings set out in Note 2(q) and accordingly dividends thereon are recognised on an accrual basis in profit or loss as part of finance costs.

Conversion features of preferred shares are classified separately as equity if the option will be settled by exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments. The equity component is the difference between the initial fair value of the preferred shares as a whole and the initial far value of the liability component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

(p) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(q) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see Note 2(x)).

(r) 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 the liability component of the convertible bonds is measured 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. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. Interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is not remeasured and is recognised in the capital reserve until either the bonds are converted or redeemed.

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

When the Group extinguishes the bonds before maturity through an early redemption or repurchase in which the original conversion privileges are unchanged, the Group allocates consideration paid and any transaction costs for the repurchase or redemption to the liability and equity components of the bonds at the date of such transaction. The method used in allocating is consistent with that used in the original allocation when the bonds were issued. Once the allocation is made, any resulting gain or loss relating to the liability and equity components is recognised in profit or loss and in equity, respectively.

(s) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Share-based payments

The fair value of equity-settled share-based payment awards granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using certain valuation techniques, taking into account the terms and conditions upon which the equity-settled share-based payment awards were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the equity-settled share-based payment awards, the total estimated fair value of the equity-settled share-based payment awards is spread over the vesting period, taking into account the probability that the equity-settled share-based payment awards will vest.

During the vesting period, the number of equity-settled share-based payment awards that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of equity-settled share-based payment awards that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the equity-settled share-based payment awards are exercised (when it is included in the amount recognised in share capital for the share issued) or the equity-settled share-based payment awards expire (when it is released directly to retained profits).

(iii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(t) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets, to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

- the same taxable entity; or

- different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(u) Provisions, contingent liabilities and onerous contracts

(i) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

(ii) Onerous contracts

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of continuing with the contract.

(v) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

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

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability

under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less. Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sale of medical devices

Revenue is recognised when the customer takes possession of and accepts the products. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised 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 recognised 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 recognised, where applicable.

The right to recover returned goods asset is recognised 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. The Group reviews its estimate of expected returns at each reporting date and updates the amounts of the assets and liabilities accordingly.

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised 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. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

(iii) Dividends

- Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

- Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(iv) Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset.

(v) Government grants

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

(w) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(x) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(y) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(z) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING JUDGEMENT AND ESTIMATES

(a) Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following accounting judgement:

Research and development expenses

Development expenses incurred on the Group's pipelines are capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the pipeline so that it will be available for use or sale, the Group's intention to complete and the Group's ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the pipeline and the ability to measure reliably the expenditure during the development. Development expenses which do not meet these criteria are recognised 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 capitalisation.

(b) Sources of estimation uncertainty

Notes 28 and 30(e) contain information about the assumptions and their risk factors relating to fair value of equity-settled share-based payment transactions and financial instruments. Other significant sources of estimation uncertainty are as follows:

(i) Impairment of capitalised development costs

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

Determination of the value in use is an area involving management judgement in order to assess whether the carrying value of the intangible assets can be supported by the net present value of future cash flows. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters including management's expectations of (i) timing of commercialisation, productivity and market size; (ii) revenue compound growth rate; (iii) costs and operating expenses; and (iv) the selection of discount rates to reflect the risks involved.

(ii) Sale returns

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

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The Group sells medical devices through appointed distributors.

For the purpose of resources allocation and performance assessment, the Group's management focuses on the operating results of the Group as a whole. As such, the Group's resources are integrated and no discrete operating segment information is available. Accordingly, no operating segment information is presented.

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines and the timing of revenue recognition is as follows:

	Year ended 31 December		
	2019	2020	2021
	RMB'000	RMB'000	RMB'000
Revenue from contracts with customers within the scope of HKFRS 15			
Sales of medical devices – point in time	182,742	220,468	381,425
Revenue from other sources			
Gross rentals	978	1,455	1,374
	183,720	221,923	382,799

Revenue from each major customer which accounted for 10% or more of the Group's revenue during the Relevant Periods is set out below:

	Year ended 31 December		
	2019	2020	2021
	RMB'000	RMB'000	RMB'000
Customer A	N/A*	57,950	110,542
Customer B	122,388	129,864	101,120
Customer C	N/A*	N/A*	86,769
Customer D	N/A*	N/A*	41,049

* Less than 10% of the Group's revenue in the respective years.

(ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date.

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its sales contracts of medical devices such that the Group does not include information about revenue that the Group will be entitled to when it satisfied the remaining performance obligations under the contracts for sales of medical devices that had an original expected duration of one year or less.

(b) Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from customers and (ii) the Group's property, plant and equipment, investment property, intangible assets, interest in an associate and other non-current financial assets ("specified non-current assets"). The geographical location of customers is based on the location at which the goods were delivered. The geographical location of the specified non-current assets is based on the physical location of the assets, in the case of property, plant and equipment and investment property, the location of the operation to which they are located, in the case of intangible assets, and the location of operations, in the case of interest in an associate and other non-current financial assets.

Revenue from customers

	Year ended 31 December		
	2019	2020	2021
	RMB'000	RMB'000	RMB'000
PRC (place of domicile)	183,720	221,923	382,189
Other countries	–	–	610
	183,720	221,923	382,799

Specified non-current assets

	31 December 2019	31 December 2020	31 December 2021
	RMB'000	RMB'000	RMB'000
PRC (place of domicile)	168,401	202,845	353,234
Israel	38,369	37,051	168,211
	206,770	239,896	521,445

5 OTHER NET INCOME

	Year ended 31 December		
	2019	2020	2021
	RMB'000	RMB'000	RMB'000
Fair value changes in financial instruments (Note 30(e))	–	1,230	12,098
Government grants (i)	6,551	9,580	6,106
Interest income on financial assets carried at amortised cost	50	137	3,957
Net foreign exchange (loss)/gain	(138)	377	(160)
Net (loss)/gain on disposal of property, plant and equipment	(21)	(68)	394
Others	10	207	2,904
	6,452	11,463	25,299

Note:

(i) Majority of the government grants are subsidies received from government for encouragement of research and development projects.

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs

	Year ended 31 December		
	2019	2020	2021
	RMB'000	RMB'000	RMB'000
Interest on interest-bearing borrowings	1,256	978	–
Interest on convertible bonds (Note 25)	–	2,262	22,875
Interest on other financial liabilities (Note 27)	–	–	19,660
Interest on loans from related parties (Note 32(c)(i))	91	397	–
Interest on lease liabilities	270	735	2,665
Total interest expenses on financial liabilities not at fair value through profit or loss	1,617	4,372	45,200
Others	76	95	109
	1,693	4,467	45,309

(b) Staff costs#

	Year ended 31 December		
	2019	2020	2021
	RMB'000	RMB'000	RMB'000
Contributions to defined contribution retirement plans (Note)	6,167	1,560	8,745
Equity-settled share-based payment expenses (Note 28)	4,053	4,339	6,753
Salaries, wages and other benefits	60,489	69,434	104,029
	70,709	75,333	119,527

Note: As stipulated by the labour regulations of the PRC, the Group also participates in various defined contribution retirement plans organised by municipal and provincial governments for its employees. The Group is required to make contributions to the retirement plans at a specified percentage of the eligible employees' salaries during the Relevant Periods.

(c) Other operating costs

	Year ended 31 December		
	2019	2020	2021
	RMB'000	RMB'000	RMB'000
Restructuring related expenses	–	–	982
[REDACTED] expenses	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Donations	200	1,000	1,000
	[REDACTED]	**[REDACTED]**	**[REDACTED]**

(d) Other items

	Year ended 31 December		
	2019	2020	2021
	RMB'000	RMB'000	RMB'000
Amortisation of intangible assets# (Note 12)	3,580	4,883	11,114
Depreciation charge# (Note 11)			
– owned property, plant and equipment and investment property	4,033	5,369	6,235
– right-of-use assets	3,295	4,976	15,573
	7,328	10,345	21,808
Less: Capitalised into intangible assets	(1,655)	(2,758)	(1,199)
	5,673	7,587	20,609
Research and development expenditure	75,956	80,511	102,911
Less: Development costs capitalised into intangible assets (Note 12)	(37,790)	(27,474)	(8,778)
	38,166	53,037	94,133
Cost of inventories# (Note 17(b))	48,982	77,259	115,969
Auditors' remuneration	30	50	4,225

Cost of inventories includes RMB10,699,000, RMB13,156,000 and RMB27,434,000, respectively, relating to staff costs, depreciation and amortisation expenses, which is also included in the respective total amounts disclosed separately above or in Note 6(b) for each of these types of expenses for the year ended 31 December 2019, 2020 and 2021.

7 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

	Year ended 31 December		
	2019	2020	2021
	RMB'000	RMB'000	RMB'000
Current tax – PRC Corporate Income Tax ("CIT")			
Provision for the year	7,412	6,673	10,785
Deferred tax			
Origination and reversal of temporary differences	(1,976)	(563)	(3,052)
	5,436	6,110	7,733

(i) Cayman Islands and British Virgin Islands tax

Pursuant to the current rules and regulations of Cayman Islands and British Virgin Islands, the Company and its subsidiaries located in the Cayman Islands and British Virgin Islands are not subject to any income tax in these jurisdictions.

(ii) Hong Kong Profits Tax

The Company's subsidiary incorporated in Hong Kong is subject to Hong Kong Profits Tax at 16.5% of the estimated assessable profits. No provision for Hong Kong Profits Tax has been made for the Relevant Periods as there are no assessable profits during the Relevant Periods.

(iii) PRC CIT

Pursuant to the CIT Law of the PRC, all of the Company's PRC subsidiaries are liable to PRC CIT at a rate of 25%, except for MP NeuroTech Shanghai, which is entitled to a preferential income tax rate of 15% as it is certified as a "High and New Technology Enterprise" ("HNTE") during the Relevant Periods. According to Guoshuihan 2009 No. 203, if an entity is certified as an HNTE, it is entitled to a preferential income tax rate of 15% during the certified period.

According to a new tax incentives policy promulgated by the State Tax Bureau of the PRC from 2018 to 2020, an additional 75% of qualified research and development expenses incurred is allowed to be deducted from the taxable income and an additional 100% of such qualified expenses incurred from 1 January 2021 onwards is allowed to be deducted.

The CIT law and its relevant regulations also impose a withholding tax at 10% on the foreign investors with respect to dividend distributions made out of the PRC entities from earnings accumulated from 1 January 2008, unless the foreign investors meet certain requirements specified in the relevant tax regulations in the PRC and accordingly are entitled to a preferential rate of 5%.

(b) Reconciliation between income tax expense and accounting profit at applicable tax rates:

	Year ended 31 December		
	2019	2020	2021
	RMB'000	RMB'000	RMB'000
Profit before taxation	52,411	51,397	31,903
Notional tax on profit before taxation, calculated at the rates applicable to profit in the countries concerned	13,103	13,140	23,335
Effect of the preferential income tax rate (Note 7(a)(iii))	(3,624)	(4,074)	(5,156)
Effect of other non-deductible expenses	838	2,621	5,346
Effect of additional deduction on research and development expenses (Note 7(a)(iii))	(4,883)	(5,585)	(16,901)
Effect of tax losses not recognised	2	8	1,109
Actual tax expenses	5,436	6,110	7,733

8 DIRECTORS' EMOLUMENTS

Details of directors' emoluments during the Relevant Periods are as follows:

	Year ended 31 December 2019					
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Equity-settled share-based payment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Directors						
Bo Peng (a)	–	–	–	–	–	–
Zhiyong Xie (b)	–	764	–	–	1,504	2,268
Yiqun Bruce Wang (b)	–	960	–	–	1,113	2,073
Lihong Zhang (d)	–	–	–	–	–	–
Guowang Zhang (d)	–	–	–	–	–	–
Supervisors						
Yong Li (e)	–	–	–	–	–	–
He Li (e)	–	–	–	–	–	–
	–	1,724	–	–	2,617	4,341

	Year ended 31 December 2020					
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Equity-settled share-based payment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Directors						
Bo Peng (a)	–	–	–	–	–	–
Zhiyong Xie (b)	–	877	–	–	1,586	2,463
Yiqun Bruce Wang (b)	–	960	–	–	1,161	2,121
Chuan Luo (c)	–	–	–	–	–	–
Lihong Zhang (d)	–	–	–	–	–	–
Guowang Zhang (d)	–	–	–	–	–	–
Supervisors						
Yong Li (e)	–	–	–	–	–	–
He Li (e)	–	–	–	–	–	–
	–	1,837	–	–	2,747	4,584

	Year ended 31 December 2021					
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Equity-settled share-based payment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Directors						
Bo Peng (a)	–	–	–	–	–	–
Zhiyong Xie (b)	–	1,099	1,315	–	1,159	3,573
Yiqun Bruce Wang (b)	–	960	1,014	–	932	2,906
Chuan Luo (c)	–	–	–	–	–	–
Lin Wang (f)	–	–	–	–	–	–
Xia Wu (f)	–	–	–	–	–	–
	–	2,059	2,329	–	2,091	6,479

Notes:

(a) Bo Peng was appointed as the director of the Company on 30 September 2020. He was also the non-executive director and chairman of MP NeuroTech Shanghai during the Relevant Periods.

(b) Zhiyong Xie and Yiqun Bruce Wang were appointed as the directors of the Company on 2 November 2020. They were the directors of MP NeuroTech Shanghai during the Relevant Periods. They were also the key management personnel of the Group during the Relevant Periods and their remuneration disclosed above include those for services rendered by them as key management personnel.

(c) Chuan Luo was appointed as the director of the Company on 20 November 2020 and resigned on 23 September 2021.

(d) Lihong Zhang and Guowang Zhang were appointed as the directors of MP NeuroTech Shanghai in 2018. As the Restructuring of the Company was completed in 2021, their emoluments for the year ended 31 December 2021 are not presented in the table above.

(e) Yong Li and He Li were appointed as the supervisors of MP NeuroTech Shanghai in 2018. As the Restructuring of the Company was completed in 2021, their emoluments for the year ended 31 December 2021 are not presented in the table above.

(f) Lin Wang and Xia Wu were appointed as non-executive directors of the Company in September and November 2021, respectively.

(g) Subsequently, Yi Xu, Haixiao Zhang and Chi Hung Siu were appointed as the independent non-executive directors of the Company on [●].

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five individuals with the highest emoluments of the Group for the years ended 31 December 2019, 2020 and 2021 include two, two and two directors whose emoluments are disclosed in Note 8, respectively and the aggregate of the emoluments in respect of the other three, three and three individuals during the Relevant Periods are as follows:

	Year ended 31 December		
	2019	2020	2021
	RMB'000	RMB'000	RMB'000
Salaries and other benefits	1,562	1,638	2,270
Discretionary bonuses	1,330	713	2,082
Equity-settled share-based payments	889	996	1,911
	3,781	3,347	6,263

The emoluments of the individuals who are not director and with the highest emoluments are within the following bands:

	Year ended 31 December		
	2019	2020	2021
	Number of individuals	Number of individuals	Number of individuals
HK$Nil to HK$1,000,000	–	1	–
HK$1,000,001 to HK$1,500,000	2	1	–
HK$1,500,001 to HK$2,000,000	–	1	1
HK$2,000,001 to HK$2,500,000	1	–	1
HK$2,500,001 to HK$3,000,000	–	–	–
HK$3,000,001 to HK$3,500,000	–	–	1

10 EARNINGS PER SHARE

The calculation of the basic earnings per share during the Relevant Periods is based on the earnings for the year attributable to ordinary equity shareholders of the Company divided by the weighted average number of ordinary shares in issue and on the assumption that the Restructuring and the share subdivision as disclosed in Note 35 had been in effective on 1 January 2019, calculated as follows:

(i) Earnings of the year attributable to ordinary equity shareholders of the Company

	Year ended 31 December		
	2019	2020	2021
	RMB'000	RMB'000	RMB'000
Earnings of the year attributable to ordinary equity shareholders of the Company	46,975	45,287	24,170

(ii) Weighted average number of ordinary shares

	Year ended 31 December		
	2019	2020	2021
	'000	'000	'000
Issued ordinary shares at 1 January	[421,053]	[421,053]	[500,000]
Effect of capital contributions by shareholders (Note 29(c)(i))	–	[34,513]	–
Effect of re-classification and re-designation to the Series A-2 Preferred Shares	–	–	[(4,548)]
Weighted average number of ordinary shares at 31 December	[421,053]	[455,566]	[495,452]

There were no potential ordinary shares during the year ended 31 December 2019, therefore, diluted earnings per share are the same as the basic earnings per share.

The calculation of diluted earnings per share amounts for the year ended 31 December 2020 had not included the convertible bonds issued by the Company (see Note 25), as they had an anti-dilutive effect on the basic earnings per share amounts.

The calculation of diluted earnings per share amounts for the year ended 31 December 2021 had not included the convertible bonds issued (see Note 25) and the preferred shares issued by the Company (see Note 27), as they had an anti-dilutive effect on the basic earnings per share amounts.

11 INVESTMENT PROPERTY AND PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount

	Buildings held for own use	Leasehold improvements	Equipment and machinery	Office equipment, furniture and fixtures	Motor vehicles	Right-of-use assets	Construction in progress	Sub-total	Investment property	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:										
At 1 January 2019	14,973	14,552	11,216	1,848	1,857	6,595	319	51,360	15,527	66,887
Transfer	–	3,261	5,031	1,706	–	–	(9,998)	–	–	–
Additions	–	–	–	40	–	7,413	11,723	19,176	–	19,176
Disposals	–	(87)	(162)	(235)	–	(3,163)	–	(3,647)	–	(3,647)
At 31 December 2019 and 1 January 2020	14,973	17,726	16,085	3,359	1,857	10,845	2,044	66,889	15,527	82,416
Transfer	–	3,703	7,943	533	–	–	(12,179)	–	–	–
Additions	–	29	630	–	–	9,691	11,859	22,209	–	22,209
Disposals	–	–	(191)	(73)	–	–	–	(264)	–	(264)
At 31 December 2020 and 1 January 2021	14,973	21,458	24,467	3,819	1,857	20,536	1,724	88,834	15,527	104,361
Transfer	–	6,961	7,618	842	–	–	(15,421)	–	–	–
Additions	–	–	1,620	6	–	114,106	59,194	174,926	–	174,926
Disposals	–	(19)	–	(7)	(381)	(821)	–	(1,228)	–	(1,228)
At 31 December 2021	14,973	28,400	33,705	4,660	1,476	133,821	45,497	262,532	15,527	278,059
Accumulated depreciation and amortisation:										
At 1 January 2019	1,931	7,237	2,874	888	1,043	1,812	–	15,785	887	16,672
Charge for the year	313	1,513	1,311	345	208	3,295	–	6,985	343	7,328
Written back on disposals	–	(3)	(7)	(56)	–	(3,163)	–	(3,229)	–	(3,229)
At 31 December 2019 and 1 January 2020	2,244	8,747	4,178	1,177	1,251	1,944	–	19,541	1,230	20,771
Charge for the year	313	2,127	1,867	558	161	4,976	–	10,002	343	10,345
Written back on disposals	–	–	(131)	(63)	–	–	–	(194)	–	(194)
At 31 December 2020 and 1 January 2021	2,557	10,874	5,914	1,672	1,412	6,920	–	29,349	1,573	30,922
Charge for the year	313	2,272	2,525	630	152	15,573	–	21,465	343	21,808
Written back on disposals	–	(15)	–	(7)	(362)	(136)	–	(520)	–	(520)
At 31 December 2021	2,870	13,131	8,439	2,295	1,202	22,357	–	50,294	1,916	52,210
Net book value:										
At 31 December 2019	12,729	8,979	11,907	2,182	606	8,901	2,044	47,348	14,297	61,645
At 31 December 2020	12,416	10,584	18,553	2,147	445	13,616	1,724	59,485	13,954	73,439
At 31 December 2021	12,103	15,269	25,266	2,365	274	111,464	45,497	212,238	13,611	225,849

(b) Investment property

As at 31 December 2021, the investment property located in Shanghai in the PRC was rented out under terms of operating leases. The fair value of investment property during the Relevant Periods is approximately RMB17 million, which is determined by management with reference to the market price of comparable properties.

(c) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	31 December 2019	31 December 2020	31 December 2021
	RMB'000	RMB'000	RMB'000
Properties leased for own use, carried at depreciated cost	8,901	13,616	111,464

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	Year ended 31 December		
	2019	2020	2021
	RMB'000	RMB'000	RMB'000
Depreciation charge of right-of-use assets by class of underlying asset:			
Properties leased for own use	3,295	4,976	15,573
Interest on lease liabilities (Note 6(a))	270	735	2,665
Expense relating to short-term leases	307	12	24

During the Relevant Periods, the amount of additions to the right-of-use assets included the capitalised lease payment under the new tenancy agreements.

Details of total cash outflow for leases and the maturity analysis of lease liabilities and future cashflow for leases are set out in Notes 19(c), 23 and 30(b), respectively.

The Group leases manufacturing plants, warehouses and office buildings under leases expiring in no more than five years. Some leases include an option to renew the lease when all terms are renegotiated. None of the leases includes variable lease payments.

(d) Leases as lessor

The Group leases out its investment property under operating leases. The lease typical run for an initial period of 5 years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes variable lease payments.

Undiscounted lease payments under non-cancellable operating leases in place from the investment property at each reporting date during the Relevant Periods will be receivable by the Group in future periods as follow:

	Year ended 31 December		
	2019	2020	2021
	RMB'000	RMB'000	RMB'000
Within 1 year	340	426	–
After 1 year but within 2 years	87	–	–
After 2 year but within 3 years	–	–	–
	427	426	–

In addition, in January 2020, MP NeuroTech Shanghai entered into a 6-year lease of property with a third party. In January 2021, MP NeuroTech Shanghai sub-leased this property for the remaining five year of that lease to Shanghai Shenyi, with the annual rental fee of RMB229,000.

12 INTANGIBLE ASSETS

	Capitalised development costs	Software	Total
	RMB'000	RMB'000	RMB'000
Cost:			
At 1 January 2019	75,761	636	76,397
Additions	37,790	–	37,790
Disposals	–	(103)	(103)
At 31 December 2019 and 1 January 2020	113,551	533	114,084
Additions	27,474	59	27,533
At 31 December 2020 and 1 January 2021	141,025	592	141,617
Additions	8,778	315	9,093
At 31 December 2021	149,803	907	150,710
Accumulated amortisation:			
At 1 January 2019	3,581	210	3,791
Amortisation charge for the year	3,376	204	3,580
Written back on disposals	–	(43)	(43)
At 31 December 2019 and 1 January 2020	6,957	371	7,328
Amortisation charge for the year	4,726	157	4,883
At 31 December 2020 and 1 January 2021	11,683	528	12,211
Amortisation charge for the year	11,074	40	11,114
At 31 December 2021	22,757	568	23,325
Net book value:			
At 31 December 2019	106,594	162	106,756
At 31 December 2020	129,342	64	129,406
At 31 December 2021	127,046	339	127,385

Included in intangible assets were an amount of RMB79,787,000, RMB53,251,000 and RMB38,366,000 that are not yet available for use as of 31 December 2019, 2020 and 2021, respectively. These intangible assets were solely related to capitalised development costs.

Majority of amortisation of intangible assets is recognised in "cost of sales" in the consolidated statement of profit or loss.

(a) Impairment test

The capitalised development costs not yet available for use are tested annually based on the recoverable amount of each individual asset at the product level.

As of 31 December 2019, the capitalised development costs not yet available for use included NUMEN® coil embolisation system and NUMEN FR® coil detachment system (collectively "NUMEN Products"), Bridge® rapamycin target eluting vertebral artery stent system ("Bridge") and Neurohawk® stent thrombectomy device ("Neurohawk"). In 2020, NUMEN Products and Bridge were approved by the National Medical Products Administration ("NMPA") and commercialised in the PRC. Accordingly, the capitalised development costs not yet available for use as of 31 December 2020 and 2021 only included Neurohawk.

The recoverable amount of each product was determined based upon the value-in-use calculations, which adopted the multi-period excess earnings method.

The cash flow projections are based on the financial budgets approved by the directors of the Company. Revenue forecasts are based on management's expectations of the timing of the commercialisation, productivity and the market size of related products. Management estimates the products will have a 10-year useful life commencing from the approval for

commercialisation with higher rates of revenue growth in the earlier years and declining revenue during the remaining years of the estimated useful life. The discount rates used are pre-tax and reflect specific risks relating to the relevant products.

The key assumptions used for recoverable amount calculations of each individual asset are as follows:

NUMEN Products (i)	**As at 31 December 2019**
Revenue from the commercialisation to the peak sales (% annualised compound growth rate)	22%
Revenue for the remaining useful life (% annualised compound growth rate)	-35%
Pre-tax discount rate	28.8%

Bridge (i)	**As at 31 December 2019**
Revenue from the commercialisation to the peak sales (% annualised compound growth rate)	29%
Revenue for the remaining useful life (% annualised compound growth rate)	-16%
Pre-tax discount rate	28.6%

Neurohawk (ii)	**As at 31 December**		
	2019	**2020**	**2021**
Revenue from the commercialisation to the peak sales (% annualised compound growth rate)	27%	27%	22%
Revenue for the remaining useful life (% annualised compound growth rate)	-23%	-23%	-29%
Pre-tax discount rate	28.5%	29.1%	29.8%

Notes:

i As at 31 December 2020 and 2021, the Group did not identify any impairment indicators for NUMEN Products and Bridge by reviewing the internal and external sources of information in accordance with the Group's accounting policies set out in Note 2(j)(ii). Consequently, no impairment assessment for NUMEN Products and Bridge as of 31 December 2020 and 2021 was performed.

ii Subsequently, the product in relation to Neurohawk was approved by the NMPA in February 2022.

(b) Impact of possible changes in key assumptions

The recoverable amount of NUMEN Products is estimated to exceed its carrying amount at 31 December 2019 by approximately RMB73 million.

The recoverable amount of Bridge is estimated to exceed its carrying amount at 31 December 2019 by approximately RMB27 million.

The recoverable amounts of Neurohawk are estimated to exceed its carrying amount at 31 December 2019, 2020 and 2021 by approximately RMB19 million, RMB19 million and RMB7 million, respectively.

Considering there was still sufficient headroom based on the assessment, the directors of the Company do not believe that a reasonably possible change in key assumptions would cause the carrying amount of each individual asset to exceed its respective recoverable amount.

The recoverable amount of each individual asset would equal its carrying amount if each key assumption was to change as follows with all other variables held constant:

NUMEN Products	As at 31 December 2019
Revenue from the commercialisation to the peak sales (% annualised compound growth rate)	10%
Revenue for the remaining useful life (% annualised compound growth rate)	-44%
Pre-tax discount rate	61.6%

Bridge	As at 31 December 2019
Revenue from the commercialisation to the peak sales (% annualised compound growth rate)	2%
Revenue for the remaining useful life (% annualised compound growth rate)	-44%
Pre-tax discount rate	56.4%

Neurohawk	As at 31 December		
	2019	2020	2021
Revenue from the commercialisation to the peak sales (% annualised compound growth rate)	19%	21%	21%
Revenue for the remaining useful life (% annualised compound growth rate)	-31%	-29%	-31%
Pre-tax discount rate	43.0%	42.0%	35.4%

13 INTEREST IN SUBSIDIARIES

The Company

	31 December 2020	31 December 2021
	RMB'000	RMB'000
Investment in a subsidiary	–	363,304
Amounts due from a subsidiary	326,245	428,639
	326,245	791,943

The particulars of the subsidiaries which principally affected the results, assets and liabilities of the Group are set out in Note 1.

14 INTEREST IN AN ASSOCIATE

The following list contains the particulars of an associate as at 31 December 2021, which is an unlisted corporate entity whose quoted market price is not available:

				Proportion of ownership interest			
Name of associate	Form of business structure	Place of incorporation	Particulars of issued and paid-up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal Activity
Rapid Medical Ltd. ("Rapid Medical")	Incorporated	Israel	22.1 million shares	22.3%	–	22.3%	Development, manufacturing and sales of innovative devices for neuro-interventional procedures

On 15 April 2019, MicroPort Scientific Corporation ("MPSC"), the ultimate controlling party of the Group, entered into a series C preferred share purchase agreement with Rapid Medical, on behalf of the Group, pursuant to which, MPSC purchased 1,495,378 series C preferred shares newly issued by Rapid Medical, representing approximately 11.85% interests in Rapid Medical, at a cash consideration of US$5,500,000. On 16 April 2019, the Group purchased the foresaid preferred shares issued by Rapid Medical directly from MPSC at the same consideration of US$5,500,000 (equivalent to RMB36,903,000). As at 31 December 2019 and 2020, such investments was classified as financial assets measured at FVPL (Note 15).

On 28 April 2021, the Group entered into a series D preferred share purchase agreement with Rapid Medical, pursuant to which, the Group purchased 2,987,349 series D preferred shares newly issued by Rapid Medical at a cash consideration of US$20,000,000 (equivalent to RMB129,706,000). Upon the completion of the transaction (the "Closing Date"), the Group held approximately 22.28% interest in Rapid Medical in aggregate and became the largest shareholder of Rapid Medical. In addition, the Group also appointed a director in the board of Rapid Medical. Management believe the Group has significant influence over Rapid Medical since then and Rapid Medical became an associate of the Group and measured under equity method. The fair value of the previous held investments in Rapid Medical at the Closing Date amounting to US$7,549,000 (equivalent to RMB48,959,000) formed part of initial cost of the investment in an associate.

Summarised financial information of Rapid Medical, adjusted for any differences in accounting policies are disclosed below:

	Period from the Closing Date to 31 December 2021
	RMB'000
Revenue	67,989
Loss for the period	(33,740)
Other comprehensive income	–
Total comprehensive income	(33,740)

15 FINANCIAL ASSETS MEASURED AT FVPL

	31 December 2019	31 December 2020	31 December 2021
	RMB'000	RMB'000	RMB'000
Non-current assets			
– Unlisted equity securities outside Hong Kong – Rapid Medical (Note 14)	38,369	37,051	–

16 OTHER NON-CURRENT ASSETS

	31 December 2019	31 December 2020	31 December 2021
	RMB'000	RMB'000	RMB'000
Lease deposits (Note)	1,298	670	21,699
Prepayments for property, plant and equipment	1,149	793	5,031
Others	–	–	615
	2,447	1,463	27,345

Note:

Lease deposits are typically paid for leased properties, which are refundable after the expiry of the leases and carried at amortised cost. During the year ended 31 December 2021, the Group entered into a 5-year lease agreement (the "Lease Agreement") with Shanghai Weichuang Investment Management Co., Ltd.* (上海微創投資管理有限公司, "SW Investment") in respect of certain leasehold properties for use of manufacturing facilities, warehouses and office buildings. As at 31 December 2021, the carrying amount of lease deposits paid to SW Investment is RMB21,604,000.

* The English name is for identification purpose only.

17 INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	31 December, 2019	31 December 2020	31 December 2021
	RMB'000	RMB'000	RMB'000
Raw materials	11,690	19,245	35,639
Work in progress	7,338	8,943	15,675
Finished goods	18,964	26,818	36,645
	37,992	55,006	87,959

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	Year ended 31 December		
	2019	2020	2021
	RMB'000	RMB'000	RMB'000
Costs of inventories sold	34,092	53,141	82,021
Write down of the inventories	2,872	3,761	1,590
Cost of inventories directly recognised as research and development costs	10,899	18,908	30,189
Cost of inventories directly recognised as selling and marketing expenses	1,119	1,449	2,169
	48,982	77,259	115,969

18 TRADE AND OTHER RECEIVABLES

	31 December 2019	31 December 2020	31 December 2021
	RMB'000	RMB'000	RMB'000
Trade receivables	46,339	42,170	1,066
Other debtors	2,946	2,331	3,925
Income tax recoverable (Note 24(a))	163	–	–
Deposits and prepayments	12,077	14,905	31,248
Amounts due from related parties in connection with the Restructuring (Note 29(c)(ii))	–	–	66,669
	61,525	59,406	102,908

As of the end of the reporting period, the ageing analysis of trade receivables based on the invoice date (or date of revenue recognition, if earlier) and net of loss allowance, is as follows:

	31 December 2019	31 December 2020	31 December 2021
	RMB'000	RMB'000	RMB'000
Within 1 month	16,834	15,723	971
1 to 3 months	28,198	26,447	–
3 to 12 months	1,110	–	95
Over 12 months	197	–	–
	46,339	42,170	1,066

Trade receivables are generally due within 60 days from the date of billing. Further details on the Group's credit policy and credit risk arising from receivables are set out in Note 30(a).

19 CASH AND CASH EQUIVALENTS AND OTHER CASHFLOW INFORMATION

(a) Cash and cash equivalents

The Group

	31 December 2019	31 December 2020	31 December 2021
	RMB'000	RMB'000	RMB'000
Cash and cash equivalents			
Deposits with banks	22,211	425,493	593,287

As at 31 December 2019, 2020 and 2021, cash and cash equivalents of the Group held in banks and financial institutions in the PRC amounted to RMB22,211,000, RMB262,518,000 and RMB381,437,000, respectively. The remittance of funds out of the PRC is subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

The Company

As at 31 December 2020 and 2021, cash and cash equivalents comprise cash at bank amounting to nil and RMB195,088,000, respectively.

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Loans from related parties	Interest-bearing borrowings	Convertible bonds	Lease liabilities	Other financial liabilities	Total
	RMB'000 (Note 32(c))	RMB'000 (Note 20)	RMB'000 (Note 25)	RMB'000 (Note 23)	RMB'000 (Note 27)	RMB'000
At 1 January 2019	5,011	20,033	–	4,832	–	29,876
Changes from financing cash flows:						
Proceeds from interest-bearing borrowings	–	42,500	–	–	–	42,500
Repayments of interest-bearing borrowings	–	(22,000)	–	–	–	(22,000)
Interest paid for interest-bearing borrowings	–	(1,241)	–	–	–	(1,241)
Loans from related parties	30,000	–	–	–	–	30,000
Repayments of loans from related parties	(35,000)	–	–	–	–	(35,000)
Interest paid for loans from related party	(102)	–	–	–	–	(102)
Capital element of lease payments	–	–	–	(3,158)	–	(3,158)
Interest element of lease payments	–	–	–	(270)	–	(270)
Total changes from financing cash flows	(5,102)	19,259	–	(3,428)	–	10,729

	Loans from related parties	Interest-bearing borrowings	Convertible bonds	Lease liabilities	Other financial liabilities	Total
	RMB'000 (Note 32(c))	RMB'000 (Note 20)	RMB'000 (Note 25)	RMB'000 (Note 23)	RMB'000 (Note 27)	RMB'000
Other changes:						
Increase in lease liabilities from entering into new leases during the period	–	–	–	7,413	–	7,413
Interest charge (Note 6(a))	91	1,256	–	270	–	1,617
	91	1,256	–	7,683	–	9,030
At 31 December 2019	–	40,548	–	9,087	–	49,635

	Loans from related parties	Interest-bearing borrowings	Convertible bonds	Lease liabilities	Other financial liabilities	Total
	RMB'000 (Note 32(c))	RMB'000 (Note 20)	RMB'000 (Note 25)	RMB'000 (Note 23)	RMB'000 (Note 27)	RMB'000
At 1 January 2020	–	40,548	–	9,087	–	49,635
Changes from financing cash flows:						
Proceeds from interest-bearing borrowings	–	40,000	–	–	–	40,000
Repayments of interest-bearing borrowings	–	(80,500)	–	–	–	(80,500)
Interest paid for interest-bearing borrowings	–	(1,026)	–	–	–	(1,026)
Loans from related parties	38,000	–	–	–	–	38,000
Repayments of loans from related parties	(38,000)	–	–	–	–	(38,000)
Interest paid for loans from related party	(397)	–	–	–	–	(397)
Proceeds from issuance of convertible bonds	–	–	329,045	–	–	329,045
Capital element of lease payments	–	–	–	(4,626)	–	(4,626)
Interest element of lease payments	–	–	–	(735)	–	(735)
Total changes from financing cash flows	(397)	(41,526)	329,045	(5,361)	–	281,761
Exchange adjustments	–	–	(2,710)	–	–	(2,710)
Other changes:						
Increase in lease liabilities from entering into new leases during the year	–	–	–	9,691	–	9,691
Equity component of convertible bonds	–	–	(11,601)	–	–	(11,601)
Interest charge (Note 6(a))	397	978	2,262	735	–	4,372
	397	978	(9,339)	10,426	–	2,462
At 31 December 2020	–	–	316,996	14,152	–	331,148

	Loans from related parties	Interest-bearing borrowings	Convertible bonds	Lease liabilities	Other financial liabilities	Total
	RMB'000 (Note 32(c))	RMB'000 (Note 20)	RMB'000 (Note 25)	RMB'000 (Note 23)	RMB'000 (Note 27)	RMB'000
At 1 January 2021	–	–	316,996	14,152	–	331,148
Changes from financing cash flows:						
Proceeds from issuance of convertible bonds	–	–	129,208	–	–	129,208
Interest paid for convertible bonds	–	–	(17,921)	–	–	(17,921)
Capital element of lease payments	–	–	–	(13,282)	–	(13,282)
Interest element of lease payments	–	–	–	(2,665)	–	(2,665)
Issuance of the Series A-2 Preferred Shares (as defined in Note 27)	–	–	–	–	199,447	199,447
Total changes from financing cash flows	–	–	111,287	(15,947)	199,447	294,787
Exchange adjustments	–	–	(8,513)	–	(1,752)	(10,265)
Other changes:						
Increase in lease liabilities from entering into new leases during the year	–	–	–	108,828	–	108,828
Equity component of convertible bonds	–	–	(4,478)	–	–	(4,478)
Exchange of the convertible bonds and the issuance of the Series A-1 Preferred Shares (as defined in Note 25)	–	–	(438,167)	–	388,397	(49,770)
Re-classification and re-designation from ordinary shares to the Series A-2 Preferred Shares	–	–	–	–	658,416	658,416
Equity component of newly issued Series A-2 Preferred Shares	–	–	–	–	(26,178)	(26,178)
Interest charge (Note 6(a))	–	–	22,875	2,665	19,660	45,200
	–	–	(419,770)	111,493	1,040,295	732,018
At 31 December 2021	–	–	–	109,698	1,237,990	1,347,688

(c) Total cash outflow for leases

	Year ended 31 December		
	2019	2020	2021
	RMB'000	RMB'000	RMB'000
Within operating cash flows	306	36	–
Within financing cash flows	3,428	5,361	15,947
	3,734	5,397	15,947

All these amounts relate to the lease rentals paid.

20 INTEREST-BEARING BORROWINGS

	31 December 2019	31 December 2020	31 December 2021
	RMB'000	RMB'000	RMB'000
Secured bank loans			
– Within 1 year or on demand	40,548	–	–

21 TRADE AND OTHER PAYABLES

The Group

	31 December 2019	31 December 2020	31 December 2021
	RMB'000	RMB'000	RMB'000
Trade payables due to			
– third party suppliers	6,246	5,914	28,482
– related parties	11,621	4,893	6,466
	17,867	10,807	34,948
Amounts due to a related party in connection with an investment (Note 14)	38,369	–	–
Other amounts due to a related party in connection with a recharge arrangement (Note 28(b))	–	3,326	–
Sales rebates	9,729	11,052	20,753
Sales return	3,932	2,788	5,326
Accrued payroll	19,249	19,736	29,290
Other payables and accrued charges	17,328	15,094	39,349
	106,474	62,803	129,666

All of the above balances are expected to be settled within one year.

As of the end of the reporting period, the ageing analysis of the trade payables based on invoice date is as follows:

	31 December 2019	31 December 2020	31 December 2021
	RMB'000	RMB'000	RMB'000
Within 1 month	12,403	8,844	33,112
Over 1 month but within 3 months	3,687	862	1,408
Over 3 months but within 6 months	1,639	1,038	187
Over 6 months but within 1 year	51	–	65
Over 1 year	87	63	176
	17,867	10,807	34,948

The Company

	31 December 2020	31 December 2021
	RMB'000	RMB'000
Amounts due to a subsidiary	88	–
Other accrued charges	–	27,968
	88	27,968

All of the above balances are expected to be settled within one year.

22 CONTRACT LIABILITIES

	31 December 2019	31 December 2020	31 December 2021
	RMB'000	RMB'000	RMB'000
Advanced receipts from customers for sales of medical devices	622	2,541	12,403

Movements in contract liabilities

	Year ended 31 December		
	2019	2020	2021
	RMB'000	RMB'000	RMB'000
At 1 January	84	622	2,541
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(84)	(622)	(2,541)
Increase in contract liabilities as a result of receiving advance payments during the year in respect of unfulfilled performance obligation as at the year end	622	2,541	12,403
At 31 December	622	2,541	12,403

All of the contract liabilities are expected to be recognised as income within one year.

23 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of each of the reporting period.

	31 December 2019	31 December 2020	31 December 2021
	RMB'000	RMB'000	RMB'000
Within 1 year	3,982	5,952	27,993
After 1 year but within 2 years	3,434	3,476	24,606
After 2 years but within 5 years	1,671	4,724	57,099
	5,105	8,200	81,705
	9,087	14,152	109,698

24 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	31 December 2019	31 December 2020	31 December 2021
	RMB'000	RMB'000	RMB'000
At the beginning of the year	(255)	(163)	4,256
Provision for PRC CIT for the year (Note 7(a))	7,412	6,673	10,785
Tax paid	(8,542)	(5,135)	(11,455)
Tax refund	1,222	2,881	562
At the end of the year	(163)	4,256	4,148
Representing:			
Income tax recoverable	(163)	–	–
Income tax payables	–	4,256	4,148
	(163)	4,256	4,148

(b) Deferred tax assets recognised:

The components of deferred tax assets recognised in the consolidated statement of financial position and the movements during the Relevant Periods are as follows:

	Deferred income	Accrued expenses and others	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2019	571	1,236	1,807
Credited to profit or loss	718	1,258	1,976
At 31 December 2019 and 1 January 2020	1,289	2,494	3,783
Credited to profit or loss	144	419	563
At 31 December 2020 and 1 January 2021	1,433	2,913	4,346
Credited to profit or loss	1,286	1,766	3,052
At 31 December 2021	2,719	4,679	7,398

(c) Deferred tax assets not recognised

Tax losses for which no deferred tax asset was recognised expire as follows:

	31 December 2019		31 December 2020		31 December 2021	
	RMB'000	Expire year	RMB'000	Expire year	RMB'000	Expire year
Expire	12	2020-2024	7	2021-2025	4,443	2022-2026
Not expire	–	–	43	–	4,578	–

In accordance with the accounting policy set out in Note 2(t), the Group has not recognised deferred tax assets in respect of cumulative tax losses due to the unpredictability of future taxable profits in the relevant tax jurisdiction and entity.

The tax losses incurred from the Group's subsidiaries in the PRC will expire in 5 years from the respective year. The tax losses incurred from the Group's subsidiaries in Hong Kong could be carried forward indefinitely under current tax legislation.

(d) Deferred tax liabilities not recognised

At 31 December 2020 and 2021, temporary differences relating to the undistributed profits of a PRC subsidiary amounted to RMB108,685,000 and RMB192,995,000 respectively. Deferred tax liabilities of RMB10,869,000 and

RMB19,300,000 have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as at 31 December 2020 and 2021, respectively, as the Group controls the dividend policy of this subsidiary and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

25 CONVERTIBLE BONDS

In October and December 2020, the Company entered into a subscription agreement and its amendment agreement (together as "Subscription Agreement") with BioLink Limited and BioLink NT (together as "BioLink") respectively, pursuant to which, the Company agreed to issue and BioLink agreed to subscribe for the convertible bonds (the "Convertible Bonds") subject to the terms and conditions set out in the Subscription Agreement. The Convertible Bonds bear an interest rate at 4% per annum with a maturity date after two years from the issuance date of the Convertible Bonds. In November 2020 and January 2021, the Company issued the Convertible Bonds in principal amount of US$50,000,000 and US$20,000,000 to BioLink, respectively.

Prior to the maturity date, BioLink could convert part of or the entire outstanding Convertible Bonds into the fully paid equity securities of the Company at an initial conversion price which is calculated on the basis of the equity value of the Group amounting to RMB4 billion at the predetermined exchange rate of RMB against US$, subject to the certain adjustments under the Subscription Agreement.

Upon the exercise of the conversion option, the Convertible Bonds will be settled by converting a fixed amount of cash in US$ into a fixed number of equity instruments issued by the Company. In accordance with the Group's accounting policy set out in Note 2(r), these Convertible Bonds are accounted for as compound financial instruments which contain both a liability component and an equity component.

In November 2021, the Company completed the Pre-**[REDACTED]** Investment (as defined and detailed in Note 27). Pursuant to the Subscription Agreement, the Convertible Bonds were simultaneously exchanged into an aggregate of 11,759,125 series A-1 preferred shares of the Company (the "Series A-1 Preferred Shares") at a price of approximately US$5.95 per Series A-1 Preferred Shares.

As the terms of Series A-1 Preferred Shares were substantially different from those of the Convertible Bonds, the Convertible Bonds were treated as the extinguishment of the Convertible Bonds before maturity and the issuance of the Series A-1 Preferred Shares. Accordingly, in accordance with the accounting policies of the Company, on the issuance date of the Series A-1 Preferred Shares, the fair value of the Series A-1 Preferred Shares is allocated to the liability and equity components of the Convertible Bonds and the amount of gain or loss relating to the liability component and equity component is recognised in profit or loss and equity, respectively. During the year ended 31 December 2021, the Company recognised a gain of RMB866,000 in other net income in relation to the change of liability component whereas the amount allocated to the equity component was recognised in capital reserve.

The movement of the liability component and equity component of the Convertible Bonds is set out as below.

	Liability component	Equity component	Total
	RMB'000	RMB'000	RMB'000
As at 1 January 2019, 31 December 2019 and 1 January 2020	–	–	–
Issuance of convertible bonds	317,444	11,601	329,045
Interest charged during the year (Note 6(a))	2,262	–	2,262
Exchange adjustments	(2,710)	–	(2,710)
As at 31 December 2020 and 1 January 2021	316,996	11,601	328,597
Issuance of convertible bonds	124,730	4,478	129,208
Interest charged during the year (Note 6(a))	22,875	–	22,875
Interest paid during the year	(17,921)	–	(17,921)
Exchange of convertible bonds	(438,167)	(16,079)	(454,246)
Exchange adjustments	(8,513)	–	(8,513)
As at 31 December 2021	–	–	–

26 DEFERRED INCOME

	Government subsidies for research and development projects
	RMB'000
At 1 January 2019	3,803
Additions	5,693
Government grant recognised as other income	(904)
At 31 December 2019 and 1 January 2020	8,592
Additions	1,660
Government grant recognised as other income	(698)
At 31 December 2020 and 1 January 2021	9,554
Additions	9,910
Government grant recognised as other income	(1,340)
At 31 December 2021	18,124

27 OTHER FINANCIAL LIABILITIES

In November 2021, the Company and several investors (the "2021 Pre-**[REDACTED]** Investors") entered into a share subscription and purchase agreement, pursuant to which: (i) the 2021 Pre-**[REDACTED]** Investors subscribed for an aggregate of 2,032,495 newly issued series A-2 preferred shares of the Company (the "Series A-2 Preferred Shares") at an aggregate consideration of approximately US$31.26 million; and (ii) MicroPort Scientific Investment LTD ("MP Scientific", the immediate parent of the Company) transferred 7,720,432 ordinary shares of the Company to the 2021 Pre-**[REDACTED]** Investors at a consideration of approximately US$118.74 million, whereby the transferred ordinary shares were reclassified and redesignated as Series A-2 Preferred Shares (together the "Pre-**[REDACTED]** Investment").

As disclosed in Note 25, in November 2021, the Convertible Bonds were simultaneously exchanged into an aggregate of 11,759,125 Series A-1 Preferred Shares.

Significant terms of the Series A-1 Preferred Shares and Series A-2 Preferred Shares are outlined below:

Liquidation preference

In the event of any liquidation of the Company (such as liquidation, dissolution or winding up) or trade sale of its business, the holders of the Series A-1 Preferred Shares and Series A-2 Preferred Shares shall be entitled to receive, prior and in preference to any distribution of any of the assets or surplus funds of the Company to the other shareholders, an amount equals to the original issue price plus an interest accrued at a simple interest rate of 8% per annum.

Redemption rights

The Series A-1 Preferred Shares and Series A-2 Preferred Shares shall be redeemable by the Company upon the occurrence of certain contingent events, with the main conditions being: a qualified public **[REDACTED]** does not occur before 18 November 2024, at an amount equal to the original issue price plus an interest accrued at a simple interest rate of 10% per annum.

Conversion feature

Each Series A-1 Preferred Share or Series A-2 Preferred Share shall be convertible into such number of fully paid ordinary shares at any time at the option of the holder after the original issue date of the Series A-1 Preferred Shares and Series A-2 Preferred Shares. The initial conversion ratio for preferred share to ordinary share is 1:1. Such initial conversion ratio shall be subject to adjustment (including but not limited to dividends, share splits and combinations, capital reorganisation or reclassification). Each Series A-1 Preferred Share or Series A-2 Preferred Share shall automatically be converted into such number of the ordinary share of the Company upon the closing of a qualified public **[REDACTED]** as specified in the memorandum of association of the Company.

Presentation and Classification

The redemption obligations give rise to financial liabilities, which are measured at the highest of those amounts that could be payable, and on a present value basis. The conversion feature is recognised as an equity component as the Series A-1 Preferred Shares and Series A-2 Preferred Shares can be converted into ordinary shares where the number of shares to be issued is fixed.

The financial liabilities arising from the Series A-1 Preferred Shares and Series A-2 Preferred Shares are measured at the transaction price at initial recognition, and subsequently at amortised cost at an effective interest rate of 14.38%. A residual amount is allocated to equity for the conversion feature.

The movements of the Series A-1 Preferred Shares and Series A-2 Preferred Shares are set out as follows.

	Liability component	Impact on equity	Total
	RMB'000	RMB'000	RMB'000
As at 1 January 2021	–	–	–
Issuance of the Series A-2 Preferred Shares	173,269	26,178	199,447
Re-classification and re-designation from ordinary shares to the Series A-2 Preferred Shares	658,416	381,448	1,039,864
Exchange of the Convertible Bonds and the issuance of the Series A-1 Preferred Shares (Note 25)	388,397	48,904	437,301
Interest charged during the year (Note 6(a))	19,660	–	19,660
Exchange adjustments	(1,752)	–	(1,752)
As at 31 December 2021	1,237,990	456,530	1,694,520

28 EQUITY-SETTLED SHARE-BASED TRANSACTION

(a) Share options granted by the ultimate controlling party

MPSC has granted certain share options to the employee of the Group. Each option gives the holder the right to subscribe for one ordinary share of MPSC, while the Group did not have an obligation to settle such transaction.

From the adoption of the above share option scheme to 31 December 2021 MPSC has granted share options to the employees of the Group. These share options are vested in instalments over an explicit vesting period of one to seven years. Each instalment is accounted for as a separate share-based compensation arrangement. The contractual life of the options is ten years.

(i) The number and weighted average exercise prices of share options are as follows:

	Year ended 31 December					
	2019		2020		2021	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
	HK$	'000	HK$	'000	HK$	'000
Outstanding at the beginning of the year	5.15	2,169	5.46	2,193	6.10	1,413
Granted during the year	7.37	224	–	–	48.15	1,420
Exercised during the year	4.52	(200)	4.54	(780)	4.36	(419)
Outstanding at the end of the year	5.46	2,193	6.10	1,413	30.63	2,414
Exercisable at the end of the year	4.19	1,400	5.20	1,004	6.62	861

All the share options granted are exercisable by the grantees upon vesting and will expire in a period from August 2022 through August 2031. As at 31 December 2019, 2020 and 2021, the weighted average remaining contractual life for the share options granted was 5.2 years, 5.3 years, 7.9 years, respectively.

(ii) Fair value of share options and assumptions

The fair value of services received in return for share options is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binomial tree model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the binomial tree model.

The expected volatility is determined by reference to the average implied volatility of comparable companies that manufacture similar products as MPSC. Changes in the subjective input assumptions could materially affect the fair value estimate. Expected dividend yield is based on historical dividends.

In respect of share options granted during the Relevant Periods, the service condition has been taken into account in the grant date fair value measurement of the services received. There was no market condition associated with these share options.

The fair value of the share options granted was recognised as equity-settled share-based payments expenses over the vesting period with a corresponding increase in capital reserve.

The total expenses recognised in the consolidated statement of profit or loss for the share options granted by ultimate controlling party are RMB966,000, RMB776,000 and RMB1,170,000 for the years ended 31 December 2019, 2020 and 2021, respectively.

(b) Share awards granted by the ultimate controlling party

MPSC has granted certain number of its own ordinary shares to the employee of the Group under the share award scheme approved by the board of MPSC with no vesting conditions attached at nil consideration. MPSC and the Group also entered into a recharge arrangement approximate to the grant-date fair value of this shared-based payment and the recharge is required to be paid after the shares are awarded. The fair value of services received in return for the shares awarded of RMB2,956,000, RMB3,326,000 and RMB5,294,000 for the years ended 31 December 2019, 2020 and 2021, respectively, which is measured by the grant-date share price of MPSC, was recognised as expenses on the grant date with a corresponding increase in trade and other payables due to MPSC.

(c) Employee share purchase plan (the "ESPP")

Since 2015, the Group adopted several ESPPs, pursuant to which, the partnership firms, whose limited partners consisted of employees of the Group, invested in the Group by way of subscribing newly issued equity interests of MP NeuroTech Shanghai. All participants of the ESPPs have purchased equity interests in respective partnership firms at amounts specified in the respective partnership agreements.

All ESPPs contain a service condition. Employees participating in the plan have to transfer out their equity interests if their employments with the Group were terminated within the vesting period, to a person or a party nominated by the general partners of the partnership firms at a price no higher than the amounts specified in the respective partnership agreements. The fair value of the ESPP at the grant date, being the difference between the considerations and the fair value of the equity interests subscribed shall be spread over the vesting period and recognised as staff costs in the profit or loss.

The fair value of the equity interests subscribed is measured by either (i) the reference to the price of third party investors who also made contributions to the Group or (ii) the valuation reports which were prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("JLL") and Beijing North Asia Asset Assessment Firm, and reviewed and approved by the management.

The total expenses recognised in the consolidated statement of profit or loss for the above ESPP are RMB131,000, RMB237,000 and RMB289,000 for the years ended 31 December 2019, 2020 and 2021, respectively.

(d) Equity-settled share-based payment expenses recognised in the consolidated statement of profit or loss during the Relevant Periods:

	Year ended 31 December		
	2019	2020	2021
	RMB'000	RMB'000	RMB'000
Cost of sales	1	2	204
Research and development costs	1,389	1,245	3,141
Selling and marketing expenses	812	1,225	1,207
Administrative expenses	1,851	1,867	2,201
Equity-settled share-based payment expenses recognised in the consolidated statement of profit or loss	4,053	4,339	6,753
Less: Recharge arrangement in connection with the share awards granted by the ultimate controlling party (Note 28(b))	(2,956)	(3,326)	(5,294)
Equity-settled share-based payment expenses recognised in equity	1,097	1,013	1,459

29 CAPITAL AND RESERVES

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's equity between the beginning and the end of the year are set out below.

	Note	Share capital	Share premium	Exchange reserve	Capital reserve	Accumulated losses	Total equity/(deficit)
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 30 September 2020, date of the incorporation		–	–	–	–	–	–
Changes in equity for 2020:							
Loss and total comprehensive income		–	–	(89)	–	(2,351)	(2,440)
Issuance of convertible bonds	25	–	–	–	11,601	–	11,601
Balance at 31 December 2020 and 1 January 2021		–	–	(89)	11,601	(2,351)	9,161
Changes in equity for 2021:							
Loss and total comprehensive income		–	–	(3,182)	–	(71,198)	(74,380)
Issuance of ordinary share	29(c)(ii)	65	276,963	–	–	–	277,028
Issuance of convertible bonds	25	–	–	–	4,478	–	4,478
Effects of the Restructuring		–	–	–	91,046	–	91,046
Issuance of the Series A-2 Preferred Shares	27	–	–	–	26,178	–	26,178
Re-classification and re-designation from ordinary shares to the Series A-2 Preferred Shares	27	(5)	(276,963)	–	(381,448)	–	(658,416)
Exchange of the convertible bonds and the issuance of the Series A-1 Preferred Shares	27	–	–	–	48,904	–	48,904
Balance at 31 December 2021		60	–	(3,271)	(199,241)	(73,549)	(276,001)

(b) Dividends

The directors of the Company did not propose the payment of any dividend during the Relevant Periods.

(c) Share capital

Authorised

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 30 September 2020 with authorised share capital of US$50,000 divided into 500,000,000 ordinary shares with par value of US$0.0001 each.

Issued and fully paid

		Ordinary share	
		No. of share	
	Note	'000	RMB'000
Balance at 30 September 2020, date of the incorporation		–	–
Issuance of ordinary shares	29(c)(ii)	-*	-*
Balance at 31 December 2020 and 1 January 2021		–*	–*
Issuance of ordinary shares	29(c)(ii)	100,000	65
Re-classification and re-designation to the Series A-2 Preferred Shares	27	(7,720)	(5)
Balance at 31 December 2021		92,280	60

* The amount is less than 1,000.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 30 September 2020.

For the purpose of this History Financial Information, the share capital in the consolidated statements of financial position as at 1 January 2019 and 31 December 2019 represented the issued share capital of MP NeuroTech Shanghai and as at 31 December 2020 represented the aggregated amount of issued share capital of MP NeuroTech Shanghai and the Company. Upon the completion of the Restructuring, the Company became the holding company of the Group. Share capital as at 31 December 2021 represented the issued share capital of the Company.

(i) In July 2020, MP NeuroTech Shanghai entered into a capital subscription agreement with several investors, among which, Shanghai Wangdaotong Biotechnology Co., Ltd. (wholly-owned by Dr. Chang Zhaohua, the chairman and director of MPSC) contributed RMB115,000,000. Pursuant to the capital subscription agreement, these investors subscribed for newly issued paid-in capital of MP NeuroTech Shanghai at a total consideration of RMB150,000,000.

(ii) At the date of the incorporation and 31 December 2020, the Company issued 1 ordinary share at a consideration of US$1.

In 2021, the Company issued 99,999,999 ordinary shares at a cash consideration of RMB277,028,000 to the existing shareholders of MP NeuroTech Shanghai ("Existing Shareholders").

In March 2021 and August 2021, Shanghai Shenjing, a wholly-owned subsidiary of the Group, entered into the equity purchase agreements with Existing Shareholders to acquire the 100% of the equity interests in MP NeuroTech Shanghai with an aggregated consideration of RMB344,002,000. The above transactions which were part of the Restructuring, were treated as a deemed distribution to the shareholders. Accordingly, the difference between (i) the consideration paid by Shanghai Shenjing of RMB344,002,000; and (ii) the deemed capital contribution from related parties in connection with the Restructuring of RMB66,998,000 and related tax impact, was debited to capital reserve of the Group.

(iii) As disclosed in Note 27, MP Scientific transferred 7,720,432 ordinary shares to the 2021 Pre-**[REDACTED]** Investors, whereby the transferred ordinary shares were reclassified and redesignated as the Series A-2 Preferred Shares. The difference between (i) the initial carrying amount of the related Series A-2 Preferred Shares in amount of US$118,740,000 (equivalent to RMB757,853,000) and (ii) the carrying amount of ordinary share capital transferred of US$772 (equivalent to RMB5,000) has been debited to the share premium and capital reserve of the Company.

(d) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by the Companies Act of the Cayman Islands.

(ii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of the Company and certain subsidiaries within the Group. The reserve is dealt with in accordance with the accounting policies set out in Note 2(w).

(iii) Capital reserve

The capital reserve primarily comprises the following:

- the fair value of the actual or estimated number of unexercised share options granted to executives and employees of the Group in accordance with the accounting policy adopted for equity-settled share-based payments in Note 2(s)(ii);
- the historical book value of the paid-in capital and capital reserve of MP NeuroTech Shanghai when 100% equity interests of MP NeuroTech Shanghai were transferred to the Group under the Restructuring, less consideration the Group has paid to acquire the 100% equity interests of MP NeuroTech Shanghai under the Restructuring;
- the amount allocated to the unexercised equity component of the Convertible Bonds at initial recognition (Note 2(r));
- the amount allocated to the equity component of the Convertible Bonds upon its extinguishment before maturity (Note 25); and.
- The amount allocated to the conversion feature of the Series A-1 Preferred Shares and the Series A-2 Preferred Shares (Note 2(o)).

(iv) Statutory general reserve

In accordance with the relevant PRC accounting rules and regulations, the PRC subsidiaries of the Company are required to make appropriation of its retained profits to statutory general reserve at the rate of 10% of its net profit each year, until the reserve balance reaches 50% of its paid-in capital. The transfer of this reserve must be made before distribution of dividend to equity owners. The statutory general reserve can be utilised to offset prior year's losses or converted into paid-in capital only.

(e) Capital management

The Group's objectives in the aspect of managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group defines "capital" as including all components of equity, preferred shares and convertible bonds as at the end of each of the reporting year and "debt" as including interest-bearing borrowings, loans from related parties and lease liabilities. On this basis, the amount of capital employed at 31 December 2019, 2020 and 2021 was RMB168,158,000, RMB689,878,000 and RMB1,063,050,000, respectively and the debt-to-capital ratio is 29.5%, 2.1% and 10.3%, respectively.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade and other receivables. The Group's

exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are state-owned banks or reputable commercial banks for which the Group considers to have low credit risk. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

The management assessed loss allowance provision for trade receivables at an amount equal to lifetime ECLs, which is based on recent historical settlement records and adjusts for forward looking information. Management has assessed that during the Relevant Periods, the default risk of trade receivables is insignificant and no loss allowance provision for trade receivables was recognised.

The management has assessed that during the Relevant Periods, other receivables have not had a significant increase in credit risk since initial recognition. Thus, a 12-month expected credit loss approach that results from possible default event within 12 months of each reporting date is adopted by management. The management of the Company do not expect any losses from non-performance by the counterparties of other receivables and no loss allowance provision for other receivables was recognised.

(b) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	As at 31 December 2019 Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing borrowings	41,195	–	–	–	41,195	40,548
Trade and other payables	106,474	–	–	–	106,474	106,474
Lease liabilities	4,069	3,688	1,858	–	9,615	9,087
	151,738	3,688	1,858	–	157,284	156,109

	As at 31 December 2020 Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and other payables	62,803	–	–	–	62,803	62,803
Lease liabilities	6,075	3,698	5,519	–	15,292	14,152
Convertible bonds	14,754	337,990	–	–	352,744	316,996
	83,632	341,688	5,519	–	430,839	393,951

	As at 31 December 2021 Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and other payables	129,666	–	–	–	129,666	129,666
Lease liabilities	28,533	26,317	66,290	–	121,140	109,698
Other financial liabilities	–	–	1,823,448	–	1,823,448	1,237,990
	158,199	26,317	1,889,738	–	2,074,254	1,477,354

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's interest rate risk arises primarily from cash at banks, deposits with banks, interest-bearing borrowings, loans from/to related parties and convertible bonds. The Group's interest-bearing financial instruments at variable rates as at 31 December 2019, 2020 and 2021 are the cash at bank except for fixed deposits, and the cash flow interest risk arising from the change of market interest rate on these balances is not considered significant. The Group's exposure to interest rate risk is not significant.

The Group's interest rate profile as monitored by management is set out below.

	31 December 2019		31 December 2020		31 December 2021	
	Effective interest rate	Amount	Effective interest rate	Amount	Effective interest rate	Amount
		RMB'000		RMB'000		RMB'000
Net fixed rate instruments:						
Convertible bonds	N/A	–	6.08%	(316,996)	N/A	–
Other financial liabilities	N/A	–	N/A	–	14.38%	(1,237,990)
Lease liabilities	4.75%	(9,087)	4.75%	(14,152)	4.75%	(109,698)
Interest-bearing borrowings	3.92%	(40,548)	N/A	–	N/A	–
		(49,635)		(331,148)		(1,347,688)
Net variable rate instruments:						
Deposits with banks	0.05%-0.35%	22,211	0.00%~0.35%	425,493	0.00%-2.55%	593,287
		22,211		425,493		593,287
		(27,424)		94,345		(754,401)

(d) Currency risk

The Group is exposed to currency risk primarily from (i) 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 US$ and (ii) Loans that are denominated in US$ between the PRC subsidiaries, whose functional currency is RMB, and a related party.

(i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the year end date. Differences resulting from the translation of the financial statements of the entities into the Group's presentation currency are excluded.

	Exposure to foreign currencies (expressed in RMB)		
	31 December 2019	31 December 2020	31 December 2021
	US$ RMB'000	US$ RMB'000	US$ RMB'000
Cash and cash equivalents	54	–	975
Amounts due to group companies	–	(3,326)	(11,222)
Trade and other payables	(3,218)	(1,518)	(4,431)
Net exposure arising from recognised assets and liabilities	(3,164)	(4,844)	(14,678)

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise if foreign exchange rates to which the Group has significant exposure at the end of each of the reporting period had changed at that date, assuming all other risk variables remained constant.

	31 December 2019		31 December 2020		31 December 2021	
	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profit	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profit	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profit
		RMB'000		RMB'000		RMB'000
US$ (against RMB)	3%	78	3%	120	3%	363
	-3%	(83)	-3%	(127)	-3%	(386)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of each of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of each of the reporting period. The analysis excludes differences that would result from the translation of the financial statements of the entities into the Group's presentation currency. The analysis has been performed on the same basis for the Relevant Periods.

(e) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 valuations: Fair value measured using significant unobservable inputs

The Group has engaged JLL to perform valuations for the financial instruments. A valuation report with analysis of changes in fair value measurement is prepared by the external valuer at each reporting date, and is reviewed and approved by the Group's management.

		Fair value measurements as at 31 December 2019 categorised into		
	Fair value at 31 December 2019	Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement				
Financial assets:				
- Unlisted equity securities (Note 15)	38,369	–	38,369	–

		Fair value measurements as at 31 December 2020 categorised into		
	Fair value at 31 December 2020	Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement				
Financial assets:				
- Unlisted equity securities (Note 15)	37,051	–	–	37,051

As at 31 December 2021, there was no financial instruments measured at fair value.

Transfer into Level 3

The Group held the investment in unlisted equity securities during the Relevant Periods. The fair value of this investment was categorised as Level 2 as at 31 December 2019 as it is determined by the pricing of the recent transactions of these unlisted equity securities with no significant unobservable inputs used.

During the year ended 31 December 2020, there were no recent observable arm's length transactions in relation to these unlisted equity securities, therefore valuation techniques with significant unobservable inputs were applied to determine the fair value of this investment. The fair value measurement was transferred from Level 2 to Level 3 of the fair value hierarchy at 31 December 2020.

Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs
Unlisted equity securities	Market comparable companies and equity allocation model	Discount for lack of marketability of 32.90%, expected probability of **[REDACTED]** event of 50% and expected volatility of 38.91%, taking into account the historical volatility of the comparable companies (Note)

Note: As at 31 December 2020, it is estimated that with all other variables held constant, an increase/decrease in the discount for lack of marketability by 5% would have decrease/increase the Group's profit by RMB1,923,000/RMB1,974,000, an increase/decrease in the expected probability of event by 5% would have decrease/increase the Group's profit by RMB367,000/RMB367,000 and an increase/decrease in the expected volatility by 5% would have increase/decrease the Group's profit by RMB282,000/RMB340,000.

The movement during the Relevant Periods in the balance of this Level 3 fair value measurement are as follows:

	Unlisted equity securities
	RMB'000
At 1 January 2019, 31 December 2019 and 1 January 2020	–
Exchange adjustments	(2,548)
Transfer from Level 2 into Level 3	38,369
Changes in fair value recognised in profit or loss	1,230
At 31 December 2020	37,051
Exchange adjustments	(190)
Changes in fair value recognised in profit or loss	12,098
Transfer to interest in an associate (Note 14)	(48,959)
At 31 December 2021	–

(ii) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2019, 2020 and 2021.

31 COMMITMENTS

Capital commitments in respect of property, plant and equipment and intangible assets outstanding at 31 December 2019, 2020 and 2021 not provided for in the financial statements were as follows:

	31 December 2019	31 December 2020	31 December 2021
	RMB'000	RMB'000	RMB'000
Contracted for	823	1,567	12,067
Approved but not contracted for	398	12,756	25,637
	1,221	14,323	37,704

32 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 8 and certain of the highest paid individuals as disclosed in Note 9, is as follows:

	Year ended 31 December		
	2019	2020	2021
	RMB'000	RMB'000	RMB'000
Salaries and other benefits	3,608	3,773	5,546
Discretionary bonuses	965	–	5,369
Equity-settled share-based payment expenses	3,559	3,906	4,359
	8,132	7,679	15,274

(b) Related parties

Particulars of the Group's other transactions with related parties other than key management personal remuneration during the Relevant Periods are as follows:

Name of party	*Relationship*
MPSC	Ultimate controlling party of the Group
MicroPort Product Innovation Inc	Subsidiary of MPSC
MicroPort CRM Japan Co., Ltd.	Subsidiary of MPSC
MicroPort Scientific Vascular Brasil Ltda.	Subsidiary of MPSC
MicroPort Group Co., Ltd.* (上海微創投資控股有限公司) (formerly known as MicroPort (Shanghai) Scientific Investment Co., Ltd. (微創(上海)醫療科學投資有限公司)	Subsidiary of MPSC
Shanghai MicroPort Medical (Group) Co., Ltd.* (上海微創醫療器械(集團)有限公司, "Shanghai MicroPort Medical")	Subsidiary of MPSC
MicroPort Scientific Ltd	Subsidiary of MPSC
Shanghai MicroPort EP MedTech Co., Ltd.* (上海微創電生理醫療科技股份有限公司, "MP EP")	Equity-accounted investee of MPSC(Note)
Shanghai MicroPort Endovascular MedTech (Group) Co., Ltd.* (上海微創心脈醫療科技(集團)股份有限公司, "MicroPort Endovascular")	Subsidiary of MPSC
Shanghai Shenyi Medical Technology Co., Ltd. (上海神奕醫療科技有限公司, "Shanghai Shenyi")	Subsidiary of MPSC
Shanghai ShenTai Medtech Co., Ltd.* (上海神泰醫療科技有限公司)	Subsidiary of MPSC
Suzhou ProSteri Medical Technology Co., Ltd.* (蘇州諾潔醫療技術有限公司)	Equity-accounted investee of MPSC
Shanghai SafeWay Medtech Co., Ltd.* (上海安助醫療科技有限公司)	Subsidiary of MPSC
MicroPort Medical (Jiaxing) Co., Ltd.* (嘉興微創醫療科技有限公司)	Subsidiary of MPSC
D-pulse Medical (Beijing) Co., Ltd.* (龍脈醫療器械(北京)有限公司)	Subsidiary of MPSC
AccuPath Medtech (Jiaxing) Co., Ltd.* (脈通醫療科技(嘉興)有限公司, "AccuPath")	Equity-accounted investee of MPSC (Note)
MPO Japan K.K.	Subsidiary of MPSC
Shanghai Henian Investment Management Centre (Limited Partnership)* (上海鶴年投資管理中心(有限合夥))	Entity controlled by key management personnel of the Group
Shanghai Lianghong Investment Management Centre (Limited Partnership)* (上海良弘投資管理中心(有限合夥))	Entity controlled by key management personnel of the Group
Shanghai Liangkai Enterprise Management Consulting Centre (Limited Partnership)* (上海良凱企業管理諮詢中心(有限合夥))	Entity controlled by key management personnel of the Group
Shanghai Lianggu Enterprise Management Consulting Centre (Limited Partnership)* (上海良崮企業管理諮詢中心(有限合夥))	Entity controlled by key management personnel of the Group
AccuTarget MediPharma (Shanghai) Co., Ltd.* (上海導向醫療系統有限公司, "AccuTarget")	Equity-accounted investee of MPSC (Note)
Shanghai HuaRui Bank Co., Ltd.* (上海華瑞銀行股份有限公司, "SHRB")	Equity-accounted investee of MPSC

Note: MP EP and AccuPath were previously the fellow subsidiaries of the Group and became the equity-accounted investee of MPSC since April 2019 and January 2021, respectively.

A subsidiary of MPSC acquired certain equity interests in AccuTarget and AccuTarget became an equity-accounted investee of MPSC since June 2021.

* English translation is for identification purpose only.

(c) Financing and leasing arrangement with related parties

	Amounts due (to)/from related parties			Related interest (expense)/ income		
	31 December 2019	31 December 2020	31 December 2021	Year ended 31 December		
				2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Loans from subsidiaries of MPSC (i)	–	–	–	(91)	(397)	–
Lease liabilities due to related parties	–	–	(333)	–	–	(22)
Lease receivables due from a related party (ii)	–	–	1,199	–	–	42

(i) In April 2019 and May 2019, the Group borrowed interest-free short-term loans of RMB20,000,000 and RMB10,000,000 from Shanghai MicroPort Medical and Shanghai Shenyi, respectively, both of which has been repaid in May 2019.

In April 2020, the Group borrowed a short-term loan of RMB38,000,000 from Shanghai MicroPort Medical with an interest rate at 3.6% per annum. The Group has repaid the loan in July 2020 to Shanghai MicroPort Medical.

(ii) In February 2020 and May 2021, MP NeuroTech Shanghai leased out its own properties to a related party and recognised rental income amounted to RMB340,000 and RMB1,112,000 for the years ended 31 December 2020 and 2021.

(d) Cash deposits placed in a related party

As at 31 December 2021, the Group has placed cash deposits amounted to RMB132,297,000 in SHRB with interest rate ranged of 2.55% per annum.

(e) Other transactions with related parties

	Year ended 31 December		
	2019	2020	2021
	RMB'000	RMB'000	RMB'000
Service fee charged by subsidiaries of MPSC	4,678	4,133	6,603
Service fee charged by an equity-accounted investee of MPSC	27	–	450
Purchase of goods from subsidiaries of MPSC	11,271	7,184	8,607
Purchase of goods from an equity-accounted investee of MPSC	289	1,428	2,239
Purchase of equipment from subsidiaries of MPSC	631	907	1,256
Transfer of an intangible asset and equipment to subsidiaries of MPSC	501	–	–
Payment on behalf of the Group by MPSC	–	6	1,793
Payments on behalf of related parties by the Group	2,392	763	481

(f) Related party balances

	31 December 2019	31 December 2020	31 December 2021
	RMB'000	RMB'000	RMB'000
Amounts due from related parties			
Trade related	–	138	1,269
Non-trade related	2,848	2,274	66,744
Amounts due to related parties			
Trade related	11,621	4,893	8,348
Non-trade related	38,369	3,326	–

The non-trade related amounts due from related parties mainly represents the receivables in connection with the Restructuring (Note 18), which is expected to be settled prior to 30 June 2022.

33 IMMEDIATE AND ULTIMATE CONTROLLING PARTIES

As at 31 December 2021, the directors consider the immediate parent to be MicroPort Scientific, which is incorporated in British Virgin Islands and does not produce financial statements available for public use.

As at 31 December 2021, the directors consider the ultimate controlling party is MicroPort, which is incorporated in Cayman Islands. MicroPort is listed on the Main Board of The Stock Exchange of Hong Kong Limited and produces financial statements available for public use.

34 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE RELEVANT PERIODS

Up to the date of issue of the Historical Financial Information, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the accounting period beginning on 1 January 2022 and which have not been adopted in the Historical Financial Information. These include the following:

	Effective for accounting periods beginning on or after
Annual Improvements to HKFRSs 2018-2020	1 January 2022
Amendments to HKFRS 3, *Reference to the Conceptual Framework*	1 January 2022
Amendments to HKAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*	1 January 2022
Amendments to HKAS 37, *Onerous Contracts – Cost of Fulfilling a Contract*	1 January 2022
Amendments to HKAS 1, *Classification of Liabilities as Current or Non-current*	1 January 2023
HKFRS 17, *Insurance contracts*	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2, *Disclosure of Accounting Policies*	1 January 2023
Amendments to HKAS 8, *Definition of Accounting Estimates*	1 January 2023
Amendments to HKAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023
Amendments to HKFRS 10 and HKAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	To be determined

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far the Group has concluded that the adoption of them is unlikely to have a significant impact on the Group's consolidated financial statements.

35 SUBSEQUENT EVENTS

On [●] June 2022, a share subdivision was approved by the shareholders of the Company, pursuant to which, each issued and unissued share capital was subdivided to [five] shares of the corresponding class with par value of US$[0.00002] each.

SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to 31 December 2021.

The following information does not form part of the Accountants' Report from KPMG, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I to this document, and is included for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the "Financial Information" section in this document and the Accountants' Report set out in Appendix I to this document.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the 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 at December 31, 2021 as if the **[REDACTED]** had taken place on December 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 at December 31, 2021 or any future date.

	Consolidated net tangible liabilities attributable to equity shareholders of the Company as at 31 December 2021 [(1)]	**Estimated net [REDACTED] from the [REDACTED]** [(2)(5)]	**Estimated impact upon the conversion of the Series A-1 Preferred Shares and the Series A-2 Preferred Shares** [(3)]	**Unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of the Company as at 31 December 2021**	**Unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of the Company per Share** [(4)]	
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB**	**HK$** [(5)]
Based on an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]**	(302,325)	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**

Notes:

(1) The consolidated net tangible liabilities attributable to equity shareholders of the Company as at December 31, 2021 is based on the consolidated net liabilities attributable to equity shareholders of the Company of RMB174,940,000 as at 31 December 2021, less the intangible assets of RMB127,385,000, 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 **[REDACTED]** new Shares and the indicative **[REDACTED]** of HK$**[REDACTED]** per Share, after deduction of estimated **[REDACTED]** fees and other related **[REDACTED]** expenses payable by the Company (excluding **[REDACTED]** expenses of RMB**[REDACTED]** which have been accounted for prior to December 31, 2021) and does not take account of any Shares which may be issued upon the exercise of the **[REDACTED]**.

(3) The aggregated balance of the liability portion of the Series A-1 Preferred Shares and the Series A-2 Preferred Shares was RMB1,237,990,000 as of December 31, 2021 (as set out in Note 27 of Appendix I in this document). Upon the **[REDACTED]**, the Series A-1 Preferred Shares and the Series A-2 Preferred Shares will be automatically converted into ordinary shares of the Company and will be re-designated from liabilities to equity.

(4) 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 December 31, 2021, (including the completion of the conversion of the Series A-1 Preferred Shares and the Series A-2 Preferred Shares into ordinary shares of the Company) without taking into account of any Shares which may be issued upon exercise of the **[REDACTED]**.

(5) The estimated net **[REDACTED]** from the **[REDACTED]** are converted into Renminbi at a rate of HK$1 = RMB[0.85502]. 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.

(6) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to December 31, 2021.

[REDACTED]

[REDACTED]

[REDACTED]

SUMMARY OF THE CONSTITUTION OF THE COMPANY

1 Memorandum of Association

The Memorandum of Association of the Company was conditionally adopted on [●] and states, inter alia, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Act or any other law of the Cayman Islands.

The Memorandum of Association is on display on the websites of the Stock Exchange and the Company as specified in Appendix V in the section headed "Documents on display".

2 Articles of Association

The Articles of Association of the Company were conditionally adopted on [●] and include provisions to the following effect:

2.1 Directors

(a) *Power to allot and issue Shares*

Subject to the provisions in the Memorandum of Association (and to any direction that may be given by the Company in general meeting) and without prejudice to any rights attached to any existing shares, the Directors may allot, issue, grant options over or otherwise dispose of shares with or without preferred, deferred or other rights or restrictions, whether in regard to dividend or other distribution, voting, return of capital or otherwise and to such persons, at such times and on such other terms as the Directors think proper.

(b) *Power to dispose of the assets of the Company or any subsidiary*

Subject to the provisions of the Companies Act, the Memorandum and Articles of Association and to any directions given by special resolution, the business of the Company shall be managed by the Directors who may exercise all the powers of the Company. No alteration of the Memorandum and Articles of Association and no such direction shall invalidate any prior act of the Directors which would have been valid if that alteration had not been made or that direction had not been given.

(c) *Compensation or payment for loss of office*

There are no provisions in the Articles of Association relating to compensation or payment for loss of office of a Director.

(d) *Loans to Directors*

There are no provisions in the Articles of Association relating to making of loans to Directors.

(e) *Financial assistance to purchase Shares*

There are no provisions in the Articles of Association relating to the giving of financial assistance by the Company to purchase shares in the Company or its subsidiaries.

(f) *Disclosure of interest in contracts with the Company or any of its subsidiaries*

No person shall be disqualified from the office of Director or alternate Director or prevented by such office from contracting with the Company, either as vendor, purchaser or otherwise, nor shall any such contract or any contract or transaction entered into by or on behalf of the Company in which any Director or alternate Director shall be in any way interested be or be liable to be avoided, nor shall any Director or alternate Director so contracting or being so interested be liable to account to the Company for any profit realised by or arising in connection with any such contract or transaction by reason of such Director or alternate Director holding office or of the fiduciary relationship thereby established, provided that the nature of the interest of any Director or any alternate Director in any such contract or transaction shall be disclosed by them at or prior to its consideration and any vote thereon.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

(i) the giving to such Director or any of his close associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

(iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his close associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:

(A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or

(B) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates to the Director, his close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(v) any contract or arrangement in which the Director or any of his close associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of their interest in shares or debentures or other securities of the Company.

(g) *Remuneration*

The remuneration to be paid to the Directors, if any, shall be such remuneration as the Directors shall determine. The Directors shall also be entitled to be paid all travelling, hotel and other expenses properly incurred by them in connection with their attendance at meetings of Directors or committees of Directors, or general meetings of the Company, or separate meetings of the holders of any class of shares or debentures of the Company, or otherwise in connection with the business of the Company or the discharge of their duties as a Director, or to receive a fixed allowance in respect thereof as may be determined by the Directors, or a combination partly of one such method and partly the other.

The Directors may approve additional remuneration to any Director for any services which in the opinion of the Directors go beyond that Director's ordinary routine work as a Director. Any fees paid to a Director who is also counsel, attorney or solicitor to the Company, or otherwise serves it in a professional capacity shall be in addition to their remuneration as a Director.

(h) *Retirement, appointment and removal*

The Company may by ordinary resolution appoint any person to be a Director, either to fill a vacancy or as an additional Director.

The Company may by ordinary resolution remove any Director (including a managing or other executive Director) before the expiration of such Director's term of office, notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director, and may by ordinary resolution elect another person in their stead. Nothing shall be taken as depriving a Director so removed of compensation or damages payable to such Director in respect of the termination of his appointment as Director or of any other appointment or office as a result of the termination of his appointment as Director.

The Directors may appoint any person to be a Director, either to fill a vacancy or as an additional Director provided that the appointment does not cause the number of Directors to exceed any number fixed by or in accordance with the Articles of Association as the maximum number of Directors. Any Director so appointed shall hold office only until the

first annual general meeting of the Company after such Director's appointment and shall then be eligible for re-election at that meeting.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated if:

(i) the Director gives notice in writing to the Company that he resigns the office of Director;

(ii) the Director is absent (for the avoidance of doubt, without being represented by proxy or an alternate Director appointed by him) for a continuous period of 12 months without special leave of absence from the Directors, and the Directors pass a resolution that he has by reason of such absence vacated office;

(iii) the Director dies, becomes bankrupt or makes any arrangement or composition with his creditors generally;

(iv) the Director is found to be or becomes of unsound mind; or

(v) the Director is removed from office by notice in writing served upon such Director signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors then in office (including such Director).

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election at such meeting. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) *Borrowing powers*

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof and to issue debentures, debenture stock, mortgages, bonds and other such securities whether outright or as security for any debt, liability or obligation of the Company or of any third party.

2.2 Alteration to constitutional documents

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

2.3 Variation of rights of existing shares or classes of shares

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class for the time being issued (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound up, be varied only with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class, or with the approval of a resolution passed by a majority of not less than three-fourths of the votes cast at a separate meeting of the holders of the shares of that class. To any such meeting all the provisions of the Articles of Association relating to general meetings shall apply *mutatis mutandis*, except that the necessary quorum shall be one or more persons holding or representing by proxy or duly authorised representative at least one-third of the issued shares of that class.

The rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.4 Alteration of capital

The Company may by ordinary resolution:

(a) increase its share capital by such sum as the ordinary resolution shall prescribe and with such rights, priorities and privileges annexed thereto, as the Company in general meeting may determine;

(b) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchasers thereof and the validity of such transfer shall not be questioned, and so that the net **[REDACTED]** of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;

(c) by subdivision of its existing shares or any of them divide the whole or any part of its share capital into shares of smaller amount than is fixed by the Memorandum of Association or into shares without par value; and

(d) cancel any shares that at the date of the passing of the ordinary resolution have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.

The Company may by special resolution reduce its share capital or any capital redemption reserve fund, subject to the provisions of the Companies Act.

2.5 Special resolution – majority required

A "special resolution" is defined in the Articles of Association to have the same meaning as in the Companies Act, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an "ordinary resolution" is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

2.6 Voting rights

Subject to any rights or restrictions attached to any shares, at any general meeting (a) every member of the Company present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have the right to speak; (b) on a show of hands every member present in any such manner shall have one vote; and (c) on a poll every member present in such manner shall have one vote for every share of which he is the holder.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint holders the vote of the senior holder who tenders a vote, whether in person or by proxy (or in the case of a corporation or other non-natural person, by its duly authorised representative or proxy) shall be accepted to the exclusion of the votes of the other joint holders, and seniority shall be determined by the order in which the names of the holders stand in the register of members of the Company.

A member of unsound mind, or in respect of whom an order has been made by any court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll, by their committee, receiver, curator bonis, or other person on such member's behalf appointed by that court, and any such committed, receiver, curator bonis or other person may vote by proxy.

No person shall be counted in a quorum or be entitled to vote at any general meeting unless he is registered as a member on the record date for such meeting, nor unless all calls or other monies then payable by him in respect of shares have been paid.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairperson of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

Any corporation or other non-natural person which is a member of the Company may in accordance with its constitutional documents, or in the absence of such provision by resolution of its directors or other governing body, authorise such person as it thinks fit to act as its representative at any meeting of the Company or of any class of members, and the person so authorised shall be entitled to exercise the same powers as the corporation could exercise if it were an individual member.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company, provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee(s)) which that person represents as that recognised clearing house (or its nominee(s)) could exercise as if such person were an individual member of the Company holding the number and class of shares specified in such authorisation, including, where a show of hands is allowed, the right to vote individually on a show of hands.

2.7 Annual general meetings and extraordinary general meetings

The Company shall hold a general meeting as its annual general meeting in each financial year. The annual general meeting shall be specified as such in the notices calling it.

The Directors may call general meetings, and they shall on a members' requisition forthwith proceed to convene an extraordinary general meeting of the Company. A members' requisition is a requisition of one or more members holding at the date of deposit of the requisition not less than 10% of the voting rights, on a one vote per share basis, of the issued shares which as at that date carry the right to vote at general meetings of the Company. The members' requisition must state the objects and the resolutions to be added to the agenda of the meeting and must be signed by the requisitionists and deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office of the Company, and may consist of several documents in like form each signed by one or more requisitionists. If there are no Directors as at the date of the deposit of the members' requisition or if the Directors do not within 21 days from the date of the deposit of the members' requisition duly proceed to convene a general meeting to be held within a further 21 days, the requisitionists, or any of them representing more than one-half of the total voting rights of all the requisitionists, may themselves convene a general meeting, but any meeting so convened shall

be held no later than the day which falls three months after the expiration of the said 21 day period. A general meeting convened by requisitionists shall be convened in the same manner as nearly as possible as that in which general meetings are to be convened by Directors.

2.8 Accounts and audit

The Directors shall cause proper books of account to be kept with respect to all sums of money received and expended by the Company and the matters in respect of which the receipt or expenditure takes place, all sales and purchases of goods by the Company and the assets and liabilities of the Company. Such books of account must be retained for a minimum period of five years from the date on which they are prepared. Proper books shall not be deemed to be kept if there are not kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to explain its transactions.

The Directors shall determine whether and to what extent and at what times and places and under what conditions or regulations the accounts and books of the Company or any of them shall be open to the inspection of members of the Company not being Directors, and no member (not being a Director) shall have any right of inspecting any account or book or document of the Company except as conferred by the Companies Act or authorised by the Directors or by the Company in general meeting.

The Directors shall cause to be prepared and to be laid before the Company at every annual general meeting a profit and loss account for the period since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up, a Directors' report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditors' report on such accounts and such other reports and accounts as may be required by law.

2.9 Auditors

The Company shall at every annual general meeting by ordinary resolution appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The Company may by ordinary resolution remove an auditor before the expiration of his period of office. No person may be appointed as an auditor of the Company unless such person is independent of the Company. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed by ordinary resolution.

2.10 Notice of meetings and business to be conducted thereat

An annual general meeting shall be called by not less than 21 days' notice and any extraordinary general meeting shall be called by not less than 14 days' notice, which shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Every notice shall specify the place, the day and the hour of the meeting, particulars of the resolutions and the general nature of the business to be conducted at the meeting. Notwithstanding the foregoing, a general meeting of the Company shall, whether or not

the notice specified has been given and whether or not the provisions of the Articles of Association regarding general meetings have been complied with, be deemed to have been duly convened if it is so agreed:

(a) in the case of an annual general meeting, by all members of the Company entitled to attend and vote at the meeting; and

(b) in the case of an extraordinary general meeting, by a majority in number of the members having a right to attend and vote at the meeting, together holding not less than 95% in par value of the shares giving that right.

If, after the notice of a general meeting has been sent but before the meeting is held, or after the adjournment of a general meeting but before the adjourned meeting is held (whether or not notice of the adjourned meeting is required), the Directors, in their absolute discretion, consider that it is impractical or unreasonable for any reason to hold a general meeting on the date or at the time and place specified in the notice calling such meeting, they may change or postpone the meeting to another date, time and place.

The Directors also have the power to provide in every notice calling a general meeting that in the event of a gale warning or a black rainstorm warning is in force at any time on the day of the general meeting (unless such warning is cancelled at least a minimum period of time prior to the general meeting as the Directors may specify in the relevant notice), the meeting shall be postponed without further notice to be reconvened on a later date.

Where a general meeting is postponed:

(a) the Company shall endeavour to cause a notice of such postponement, which shall set out the reason for the postponement in accordance with the Listing Rules, to be placed on the Company's website and published on the Stock Exchange's website as soon as practicable, provided that failure to place or publish such notice shall not affect the automatic postponement of a general meeting due to a gale warning or black rainstorm warning being in force on the day of the general meeting;

(b) the Directors shall fix the date, time and place for the reconvened meeting and at least seven clear days' notice shall be given for the reconvened meeting; and such notice shall specify the date, time and place at which the postponed meeting will be reconvened and the date and time by which proxies shall be submitted in order to be valid at such reconvened meeting (provided that any proxy submitted for the original meeting shall continue to be valid for the reconvened meeting unless revoked or replaced by a new proxy); and

(c) only the business set out in the notice of the original meeting shall be transacted at the reconvened meeting, and notice given for the reconvened meeting does not need to specify the business to be transacted at the reconvened meeting, nor shall any accompanying documents be required to be recirculated. Where any new business is to be transacted at such reconvened meeting, the Company shall give a fresh notice for such reconvened meeting in accordance with the Articles of Association.

2.11 Transfer of shares

Transfers of shares may be effected by an instrument of transfer, which shall be in writing and in any standard form of transfer as prescribed by the Stock Exchange or such other form as the Directors may approve. The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company.

The Directors may decline to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

(a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;

(b) the instrument of transfer is in respect of only one class of shares;

(c) the instrument of transfer is properly stamped (in circumstances where stamping is required);

(d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;

(e) the shares concerned are free of any lien in favour of the Company; and

(f) a fee of such amount not exceeding the maximum amount as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall notify the transferor and the transferee within two months of such refusal.

The registration of transfers shall be suspended during such periods as the register of members of the Company is closed. The Directors may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, close the register of members at such times and for such periods as the Directors may from time to time determine, provided that the register of members shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine, provided that such period shall not be extended beyond 60 days in any year).

2.12 Power of the Company to purchase its own shares

Subject to the provisions of the Companies Act, the Company may purchase its own shares provided that (a) the manner of purchase has first been authorised by the members of the Company by ordinary resolution, and (b) any such purchase shall only be made in accordance with any relevant code, rules or regulations issued by the Stock Exchange or the Securities and Futures Commission of Hong Kong from time to time in force.

2.13 Power of any subsidiary of the Company to own shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.14 Dividends and other methods of distribution

Subject to the Companies Act and the Articles of Association, the Company may by ordinary resolution resolve to pay dividends and other distributions on shares in issue and authorise payment of the dividends or other distributions out of the funds of the Company lawfully available therefor, provided no dividends shall exceed the amount recommended by the Directors. No dividend or other distribution shall be paid except out of the realised or unreleased profits of the Company, out of the share premium account or as otherwise permitted by law.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may in addition from time to time declare and pay special dividends on shares of such amounts and on such dates as they think fit.

Except as otherwise provided by the rights attached to any shares, all dividends and other distributions shall be paid according to the amounts paid up on the shares that a member holds during any portion or portions of the period in respect of which the dividend is paid. For this purpose no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may deduct from any dividends or other distribution payable to any member of the Company all sums of money (if any) then payable by the member to the Company on account of calls or otherwise. The Directors may retain any dividends or other monies payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

No dividend shall carry interest against the Company. Except as otherwise provided by the rights attached to any shares, dividends and other distributions may be paid in any currency.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled

to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other monies payable in cash in respect of shares may be paid by wire transfer to the holder or by cheque or warrant sent through the post directed to the registered address of the holder or, in the case of joint holders, to the registered address of the holder who is first named on the register of members of the Company or to such person and to such address as the holder or joint holders may in writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent. Any one of two or more joint holders may give effectual receipts for any dividends, other distributions, bonuses, or other monies payable in respect of the shares held by them as joint holders.

Any dividend or other distribution which remains unclaimed after a period of six years from the date on which such dividend or distribution becomes payable shall be forfeited and shall revert to the Company.

The Directors, with the sanction of the members of the Company by ordinary resolution, may resolve that any dividend or other distribution be paid wholly or partly by the distribution of specific assets, and in particular (but without limitation) by the distribution of shares, debentures, or securities of any other company or in any one or more of such ways, and where any difficulty arises in regard to such distribution, the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets or any part thereof and may determine that cash payments shall be made to any members of the Company upon the basis of the value so fixed in order to adjust the rights of all members, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.15 Proxies

A member of the Company entitled to attend and vote at a general meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. Votes may be given either personally or by proxy. A proxy need not be a member of the Company. A member may appoint any number of proxies to attend in his stead at any one general meeting or at any one class meeting.

The instrument appointing a proxy shall be in writing and shall be executed under the hand of the appointor or of his attorney duly authorised in writing, or, if the appointor is a corporation or other non-natural person, under the hand of its duly authorised representative.

The Directors shall, in the notice convening any meeting or adjourned meeting, or in an instrument of proxy sent out by the Company, specify the manner by which the instrument appointing a proxy shall be deposited and the place and the time (being not later than the time appointed for the commencement of the meeting or adjourned meeting to which the proxy relates) at which the instrument appointing a proxy shall be deposited.

The instrument appointing a proxy may be in any usual or common form (or such other form as the Directors may approve) and may be expressed to be for a particular meeting or any adjournment thereof or generally until revoked.

2.16 Calls on shares and forfeiture of shares

Subject to the terms of the allotment and issue of any shares, the Directors may make calls upon the members of the Company in respect of any monies unpaid on their shares (whether in respect of par value or premium), and each member of the Company shall (subject to receiving at least 14 clear days' notice specifying the times or times of payment) pay to the Company at the time or times so specified the amount called on his shares. A call may be revoked or postponed, in whole or in part, as the Directors may determine. A call may be required to be paid by instalments. A person upon whom a call is made shall remain liable for calls made upon him, notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share.

If a call remains unpaid after it has become due and payable, the person from whom it is due shall pay interest on the amount unpaid from the day it became due and payable until it is paid at such rate as the Directors may determine (and in addition all expenses that have been incurred by the Company by reason of such non-payment), but the Directors may waive payment of the interest or expenses wholly or in part.

If any call or instalment of a call remains unpaid after it has become due and payable, the Directors may give to the person from whom it is due not less than 14 clear days' notice requiring payment of the amount unpaid together with any interest which may have accrued and any expenses incurred by the Company by reason of such non-payment. The notice shall specify where payment is to be made and shall state if the notice is not complied with the shares in respect of which the call was made will be liable to be forfeited.

If such notice is not complied with, any share in respect of which it was given may, before the payment required by the notice has been made, be forfeited by a resolution of the Directors. Such forfeiture shall include all dividends, other distributions or other monies payable in respect of the forfeited shares and not paid before the forfeiture.

A forfeited share may be sold, re-allotted or otherwise disposed of on such terms and in such manner as the Directors think fit.

A person any of whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares and shall surrender to the Company for cancellation the certificate

for the shares forfeited and shall remain liable to pay to the Company all monies which at the date of forfeiture were payable by him to the Company in respect of the shares, together with interest at such rate as the Directors may determine, but that person's liability shall cease if and when the Company shall have received payment in full of all monies due and payable by them in respect of those shares.

2.17 Inspection of register of members

The Company shall maintain or cause to be maintained the register of members of the Company in accordance with the Companies Act. The Directors may, on giving 10 business days' notice (or 6 business days' notice in the case of a rights issue) by advertisement published on the Stock Exchange's website or, subject to the Listing Rules, in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, close the register of members at such times and for such periods as the Directors may determine, either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine, provided that such period shall not be extended beyond 60 days in any year).

Except when the register is closed, the register of members shall during business hours be kept open for inspection by any member of the Company without charge.

2.18 Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present. Two members of the Company present in person or by proxy, or if a corporation or other non-natural person by its duly authorised representative or proxy, shall be a quorum unless the Company has only one member entitled to vote at such general meeting in which case the quorum shall be that one member present in person or by proxy, or in the case of a corporation or other non-natural person by its duly authorised representative or proxy.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.3 above.

2.19 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.20 Procedure on liquidation

Subject to the Companies Act, the Company may by special resolution resolve that the Company be wound up voluntarily.

Subject to the rights attaching to any shares, in a winding up:

(a) if the assets available for distribution amongst the members of the Company shall be insufficient to repay the whole of the Company's paid-up capital, such assets shall be

distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, on the shares held by them at the commencement of the winding up;

(b) if the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the Company's paid up capital at the commencement of the winding up, the surplus shall be distributed amongst the members of the Company in proportion to the capital paid up on the shares held by them at the commencement of the winding up.

If the Company shall be wound up, the liquidator may with the approval of a special resolution of the Company and any other approval required by the Companies Act, divide amongst the members of the Company in kind the whole or any part of the assets of the Company (whether such assets shall consist of property of the same kind or not) and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like approval, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like approval, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.21 Untraceable members

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12-year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12-year period, the Company has caused an advertisement to be published in the newspapers or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, given notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net **[REDACTED]** of any such sale shall belong to the Company and upon receipt by the Company of such net **[REDACTED]** it shall become indebted to the former member for an amount equal to such net **[REDACTED]**.

SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION

1 Introduction

The Companies Act is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Act and the current

Companies Act of England. Set out below is a summary of certain provisions of the Companies Act, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2 Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 30 September 2020 under the Companies Act. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorised share capital.

3 Share Capital

The Companies Act permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the "share premium account". At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Act provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

(a) paying distributions or dividends to members;

(b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Act);

(d) writing-off the preliminary expenses of the company;

(e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and

(f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Act provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Companies Act, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorised either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

4 Dividends and Distributions

With the exception of section 34 of the Companies Act, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Companies Act permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 3 above for details).

5 Shareholders' Suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is *ultra vires* the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6 Protection of Minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7 Disposal of Assets

The Companies Act contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8 Accounting and Auditing Requirements

The Companies Act requires that a company shall cause to be kept proper books of account with respect to:

(a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;

(b) all sales and purchases of goods by the company; and

(c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

9 Register of Members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Companies Act for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

10 Inspection of Books and Records

Members of a company will have no general right under the Companies Act to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

11 Special Resolutions

The Companies Act provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorised by the articles of association of the company.

12 Subsidiary Owning Shares in Parent

The Companies Act does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13 Mergers and Consolidations

The Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorised by (a) a special resolution of each constituent company and (b) such other authorisation, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required

procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

14 Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75% in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

15 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

16 Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

17 Liquidation

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

18 Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

19 Taxation

Pursuant to section 6 of the Tax Concessions Act (As Revised) of the Cayman Islands, the Company has obtained an undertaking from the Financial Secretary of the Cayman Islands:

(a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and

(b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:

  (i) on or in respect of the shares, debentures or other obligations of the Company; or

  (ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Act (As Revised).

The undertaking is for a period of twenty years from 2 October 2020.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

20 Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

21 General

Maples and Calder (Hong Kong) LLP, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarising aspects of Cayman Islands company law. This letter, together with a copy of the Companies Act, is on display on the websites as referred to in the section headed "Documents on display" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation

Our Company is an exempted company with limited liability incorporated in the Cayman Islands under the Cayman Companies Act on September 30, 2020. Our registered office address is Tricor Services (Cayman Islands) Limited, Second Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands. Accordingly, our Company's corporate structure and Memorandum and Articles are subject to the relevant laws of the Cayman Islands. A summary of our Memorandum and Articles is set out in the section headed "Summary of the Constitution of our Company and Cayman Islands Company Law" in Appendix III to this document.

Our registered place of business in Hong Kong is at 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong. We were registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on January 3, 2022 with the Registrar of Companies in Hong Kong. Ms. Hui Yin Shan (許燕珊) and Ms. Yuen Wing Yan Winnie (袁穎欣) have been appointed as the authorized representative of our Company for the acceptance of service of process in Hong Kong. The address for service of process in Hong Kong is at 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong.

2. Changes in the share capital of our Company

Our Company was incorporated in the Cayman Islands with limited liability on September 30, 2020. As of the date of our Company's incorporation, the authorized share capital of our Company was US$50,000.00 divided into 500,000,000 ordinary Shares with a par value of US$0.0001 each.

Save as disclosed in the section headed "History, Reorganization and Corporate Structure" in this document, there has been no alteration in the share capital of our Company since its incorporation.

3. Changes in the share capital of our subsidiaries

Our Company's subsidiaries are referred to in the Accountants' Report in Appendix I to this document. Save for the subsidiaries mentioned above, in the Accountant's Report and the section headed "History, Reorganization and Corporate Structure" in this document, our Company has no other subsidiaries.

The following changes in the share capital of our subsidiaries have taken place within the two years immediately preceding the date of this document:

Shanghai Shenjing

On August 18, 2021, the registered capital of Shanghai Shenjing was increased from US$45.0 million to US$75.0 million.

MP NeuroTech Shanghai

On August 10, 2020, the registered capital of MP NeuroTech Shanghai was increased from RMB53.5 million to RMB63.53125 million.

On May 11, 2021, the registered capital of MP NeuroTech Shanghai was increased from RMB63.53125 million to RMB163.53125 million.

Shentu Medical

On November 13, 2020, the registered capital of Shentu Medical was increased from RMB1 million to RMB60 million.

MP NeuroTech BVI

On November 11, 2020, the share capital of MP NeuroTech BVI was increased from US$1.00 to US$100.99.

On May 20, 2021, the share capital of MP NeuroTech BVI was increased from US$100.99 to US$17,800,100.99 (increased by RMB115,000,000.00 in USD Equivalent).

On August 25, 2021, the share capital of MP NeuroTech BVI was increased from US$17,800,100.99 to US$42,702,569.91.

MP NeuroTech HK

On November 11, 2020, the share capital of MP NeuroTech HK was increased from US$1.00 to US$100.99.

On May 20, 2021, the share capital of MP NeuroTech HK was increased from US$100.99 to US$17,800,100.99.

On August 25, 2021, the share capital of MP NeuroTech HK was increased from US$17,800,100.99 to US$42,702,569.91.

Save as disclosed above, there has been no alteration in the share capital of any of our subsidiaries within the two years immediately preceding the date of this document.

4. Resolutions of the Shareholders of our Company dated [●]

Written resolutions of the Shareholders of our Company [were passed] on [●], pursuant to which, among others:

(a) [each unissued and issued share in the share capital of our Company of a par value of US$0.0001 each was subdivided into [five] shares of a par value of US$[0.00002] each such that following such subdivision, the authorized share capital shall be US$50,000 divided into: (i) [2,392,439,740] ordinary Shares of a par value of US$[0.00002] each; (ii) [58,795,625] Series A-1 Preferred Shares of a par value of US$[0.00002] each; and (iii) [48,764,635] Series A-2 Preferred Shares of a par value of US$[0.00002] each;

(b) conditional on (1) the Stock Exchange granting the **[REDACTED]** of, and permission to **[REDACTED]**, the Shares in issue and to be issued pursuant to the **[REDACTED]** (including upon the re-designation of the Series A Preferred Shares) and such **[REDACTED]** and permission not subsequently having been revoked prior to the commencement of **[REDACTED]** the Shares on

the Stock Exchange; (2) the **[REDACTED]** having been determined; (3) the obligations of the **[REDACTED]** under the **[REDACTED]** becoming unconditional and not being terminated in accordance with the terms of the **[REDACTED]** or otherwise, in each case on or before such dates as may be specified in the **[REDACTED]**; and (4) the **[REDACTED]** having been duly executed by the **[REDACTED]** and our Company:

(i) the **[REDACTED]** (including the grant of the **[REDACTED]**) was approved, and the proposed allotment and issue of the **[REDACTED]** under the **[REDACTED]** were approved, and our Board was authorized to determine the **[REDACTED]** for, and to allot and issue the **[REDACTED]**;

(ii) the **[REDACTED]** was approved and our Directors were authorized to effect the same and to allot and issue up to **[REDACTED]** Shares upon the exercise of the **[REDACTED]**;

(iii) a general mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with Shares or securities convertible into Shares and to make or grant offers, agreements or options (including any warrants, bonds, notes and debentures conferring any rights to subscribe for or otherwise receive Shares) which might require Shares to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of our Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued, otherwise than by way of the **[REDACTED]**, rights issue or pursuant to the exercise of any subscription rights attaching to any warrants which may be allotted and issued by our Company from time to time or allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association on a specific authority granted by our Shareholders in a general meeting, shall not exceed the sum of (i) 20% of the aggregate nominal value of our Shares in issue immediately following the completion of the **[REDACTED]** (but excluding any Shares which may be issued pursuant to the exercise of the **[REDACTED]**); and (ii) the aggregate nominal amount of the share capital of our Company purchased by our Company pursuant to the authority granted to our Directors as referred to in (iv) below;

(iv) a general mandate (the "**Repurchase Mandate**") was given to our Directors to exercise all powers of our Company to repurchase its own Shares on the Stock Exchange or on any other stock exchange on which the securities of our Company may be **[REDACTED]** and which is recognized by the SFC and the Stock Exchange for this purpose, in accordance with all applicable laws and the requirement of the Listing Rules such number of Shares as will represent up to 10% of the aggregate nominal value of our Shares in issue immediately following the completion of the **[REDACTED]**;

(v) the general mandate as mentioned in paragraph (iii) above was extended by the addition to the aggregate nominal value of our Shares which may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general

mandate of an amount representing the aggregate nominal value of our Shares purchased by our Company pursuant to the mandate to purchase Shares referred to in paragraph (iv) above (up to 10% of the aggregate nominal value of our Shares in issue immediately following the completion of the **[REDACTED]**); and

(vi) all of the issued and unissued Series A-1 Preferred Shares and Series A-2 Preferred Shares in the authorized share capital of our Company be and are hereby re-designated and re-classified as ordinary Shares with a par value of US$0.00002 each on a one for one basis upon and with effect from the **[REDACTED]**; and

(c) our Company conditionally approved and adopted the Memorandum and Articles of Association with effect from the **[REDACTED]**.]

[Each of the general mandates referred to in paragraphs (b)(iii), (b)(iv) and (b)(v) above will remain in effect until whichever is the earliest of:

- the conclusion of the next annual general meeting of our Company;
- the expiration of the period within which the next annual general meeting of our Company is required to be held by any applicable law or the Articles; or
- the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in a general meeting.]

5. Repurchase of our own securities

The following paragraphs include, among others, certain information required by the Stock Exchange to be included in this document concerning the repurchase of our own securities.

(a) ***Provision of the Listing Rules***

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the most important of which are summarized below:

(i) Shareholder's approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in a general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution passed by our Shareholders on [●], the Repurchase Mandate was given to our Directors authorizing them to exercise all powers of our Company to repurchase Shares on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, with a total nominal value up to 10% of the aggregate nominal value of our Shares in issue immediately following the completion of the **[REDACTED]** with such mandate to expire at the earliest of (i) the conclusion of the next annual general meeting of our Company (unless otherwise renewed by an ordinary

resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions), (ii) the expiration of the period within which our Company's next annual general meeting is required by the Articles of Association or any other applicable laws to be held, and (iii) the date on which it is varied or revoked by an ordinary resolution of our Shareholders in a general meeting.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles and the applicable laws and regulations of Hong Kong and the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. As a matter of Cayman Islands law, any repurchases by our Company may be made out of profits or out of the proceeds of a new issue of shares made for the purpose of the repurchase or from sums standing to the credit of our share premium account or out of capital, if so authorized by the Articles and subject to the Cayman Companies Act. Any premium payable on the repurchase over the par value of the shares to be repurchased must have been provided for out of profits or from sums standing to the credit of our share premium account or out of capital, if so authorized by the Articles and subject to the Cayman Companies Act.

(iii) Trading restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue.

A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A listed company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iv) Status of repurchased Shares

The listing of all repurchased securities (whether on the Stock Exchange or otherwise) is automatically canceled and the relative certificates must be canceled and destroyed. Under the laws of the Cayman Islands, unless, prior to the repurchase the directors of our Company resolve to hold the shares repurchased by our Company as treasury shares, shares repurchased by our Company shall be treated as canceled and the amount of our Company's issued share capital shall be diminished by the nominal value of those shares. However, the repurchase of shares will not be taken as reducing the amount of the authorized share capital under Cayman Islands laws.

(v) Suspension of repurchase

A listed company may not make any repurchase of securities after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (b) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(vi) Reporting requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following Business Day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such repurchases, where relevant, and the aggregate prices paid.

(vii) Core connected persons

The Listing Rules prohibit a company from knowingly purchasing securities on the Stock Exchange from a "core connected person", that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or a close associate of any of them (as defined in the Listing Rules) and a core connected person shall not knowingly sell his securities to the company.

(b) *Reasons for repurchases*

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have a general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) *Funding of repurchases*

Repurchase of the Shares must be funded out of funds legally available for such purpose in accordance with the Articles of Association and the applicable laws of the Cayman Islands.

Our Directors may not repurchase the Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, our Directors may make repurchases out of profits of our Company or out of the share premium account of our Company or out of the proceeds of a new issuance of shares made

for the purpose of the repurchase or, if authorized by the Articles and subject to the Cayman Companies Act, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or from sums standing to the credit of the share premium account of our Company or, if authorized by the Articles and subject to the Cayman Companies Act, out of capital.

However, our Directors do not propose to exercise the general mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or its gearing levels which, in the opinion of our Directors, are from time to time appropriate for our Company.

(d) ***General***

The exercise in full of the Repurchase Mandate, on the basis of **[REDACTED]** Shares in issue immediately following the completion of the **[REDACTED]**, excluding any Shares which may be issued pursuant to the exercise of the **[REDACTED]**, could accordingly result in up to approximately **[REDACTED]** Shares being repurchased by our Company during the period prior to the earliest of:

- the conclusion of the next annual general meeting of our Company unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;
- the expiration of the period within which our Company's next annual general meeting is required by the Articles of Association or any other applicable laws to be held; or
- the date on which it is varied or revoked by an ordinary resolution of our Shareholders in a general meeting.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws in the Cayman Islands.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than 25% of the Shares then in issue could only be implemented if the Stock Exchange agreed to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be granted other than in exceptional circumstances.

No core connected person of our Company has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this document and are or may be material:

(a) (i) the subscription agreement dated October 28, 2020 entered into among our Company, MicroPort Scientific Corporation, MicroPort NeuroTech Medical Technology (Shanghai) Co., Ltd. (微創神通醫療科技（上海）有限公司) and Biolink Limited, as supplemented by (ii) the amendment agreement dated December 21, 2020 entered into among our Company, MicroPort Scientific Corporation, MicroPort NeuroTech Medical Technology (Shanghai) Co., Ltd. (微創神通醫療科技（上海）有限公司), Biolink Limited and Biolink NT Investment Limited, and (iii) its second amendment agreement dated April 27, 2021 entered into among our Company, MicroPort Scientific Corporation, MicroPort NeuroTech Medical Technology (Shanghai) Co., Ltd., Shanghai Shenjing Vortex Medical Technology Co., Ltd. (上海神晶漩渦醫療科技有限公司), Biolink Limited and Biolink NT Investment Limited in relation to the issue of convertible bonds (the "**Convertible Bonds**") to Biolink Limited and Biolink NT Investment Limited in a principal amount of US$50 million and US$20 million, respectively;

(b) a share subscription and purchase agreement dated November 10, 2021 entered into among our Company, MicroPort NeuroTech Medical LTD, MicroPort NeuroTech International Limited, Shanghai Shenjing Vortex Medical Technology Co., Ltd., MicroPort NeuroTech (Shanghai) Co., Ltd. (微創神通醫療科技（上海）有限公司), MicroPort Scientific Investment LTD, CICC Healthcare Investment Opportunities V Limited, Nectar Neuro Limited, BVF III (BVI) Holding L.P., Biolink Healthcare Investment Limited, Star Wave Ventures Limited and Always Enterprises Limited, pursuant to which (i) CICC Healthcare Investment Opportunities V Limited, Nectar Neuro Limited, BVF III (BVI) Holding L.P., Biolink Healthcare Investment Limited, Star Wave Ventures Limited and Always Enterprises Limited (the "Investors") agreed to subscribe for 2,032,495 newly issued Series A-2 Preferred Shares at an aggregate total consideration of US$31,259,773 and (ii) MicroPort Scientific Investment LTD agreed to transfer 7,720,432 ordinary Shares to the Investors at an aggregate total consideration of US$118,740,244;

(c) a convertible note conversion agreement dated November 19, 2021 entered into among our Company, Biolink Limited and Biolink NT Investment Limited, pursuant to which, after the completion of the 2021 Pre-**[REDACTED]** Investment, the Convertible Bonds will be simultaneously converted to an aggregate of 11,759,125 Series A-1 Preferred Shares at a conversion price of approximately US$5.95 per Series A-1 Preferred Share and our Company will allot and issue 8,399,375 Series A-1 Preferred Shares to Biolink Limited and 3,359,750 Series A-1 Preferred Shares to Biolink NT, respectively;

(d) a capital increase agreement dated July 24, 2020 entered into among MicroPort NeuroTech Medical Technology (Shanghai) Co., Ltd. (微創神通醫療科技（上海）有限公司), MicroPort (Shanghai) Medical Technology Investment Co., Ltd. (微創(上海)醫療科學投資有限公司), Shanghai Henian Investment Management Center (Limited Partnership) (上海鶴年投資管理中心（有限合夥）), Shanghai Wangdaotong Biotechnology Co., Ltd. (上海望道通生物技術有限公司) and Shanghai Lianghong Enterprise Management Consulting Center (Limited Partnership) (上海良弘企業管理諮詢中心（有限合夥）), pursuant to which Shanghai Wangdaotong Biotechnology Co., Ltd. (上海望道通生物技術有限公司) and Shanghai Lianghong Enterprise Management Consulting Center (Limited Partnership) (上海良弘企業管理諮詢中心（有限合夥）) agreed to make a capital injection of RMB115.0 million and RMB35.0 million to MicroPort NeuroTech Medical Technology (Shanghai) Co., Ltd. (微創神通醫療科技（上海）有限公司), respectively;

(e) an equity interest transfer agreement dated March 30, 2021 entered into among Shanghai Wangdaotong Biotechnology Co., Ltd. (上海望道通生物技術有限公司), Shanghai Lianghong Enterprise Management Consulting Center (Limited Partnership) (上海良弘企業管理諮詢中心（有限合夥）) and Shanghai Shenjing Vortex Medical Technology Co., Ltd. (上海神晶漩渦醫療科技有限公司), pursuant to which Shanghai Wangdaotong Biotechnology Co., Ltd. (上海望道通生物技術有限公司) and Shanghai Lianghong Enterprise Management Consulting Center (Limited Partnership) (上海良弘企業管理諮詢中心（有限合夥）) agreed to transfer their respective equity interest of 12.1053% and 3.6842% in MicroPort NeuroTech Medical Technology (Shanghai) Co., Ltd. (微創神通醫療科技（上海）有限公司) to Shanghai Shenjing Vortex Medical Technology Co., Ltd. (上海神晶漩渦醫療科技有限公司) at a consideration of RMB115.0 million and RMB35.0 million, respectively;

(f) a capital increase agreement dated May 10, 2021 entered into among MicroPort (Shanghai) Medical Technology Investment Co., Ltd. (微創(上海)醫療科學投資有限公司), Shanghai Henian Investment Management Center (Limited Partnership) (上海鶴年投資管理中心（有限合夥）) and Shanghai Shenjing Vortex Medical Technology Co., Ltd. (上海神晶漩渦醫療科技有限公司), pursuant to which Shanghai Shenjing Vortex Medical Technology Co., Ltd. (上海神晶漩渦醫療科技有限公司) agreed to make a capital contribution of RMB100 million to MicroPort NeuroTech Medical Technology (Shanghai) Co., Ltd. (微創神通醫療科技（上海）有限公司);

(g) an equity interest transfer agreement dated August 6, 2021 entered in to among MicroPort (Shanghai) Medical Technology Investment Co., Ltd. (微創(上海)醫療科學投資有限公司), Shanghai Henian Investment Management Center (Limited Partnership) (上海鶴年投資管理中心（有限合夥）) and Shanghai Shenjing Vortex Medical Technology Co., Ltd. (上海神晶漩渦醫療科技有限公司), pursuant to which MicroPort Group Co., Ltd. (上海微創投資控股有限公司) and Shanghai Henian Investment Management Center (Limited Partnership) (上海鶴年投資管理中心（有限合夥）) agreed to transfer an aggregate of approximately 27.1538% and 5.5616% of the equity interest in MicroPort NeuroTech Medical Technology (Shanghai) Co., Ltd. (微創神通醫療科技（上海）有限公司) at a total consideration of RMB161.022034 million and RMB32.980288 million to Shanghai Shenjing Vortex Medical Technology Co., Ltd. (上海神晶漩渦醫療科技有限公司), respectively;

(h) **[REDACTED]**

(i) **[REDACTED]**

(j) **[REDACTED]**

2. Intellectual property rights

(a) ***Trademarks***

As of the Latest Practicable Date, we had registered the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Place of Registration	Registration Number	Class	Registered Owner	Registration Date	Expiry Date
1.	Tübridge	PRC	56304809	10	MP NeuroTech Shanghai	November 28, 2021	November 27, 2031
2.	NUMEN	PRC	56295869	10	MP NeuroTech Shanghai	November 28, 2021	November 27, 2031
3.	U-track	PRC	56289139	10	MP NeuroTech Shanghai	November 28, 2021	November 27, 2031
4.	神雕飞燕	PRC	55704461	10	MP NeuroTech Shanghai	November 21, 2021	November 20, 2031
5.	神晶漩涡	PRC	54810429	10	MP NeuroTech Shanghai	October 28, 2021	October 27, 2031
6.	神晶漩涡	PRC	54780872	35	MP NeuroTech Shanghai	October 28, 2021	October 27, 2031
7.	神通脑医学	PRC	52247827	35	MP NeuroTech Shanghai	October 7, 2021	October 6, 2031
8.	Fastrack	PRC	52166186	10	MP NeuroTech Shanghai	August 28, 2021	August 27, 2031
9.	Diveer	PRC	51133342	10	MP NeuroTech Shanghai	August 21, 2021	August 20, 2031
10.	醉神通	PRC	48384389	41	MP NeuroTech Shanghai	March 14, 2021	March 13, 2031
11.	NeuroGuard	PRC	48380759	10	MP NeuroTech Shanghai	March 14, 2021	March 13, 2031
12.	Rebridge	PRC	48370798	10	MP NeuroTech Shanghai	March 14, 2021	March 13, 2031

No.	Trademark	Place of Registration	Registration Number	Class	Registered Owner	Registration Date	Expiry Date
13.	醉神通 212	PRC	48364278	41	MP NeuroTech Shanghai	April 7, 2021	April 6, 2031
14.	NEUROHAWK	PRC	48065382	10	MP NeuroTech Shanghai	February 28, 2021	February 27, 2031
15.	Numen	PRC	45808730	10	MP NeuroTech Shanghai	December 14, 2020	December 13, 2030
16.	NumenFR	PRC	45801984	10	MP NeuroTech Shanghai	December 14, 2020	December 13, 2030
17.	神途	PRC	45458582	10	MP NeuroTech Shanghai	November 28, 2020	November 27, 2030
18.	Fastrack	PRC	39975875	10	MP NeuroTech Shanghai	July 14, 2021	July 13, 2031
19.	MicroFill	PRC	39746775	10	MP NeuroTech Shanghai	April 21, 2020	April 20, 2030
20.	U-Track	PRC	38770679	10	MP NeuroTech Shanghai	March 21, 2020	March 20, 2030
21.	tubridge	PRC	36316038	35	MP NeuroTech Shanghai	October 21, 2019	October 20, 2029
22.	willis	PRC	36314194	44	MP NeuroTech Shanghai	October 21, 2019	October 20, 2029
23.	Tigertriever	PRC	32010061	35	MP NeuroTech Shanghai	April 7, 2019	April 6, 2029
24.	Tigertriever	PRC	31999843	10	MP NeuroTech Shanghai	April 7, 2019	April 6, 2029
25.	Apollo	PRC	31091477	10	MP NeuroTech Shanghai	August 14, 2020	August 13, 2030
26.	MicroFinish	PRC	29984616	10	MP NeuroTech Shanghai	January 28, 2019	January 27, 2029
27.	T-TRACK	PRC	20866932	10	MP NeuroTech Shanghai	September 28, 2017	September 27, 2027
28.	WILLIS	PRC	19687606	10	MP NeuroTech Shanghai	June 7, 2017	June 6, 2027
29.	APOLLO	PRC	19238963	10	MP NeuroTech Shanghai	October 21, 2018	October 20, 2028
30.	BRIDGE	PRC	15012956	10	MP NeuroTech Shanghai	November 7, 2015	November 6, 2025
31.	神通	PRC	11144110	37	MP NeuroTech Shanghai	November 14, 2013	November 13, 2023
32.	神通	PRC	11143904	5	MP NeuroTech Shanghai	November 21, 2013	November 20, 2023
33.	WILLIS	PRC	11134108	10	MP NeuroTech Shanghai	April 7, 2014	April 6, 2024
34.	神通	PRC	11134107	44	MP NeuroTech Shanghai	November 28, 2013	November 27, 2023
35.	APOLLO	PRC	10920358	10	MP NeuroTech Shanghai	April 7, 2015	April 6, 2025
36.	Trump	PRC	10318110	10	MP NeuroTech Shanghai	February 21, 2013	February 20, 2023
37.	Tubridge	PRC	9060772	10	MP NeuroTech Shanghai	January 28, 2022	January 27, 2032
38.	Pathfinder	PRC	6171764	10	MP NeuroTech Shanghai	December 28, 2019	December 27, 2029

No.	Trademark	Place of Registration	Registration Number	Class	Registered Owner	Registration Date	Expiry Date
39.	WILLIS	PRC	6079231	10	MP NeuroTech Shanghai	December 7, 2019	December 6, 2029
40.	微爱神通	PRC	56995009	36	MP NeuroTech Shanghai	December 21, 2021	December 20, 2031
41.	numen silk	PRC	56972585	10	MP NeuroTech Shanghai	December 21, 2021	December 20, 2031
42.	醉神通	PRC	48373527	35	MP NeuroTech Shanghai	December 28, 2021	December 27, 2031
43.	Bridge	PRC	55123882	10	MP NeuroTech Shanghai	December 28, 2021	December 27, 2031
44.	numen nest	PRC	56983923	10	MP NeuroTech Shanghai	December 28, 2021	December 27, 2031
45.	numen uni	PRC	56983926	10	MP NeuroTech Shanghai	December 28, 2021	December 27, 2031
46.	Tubridge+	PRC	57843625	10	MP NeuroTech Shanghai	February 7, 2022	February 6, 2032
47.	Tubridge+	PRC	57855881	35	MP NeuroTech Shanghai	January 28, 2022	January 27, 2032
48.	Tubridge plus	PRC	57837585	10	MP NeuroTech Shanghai	February 7, 2022	February 6, 2032
49.	Tubridge plus	PRC	57842500	35	MP NeuroTech Shanghai	January 21, 2022	January 20, 2032
50.	醉神通 2212	PRC	48380882	35	MP NeuroTech Shanghai	February 28, 2022	February 27, 2032
51.	神雕飞燕	PRC	55721776	35	MP NeuroTech Shanghai	February 14, 2022	February 13, 2032
52.	神通医疗	PRC	57656147	10	Shendun Medical	January 28, 2022	January 27, 2032
53.	神通	PRC	57653280	10	Shendun Medical	January 28, 2022	January 27, 2032
54.	神通医疗	PRC	57667398	35	Shendun Medical	February 7, 2022	February 6, 2032
55.	神泓	PRC	58360900	10	Shendun Medical	February 7, 2022	February 6, 2032
56.	神泓	PRC	58353309	35	Shendun Medical	February 7, 2022	February 6, 2032
57.	Numen Silk	PRC	60275532	10	MP NeuroTech Shanghai	April 28, 2022	April 27, 2032
58.	MicroPort微创脑科学	Hong Kong	305781916	10	Our Company	October 25, 2021	October 24, 2031
59.	MicroPort微创脑科学	Hong Kong	305781916	35	Our Company	October 25, 2021	October 24, 2031
60.	MicroPort 微创脑科学	Hong Kong	305781925	10	Our Company	October 25, 2021	October 24, 2031
61.	MicroPort 微创脑科学	Hong Kong	305781925	35	Our Company	October 25, 2021	October 24, 2031

No.	Trademark	Place of Registration	Registration Number	Class	Registered Owner	Registration Date	Expiry Date
62.		Hong Kong	305781943	10	Our Company	October 25, 2021	October 24, 2031
63.		Hong Kong	305781943	35	Our Company	October 25, 2021	October 24, 2031
64.		Hong Kong	305543019	10	MP NeuroTech Shanghai	February 23, 2021	February 22, 2031
65.		Hong Kong	305543019	35	MP NeuroTech Shanghai	February 23, 2021	February 22, 2031
66.		Hong Kong	305543028	10	MP NeuroTech Shanghai	February 23, 2021	February 22, 2031
67.		Hong Kong	305543028	35	MP NeuroTech Shanghai	February 23, 2021	February 22, 2031
68.		Hong Kong	305543037	10	MP NeuroTech Shanghai	February 23, 2021	February 22, 2031
69.		Hong Kong	305543037	35	MP NeuroTech Shanghai	February 23, 2021	February 22, 2031
70.		Hong Kong	305543046	10	MP NeuroTech Shanghai	February 23, 2021	February 22, 2031
71.		Hong Kong	305543046	35	MP NeuroTech Shanghai	February 23, 2021	February 22, 2031
72.		Hong Kong	305543055	10	MP NeuroTech Shanghai	February 23, 2021	February 22, 2031
73.		Hong Kong	305543055	35	MP NeuroTech Shanghai	February 23, 2021	February 22, 2031
74.	Numen	Taiwan	02143871	10	MP NeuroTech Shanghai	June 1, 2021	May 31, 2031
75.	NumenFR	Taiwan	02143872	10	MP NeuroTech Shanghai	June 1, 2021	May 31, 2031
76.	NumenFR	European Union (designated by Madrid)	1556806	10	MP NeuroTech Shanghai	August 25, 2020	August 25, 2030

No.	Trademark	Place of Registration	Registration Number	Class	Registered Owner	Registration Date	Expiry Date
77.	NumenFR	United Kingdom (designated by Madrid)	1556806	10	MP NeuroTech Shanghai	August 25, 2020	August 25, 2030
78.	NumenFR	Russia (designated by Madrid)	1556806	10	MP NeuroTech Shanghai	August 25, 2020	August 25, 2030
79.	NumenFR	India (designated by Madrid)	1556806	10	MP NeuroTech Shanghai	August 25, 2020	August 25, 2030
80.	NumenFR	Brazil (designated by Madrid)	1556806	10	MP NeuroTech Shanghai	August 25, 2020	August 25, 2030
81.	NumenFR	Japan (designated by Madrid)	1556806	10	MP NeuroTech Shanghai	August 25, 2020	August 25, 2030
82.	Numen	European Union (designated by Madrid)	1556829	10	MP NeuroTech Shanghai	August 25, 2020	August 25, 2030
83.	Numen	United Kingdom (designated by Madrid)	1556829	10	MP NeuroTech Shanghai	August 25, 2020	August 25, 2030
84.	Numen	Russia (designated by Madrid)	1556829	10	MP NeuroTech Shanghai	August 25, 2020	August 25, 2030
85.	Numen	India (designated by Madrid)	1556829	10	MP NeuroTech Shanghai	August 25, 2020	August 25, 2030
86.	Numen	Brazil (designated by Madrid)	1556829	10	MP NeuroTech Shanghai	August 25, 2020	August 25, 2030
87.	Numen	Japan (designated by Madrid)	1556829	10	MP NeuroTech Shanghai	August 25, 2020	August 25, 2030
88.	Tübridge	Japan	5546887	10	MP NeuroTech Shanghai	December 28, 2012	December 28, 2022
89.	Tübridge	European Union	011018801	10	MP NeuroTech Shanghai	July 05, 2012	July 05, 2022
90.	Tübridge	United Kingdom	UK00911018801	10	MP NeuroTech Shanghai	July 05, 2012	July 05, 2022

As of the Latest Practicable Date, we had applied for the registration of the following trademarks which consider to be or may be material to our business:

No.	Trademark	Place of Application	Application Number	Class	Applicant	Application Date
1.	DIVEER	PRC	60296427	10	MP NeuroTech Shanghai	November 2, 2021
2.	X-track	PRC	60285326	10	MP NeuroTech Shanghai	November 2, 2021
3.	x-track	PRC	58719878	10	MP NeuroTech Shanghai	August 24, 2021
4.	守护神	PRC	45788527	10	MP NeuroTech Shanghai	April 26, 2020

No.	Trademark	Place of Application	Application Number	Class	Applicant	Application Date
5.	NeuroHawk	PRC	62267249	10	MP NeuroTech Shanghai	January 19, 2022
6.	Neuro-Skyline	PRC	62502530	41	MP NeuroTech Shanghai	February 8, 2022
7.	Neuro-Horizon	PRC	62490966	41	MP NeuroTech Shanghai	February 8, 2022
8.	NumenFR	United States (subsequently designated by Madrid)	1556806	10	MP NeuroTech Shanghai	March 21, 2021
9.	NumenFR	Canada (designated by Madrid)	1556806	10	MP NeuroTech Shanghai	August 25, 2020
10.	NumenFR	Korea (designated by Madrid)	1556806	10	MP NeuroTech Shanghai	August 25, 2020
11.	Numen	United States (designated by Madrid)	1556829	10	MP NeuroTech Shanghai	March 21, 2021
12.	Numen	Canada (designated by Madrid)	1556829	10	MP NeuroTech Shanghai	August 25, 2020
13.	Numen	Korea (designated by Madrid)	1556829	10	MP NeuroTech Shanghai	August 25, 2020

As of the Latest Practicable Date, we had been granted by Shanghai MicroPort Medical the rights to use the following registered trademarks which we consider to be or may be material to our business:

No.	Trademark	Place of Registration	Registration Number	Class	Registered Proprietor	Date of registration	Expiry Date	License Method
1.	MicroPort 微创神通科技	PRC	14303623	10	Shanghai MicroPort Medical	May 14, 2015	May 13, 2025	Exclusive license
2.	微创神通	PRC	44551717	10	Shanghai MicroPort Medical	November 21, 2020	November 20, 2030	Exclusive license
3.	MicroPort NeuroTech	PRC	14303636	10	Shanghai MicroPort Medical	July 21, 2016	July 20, 2026	Exclusive license
4.	MicroPort NeuroTech	United States	1235101	10	Shanghai MicroPort Medical	January 26, 2016	January 26, 2026	Exclusive license
5.	微创	PRC	1362015	10	Shanghai MicroPort Medical	February 7, 2020	February 6, 2030	Non-exclusive license
6.	MicroPort	PRC	13246289	10	Shanghai MicroPort Medical	June 7, 2015	June 6, 2025	Non-exclusive license
7.		PRC	13981362	10	Shanghai MicroPort Medical	October 14, 2015	October 13, 2025	Non-exclusive license

As of the Latest Practicable Date, we had been granted by Shanghai MicroPort Medical the rights to use the following trademarks that had been applied for registration which we consider to be or may be material to our business:

No.	Trademark	Place of Application	Application Number	Class	Applicant	Application Date	License Method
1.	神通	PRC	41705351	10	Shanghai MicroPort Medical	October 17, 2019	Exclusive license
2.	Neurotech	PRC	51315916	10	Shanghai MicroPort Medical	November 16, 2020	Exclusive license
3.	MicroPort 微创神通	PRC	56263433	10	Shanghai MicroPort Medical	May 21, 2021	Exclusive license

(b) ***Patents***

As of the Latest Practicable Date, we owned the following granted patents which we consider to be or may be material to our business:

No.	Patent	Type	Registration Number	Registered Owner	Place of Registration	Expiry Date
1.	Embolization Device and Coil Therefor (栓塞裝置及其彈簧圈)	Invention	ZL2018111702379	MP NeuroTech Shanghai	PRC	October 9, 2038
2.	Coil and Preparation Method Therefor (彈簧圈及其製備方法)	Invention	ZL2016110731676	MP NeuroTech Shanghai	PRC	November 29, 2036
3.	An Intravascular Stent (一種血管支架)	Invention	ZL2015101334771	MP NeuroTech Shanghai	PRC	March 25, 2035
4.	A Coil and Preparation Method Therefor (一種彈簧圈及其製備方法)	Invention	ZL2013107514321	MP NeuroTech Shanghai	PRC	December 31, 2033
5.	Thrombectomy Apparatus and Thrombectomy Device (取栓器及取栓裝置)	Invention	ZL2013100564635	MP NeuroTech Shanghai	PRC	February 21, 2033
6.	Graft Thickness Control System, including Grafting Machine and Graft Thickness Control Method Therefor (覆膜厚度控制系統、包括其的覆膜機以及覆膜厚度控制方法)	Invention	ZL2012104583683	MP NeuroTech Shanghai	PRC	November 14, 2032
7.	A Coagulant and Endovascular Thrombectomy Device (一種凝固劑和血管內取栓裝置)	Invention	ZL201210191643X	MP NeuroTech Shanghai	PRC	June 12, 2032
8.	Intracranial Vascular Thrombectomy Device (顱內血管取栓裝置)	Invention	ZL2012101488704	MP NeuroTech Shanghai	PRC	May 14, 2032
9.	Intracranial Vascular Thrombectomy Device (顱內血管取栓裝置)	Invention	ZL2012101488901	MP NeuroTech Shanghai	PRC	May 14, 2032
10.	Intracranial Vascular Thrombectomy Device (顱內血管取栓裝置)	Invention	ZL2012101488973	MP NeuroTech Shanghai	PRC	May 14, 2032
11.	A Double Balloon Catheter for Thrombolysis (一種用於溶栓的雙球囊導管)	Invention	ZL2012101064232	MP NeuroTech Shanghai	PRC	April 12, 2032
12.	Intravascular Stent with Improved Visualization Performance and Method for Enhancing Visualization Performance of Intravascular Stent (改進顯影性能的血管支架及增强血管支架顯影性能的方法)	Invention	ZL2011102348839	MP NeuroTech Shanghai	PRC	August 15, 2031
13.	Graft Device (一種覆膜設備)	Invention	ZL201110129984X	MP NeuroTech Shanghai	PRC	May 18, 2031
14.	A Microcatheter (一種微導管)	Invention	ZL2011100618640	MP NeuroTech Shanghai	PRC	March 15, 2031
15.	Liquid Embolic Material Composite and Preparation Method Therefor (液體栓塞材料組合物及其製備方法)	Invention	ZL2010106091010	MP NeuroTech Shanghai	PRC	December 27, 2030
16.	An Embolic Material Composite and Preparation Method Therefor (一種栓塞材料組合物及其製備方法)	Invention	ZL2010102671017	MP NeuroTech Shanghai	PRC	August 27, 2030
17.	An Embolic Material and Preparation Method Therefor (一種栓塞材料及其製備方法)	Invention	ZL2010102671021	MP NeuroTech Shanghai	PRC	August 27, 2030
18.	An Embolic Agent and Preparation Method Therefor (一種栓塞劑及其製備方法)	Invention	ZL2010102671163	MP NeuroTech Shanghai	PRC	August 27, 2030
19.	An Embolic Material Composite and Preparation Method Therefor (一種栓塞材料組合物及其製備方法)	Invention	ZL2010102492426	MP NeuroTech Shanghai	PRC	August 10, 2030
20.	Surgical Apparatus for Aneurysms (一種動脈瘤手術裝置)	Invention	ZL2010101164481	MP NeuroTech Shanghai	PRC	March 2, 2030
21.	A Medical Guide Wire (一種醫用導絲)	Invention	ZL2010101091349	MP NeuroTech Shanghai	PRC	February 5, 2030
22.	A Medical Guide Wire (一種醫用導絲)	Invention	ZL2009102480676	MP NeuroTech Shanghai	PRC	December 30, 2029
23.	A Vascular Reconstruction Stent (一種血管重構支架)	Invention	ZL2009101946880	MP NeuroTech Shanghai	PRC	August 27, 2029
24.	A Microcatheter (一種微導管)	Invention	ZL2009100542095	MP NeuroTech Shanghai	PRC	June 30, 2029
25.	Intravascular Stent for Repairing Intravascular Lesions (用於病變血管修補的血管支架)	Invention	ZL2008102028542	MP NeuroTech Shanghai	PRC	November 15, 2028
26.	Graft stent (覆膜支架)	Invention	ZL2008100408087	MP NeuroTech Shanghai	PRC	July 17, 2028

No.	Patent	Type	Registration Number	Registered Owner	Place of Registration	Expiry Date
27.	An Endoluminal Stent with Nested Structure (一種嵌套式結構的人體管腔內支架)	Invention	ZL2007100471226	MP NeuroTech Shanghai	PRC	October 17, 2027
28.	Delivery Guidewire (輸送導絲)	Utility model	ZL2021200920837	MP NeuroTech Shanghai	PRC	January 13, 2031
29.	A Delivery Guidewire and Therapeutic Device (A Delivery Guidewire and Therapeutic Device (一種輸送導絲及治療裝置))	Utility model	ZL201922079490X	MP NeuroTech Shanghai	PRC	November 27, 2029
30.	Vertebral Stent (椎動脈支架)	Utility model	ZL2017206976810	MP NeuroTech Shanghai	PRC	June 15, 2027
31.	Coil Detachment Controller (彈簧圈解脱控制器)	Design	ZL2020305515937	MP NeuroTech Shanghai	PRC	September 16, 2030
32.	A Guiding Catheter (一種導引導管)	Invention	ZL2013107497646	Shentu Medical	PRC	December 31, 2033
33.	A Coil and Preparation Method Therefor (一種彈簧圈及其製備方法)	Invention	ZL2013107514270	Shendun Medical	PRC	December 31, 2033
34.	EMBOLISM COIL CONVEYING DEVICE AND PREPARATION METHOD THEREFOR	Invention	US11172934	MP NeuroTech Shanghai	United States	September 4, 2038
35.	Thrombectomy device and thrombectomy device	Invention	EP2959853	MP NeuroTech Shanghai	EPO	February 21, 2034
36.	THROMBEKTOMIEVORRICHTUNG UND AUSRÜSTUNG FÜR THROMBEKTOMIE	Invention	EP2959853	MP NeuroTech Shanghai	Germany	February 21, 2034
37.	DISPOSITIF DE THROMBECTOMIE ET ÉQUIPEMENT DE THROMBECTOMIE	Invention	EP2959853	MP NeuroTech Shanghai	France	February 21, 2034
38.	Thrombectomy device and thrombectomy equipment	Invention	EP2959853	MP NeuroTech Shanghai	United Kingdom	February 21, 2034
39.	Surgical Apparatus for Aneurysms	Invention	EP2543345	MP NeuroTech Shanghai	EPO	March 2, 2031
40.	CHIRURGISCHE VORRICHTUNG FÜR ANEURYSMEN	Invention	EP2543345	MP NeuroTech Shanghai	Germany	March 2, 2031
41.	INSTRUMENT CHIRURGICAL POUR LES ANÉVRISMES	Invention	EP2543345	MP NeuroTech Shanghai	France	March 2, 2031
42.	Surgical apparatus for aneurysms	Invention	EP2543345	MP NeuroTech Shanghai	United Kingdom	March 2, 2031
43.	Aparato quirúrgico para aneurismas	Invention	ES2697513	MP NeuroTech Shanghai	Spain	March 2, 2031
44.	DISPOSITIVO CHIRURGICO PER ANEURISMI.	Invention	EP2543345	MP NeuroTech Shanghai	Italy	March 2, 2031
45.	Surgical Apparatus for Aneurysms	Invention	JP5814949	MP NeuroTech Shanghai	Japan	March 2, 2031
46.	Embolism coil conveying device and preparation method therefor	Invention	JP7026779	MP NeuroTech Shanghai	Japan	August 9, 2038
47.	SURGICAL APPARATUS FOR ANEURYSMS	Invention	KR1014985310000	MP NeuroTech Shanghai	Korea	March 2, 2031
48.	Embolism coil conveying device and preparation method therefor	Invention	KR10-2365255	MP NeuroTech Shanghai	Korea	August 9, 2038
49.	SURGICAL APPARATUS FOR ANEURYSMS	Invention	IN325833	MP NeuroTech Shanghai	India	March 2, 2031
50.	Medical Guide Wire	Invention	EP2532381	MP NeuroTech Shanghai	EPO	January 25, 2031
51.	MEDIZINISCHER FÜHRUNGSDRAHT	Invention	EP2532381	MP NeuroTech Shanghai	Germany	January 25, 2031
52.	FIL-GUIDE MÉDICAL	Invention	EP2532381	MP NeuroTech Shanghai	France	January 25, 2031
53.	Medical Guide Wire	Invention	EP2532381	MP NeuroTech Shanghai	United Kingdom	January 25, 2031
54.	MEDICAL GUIDE WIRE	Invention	JP6116911	MP NeuroTech Shanghai	Japan	January 25, 2031
55.	Micro Catheter	Invention	EP2450077	MP NeuroTech Shanghai	EPO	June 17, 2030
56.	MIKROKATHETER	Invention	EP2450077	MP NeuroTech Shanghai	Germany	June 17, 2030
57.	MICROCATHÉTER	Invention	EP2450077	MP NeuroTech Shanghai	France	June 17, 2030
58.	Micro Catheter	Invention	EP2450077	MP NeuroTech Shanghai	United Kingdom	June 17, 2030

No.	Patent	Type	Registration Number	Registered Owner	Place of Registration	Expiry Date
59.	DUAL GUIDE WIRE DISTAL PROTECTION DEVICE	Invention	EP1882490	MP NeuroTech Shanghai	EPO	December 1, 2025
60.	DISTALER SCHUTZFILTER EINES DOPPELTEN FÜHRUNGSDRAHTES	Invention	EP1882490	MP NeuroTech Shanghai	Germany	December 1, 2025
61.	FILTRE DE PROTECTION DISTAL A DOUBLE FIL GUIDE	Invention	EP1882490	MP NeuroTech Shanghai	France	December 1, 2025
62.	DUAL GUIDE WIRE DISTAL PROTECTION DEVICE	Invention	EP1882490	MP NeuroTech Shanghai	United Kingdom	December 1, 2025

As of the Latest Practicable Date, we had applied for the following patent applications which we consider to be or may be material to our business:

No.	Patent	Type	Application Number	Applicant	Place of Registration	Application Date
1.	A Pusher, Detachment Device and Medical Device (一種推送杆、解脱装置及醫用装置)	Invention	CN2021114597395	MP NeuroTech Shanghai	PRC	December 2, 2021
2.	Embolization Device and Embolization System (栓塞装置以及栓塞系統)	Invention	CN2021110468520	MP NeuroTech Shanghai	PRC	September 8, 2021
3.	Medical Implant and Preparation Method Therefor (醫療植入物及其製備方法)	Invention	CN2021106047054	MP NeuroTech Shanghai	PRC	May 31, 2021
4.	Delivery Guidewire and Preparation Method Therefor (輸送導絲及其製造方法)	Invention	CN2021100420741	MP NeuroTech Shanghai	PRC	January 13, 2021
5.	An Intravascular Implant and Therapeutic Device (一種血管植入物及醫療設備)	Invention	CN2021106741591	MP NeuroTech Shanghai	PRC	January 6, 2021
6.	Hemangioma Occlusion Device, Hemangioma Occlusion Therapeutic Device and Hemangioma Occlusion System (血管瘤封堵装置、血管瘤封堵治療装置和血管瘤封堵系統)	Invention	CN2020108991737	MP NeuroTech Shanghai	PRC	August 31, 2020
7.	An Intravascular Stent (一種血管支架)	Invention	CN2020106150474	MP NeuroTech Shanghai	PRC	June 30, 2020
8.	Imaging Structure, Stent and Thrombectomy System (顯影結構、支架及取栓系統)	Invention	CN2020106211088	MP NeuroTech Shanghai	PRC	June 30, 2020
9.	Electrolytic Detachment Coil Pusher End Structure and Detachment System and Embolization System Therefor (電解脱彈簧圈推送杆端部結構及其解脱系統、栓塞系統)	Invention	CN2020106180658	MP NeuroTech Shanghai	PRC	June 30, 2020
10.	A Catheter (一種導管)	Invention	CN2020106226435	MP NeuroTech Shanghai	PRC	June 30, 2020
11.	Detachment Device, System and Method, and Therapeutic Device (解脱装置、系統及方法 、治療装置)	Invention	CN2020105066015	MP NeuroTech Shanghai	PRC	June 5, 2020
12.	Detachment Device, Detachment System and Detachment Method, and Therapeutic Device (解脱装置、解脱系統及解脱方法、治療装置)	Invention	CN2020105066299	MP NeuroTech Shanghai	PRC	June 5, 2020
13.	Flow Choking Catheter (阻流導管)	Invention	CN2019113344490	MP NeuroTech Shanghai	PRC	December 23, 2019
14.	A Delivery Guidewire and Therapeutic Device (一種輸送導絲及治療装置)	Invention	CN2019111837830	MP NeuroTech Shanghai	PRC	November 27, 2019
15.	Intravascular Implant, Delivery Device and Medical Equipment (血管植入物、輸送装置及醫療設備)	Invention	CN201910580250X	MP NeuroTech Shanghai	PRC	June 28, 2019
16.	Electrolytic Detachment Mechanism and Electrolytic Detachment Device (電解脱機構以及電解脱装置)	Invention	CN2018111702576	MP NeuroTech Shanghai	PRC	September 30, 2018
17.	Medical Stent and Forming Method Therefor (醫用支架及其形成方法)	Invention	CN2018108269635	MP NeuroTech Shanghai	PRC	July 25, 2018

No.	Patent	Type	Application Number	Applicant	Place of Registration	Application Date
18.	Stent, Interventional Medical Device and Interventional Medical System (支架、介入醫療裝置以及介入醫療系統)	Invention	CN2018104050370	MP NeuroTech Shanghai	PRC	April 28, 2018
19.	An Embolism and Preparation Method Therefor (一種栓塞物及其製備方法)	Invention	CN2020116245729	Shendun Medical	PRC	December 31, 2020
20.	An Embolism and Preparation Method Therefor (一種栓塞物及其製備方法)	Invention	CN2020116245790	Shendun Medical	PRC	December 31, 2020
21.	A Preparation Method for Catheter and Catheter Transition Structure (一種導管和導管過渡結構的製備方法)	Invention	PCT/ CN2021/132608	MP NeuroTech Shanghai	WIPO	November 24, 2021
22.	Medical Catheter and Preparation Method Therefor (醫用導管及其製備方法)	Invention	PCT/ CN2021/132607	MP NeuroTech Shanghai	WIPO	November 24, 2021
23.	An Embolism and Preparation Method Therefor (一種栓塞物及其製備方法)	Invention	PCT/ CN2021/130763	Shendun Medical	WIPO	November 15, 2021
24.	An Embolism and Preparation Method Therefor (一種栓塞物及其製備方法)	Invention	PCT/ CN2021/130762	Shendun Medical	WIPO	November 15, 2021
25.	Balloon Catheter (球囊導管)	Invention	PCT/ CN2021/125445	MP NeuroTech Shanghai	WIPO	October 21, 2021
26.	Catheter and Flow Choking Catheter (導管和阻流導管)	Invention	PCT/ CN2021/125444	MP NeuroTech Shanghai	WIPO	October 21, 2021
27.	Hemangioma Occlusion Device, Hemangioma Occlusion Therapeutic Device and Hemangioma Occlusion System (血管瘤封堵裝置、血管瘤封堵治療裝置和血管瘤封堵系統)	Invention	PCT/ CN2021/112627	MP NeuroTech Shanghai	WIPO	August 13, 2021
28.	Hemangioma Occlusion Device, Hemangioma Occlusion Therapeutic Device and Hemangioma Occlusion System (血管瘤封堵裝置、血管瘤封堵治療裝置和血管瘤封堵系統)	Invention	PCT/ CN2021/112628	MP NeuroTech Shanghai	WIPO	August 13, 2021
29.	Hemangioma Occlusion Device, Hemangioma Occlusion Therapeutic Device and Hemangioma Occlusion System (血管瘤封堵裝置、血管瘤封堵治療裝置和血管瘤封堵系統)	Invention	PCT/ CN2021/112629	MP NeuroTech Shanghai	WIPO	August 13, 2021
30.	An Intravascular Stent (一種血管支架)	Invention	PCT/ CN2021/112630	MP NeuroTech Shanghai	WIPO	August 13, 2021
31.	A Catheter (一種導管)	Utility model	PCT/ CN2021/111916	MP NeuroTech Shanghai	WIPO	August 10, 2021
32.	Electrolytic Detachment Coil Pusher End Structure and Detachment System and Embolization System Therefor (電解脫彈簧圈推送杆端部結構及其解脫系統、栓塞系統)	Invention	PCT/ CN2021/110686	MP NeuroTech Shanghai	WIPO	August 4, 2021
33.	Imaging Structure, Stent and Thrombectomy System (顯影結構、支架及取栓系統)	Invention	PCT/ CN2021/113545	MP NeuroTech Shanghai	WIPO	August 19, 2021
34.	Detachment Device, System and Method, and Therapeutic Device (解脫裝置、系統及方法 、治療裝置)	Invention	PCT/ CN2021/108016	MP NeuroTech Shanghai	WIPO	July 23, 2021
35.	Detachment Device, Detachment System and Detachment Method, and Therapeutic Device (解脫裝置、解脫系統及解脫方法、治療裝置)	Invention	PCT/CN/ 2021108015	MP NeuroTech Shanghai	WIPO	July 23, 2021
36.	Catheter Fixation Device and Catheter Protection Device (管固 定裝置和導管保護裝置)	Invention	PCT/ CN2022/072971	MP NeuroTech Shanghai	WIPO	January 20, 2022
37.	Flow Choking Catheter (阻流導管)	Invention	US17460950	MP NeuroTech Shanghai	United States	August 30, 2021

No.	Patent	Type	Application Number	Applicant	Place of Registration	Application Date
38.	A Delivery Guidewire and Therapeutic Device (一種輸送導絲及治療裝置)	Invention	US17409085	MP NeuroTech Shanghai	United States	August 23, 2021
39.	A Delivery Guidewire and Therapeutic Device (一種輸送導絲及治療裝置)	Invention	PCT/ CN2020/112448	MP NeuroTech Shanghai	WIPO	August 31, 2020
40.	Flow Choking Catheter (阻流導管)	Invention	US17460869	MP NeuroTech Shanghai	United States	August 30, 2021
41.	Flow Choking Catheter (阻流導管)	Invention	US17460821	MP NeuroTech Shanghai	United States	August 30, 2021
42.	A Medical Balloon, Balloon Catheter and Medical Device (一種醫用球囊、球囊導管及醫療裝置)	Invention	PCT/ CN2020/096642	MP NeuroTech Shanghai	WIPO	June 17, 2020
43.	Intravascular Implant, Delivery Device and Medical Equipment (血管植入物、輸送裝置及醫療設備)	Invention	PCT/ CN2020/098312	MP NeuroTech Shanghai	WIPO	June 26, 2020
44.	EMBOLISM DEVICE AND SPRING COILS THEREOF	Invention	EP19870690	MP NeuroTech Shanghai	EPO	October 8, 2019
45.	EMBOLISM DEVICE AND SPRING COILS THEREOF	Invention	US17283456	MP NeuroTech Shanghai	United States	October 8, 2019
46.	EMBOLISM DEVICE AND SPRING COILS THEREOF	Invention	RU2021112128	MP NeuroTech Shanghai	Russia	October 8, 2019
47.	EMBOLISM DEVICE AND SPRING COILS THEREOF	Invention	CA3116066	MP NeuroTech Shanghai	Canada	October 8, 2019
48.	EMBOLISM DEVICE AND SPRING COILS THEREOF	Invention	KR1020217013509	MP NeuroTech Shanghai	Korea	October 8, 2019
49.	EMBOLISM DEVICE AND SPRING COILS THEREOF	Invention	JP2021520110	MP NeuroTech Shanghai	Japan	October 8, 2019
50.	ELECTRICAL DETACHMENT MECHANISM AND ELECTRICAL DETACHMENT DEVICE	Invention	EP19866573	MP NeuroTech Shanghai	EPO	September 20, 2019
51.	ELECTRICAL DETACHMENT MECHANISM AND ELECTRICAL DETACHMENT DEVICE	Invention	US17281111	MP NeuroTech Shanghai	United States	September 20, 2019
52.	ELECTRICAL DETACHMENT MECHANISM AND ELECTRICAL DETACHMENT DEVICE	Invention	JP2021542245	MP NeuroTech Shanghai	Japan	September 20, 2019
53.	ELECTRICAL DETACHMENT MECHANISM AND ELECTRICAL DETACHMENT DEVICE	Invention	KR1020217013011	MP NeuroTech Shanghai	Korea	September 20, 2019
54.	EMBOLISM COIL CONVEYING DEVICE AND PREPARATION METHOD THEREFOR	Invention	EP18847082	MP NeuroTech Shanghai	EPO	August 9, 2018
55.	Intravascular Implant, Delivery Device and Medical Equipment (血管植入物、輸送裝置及醫療設備)	Invention	US17617884	MP NeuroTech Shanghai	United States	June 26, 2020
56.	Intravascular Implant, Delivery Device and Medical Equipment (血管植入物、輸送裝置及醫療設備)	Invention	EP208322495	MP NeuroTech Shanghai	EPO	June 26, 2020

(c) Domain names

As of the Latest Practicable Date, we owned the following domain name which we consider is material to our business:

No.	Domain name	Registered Owner	Expiry Date
1.	medneurotech.com	MP NeuroTech Shanghai	August 30, 2023

(d) Copyrights

As of the Latest Practicable Date, we had registered the following software copyright:

No.	Software copyright	Registered owner	Registration number	Place of registration	Registration date
1.	NeuroTech implant release control software (神通植入物解脱控制軟體)	MP NeuroTech Shanghai	2021SR0326761	PRC	March 3, 2021

Save as aforesaid, as of the Latest Practicable Date, there were no other intellectual property rights which we consider to be or may be material to our business.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Particulars of Directors' service contracts and appointment letters

(a) ***Executive Directors***

Each of our executive Directors [has entered into] a service contract with our Company. The initial term of their respective service contract shall commence from the date of his/her appointment as a Director and continue for a period of three years after or until the third annual general meeting of our Company since the **[REDACTED]**, whichever is earlier, and shall be automatically renewed for successive periods of three years (subject always to re-election as and when required under the Articles), until terminated in accordance with the terms and conditions of the service contract or by either party giving to the other not less than three months' prior notice in writing.

(b) ***Non-executive Directors and Independent non-executive Directors***

Each of our non-executive Directors and independent non-executive Directors has entered into an appointment letter with our Company. The initial term for their appointment letters shall commence from the date of his/her appointment as a Director and continue for a period of three years after or until the third annual general meeting of our Company since the **[REDACTED]**, whichever is earlier, and shall be automatically renewed for successive periods of three years (subject always to re-election as and when required under the Articles), until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than three months' prior notice in writing.

2. Remuneration of Directors

The aggregate remuneration (including fees, salaries, allowances and benefits in kind, discretionary bonuses, retirement scheme contributions and equity-settled share-based payment) paid to our Directors for each of the three years ended December 31, 2021 was approximately RMB4.3 million, RMB4.6 million and RMB6.5 million, respectively.

Under the arrangement currently in force, the aggregate remuneration (including fees, salaries, allowances and benefits in kind, discretionary bonuses, retirement scheme contributions and equity-settled share-based payment) of our Directors for the year ending December 31, 2022 is estimated to be no more than approximately RMB5.3 million (excluding discretionary bonus).

3. Disclosure of interests

(a) ***Interests and Short Positions of Our Directors and the Chief Executive of Our Company in the Share Capital of our Company and Its Associated Corporations Following Completion of the*** **[REDACTED]**

Immediately following completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised and each Preferred Share will be converted to one Share upon the **[REDACTED]** becoming unconditional), the interests or short positions of our Directors and chief executives in the Shares, underlying shares and debentures of our Company and its associated corporations, within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/ she is taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, will be as follows:

(i) Long positions in the shares and underlying shares of our associated corporations

Name of Directors	Name of associated corporation	Nature of interest	Percentage of shareholding in the associated corporation
Mr. Peng Bo	MicroPort	Beneficial owner(1)	0.42%
	MicroPort CardioFlow Medtech Corporation (微創心通醫療科技有限公司) ("**MicroPort CardioFlow**")	Beneficial owner(2)	<0.1%
Mr. Xie Zhiyong	MicroPort	Beneficial owner(3)	<0.1%
Mr. Wang Yiqun Bruce	MicroPort	Beneficial owner(4)	<0.1%

Notes:

(1) As of the Latest Practicable Date, Mr. Peng Bo was interested in (i) 869,496 shares of MicroPort; and (ii) 6,841,170 underlying shares of MicroPort by virtue of the options granted to him under a share option scheme of MicroPort.

(2) As of the Latest Practicable Date, Mr. Peng Bo was interested in 54,304 shares of MicroPort CardioFlow.

(3) As of the Latest Practicable Date, Mr. Xie Zhiyong was interested in (i) 638,851 shares of MicroPort; and (ii) 546,883 underlying shares of MicroPort by virtue of the options granted to him under a share option scheme of MicroPort.

(4) As of the Latest Practicable Date, Mr. Wang Yiqun Bruce was interested in 405,620 shares of MicroPort.

(b) ***Interests and Short Positions Discloseable under Divisions 2 and 3 of Part XV of the SFO***

For information on the persons who will, immediately following the completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised and each Preferred Share will be converted to one Share upon the **[REDACTED]** becoming unconditional), having or be deemed or taken to have beneficial interests or short position in our Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of 2 and 3 of Part XV of the SFO, or directly or indirectly be interested in 10% or more of the issued voting shares of any other member of our Company, see "Substantial Shareholders" in this document.

Save as disclosed in the section headed "Substantial Shareholders" in this document, our Directors were not aware of any persons who would, immediately following the completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised and each Preferred Share will be converted to one Share upon the **[REDACTED]** becoming unconditional), having or be deemed or taken to the beneficial interests or short position in our Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of 2 and 3 of Part XV of the SFO, or directly or indirectly be interested in 10% or more of the issued voting shares of any member of our Group or had option in respect of such capital.

4. Disclaimers

(a) Save as disclosed in "—C. Further Information about Our Directors and Substantial Shareholders—1. Particulars of Directors' service contracts and appointment letters" in this appendix, there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between our Directors and any member of our Group;

(b) none of our Directors or the experts named in the paragraph headed "—D. Other Information—4. Qualifications and consents of experts" in this Appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(c) save as disclosed in the section headed "**[REDACTED]**" in this document, or in connection with the **[REDACTED]**, none of our Directors nor any of the experts named in the paragraph headed "—D. Other Information—4. Qualifications and consents of experts" in this Appendix is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group as a whole;

(d) save as disclosed in the section headed "Substantial Shareholders" in this document and "—C. Further Information about Our Directors and Substantial Shareholders—3. Disclosure of Interests" in this appendix, taking no account of any Shares which may be taken up under the **[REDACTED]**, so far as is known to any Director or chief executive of our Company, no other person (other than a Director or chief executive of our Company) will, immediately following completion of the **[REDACTED]**, have interests or short positions in the Shares and underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or (not being a member of our Group), be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group;

(e) save as disclosed in "—C. Further Information about Our Directors and Substantial Shareholders—3. Disclosure of Interests" in this appendix, none of our Directors or chief executive of our Company has any interests or short positions in the Shares, underlying shares or debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or will be required, pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers, to be notified to our Company and the Stock Exchange once the Shares are **[REDACTED]** thereon;

(f) save as disclosed in "**[REDACTED]**—Joint Sponsors' Independence" in this document and save in connection with the **[REDACTED]**, none of the experts named in the paragraph headed "—D. Other Information—4. Qualifications and consents of experts" in this Appendix: (i) is interested legally or beneficially in any of our Shares or any shares in any of our subsidiaries; or (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and

(g) save as disclosed in "Business—Raw Materials and Our Suppliers—Suppliers" in this document, none of our Directors or their respective close associates or any Shareholders of our Company (who to the knowledge of out Directors owns more than 5% of the number of our issued shares) has any interest in out five largest suppliers or our five largest customers.

D. OTHER INFORMATION

1. Estate duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

2. Litigation

As of the Latest Practicable Date, our Directors were not aware of any litigation, arbitration proceedings or claim of material importance is pending or threatened against any member of our Group that could have a material adverse effect on our financial condition or results of operations.

3. Joint Sponsors

The Joint Sponsors [have made] an application on our behalf to the Stock Exchange for the **[REDACTED]** of, and permission to **[REDACTED]**, the Shares in issue, the Shares to be issued pursuant to the **[REDACTED]** (including the additional Shares which may fall to be issued pursuant to exercise of the **[REDACTED]** (if any)). All necessary arrangements [have been made] to enable such Shares to be admitted into **[REDACTED]**.

Each of the Joint Sponsors will be paid by our Company a fee of US$**[REDACTED]** to act as a sponsor to our Company in connection with the **[REDACTED]**.

4. Qualifications and consents of experts

The following experts have each given and have not withdrawn their respective written consents to the issue of this document with copies of their reports, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they are respectively included.

Name	Qualification
J.P. Morgan Securities (Far East) Limited	Licensed under the SFO to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO
China International Capital Corporation Hong Kong Securities Limited	Licensed under the SFO to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO
KPMG	Certified Public Accountants under Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance
Maples and Calder (Hong Kong) LLP	Legal advisers as to Cayman Islands laws
Jia Yuan Law Offices	Legal advisers as to PRC laws
China Insights Industry Consultancy Limited	Industry consultant

Save as disclosed in "**[REDACTED]**—Joint Sponsors' Independence" in this document and save in connection with the **[REDACTED]**, as of the Latest Practicable Date, none of the experts named above had any shareholding interest in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

5. Binding effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

6. No material and adverse change

Our Directors believe that there has been no material or adverse change in the financial or trading or prospects of our Group since September 30, 2021 (being the date to which the latest audited consolidated financial statements of our Group were prepared).

7. Bilingual document

The English language and Chinese language versions of this document are being published separately in reliance upon the exemption provided by section 4 of Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

8. Preliminary expenses

We have not incurred any material preliminary expenses in relation to the incorporation of our Company.

9. Promoters

We have no promoter for the purpose of the Listing Rules.

Save as disclosed in the sections headed "History, Reorganization and Corporate Structure" and "Financial Information" in this document, within the two years immediately preceding the date of this document, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the **[REDACTED]** and the related transactions described in this document.

10. Miscellaneous

(a) Within the two years immediately preceding the date of this document:

(i) save as disclosed in "—A. Further Information about Our Group —2. Changes in the share capital of our Company" and "—A. Further Information about Our Group—3. Change in the share capital of our subsidiaries" in this appendix, neither we nor any of our subsidiaries has issued or agreed to issue any share or loan capital fully or partly paid up either for cash or for a consideration other than cash;

(ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) save as disclosed in the section headed "**[REDACTED]**" in this document, no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of our Group;

(iv) save as disclosed in the section headed "**[REDACTED]**" in this document, no commission has been paid or payable to any persons for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares of our Company or any of our subsidiaries;

(v) no founder, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued;

(vi) our Company has no outstanding convertible debt securities or debentures; and

(vii) there is no arrangement under which future dividends are waived or agreed to be waived or is agreed conditionally or unconditionally to be put under option;

(b) our Directors confirm that there has not been any interruption in the business of our Company which may have or have had a material and adverse effect on the financial position of our Company in the 12 months immediately preceding the date of this document;

(c) the principal register of members of our Company will be maintained by our **[REDACTED]**, **[REDACTED]**, in the Cayman Islands and our Hong Kong branch register of members will be maintained by our **[REDACTED]**, **[REDACTED]**, in Hong Kong. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our **[REDACTED]** and may not be lodged in the Cayman Islands; and

(d) save as disclosed in "Summary—The Spin-Off" and "History, Reorganization and Corporate Structure—Spin-off of Our Group from MicroPort" in this document, no company within our Group is presently listed on any stock exchange or traded on any trading system and no listing or permission to deal is being or is proposed to be sought.

A. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were:

(a) a copy of each of the **[REDACTED]**;

(b) the written consents referred to in the section headed "Statutory and General Information—D. Other information—4. Qualifications and consents of experts" in Appendix IV to this document; and

(c) a copy of each of the material contracts referred to in the section headed "Statutory and General Information—B. Further Information about our Business—1. Summary of material contracts" in Appendix IV to this document.

B. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (**www.hkexnews.hk**) and our Company (**www.medneurotech.com**) up to and including the date which is 14 days from the date of this document:

(a) the Memorandum of Association and the Articles;

(b) the Accountants' Report from KPMG, the text of which is set out in Appendix I to this document;

(c) the report from KPMG in respect of the unaudited *pro forma* financial information, the text of which is set out in Appendix II to this document;

(d) the audited consolidated financial statements of our Group for the financial years ended December 31, 2019, 2020 and 2021;

(e) the material contracts referred to in "Statutory and General Information—B. Further Information about our Business—1. Summary of material contracts" in Appendix IV to this document;

(f) the service agreements and letters of appointment with each of the Directors referred to in "Statutory and General Information—C. Further Information about Our Directors and Substantial Shareholders—1. Particulars of Directors' service contracts and appointment letters" in Appendix IV to this document;

(g) the legal opinion issued by Jia Yuan Law Offices, our PRC Legal Advisers, in respect of our Group's business operations in the PRC;

(h) the letter of advice from Maples and Calder (Hong Kong) LLP, our legal adviser on Cayman Islands laws, summarizing certain aspects of the company law of the Cayman Islands referred to in Appendix III to this document;

(i) the written consents referred to "Statutory and General Information—D. Other information—4. Qualifications and consents of experts" in Appendix IV to this document;

(j) the industry report issued by CIC, our industry consultant; and

(k) the Cayman Companies Act.